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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 ANNUAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020

#### FINANCIAL HIGHLIGHTS

		2020 \$'000	2019 \$'000	Change
Revenue		223,959	224,763	-0.4%
Profit before taxation		128,282	121,566	5.5%
Profit for the year attributable to shareholders		107,383	100,820	6.5%
Net profit margin		47.9%	44.9%	
Basic earnings per share (in HK cents)		5.5	5.1	
Proposed dividend for the year				
– Final dividend (in HK cents)		0.87	0.73	
– Special dividend (in HK cents)		0.28	Nil	
		As at 29 February 2020 \$'000	As at 28 February 2019 \$'000	
Gross loan receivables – principal	Note 1	1,279,143	1,364,806	-6.3%
– Pawn loan receivables at amortised cost		30,045	29,837	
– Pawn loan receivables at fair value through profit or loss		111,770	111,674	
– Mortgage loan receivables at amortised cost		1,137,328	1,223,295	
Total assets		1,428,347	1,441,303	-0.9%
Total equity		895,319	822,829	8.8%
Net interest margin	Note 2	13.1%	12.4%	
For pawn loan services		41.0%	40.6%	
For mortgage loan services		9.5%	9.2%	

Note 1: Under 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.

Note 2: Net interest margin during the year refers to our interest income in respect of our pawn loans and mortgage loans less the respective finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the year.

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 consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the year ended 29 February 2020, together with the comparative figures for the preceding financial year, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*for the year ended 29 February 2020*

*(Expressed in Hong Kong dollars)*

	<i>Notes</i>	<b>2020</b> <b>\$'000</b>	2019 \$'000
<b>Revenue</b>	4	<b>223,959</b>	224,763
Other income	6	<u>3,367</u>	<u>4,885</u>
<b>Operating income</b>		<b>227,326</b>	229,648
Other operating expenses	7	<b>(58,666)</b>	(65,076)
Charge for impairment losses on loan receivables	11(a)	<u>(2,011)</u>	<u>(1,000)</u>
<b>Profit from operations</b>		<b>166,649</b>	163,572
Finance costs	7(a)	<u>(38,367)</u>	<u>(42,006)</u>
<b>Profit before taxation</b>	7	<b>128,282</b>	121,566
Income tax	8	<u>(20,899)</u>	<u>(20,746)</u>
<b>Profit and total comprehensive income for the year attributable to shareholders</b>		<u><b>107,383</b></u>	<u>100,820</u>
<b>Earnings per share (in HK cents) – basic and diluted</b>	9	<u><b>5.5</b></u>	<u>5.1</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

(Expressed in Hong Kong dollars)

	Notes	2020 \$'000	2019 \$'000
<b>Non-current assets</b>			
Plant and equipment		1,671	1,974
Right-of-use assets	10	23,436	–
Loan receivables	11	114,482	81,928
Other receivables	12	2,740	–
Deferred tax assets		745	229
		<u>143,074</u>	<u>84,131</u>
<b>Current assets</b>			
Repossessed assets		9,292	6,451
Loan receivables	11	1,184,153	1,304,277
Trade and other receivables	12	2,802	5,026
Cash and cash equivalents		89,026	41,418
		<u>1,285,273</u>	<u>1,357,172</u>
<b>Current liabilities</b>			
Accruals and other payables	14	6,704	6,691
Bank loans and overdrafts	13	103,752	83,950
Loans from the immediate holding company	16	104,000	94,000
Other loans	15	124,112	265,232
Lease liabilities	10	10,661	–
Obligations under finance leases		–	76
Tax payable		7,433	5,960
		<u>356,662</u>	<u>455,909</u>
<b>Net current assets</b>		<u>928,611</u>	<u>901,263</u>
<b>Total assets less current liabilities</b>		<u>1,071,685</u>	<u>985,394</u>

	<i>Notes</i>	<b>2020</b> <b>\$'000</b>	2019 \$'000
<b>Non-current liabilities</b>			
Debt securities issued	<i>17</i>	<b>162,684</b>	162,565
Lease liabilities	<i>10</i>	<b>13,682</b>	–
		<u><b>176,366</b></u>	<u>162,565</u>
<b>NET ASSETS</b>		<u><b>895,319</b></u>	<u>822,829</u>
<b>CAPITAL AND RESERVES</b>			
Capital		<b>19,385</b>	19,385
Reserves		<b>875,934</b>	803,444
<b>TOTAL EQUITY</b>		<u><b>895,319</b></u>	<u>822,829</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 (hereinafter collectively referred to as the “**Group**”) are principally engaged in secured financing business in Hong Kong, including pawn loans and mortgage loans.

