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## Oi Wah Pawnshop Credit Holdings Limited

靚華押業信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1319)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

#### FINANCIAL HIGHLIGHTS

		Six months ended 31 August		Change
		2019 HK\$'000	2018 HK\$'000	
Revenue		117,838	112,010	5.2%
Profit before taxation		70,793	64,319	10.1%
Profit for the period attributable to shareholders		59,271	53,646	10.5%
Net profit margin		50.3%	47.9%	
Basic earnings per share (HK cents)		3.1	2.7	
Net interest margin	Note 1	12.7%	12.1%	
For pawn loan services		40.7%	41.0%	
For mortgage loan services		9.3%	8.9%	
		As at 31 August 2019 HK\$'000	As at 28 February 2019 HK\$'000	
Gross loan receivables – principal	Note 2	1,418,249	1,364,806	3.9%
– Pawn receivables of amortised cost		33,144	29,837	
– Pawn receivables of fair value through profit or loss		116,019	111,674	
– Mortgage receivables of amortised cost		1,269,086	1,223,295	
Total assets		1,617,333	1,441,303	12.2%
Total equity		867,949	822,829	5.5%

**Note 1:** Net interest margin during the period refers to our interest income in respect of our pawn loans and mortgage loans less our finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the period.

**Note 2:** Under new accounting standard HKFRS 9, pawn loan receivables under the Pawnbrokers Ordinance will be measured at fair value through profit or loss, and pawn loan and mortgage loan receivables under the Money Lenders Ordinance will be measured at amortised cost.

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Oi Wah Pawnshop Credit Holdings Limited (the “**Company**” or “**our Company**”) is pleased to announce the unaudited interim results of our Company and its subsidiaries (collectively referred to as the “**Group**” or “**our Group**”) for the six months ended 31 August 2019, with the comparative figures for the corresponding period in 2018 as follows:

### Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income for the six months ended 31 August 2019

		Six months ended 31 August	
		2019	2018
	Notes	\$'000	\$'000
		(unaudited)	(unaudited)
<b>Revenue</b>	6	<b>117,838</b>	112,010
Other income	7	<u>1,515</u>	<u>3,662</u>
<b>Operating income</b>		<b>119,353</b>	115,672
Other operating expenses	8(b)	(26,440)	(28,982)
Charge for impairment losses on loan receivables		<u>–</u>	<u>(771)</u>
<b>Profit from operations</b>		<b>92,913</b>	85,919
Finance costs	8(a)	<u>(22,120)</u>	<u>(21,600)</u>
<b>Profit before taxation</b>		<b>70,793</b>	64,319
Income tax	9	<u>(11,522)</u>	<u>(10,673)</u>
<b>Profit and total comprehensive income for the period attributable to shareholders</b>		<u><b>59,271</b></u>	<u>53,646</u>
<b>Earnings per share (in HK cents)</b>	10	<u><b>3.1</b></u>	<u>2.7</u>

# Condensed Consolidated Statement of Financial Position

as at 31 August 2019

		<b>31 August 2019</b>	28 February 2019
	<i>Notes</i>	<b>\$'000</b>	<b>\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,871</b>	1,974
Right-of-use assets	<i>11</i>	<b>21,073</b>	–
Loan receivables	<i>12</i>	<b>65,972</b>	81,928
Deferred tax assets		<b>328</b>	229
		<b>89,244</b>	84,131
<b>Current assets</b>			
Reposessed assets		<b>7,590</b>	6,451
Loan receivables	<i>12</i>	<b>1,373,548</b>	1,304,277
Trade and other receivables	<i>13</i>	<b>5,108</b>	5,026
Cash and cash equivalents	<i>14</i>	<b>141,843</b>	41,418
		<b>1,528,089</b>	1,357,172
<b>Current liabilities</b>			
Accruals and other payables	<i>16</i>	<b>9,476</b>	6,691
Bank loans and overdrafts	<i>15</i>	<b>79,483</b>	83,950
Obligations under finance leases		–	76
Lease liabilities	<i>11</i>	<b>9,405</b>	–
Loans from the immediate holding company	<i>17</i>	<b>104,000</b>	94,000
Current taxation		<b>12,726</b>	5,960
Other loans	<i>18</i>	<b>359,552</b>	265,232
		<b>574,642</b>	455,909
<b>Net current assets</b>		<b>953,447</b>	901,263
<b>Total assets less current liabilities</b>		<b>1,042,691</b>	985,394

		<b>31 August 2019</b>	28 February 2019
	<i>Notes</i>	<b>\$'000</b>	<b>\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current liabilities</b>			
Debt securities issued	19	<b>162,623</b>	162,565
Lease liabilities	11	<b>12,119</b>	—
		<u><b>174,742</b></u>	<u>162,565</u>
<b>NET ASSETS</b>		<u><b>867,949</b></u>	<u>822,829</u>
<b>CAPITAL AND RESERVES</b>			
Capital	20	<b>19,385</b>	19,385
Reserves		<u><b>848,564</b></u>	<u>803,444</u>
<b>TOTAL EQUITY</b>		<u><b>867,949</b></u>	<u>822,829</u>