The directors of the Company (the “**Directors**”) consider the immediate parent and ultimate controlling party of the Group to be Kwan Lik Holding Limited, which is incorporated in the British Virgin Islands (the “**BVI**”), and TMF (Cayman) Ltd. as trustee of a reserved power discretionary trust for the benefit of Mr. Chan Chart Man, Mr. Chan Kai Ho Edward, Ms. Chan Ying Yu, Ms. Chan Mei Fong, Ms. Chan Nga Yu, Ms. Chan Kit Yu, Ms. Mui Hang Sin and Mr. Chan Kai Kow Macksion, which is incorporated in the Cayman Islands, respectively. These entities do not produce financial statements available for public use.

The Company’s registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and its head office and principal place of business in Hong Kong is located at Rooms 2302–2303, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HKD**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (\$’000) except when otherwise indicated.

### 2 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 29 February 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 28 February 2019.

In the current year, the Group has applied, for its first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), which include HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), amendments and Interpretations (“**Int(s)**”), issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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 the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summaries below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these 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 3. 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. Certain comparative information has not be restated and continued to be reported 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 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 a motor vehicle which was classified as finance leases under HKAS 17. For this finance lease, 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 lease 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 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.

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

*Notes:*

- (a) The obligations under finance leases of \$76,000 as at 28 February 2019 were now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting \$83,000 was 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 liabilities of \$26,249,000.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitment as at 28 February 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 March 2019 were as follow:

	\$'000
Operating lease commitments as at 28 February 2019	30,071
Less: Short-term leases and other leases with remaining lease term ended on or before 29 February 2020	<u>(1,492)</u>
	28,579
Discounting effect using the incremental borrowing rate as at 1 March 2019	(2,330)
Add: Finance lease liabilities recognised under HKAS 17 as at 28 February 2019	<u>76</u>
Lease liabilities recognised as at 1 March 2019	<u><u>26,325</u></u>
Analysed as:	
Current portion	9,625
Non-current portion	<u>16,700</u>
	<u><u>26,325</u></u>

***Practical expedients applied***

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

- 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 immediately before the date of initial application 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.



### 3 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for loans receivables at fair value through profit or loss (“**FVPL**”) that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

### 4 REVENUE

The Group is principally engaged in secured financing business in Hong Kong, including pawn loans and mortgage loans.

Revenue represents interest income earned on pawn loans and mortgage loans, and results on disposal of repossessed assets. The amount of each nature of business of revenue recognised during the year is as follows:

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Revenue from pawn loan business		
– Interest income from pawn loan receivables calculated using the effective interest method	<b>10,213</b>	7,843
– Interest income from pawn loan receivables at FVPL	<b>54,264</b>	51,351
– Gain on disposal of repossessed assets	<b>7,266</b>	6,914
	<hr/>	<hr/>
Total revenue from pawn loan business	<b>71,743</b>	66,108
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	<b>152,216</b>	158,655
	<hr/>	<hr/>
Total	<b>223,959</b>	224,763
	<hr/> <hr/>	<hr/> <hr/>

Cost of disposal of repossessed assets for the year ended 29 February 2020 amounted to \$47.3 million (2019: \$45.9 million).

During the year ended 29 February 2020, the Group’s customer base is diversified and no customer with whom transactions have exceeded 10% of the Group’s revenue.

During the year ended 28 February 2019, there was one customer with whom transactions had exceeded 10% of the Group's revenue. Revenue from interest income on mortgage loan receivables from this customer, including interest income from entities which were known as a group under common control with this customer, amounted to approximately \$25.1 million.