**Condensed Consolidated Statement of Changes in Equity**  
*for the six months ended 31 August 2019*

	Share capital/Paid- in capital \$'000	Share premium \$'000	Capital reserve \$'000	Capital redemption reserve \$'000	Other reserve \$'000	Retained profits \$'000	Total \$'000
<b>At 28 February 2019 and 1 March 2019 (audited)</b>	<b>19,385</b>	<b>90,151</b>	<b>44,963</b>	<b>1,999</b>	<b>12,001</b>	<b>654,330</b>	<b>822,829</b>
Profit and total comprehensive income	-	-	-	-	-	59,271	59,271
Final dividends declared and paid in respect of previous year	-	(14,151)	-	-	-	-	(14,151)
<b>At 31 August 2019 (unaudited)</b>	<b>19,385</b>	<b>76,000</b>	<b>44,963</b>	<b>1,999</b>	<b>12,001</b>	<b>713,601</b>	<b>867,949</b>
<b>At 28 February 2018 and 1 March 2018 (audited)</b>	<b>20,874</b>	<b>156,358</b>	<b>44,963</b>	<b>502</b>	<b>12,001</b>	<b>553,431</b>	<b>788,129</b>
Impact on initial application of HKFRS 9	-	-	-	-	-	78	78
<b>Adjusted balance at 1 March 2018</b>	<b>20,874</b>	<b>156,358</b>	<b>44,963</b>	<b>502</b>	<b>12,001</b>	<b>553,509</b>	<b>788,207</b>
Profit and total comprehensive income	-	-	-	-	-	53,646	53,646
Purchase of own shares	(1,366)	(46,036)	-	1,366	-	-	(46,036)
<b>At 31 August 2018 (unaudited)</b>	<b>19,508</b>	<b>110,322</b>	<b>44,963</b>	<b>1,868</b>	<b>12,001</b>	<b>607,155</b>	<b>795,817</b>

**Condensed Consolidated Statement of Cash Flows**  
for the six months ended 31 August 2019

	<b>Six months ended 31 August</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>(restated)</b>
		<b>(Note)</b>
<b>Operating activities</b>		
Operating profit before changes in working capital	<b>98,617</b>	86,993
Increase in loan receivables	<b>(53,320)</b>	(85,765)
Other cash flows generated from operations	<b>607</b>	4,049
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>45,904</b>	5,277
Hong Kong Profits Tax paid	<b>(5,020)</b>	(6,678)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>	<b>40,884</b>	(1,401)
	<hr/>	<hr/>
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	<b>(217)</b>	(1,029)
Proceeds from disposal of property, plant and equipment	<b>–</b>	60
Proceeds from disposal of a subsidiary	<b>100</b>	–
Other cash flows generated from investing activities	<b>3</b>	2
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(114)</b>	(967)
	<hr/>	<hr/>
<b>Financing activities</b>		
New loans raised from the immediate holding company	<b>50,000</b>	67,200
Repayments of loans from the immediate holding company	<b>(40,000)</b>	(42,000)
Finance costs paid	<b>(20,515)</b>	(21,124)
New other loans raised	<b>128,000</b>	150,800
Repayments of other loans	<b>(33,680)</b>	(93,428)
New bank loans raised	<b>4,690</b>	7,883
Repayments of bank loans	<b>(8,929)</b>	(13,072)
Payments for purchase of own shares	<b>–</b>	(46,036)
Dividends paid	<b>(14,151)</b>	–
Payment of lease liabilities (2018: payment of finance lease liabilities)	<b>(5,532)</b>	(114)
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>59,883</b>	10,109
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>100,653</b>	7,741
	<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of period (note 14)</b>	<b>36,151</b>	39,836
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of period (note 14)</b>	<b>136,804</b>	47,577
	<hr/>	<hr/>

*Note:* Certain comparative figures have been restated to conform with current year's presentation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 GENERAL INFORMATION

Oi Wah Pawnshop Credit Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands and is listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries (together referred to as “**the Group**”) are principally engaged in secured financing business in Hong Kong, including pawn loans and mortgage loans.

## 2 BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 31 August 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The condensed consolidated financial statements of the Group for the six months ended 31 August 2019 are presented in Hong Kong dollars (“**HKD**” or “**\$**”) and all values are rounded to the nearest thousand (\$’000) except when otherwise indicated.

## 3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 28 February 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), which include HKFRSs, Hong Kong Accounting Standards (“**HKAS**”) amendments and interpretations (“**Int**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 March 2019:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## **Impacts on adoption of HKFRS 16 Leases**

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 March 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

### **The Group as lessee**

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 6.01%.

The Group recognises right-of-use assets and measures them at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group leases motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 March 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities and the carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

### **The Group as lessor**

The Group leases certain pawnshops and subleases certain portion of the pawnshops. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17. For sublease, under HKAS 17, the head lease and sublease contracts were classified as operating leases. On transition to HKFRS 16, the right-of-use assets recognised from the head leases are presented in the condensed consolidated financial statements. The sublease contracts are classified as operating leases by reference to the right-of-use asset arising from the head lease under HKFRS 16.



The following table summarises the impact of transition to HKFRS 16 at 1 March 2019. Line items that were not affected by the adjustments have not been included.

		<b>Carrying amount previously reported at 28 February 2019</b>	<b>Impact on adoption of HKFRS 16</b>	<b>Carrying amount restated at 1 March 2019</b>
	<i>Notes</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Property, plant and equipment	(a)	1,974	(83)	1,891
Right-of-use assets	(a), (b)	–	26,332	26,332
Obligation under finance leases – current	(a)	76	(76)	–
Lease liabilities – current	(a), (b)	–	9,625	9,625
Lease liabilities – non-current	(a), (b)	–	16,700	16,700

- (a) The obligations under finance leases of \$76,000 as at 28 February 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to \$83,000 is reclassified to right-of-use assets.
- (b) As at 1 March 2019, right-of-use assets were measured at an amount equal to the lease liability of \$26,249,000.

### **Practical expedients applied**

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease.
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## 4 CHANGES IN ACCOUNTING POLICIES

### Leases

#### *Definition of a lease*

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

#### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### *Lease liabilities*

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

#### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “credit loss and impairment of assets” policy as stated in the Group’s annual consolidated financial statements for the year ended 28 February 2019.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other operating expenses” in the consolidated statement of profit or loss and other comprehensive income.

### *Lease modification*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

### ***The Group as lessor***

#### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease as follows:

- if the head lease is a short-term lease, the sublease shall be classified as an operating lease;
- otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

## **5 SEGMENT REPORTING**

The Group has one reportable segment, which is the provision of secured financing business in Hong Kong, including pawn loans and mortgage loans. Therefore, no additional reportable segment and geographical information has been presented.

## 6 REVENUE

The principal activities of the Group are the granting of pawn loans and mortgage loans in Hong Kong.

Revenue represents interest income earned on pawn loans and mortgage loans and gain on disposal of repossessed assets. The amount of each significant category of revenue recognised during the period is as follows:

	<b>Six months ended 31 August</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue from pawn loan business		
– Interest income from pawn loan receivables at fair value through profit or loss (“FVPL”)	<b>27,679</b>	25,577
– Interest income from pawn loan receivables calculated using the effective interest method	<b>5,210</b>	3,615
– Gain on disposal of repossessed assets	<b>3,719</b>	3,940
Total revenue from pawn loan business	<b>36,608</b>	33,132
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	<b>81,230</b>	78,878
Total	<b>117,838</b>	112,010

Cost of disposed of repossessed assets for the six months ended 31 August 2019 amounted to \$25.7 million (six months ended 31 August 2018: \$23.4 million).

The Group’s customer base is diversified and does not include any customer (six months ended 31 August 2018: one) with whom transactions have exceeded 10% of the Group’s revenue as at 31 August 2019. During the six months ended 31 August 2018, revenues from interest income earned on mortgage loan receivables from this customer, including interest income from entities which are known to the Group to be under common control with this customer, amounted to approximately \$14.0 million.

## 7 OTHER INCOME

	Six months ended 31 August	
	2019	2018
	\$'000	\$'000
	(unaudited)	(unaudited)
Rental income	796	794
Credit related fee income	554	2,095
Bank interest income	3	2
Gain on disposal of subsidiary ( <i>note</i> )	100	–
Others	62	771
	<u>1,515</u>	<u>3,662</u>

*Note:* Dream City Credit Limited, previously known as Oi Wah Finance Limited, an indirect wholly owned subsidiary of the Group located in Hong Kong and owned Money Lender License has been disposed of during the six months ended 31 August 2019 to an independent third party at a cash consideration of \$100,000.

## 8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 31 August	
	2019	2018
	\$'000	\$'000
	(unaudited)	(unaudited)
<b>(a) Finance costs</b>		
Finance charges on obligations under finance leases	–	4
Interest on loans from the immediate holding company	2,718	3,322
Interest on bank loans and overdrafts	2,370	2,010
Interest on other loans	11,309	11,302
Interest on debt securities issued	4,992	4,962
Interest expense on lease liabilities	731	–
	<u>22,120</u>	<u>21,600</u>
<b>(b) Other operating expenses</b>		
Net loss on disposal of property, plant, and equipment	–	86
Depreciation of property, plant and equipment	237	216
Depreciation of right-of-use assets	5,259	–
Net losses on loan receivables at FVPL	5	3
Staff costs	12,409	11,835
Premises and equipment expenses excluding depreciation	1,357	6,419
Advertising expenses	2,077	3,765
Auditor's remuneration	443	615
Legal and professional fees	1,534	2,433
Others	3,119	3,610
	<u>26,440</u>	<u>28,982</u>

## 9 INCOME TAX

The Group calculates the income tax for the periods using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax in the condensed consolidated statement of profit or loss and other comprehensive income are:

	<b>Six months ended 31 August</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax – Hong Kong Profits Tax	<b>11,621</b>	10,584
Deferred taxation	<b>(99)</b>	89
	<hr/>	<hr/>
Income tax expense	<b>11,522</b>	10,673
	<hr/>	<hr/>

The provision for Hong Kong Profits Tax for 2019 is calculated at 8.25% for the first \$2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above \$2,000,000 for the Group entity qualified for the two-tiered profits tax rates regime introduced pursuant to the Inland Revenue (Amendment) (No. 7) Bill 2017 (six months ended 31 August 2018: single flat rate of 16.5%).

## 10 EARNINGS PER SHARE

### Basic earnings per share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

### *Earnings*

	<b>Six months ended 31 August</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	<b>59,271</b>	53,646
	<hr/>	<hr/>

## *Number of shares*

	<b>Six months ended 31 August</b>	
	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,938,468</b>	2,087,360
Effect of purchase of own shares	<u>—</u>	<u>(85,367)</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><b>1,938,468</b></u>	<u>2,001,993</u>

The basic earnings per share and the diluted earnings per share are the same as there was no potential dilutive ordinary shares in issue during both periods.

## **11 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

### **Right-of-use assets**

Upon adoption of HKFRS 16, on 1 March 2019, the Group recognised right-of-use assets of \$26,332,000 representing the leased properties amounting to \$26,249,000 and reclassification of motor vehicle from property, plant and equipment amounting to \$83,000 (note 3). As at 31 August 2019, the carrying amounts of right-of-use assets were \$21,073,000 in respect of the leased properties.

### **Lease liabilities**

	<b>31 August</b>
	<b>2019</b>
	<b>\$'000</b>
	<b>(unaudited)</b>
Current	<b>9,405</b>
Non-current	<u><b>12,119</b></u>
	<u><b>21,524</b></u>

Upon adoption of HKFRS 16, on 1 March 2019, the Group recognised lease liabilities of \$26,325,000 (note 3).



## Amounts recognised in profit or loss

	For the six months ended 31 August 2019 \$'000 (unaudited)
Depreciation expense on right-of-use assets	5,259
Interest expense on lease liabilities	731
Expense relating to short-term leases	1,177
Expenses relating to variable lease payments not included in the measurement of the lease liabilities	180
Income from subleasing right-of-use assets	(796)
	<hr/>
	6,551
	<hr/>

## Others

At 31 August 2019, the Group is committed to approximately \$150,000 for short-term leases.