## 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 have been presented.

## 6 OTHER INCOME

	2020 \$'000	2019 \$'000
Rental income	1,894	1,642
Credit related fee income	1,281	3,042
Gain on disposal of a subsidiary ( <i>Note</i> )	100	–
Bank interest income	5	6
Others	87	195
	<u>3,367</u>	<u>4,885</u>

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

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 \$'000	2019 \$'000
<b>(a) Finance costs</b>		
Interest on other loans	17,529	21,853
Interest on debt securities issued	9,932	9,900
Interest on loans from the immediate holding company	5,311	6,098
Interest on bank loans and overdrafts	4,054	4,149
Interest on lease liabilities	1,541	–
Interest on obligations under finance leases	–	6
	<u>38,367</u>	<u>42,006</u>

	2020 \$'000	2019 \$'000
<b>(b) Staff costs</b>		
Salaries and other benefits	19,683	19,221
Directors' remuneration	9,686	9,383
Contributions to Mandatory Provident Fund ("MPF")	525	552
Charge for provision for long service payment	525	128
	<u>30,419</u>	<u>29,284</u>
<b>(c) Other operating expenses</b>		
Premises and equipment expenses excluding depreciation:		
– rental of premises ( <i>Note</i> )	1,683	13,026
– maintenance, repairs and others	1,171	1,012
	<u>2,854</u>	<u>14,038</u>
Auditor's remuneration	830	1,180
Depreciation of plant and equipment	486	522
Depreciation of right-of-use assets	11,511	–
Advertising expenses	4,143	9,856
Legal and professional fees	3,092	4,430
Net loss on disposal of plant and equipment	–	86
Net loss on loan receivables at FVPL	26	3
Others	5,305	5,677
	<u>25,393</u>	<u>21,754</u>
	<u><u>58,666</u></u>	<u><u>65,076</u></u>

*Note: During the year ended 28 February 2019, the rental of premises was disclosed under HKAS 17.*

## 8 INCOME TAX

	2020 \$'000	2019 \$'000
<b>Hong Kong Profits Tax</b>		
Provision for the year		
– Current tax	21,420	20,769
– Over-provision in prior year	(5)	–
	<u>21,415</u>	<u>20,769</u>
<b>Deferred tax</b>	<u>(516)</u>	<u>(23)</u>
	<u><u>20,899</u></u>	<u><u>20,746</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first \$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above \$2.0 million will be taxed at 16.5%. For both years, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 \$'000	2019 \$'000
Profit before taxation	<u>128,282</u>	<u>121,566</u>
Notional tax on profit before taxation, calculated at applicable rates	21,001	19,894
Tax effect of non-taxable income	(24)	(1)
Tax effect of non-deductible expenses	47	975
Statutory tax concession ( <i>Note</i> )	(120)	(122)
Over-provision in prior years	(5)	–
Income tax	<u><u>20,899</u></u>	<u><u>20,746</u></u>

*Note: Statutory tax concession represented a reduction of Hong Kong Profits Tax for the year of assessment 2019/2020 and 2018/2019, subject to a ceiling of \$20,000.*

## 9 EARNINGS PER SHARE

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

### Earnings

	2020 \$'000	2019 \$'000
Profit for the year attributable to shareholders of the Company	<u>107,383</u>	<u>100,820</u>

### Weighted average number of ordinary shares

	2020 Number of shares '000	2019 Number of shares '000
Issued ordinary share at 1 March	1,938,468	2,087,360
Effect of scrip dividend issued	–	144
Effect of purchase of own shares	<u>–</u>	<u>(115,812)</u>
Weighted average number of ordinary share for the proposes of basic earnings per share	<u>1,938,468</u>	<u>1,971,692</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 years.

## 10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Right-of-use assets

	29 February 2020 \$'000	1 March 2019 \$'000
Leased properties – buildings	23,436	26,249
Motor vehicle	<u>–</u>	<u>83</u>
	<u>23,436</u>	<u>26,332</u>

The Group has lease arrangements for leased properties and a motor vehicle. The lease terms generally ranged from one to five years with fixed lease payments.

In respect of lease arrangement for renting motor vehicle, the Group has options to purchase motor vehicle at a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased asset for such lease.

Additions to the right-of-use assets for the year ended 29 February 2020 amounted to approximately \$8.6 million due to new leases of leased properties.

During the year ended 29 February 2020, the Group has subleased part of the leased properties. The Group has classified the sublease as operating lease. During the year ended 29 February 2020, the Group recognises rental income from subleasing right-of-use assets of approximately \$1.9 million (28 February 2019: \$1.6 million).