At 31 August 2019, the Group is committed to approximately \$9,660,000 for lease agreements not yet commenced.

The total cash outflow for leases amount to \$5,532,000.

Certain lease entered by the Group contains variable lease payment terms only that are based on the sub-leasing income generated from the relevant leased pawnshops.

## 12 LOAN RECEIVABLES

	31 August 2019 \$'000 (unaudited)	28 February 2019 \$'000 (audited)
Loan receivables at amortised cost		
– Pawn loans	33,144	29,837
– Accrued interests of pawn loans	673	591
	<u>33,817</u>	<u>30,428</u>
– Mortgage loans	1,269,086	1,223,295
– Accrued interests of mortgage loans	11,805	12,505
	<u>1,280,891</u>	<u>1,235,800</u>
Less: impairment allowance (stage 3)	<u>(1,000)</u>	<u>(1,000)</u>
Net mortgage loan receivables	1,279,891	1,234,800
Net loan receivables at amortised cost	1,313,708	1,265,228
Loan receivables at FVPL		
– Pawn loans	125,812	120,977
Total loan receivables	1,439,520	1,386,205
Current portion included under current assets	<u>(1,373,548)</u>	<u>(1,304,277)</u>
Amounts due after one year included under non-current assets	<u>65,972</u>	<u>81,928</u>

## Ageing analysis

Ageing analysis is prepared based on contractual due date and not net of loss allowance.

	<b>Pawn loans at amortised cost \$'000</b>	<b>Pawn loans at FVPL \$'000</b>	<b>Mortgage loans \$'000</b>	<b>Total \$'000</b>
<b>31 August 2019 (unaudited)</b>				
Not past due	31,055	123,134	1,036,030	1,190,219
Less than 1 month past due	2,762	2,221	197,217	202,200
1 to less than 3 months past due	–	457	32,593	33,050
3 to less than 6 months past due	–	–	7,713	7,713
6 months to 1 year past due	–	–	–	–
Over 1 year past due	–	–	7,338	7,338
	<u>33,817</u>	<u>125,812</u>	<u>1,280,891</u>	<u>1,440,520</u>
<b>28 February 2019 (audited)</b>				
Not past due	27,023	117,852	1,034,040	1,178,915
Less than 1 month past due	3,090	2,445	72,880	78,415
1 to less than 3 months past due	315	441	112,693	113,449
3 to less than 6 months past due	–	239	–	239
6 months to 1 year past due	–	–	8,661	8,661
Over 1 year past due	–	–	7,526	7,526
	<u>30,428</u>	<u>120,977</u>	<u>1,235,800</u>	<u>1,387,205</u>

Of these mortgage loans which have been past due for one month or above, except for one mortgage loan amounted to \$7.3 million on which an allowance for expected credit loss has been recognised, the respective valuations of the collateral can fully cover the outstanding balances of these loans as at 31 August 2019. In respect of the mortgage loans which have been past due for less than one month, the amounts mainly represent occasional delay in repayment and are not an indication of significant deterioration of credit quality of these mortgage loans.

### 13 TRADE AND OTHER RECEIVABLES

	31 August 2019 \$'000 (unaudited)	28 February 2019 \$'000 (audited)
Trade receivables	684	564
Deposits, payments in advance	4,322	4,360
Others	102	102
	<u>5,108</u>	<u>5,026</u>

Trade receivables are due within 60 days from the date of billing. All of the trade and other receivables are not impaired and expected to be recovered within one year.

### 14 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 August 2019 \$'000 (unaudited)	28 February 2019 \$'000 (audited)
Cash in hand	5,638	5,344
Cash at banks	<u>136,205</u>	<u>36,074</u>
Cash and cash equivalents in the condensed consolidated statements of financial position	141,843	41,418
Bank overdrafts ( <i>note 15</i> )	<u>(5,039)</u>	<u>(5,267)</u>
Cash and cash equivalents in the condensed consolidated statements of cash flows	<u>136,804</u>	<u>36,151</u>

## 15 BANK LOANS AND OVERDRAFTS

The details of the bank loans and overdrafts were as follows:

	<b>31 August 2019 \$'000 (unaudited)</b>	28 February 2019 \$'000 (audited)
Unsecured bank overdrafts ( <i>note 15(a)</i> )	<u>5,039</u>	<u>5,267</u>
Bank loans, secured ( <i>note 15(b)</i> )	<b>50,000</b>	50,000
Bank loans, unsecured ( <i>note 15(c)</i> )	<u>24,444</u>	<u>28,683</u>
	<u><b>74,444</b></u>	<u>78,683</u>
Total bank loans and overdrafts – repayable within 1 year or on demand	<u><b>79,483</b></u>	<u>83,950</u>

- (a) At 31 August 2019, unsecured bank overdraft facilities of \$11.5 million (28 February 2019: \$11.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above.
- (b) At 31 August 2019, uncommitted secured revolving bank loan facility of the lower of \$50.0 million (28 February 2019: \$50.0 million) and a certain percentage of the aggregate principal amount of the mortgage loan receivables of a subsidiary which are then charged to the bank were obtained. The tenor for the facility ranged from one month, two months, three months or six months as selected by the subsidiary. These uncommitted secured revolving bank loan facility is secured by the Groups' mortgage loan receivables with a carrying value of approximately \$246.8 million (28 February 2019: \$266.3 million) and utilised to the extent as disclosed above.
- (c) At 31 August 2019, unsecured bank loan facilities of \$24.4 million (28 February 2019: \$28.7 million) were provided to the subsidiaries and utilised to the extent as disclosed above.

During the period, the Group had fulfilled all the financial covenants, if any, under the Group's banking facilities and all banking facilities were guaranteed by the Company.

## 16 ACCRUALS AND OTHER PAYABLES

	31 August 2019 \$'000 (unaudited)	28 February 2019 \$'000 (audited)
Accrued interest expense	3,941	3,125
Accrued expenses	3,797	2,295
Provision for long services payment	828	687
Other payable and deposits received	910	584
	<u>9,476</u>	<u>6,691</u>

All of the accruals and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

## 17 LOANS FROM THE IMMEDIATE HOLDING COMPANY

The loans from the immediate holding company are unsecured, interest-bearing at 5% per annum and repayable within one year.

## 18 OTHER LOANS

The Group obtained uncommitted secured revolving loan facility from an independent third party. The limit of the facility is the lower of \$439.0 million (28 February 2019: \$440.3 million) and a certain percentage of the aggregate principal amount of the mortgage loan receivables of the subsidiaries which are then sub-charged/sub-mortgaged to the independent third party. These uncommitted secured revolving loan facility is secured by the Group's mortgage loan receivables with a carrying value of \$449.4 million (28 February 2019: \$331.5 million).

## 19 DEBT SECURITIES ISSUED

The debt securities are unsecured, denominated in HKD, interest-bearing ranging from 6% to 7% per annum with interest coupon being paid semi-annually and will be matured in between 2021 and 2025. All debt securities issued are measured at amortised cost.

## 20 CAPITAL AND DIVIDENDS

### (a) Share Capital

	Par value \$	No of shares '000	Nominal value of ordinary shares \$'000
<b>Authorised:</b>			
At 1 March 2018, 31 August 2018 and 1 March 2019, 31 August 2019	0.01	<u>100,000,000</u>	<u>1,000,000</u>
<b>Issued and fully paid:</b>			
At 1 March 2018 (audited)	0.01	2,087,360	20,874
Scrip dividend issued	0.01	836	8
Purchase of own shares	0.01	<u>(149,728)</u>	<u>(1,497)</u>
At 28 February 2019 and 1 March 2019 (audited) and 31 August 2019 (unaudited)		<u>1,938,468</u>	<u>19,385</u>

### (b) Dividends

- (i) Interim dividends payable in respect of the financial period ended 31 August 2019 approved:

	Six months ended 31 August 2019 \$'000 (unaudited)	2018 \$'000 (unaudited)
Interim dividend declared after the interim period of \$1.07 cents per ordinary share (2018: \$0.83 cents per ordinary share)	<u>20,742</u>	<u>16,146</u>

The interim dividend declared for the period ended 31 August 2019 will be satisfied by way of cash.

- (ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	<b>Six months ended 31 August</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Final dividend in respect of the previous financial year, approved and paid during the following interim period of \$0.73 cents per ordinary share (2018: Nil)	<b>14,151</b>	—

## 21 OPERATING LEASE COMMITMENTS

### Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	<b>28 February 2019 \$'000 (audited)</b>
Within one year	<b>12,432</b>
After one year but within five years	<b>17,639</b>
	<b>30,071</b>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years. Lease payments are usually increased at the end of the lease term to reflect market rentals. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases of properties are receivable as follows:

	<b>31 August 2019 \$'000 (unaudited)</b>	<b>28 February 2019 \$'000 (audited)</b>
Within one year	<b>1,354</b>	1,378
After one year but within five years	<b>2,960</b>	956
	<b>4,314</b>	2,334

The Group sub-leases out a number of properties under operating leases. The leases typically run for an initial period of 1 to 5 years. Lease payments are usually increased at the end of the lease term to reflect market rentals. None of the leases includes contingent rentals.



## 22 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the interim financial report, the Group entered into the following material related party transactions:

### (a) Key management personnel remuneration

	Six months ended 31 August	
	2019	2018
	\$'000	\$'000
	(unaudited)	(unaudited)
Salary and other emoluments	3,076	3,043
Contributions to Mandatory Provident Fund	45	45
Others	11	11
	<u>3,132</u>	<u>3,099</u>

### (b) Transactions with other related parties

During the period, the Group entered into transactions with related parties in the ordinary course of its business as follows:

	Six months ended 31 August	
	2019	2018
	\$'000	\$'000
	(unaudited)	(unaudited)
Lease payments to		
– Kwan Chart (Holding) Company Ltd. (note)	480	480
– Kwan Chart Estate Company Ltd. (note)	330	307
– Mr. Chan Chart Man	540	508
	<u>1,350</u>	<u>1,295</u>
Management fee incurred to		
– Kwan Chart Estate Company Ltd. (note)	–	33
	<u>–</u>	<u>33</u>
	<b>31 August</b>	<b>28 February</b>
	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Lease deposits placed with		
– Kwan Chart (Holding) Company Ltd. (note)	160	160
– Kwan Chart Estate Company Ltd. (note)	110	110
– Mr. Chan Chart Man	180	180
	<u>450</u>	<u>450</u>
Management fee deposit placed with		
– Kwan Chart Estate Company Ltd. (note)	22	22
	<u>22</u>	<u>22</u>

*Note:* A director of the Company has beneficial interest in this company.

The directors of the Company consider that all related party transactions during the periods were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Our Group is a financing service provider in Hong Kong operating under the brand name of “Oi Wah”, which is principally engaged in providing secured financing, including mortgage loans and pawn loans.

### MORTGAGE LOAN BUSINESS

For the six months ended 31 August 2019 (“**FP2020**” or the “**Period**”), the mortgage loan business remained as a major source of income of the Group. During the Period, the interest income increased by approximately HK\$2.3 million or 2.9% from approximately HK\$78.9 million for the six months ended 31 August 2018 (“**FP2019**”) to approximately HK\$81.2 million in FP2020. Revenue generated from the mortgage loan business in FP2020 accounted for approximately 68.9% of the Group’s total revenue during the Period. The gross mortgage loan receivables increased from approximately HK\$1,223.3 million as at 28 February 2019 to approximately HK\$1,269.1 million as at 31 August 2019, where the total amount of new mortgage loans granted was approximately HK\$306.6 million during FP2020. During the Period, there were 84 new cases of mortgage loan transactions while no bad debt was recorded.