### Lease liabilities

	<b>29 February 2020 \$'000</b>	1 March 2019 \$'000
Current	<b>10,661</b>	9,625
Non-current	<b>13,682</b>	16,700
	<b>24,343</b>	26,325
		<b>29 February 2020 \$'000</b>
Amounts payable under lease liabilities		
Within one year		<b>10,661</b>
After one year but within two years		<b>9,752</b>
After two years but within five years		<b>3,930</b>
		<b>24,343</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)		<b>(10,661)</b>
Amount due for settlement after 12 months		<b>13,682</b>

During the year ended 29 February 2020, the Group entered into new lease agreements in respect of renting leased properties and recognised lease liabilities of approximately \$8.6 million.

Amounts recognised in profit or loss

	<b>2020 \$'000</b>
Depreciation of right-of-use assets – leased properties	<b>11,428</b>
Depreciation of right-of-use assets – motor vehicle	<b>83</b>
Interest expense on lease liabilities	<b>1,541</b>
Expense relating to short-term leases	<b>1,683</b>
Income from subleasing right-of-use assets	<b>1,894</b>

During the year ended 29 February 2020, the total cash outflow for leases amount to approximately \$13.8 million.

## 11 LOAN RECEIVABLES

	29 February 2020 \$'000	28 February 2019 \$'000
<b>Loan receivables at amortised cost:</b>		
– Pawn loans	30,045	29,837
– Accrued interests of pawn loans	784	591
	<u>30,829</u>	<u>30,428</u>
Pawn loan receivables	30,829	30,428
	<u>30,829</u>	<u>30,428</u>
– Mortgage loans	1,137,328	1,223,295
– Accrued interests of mortgage loans	12,278	12,505
	<u>1,149,606</u>	<u>1,235,800</u>
	1,149,606	1,235,800
Less: Impairment allowance on mortgage loans – Stage 3	(3,011)	(1,000)
	<u>(3,011)</u>	<u>(1,000)</u>
Net mortgage loan receivables	1,146,595	1,234,800
	<u>1,146,595</u>	<u>1,234,800</u>
Net loan receivables at amortised cost	1,177,424	1,265,228
	<u>1,177,424</u>	<u>1,265,228</u>
<b>Loan receivables at FVPL:</b>		
Pawn loans	121,211	120,977
	<u>121,211</u>	<u>120,977</u>
<b>Total loan receivables</b>	<b>1,298,635</b>	<b>1,386,205</b>
	<u>1,298,635</u>	<u>1,386,205</u>
Current portion included under current assets	(1,184,153)	(1,304,277)
	<u>(1,184,153)</u>	<u>(1,304,277)</u>
Amounts due after one year included under non-current assets	114,482	81,928
	<u>114,482</u>	<u>81,928</u>

In determining the expected credit losses for loan receivables, the Directors have determined using a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, discount rate, adjustments for forward-looking information, value of collateral and other adjustment factors.

There has been no change in the estimation techniques or significant assumptions made during both years in assessing the loss allowance for loan receivables.

(a) Movement in impairment losses

	2020		2019	
	Expected credit loss		Expected credit loss	
	Stage 3 \$'000	Total \$'000	Stage 3 \$'000	Total \$'000
At 1 March	1,000	1,000	–	–
Impairment losses charged to profit or loss	2,011	2,011	1,000	1,000
At 29 February/28 February	<u>3,011</u>	<u>3,011</u>	<u>1,000</u>	<u>1,000</u>

(b) Ageing analysis

Ageing analysis of the gross amount of loan receivables is prepared based on contractual due date and not net of loss allowance as follows.

	Pawn loans at amortised cost \$'000	Pawn loans at FVPL \$'000	Mortgage loans \$'000	Total \$'000
<b>29 February 2020</b>				
Not past due	28,196	117,913	776,130	922,239
Less than 1 month past due	2,416	2,264	248,613	253,293
1 to less than 3 months past due	–	523	94,704	95,227
3 to less than 6 months past due	217	511	22,821	23,549
6 months to 1 year past due	–	–	–	–
Over 1 year past due	–	–	7,338	7,338
	<u>30,829</u>	<u>121,211</u>	<u>1,149,606</u>	<u>1,301,646</u>
<b>28 February 2019</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>



At 29 February 2020, of these mortgage loans which have been past due for one month or above, except for one mortgage loan receivable amounted to \$7.3 million (2019: \$7.5 million) on which an allowance for expected credit loss had been recognised, the respective valuations of the collaterals can fully cover the outstanding balances of these loans as at the end of reporting periods. In respect of the mortgage loans which have been past due for less than 1 month, the amounts mainly represent occasional delay in repayment and are not an indication of significant deterioration of credit quality of these mortgage loans.