In FP2020, the Group continued to adopt a cautious and prudent approach when granting loans, as well as maintain a higher proportion of first mortgage loans in the Group’s portfolio to manage risk. During the Period, the loan-to-value ratio for first mortgage was approximately 49.4% and the overall loan-to-value ratio for subordinate mortgage was approximately 52.6%, in which the loan-to-value ratio of subordinate mortgage that the Group participated in was approximately 13.6%.

### PAWN LOAN BUSINESS

Due to an ongoing rise in gold price during the Period, the revenue generated from the pawn loan business increased by approximately HK\$3.5 million or 10.6% from approximately HK\$33.1 million in FP2019 to approximately HK\$36.6 million in FP2020. Interest income derived from pawn loan receivables increased by approximately HK\$3.7 million or 12.7% from approximately HK\$29.2 million in FP2019 to approximately HK\$32.9 million in FP2020, while revenue derived from disposal of repossessed assets slightly decreased by approximately HK\$0.2 million or 5.1% from approximately HK\$3.9 million in FP2019 to approximately HK\$3.7 million in FP2020.

During the Period, the Group continued to channel resources to advertising and promotion to enhance the Group’s brand exposure. Such effort has generated demand for one-to-one pawn loan appointment services for pawn loans exceeding HK\$0.1 million. The number of pawn loan transactions granted of such amount increased from 217 transactions in FP2019 to 274 transactions in FP2020. The average loan amount also increased to approximately HK\$9,200 per transaction (FP2019: HK\$7,700 per transaction).

## INDUSTRY OVERVIEW

Due to the uncertainties of the US-China trade conflict and Brexit, as well as risk aversion among investors, gold price had increased sharply since the second quarter of 2019 and reached a six-year high (which was above the major psychological level of US\$1,500 per ounce). The Board believes that gold price will remain strong in the near future and will have a positive impact on the Group's pawn loan business.

Meanwhile, the Hong Kong government announced the relaxation of mortgage restrictions to increase the ceiling for mortgage financing scheme. It is an initiative that aims to help first-time homebuyers who have sufficient income to cover monthly mortgage repayments but do not have enough funds for the down payment. It is expected to result in a boost of property prices in the short run. However, the recent social unrest in Hong Kong and uncertainties of the global economy have rendered the property market unpredictable. Homebuyers should be cautious of the increase in leverage level and market risk.

## FINANCIAL REVIEW

### Revenue

Our Group's revenue increased from approximately HK\$112.0 million in FP2019 to approximately HK\$117.8 million in FP2020, representing an increase of approximately HK\$5.8 million or 5.2%. An increase in revenue was recorded in both our pawn loan and mortgage loan businesses.

#### *Mortgage loan business*

The increase in our interest income generated from our mortgage loan business of approximately HK\$2.3 million or 2.9% (from approximately HK\$78.9 million in FP2019 to approximately HK\$81.2 million in FP2020) was mainly due to the upward adjustment of the interest rate charged on our mortgage loans since the fourth quarter of 2018.

#### *Pawn loan business*

Revenue generated from our pawn loan business increased from approximately HK\$33.1 million in FP2019 to approximately HK\$36.6 million in FP2020, representing an increase of approximately HK\$3.5 million or 10.6%. This was attributable to the increase in our interest income generated from our loan receivables of approximately HK\$3.7 million or 12.7% from approximately HK\$29.2 million in FP2019 to approximately HK\$32.9 million in FP2020, which was netted off against the decrease in gain on disposal of repossessed assets of approximately HK\$0.2 million or 5.1% from approximately HK\$3.9 million in FP2019 to approximately HK\$3.7 million in FP2020.

The increase in our interest income generated from our pawn loan receivables was primarily attributable to (i) an increase in the average month end balance for the gross pawn loan receivables from approximately HK\$141.8 million in FP2019 to approximately HK\$157.4 million in FP2020; (ii)

an increase in the aggregate amount of pawn loans granted from approximately HK\$330.8 million in FP2019 to approximately HK\$386.0 million in FP2020; and (iii) the increase in the average amount of the pawn loans granted, which rose from approximately HK\$7,700 per transaction in FP2019 to approximately HK\$9,200 per transaction in FP2020.

Revenue from disposal of repossessed assets represents the gain/(loss) we received as we sold the repossessed assets in the event of default in repayment of our pawn loans. The decrease in our gain on disposal of repossessed assets in FP2020 was mainly due to the rebound in the second-hand market of luxury items such as diamonds and branded watches in FP2019 while the second-hand market in luxury items remained stable in FP2020. Since every pawn loan has a term of four lunar months, the revenue increase with the appreciation of luxury goods in FP2019 and thus a better result in gain on disposal of repossessed assets in FP2019.

### **Other revenue**

Other revenue dropped from approximately HK\$3.7 million in FP2019 to approximately HK\$1.5 million in FP2020, representing a decrease of approximately HK\$2.2 million or 59.5%, which was mainly due to the decrease in our credit-related fee income (i.e. early repayment fees and handling charges received from our mortgage loan customers) of approximately HK\$1.5 million.

### **Operating expenses**

Operating expenses were reduced by approximately HK\$2.6 million or 9.0% from approximately HK\$29.0 million in FP2019 to approximately HK\$26.4 million in FP2020.

During FP2020, staff costs slightly increased by approximately HK\$0.6 million or 5.1% from approximately HK\$11.8 million in FP2019 to approximately HK\$12.4 million in FP2020. The increase was mainly contributed by the increase in the basic salary and bonus for staff of approximately HK\$0.3 million.