## 12 TRADE AND OTHER RECEIVABLES

	<b>29 February</b>	28 February
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Non-current</b>		
Others	<u>2,740</u>	<u>–</u>
<b>Current</b>		
Trade receivables	700	564
Deposits and payments in advance	2,000	4,360
Others	<u>102</u>	<u>102</u>
	<u>2,802</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 as the expected loss rate is close to zero and expected to be recovered within one year.

The ageing analysis of trade receivables presented based on invoice date which approximate to the respective revenue recognition dates at the end of the reporting period is as follows:

	<b>29 February</b>	28 February
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
0-60 days	<u>700</u>	<u>564</u>

Trade receivables that were not past due relate to a wide range of customers for whom there was no recent history of default.

### 13 BANK LOANS AND OVERDRAFTS

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

	<b>29 February 2020 \$'000</b>	28 February 2019 \$'000
Unsecured bank overdrafts ( <i>note (a)</i> )	33,298	5,267
Bank loans, secured ( <i>note (b)</i> )	40,000	50,000
Bank loans, unsecured ( <i>note (c)</i> )	30,454	28,683
	<u>70,454</u>	<u>78,683</u>
Total bank loans and overdrafts	<u><u>103,752</u></u>	<u><u>83,950</u></u>

*Notes:*

- (a) At 29 February 2020, unsecured bank overdraft facilities of \$41.5 million (2019: \$11.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above. At the end of reporting periods, the bank overdrafts carried floating interest rate range from prime rate minus 0.75% to prime rate plus 1.5% per annum with repayment on demand clause.
- (b) At 29 February 2020, uncommitted secured revolving bank loan facility of the lower of \$50.0 million (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 banks were obtained. The tenor for the facility ranged from one to six months as selected by the subsidiary. The bank loans carried floating interest rate of one month Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 4% per annum (2019: HIBOR plus 4% per annum) and the available uncommitted banking facility after taking into consideration of the drawdown was \$10.0 million (2019: Nil). The uncommitted secured revolving bank loan facility was secured by certain mortgage loan receivables with a carrying value of approximately \$131.1 million (2019: \$266.3 million).
- (c) At 29 February 2020, unsecured bank loan facilities of \$30.5 million (2019: \$28.7 million) were provided to the Company and the subsidiaries and utilised to the extent as disclosed above. At the end of reporting periods, the bank loans carried floating interest rate ranged from prime rate minus 0.75% to prime rate plus 1.5% per annum.

During the year, 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 and certain loan receivables held by the Group.

## 14 ACCRUALS AND OTHER PAYABLES

	29 February 2020 \$'000	28 February 2019 \$'000
Accrued interest expenses	2,603	3,125
Accrued expenses	2,001	2,295
Provision for long services payment	1,200	687
Other payable and deposit received	900	584
	<u>6,704</u>	<u>6,691</u>

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

## 15 OTHER LOANS

During the year ended 29 February 2020, the Group obtained uncommitted secured revolving loan facilities from an independent third party. The limit of the facilities is the lower of \$439.0 million (2019: \$440.3 million) and a certain percentage of the aggregate principal amount of certain mortgage loan receivables of the subsidiaries which are then sub-charged/sub-mortgaged to the independent third party. The facilities are interest bearing at Hongkong and Shanghai Banking Corporation Limited (“HSBC”) prime rate plus 2% per annum (2019: HSBC prime rate plus 2% per annum) and the tenor for the facilities is one year.

As at 29 February 2020, the available uncommitted loan facilities after taking into consideration of the drawdown was approximately \$18.0 million (2019: \$Nil). These loan facilities were secured by certain mortgage loan receivables for the Group with a carrying value of \$177.6 million (2019: \$331.5 million).