According to HKFRS 16, all operating leases should be treated as finance leases in FP2020. Thus, the contractual liabilities for the rental agreements are discounted and recognised as right-to-use assets. Rental expenses and depreciation for right-to-use assets slightly increased by approximately HK\$0.2 million or 3.1% from approximately HK\$6.4 million in FP2019 to approximately HK\$6.6 million in FP2020. It was mainly resulted from the increase in rent for several pawnshops during FP2020.

Apart from staff costs, rental expenses and depreciation for right-to-use assets of approximately HK\$18.2 million and HK\$19.0 million in FP2019 and FP2020 respectively as mentioned above, other operating expenses dropped by approximately HK\$3.4 million or 31.5% from approximately HK\$10.8 million in FP2019 to approximately HK\$7.4 million in FP2020, which was primarily attributable to the decrease in advertising expenses, legal and professional fees and commission fees of approximately HK\$1.7 million, HK\$0.9 million and HK\$0.3 million respectively.

## **Finance costs**

The finance costs increased by approximately HK\$0.5 million or 2.3% from approximately HK\$21.6 million in FP2019 to approximately HK\$22.1 million in FP2020 after netting off against the decrease in bank loans and overdrafts of approximately HK\$4.5 million in FP2020. It was mainly due to the increase in other loans and loans from the immediate holding company in FP2020 for funding our mortgage loan portfolios.

## **Income tax expenses**

Our Group's effective tax rate was approximately 16.5% in FP2019 and FP2020. No material change was noted.

## **Profit and total comprehensive income for the period**

Our Group's profit increased from approximately HK\$53.6 million in FP2019 to approximately HK\$59.3 million in FP2020, representing an increase of approximately HK\$5.7 million or 10.5%. The increase was mainly attributable to the increase in revenue of approximately HK\$5.8 million and the decrease in advertising expenses, legal and professional fees and commission fees of approximately HK\$1.7 million, HK\$0.9 million and HK\$0.3 million respectively, netting off against the decrease in other revenue of approximately HK\$1.5 million and increase in staff costs of approximately HK\$0.6 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 August 2019, cash and cash equivalents (after netting off against the bank overdrafts) amounted to approximately HK\$136.8 million, which represented a net increase of approximately HK\$100.6 million as compared to the position as at 28 February 2019. The increase was mainly due to the repayment of two mortgage loans that amounted to approximately HK\$57.6 million in late August 2019.

For FP2020, net cash inflow from operating activities of our Group amounted to approximately HK\$40.9 million. It is mainly due to the cash inflow from the revenue generated of approximately HK\$98.6 million, which was offset by the increase in loan receivables of approximately HK\$53.3 million during FP2020. The net cash inflow from financing activities of our Group amounted to approximately HK\$59.9 million for FP2020. It was mainly contributed by the net proceeds from other loans and loans from the immediate holding company during FP2020 of approximately HK\$94.3 million and HK\$10.0 million respectively, which was offset by the net repayment of bank loans, dividend paid and finance cost paid that amounted to approximately HK\$4.2 million, HK\$14.2 million and HK\$20.5 million respectively.

## **Pledge of assets**

As at 31 August 2019, the Group pledged its mortgage loan receivables with net book value of HK\$696.2 million (28 February 2019: HK\$597.8 million) for the purpose of obtaining facilities from a bank and other independent third parties.

## **Contingent liabilities**

There were no significant contingent liabilities for the Group as at 31 August 2019.

## **PROSPECTS**

Looking ahead, the Group plans to launch an online pawn loan platform in the next financial year that enables customers to obtain loans in a discreet, simple and efficient manner. It is believed that online pawn loan services will appeal to the younger generation, and help promote the Group's pawn loan business at a lower cost.

For mortgage loans, it is believed that the raise of the mortgage cap for first-time property buyers in the "The Chief Executive's 2019 Policy Address" will stimulate property prices in the short run. However, given the potential downturn in local economy, social unrest and uncertainties in the global economy, the Directors are of the view that the Hong Kong property market remains unpredictable. The Group will continue to implement a prudent strategy, maintain its focus on high net worth customers and remain cautious when granting mortgage loans.

## KEY FINANCIAL RATIOS

	<b>As at 31 August 2019 \$</b>	<b>As at 28 February 2019 \$</b>
Current ratio <sup>(1)</sup>	<b>2.7x</b>	3.0x
Gearing ratio <sup>(2)</sup>	<b>83.8%</b>	73.6%
	<b>For the six months ended 31 August 2019 \$</b>	<b>For the six months ended 31 August 2018 \$</b>
Return on total assets <sup>(3)</sup>	<b>7.3%</b>	6.9%
Return on equity <sup>(4)</sup>	<b>13.7%</b>	13.5%
Net profit margin <sup>(5)</sup>	<b>50.3%</b>	47.9%
Net interest margin <sup>(6)</sup>	<b>12.7%</b>	12.1%
– pawn loan services	<b>40.7%</b>	41.0%
– mortgage loan services	<b>9.3%</b>	8.9%

### Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective period/year end.
- (2) Gearing ratio is calculated by dividing total borrowings (summation of bank loans, bank overdrafts, loans from immediate holding company, obligations under finance leases, other loans, lease liabilities and debt securities issued) by total equity as at the respective period/year end.
- (3) Return on total assets is calculated by dividing annualised profit for the period by the total assets as at the respective period end.
- (4) Return on equity is calculated by dividing annualised profit for the period by the total equity as at the respective period end.
- (5) Net profit margin is calculated by dividing profit for the period by the revenue for the respective period.
- (6) Net interest margin during the period refers to our interest income in respect of our pawn loans and mortgage loan less our finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the period.



## **Current ratio**

Our Group's current ratio slightly decreased from 3.0 times as at 28 February 2019 to 2.7 times as at 31 August 2019, which was mainly due to the increase in other loans, current lease liabilities and loans from the immediate holding company amounting to HK\$359.6 million, HK\$9.4 million and HK\$104.0 million respectively, and was offset by the increase in current loan receivables and cash and cash equivalents of approximately HK\$69.2 million and HK\$100.4 million respectively.

## **Gearing ratio**

Our Group's gearing ratio increased from approximately 73.6% as at 28 February 2019 to approximately 83.8% as at 31 August 2019, which was mainly triggered by (i) the increase in other loans and loans from the immediate holding company which amounted to approximately HK\$359.6 million and HK\$104.0 million respectively as a result of the expansion of our mortgage loan portfolio; and (ii) the increase in lease liabilities due to the implementation of the new HKFRS 16 which amounted to approximately HK\$21.5 million.

## **Return on total assets and return on equity**

Our return on total assets and return on equity slightly increased from approximately 6.9% and 13.5% in FP2019 to 7.3% and 13.7% in FP2020 respectively, which was mainly due to the increase in our net interest margin from 12.1% in FP2019 to 12.7% in FP2020.

## **Net profit margin and net interest margin**

There was an increase in our net profit margin and net interest margin from approximately 47.9% and 12.1% in FP2019 to 50.3% and 12.7% in FP2020 respectively. The reason for such an increase was mainly due to the upward adjustment of the interest rate charged on our mortgage loans since the fourth quarter of 2018.

## **SHARE OPTION SCHEME**

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 19 February 2013. As at 31 August 2019, being the end of FP2020 for the Group:

- i) a total of 40,000,000 options to subscribe for Shares were available for issue under the Share Option Scheme, representing approximately 2.1% of the total issued Shares of the Company as at 31 August 2019;
- ii) an option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof; and
- iii) the Share Option Scheme will remain in force until 18 February 2023.



## **HUMAN RESOURCES**

As at 31 August 2019, our Group had a total of 50 staff (28 February 2019: 50). Total staff costs (including Directors' emoluments) were approximately HK\$12.4 million for FP2020 (FP2019: approximately HK\$11.8 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of an individual employee. Bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include a share option scheme and contributions to statutory mandatory provident fund scheme to our Group's employees in Hong Kong.

## **INTERNAL CONTROL**

The Board considers that our Group's internal control system was effective and adequate for FP2020.

The Board, through the audit committee of our Company, has conducted a review on the internal control system and identified no significant areas of concern which could affect the operations of our Company.

## **PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FP2020.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Our Group did not engage in any material acquisitions or disposals during FP2020.

## **CORPORATE GOVERNANCE PRACTICES**

For the six months ended 31 August 2019, our Company complied with the code provisions in the Corporate Governance Code (the "**Code Provisions**") as set out in Appendix 14 to the Listing Rules, except Code Provision A.2.1 which requires that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Chan Kai Ho Edward, an executive Director, currently holds both positions. Mr. Chan Kai Ho Edward has been the key leadership figure of our Group, who has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises other executive Directors and senior management of our Group. Taking into account the continuation of the implementation of our Group's business plans, the Directors (including the independent non-executive Directors) consider that Mr. Chan Kai Ho Edward is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and the shareholders of the Company (the "**Shareholders**") as a whole.

## **MODEL CODE FOR DIRECTORS SECURITIES TRANSACTIONS**

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. The Board made specific enquiry to all Directors and the Directors confirmed that they had complied with the required standards as set out in the Model Code in FP2020.

## **REVIEW OF INTERIM RESULTS**

The Group’s condensed consolidated financial statements for the six months ended 31 August 2019 have not been audited, but have been reviewed by SHINEWING (HK) CPA Limited under Hong Kong Standard on Review Engagements 2410, the Company’s external auditor, whose review report is included in the interim report to be sent to shareholders.

The audit committee together with the management of our Company have reviewed our Group’s unaudited interim consolidated financial statements for the six months ended 31 August 2019. The audit committee is of the opinion that such financial statements have complied with the applicable accounting standards, and the requirements of the Stock Exchange and the applicable legal requirements, and that adequate disclosure has been made. The audit committee has also reviewed this announcement and confirmed that it is complete and accurate and complies with the Listing Rules.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

Save as disclosed in this announcement, there were no important events affecting the Group which occurred after the end of the Period.

## **INTERIM DIVIDEND**

On 29 October 2019, the Board declared an interim dividend of HK\$1.07 cents per ordinary share, representing approximately 35.0% of the profit attributable to the Shareholders for FP2020. The total payout for the interim dividend will amount to approximately HK\$20.7 million. The aforesaid interim dividend will be paid on 19 December 2019 to the Shareholders whose names appear on the register of members of our Company at the close of business on 3 December 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to establish the identity of the Shareholders who are entitled to the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company’s Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on 3 December 2019. The register of members of our Company will be closed from 4 December 2019 to 6 December 2019, both days inclusive, during which no transfer of shares will be registered.

## PUBLICATION

The interim results announcement of our Company for FP2020 is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.pawnshop.com.hk](http://www.pawnshop.com.hk)) respectively. The 2019 interim report will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and our Company in due course.

By Order of the Board of  
**Oi Wah Pawnshop Credit Holdings Limited**  
**Chan Kai Ho Edward**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 29 October 2019

*As at the date of this announcement, the Board comprises Mr. Chan Kai Ho Edward (Chief Executive Officer and Chairman), Mr. Chan Chart Man, Ms. Chan Mei Fong and Ms. Chan Ying Yu as executive Directors; Mr. Chan Kai Kow Mackston and Mr. Ng Siu Hong as non-executive Directors; and Mr. Lam On Tai, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai as independent non-executive Directors.*