## 16 LOANS FROM THE IMMEDIATE HOLDING COMPANY

During the year ended 29 February 2020, the Group obtained an unsecured revolving loan facility from the immediate holding company with a facility limit of \$200.0 million (2019: \$200.0 million). The loans are interest bearing at 5% per annum (2019: 5% per annum).

At 29 February 2020, the available loan facility after taking into consideration of the drawdown was approximately \$96.0 million (2019: \$106.0 million) and the accrued interest payable as of 29 February 2020 was \$198,000 (2019: \$173,000).

## 17 DEBT SECURITIES ISSUED

The debt securities are unsecured, denominated in HKD, interest bearing ranging from 6% to 7% per annum (2019: 6% to 7% per annum) with interest coupon being paid semi-annually and will mature between 2021 and 2025. All debt securities issued are measured at amortised cost.

## 18 DIVIDENDS

	2020 \$'000	2019 \$'000
Dividends recognised as distribution during the year:		
2019 Interim dividend – 1.07 cents (2019: 2018 interim dividend 0.83 cents ( <i>Note</i> )) per share	20,742	16,086
2019 Final dividend – 0.73 cents (2019: 2018 final dividend Nil cents) per share	<u>14,151</u>	<u>–</u>

*Note: During the year ended 28 February 2019, interim dividend was satisfied by way of cash of \$15.8 million and scrip issuance in lieu of the cash payment as selected by shareholders. The scrip dividend was satisfied by allotment of approximately 836,000 shares of the Company at \$0.3031 per share and was credited as fully paid.*

Subsequent to the end of reporting periods, a final dividend of 0.87 cents (2019: 0.73 cents) and a special dividend of 0.28 cents (2019: Nil cents) in respect of the year ended 29 February 2020 per share have been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 19 EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) in the first quarter of 2020, the Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Oi Wah Pawnshop Credit Holdings Limited (the “**Company**” or “**our Company**”), and its subsidiaries (together with the Company collectively referred to as the “**Group**” or “**our Group**”) is a financing service provider in Hong Kong operating under the brand name of “Oi Wah”, principally engaged in providing secured financing, including mortgage loans and pawn loans.

### **MORTGAGE LOAN BUSINESS**

For the year ended 29 February 2020 (“**FY2020**”), the mortgage loan business remained as a major source of income of the Group. Revenue generated from the mortgage loan business in FY2020 accounted for approximately 68.0% of the Group’s total revenue during the year. During the year, the revenue generated from the mortgage loan business slightly decreased from approximately HK\$158.7 million for the year ended 28 February 2019 (“**FY2019**”) to HK\$152.2 million in FY2020, representing a decrease of 4.1% or HK\$6.5 million. The mortgage loan receivables reached HK\$1,137.3 million as at 29 February 2020. During the year, there were 176 new cases of mortgage loan transactions, with an average loan size of approximately HK\$2.9 million.

In FY2020, the Group continued to adopt a prudent and cautious 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 year, the loan-to-value ratio for the first mortgage was around 47.7%, while the overall loan-to-value ratio for subordinate mortgage was around 56.0%, in which the loan-to-value ratio of subordinate mortgage that the Group participated in was around 12.1%.

### **PAWN LOAN BUSINESS**

During FY2020, due to an ongoing rise in gold price, the revenue derived from the pawn loan business increased from HK\$66.1 million to HK\$71.8 million, representing an increase of 8.6% or HK\$5.7 million. The aggregate loan amount increased by 9.2% or HK\$63.1 million from approximately HK\$685.4 million in FY2019 to approximately HK\$748.5 million in FY2020.

During the year, 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 419 transactions in FY2019 to 544 transactions in FY2020. The average loan amount also increased to approximately HK\$9,300 per transaction (FY2019: HK\$8,100 per transaction).

## INDUSTRY OVERVIEW

During the year of 2019, the property prices and transaction volumes of the local property market experienced substantial fluctuations. According to the findings of the Rating and Valuation Department of the Hong Kong government, home prices had been climbing since the beginning of the year and reached a record high in May 2019. However, the property market bull run was halted in the latter half of 2019 by the ongoing local social unrest and the prolonged US-China trade friction. As such, only a 5% increase in the overall home prices was recorded in the year of 2019.

It is expected that the local property market will remain volatile in light of the global outbreak of the Coronavirus Disease 2019 (“COVID-19”). Nevertheless, given there is a constant demand for small and medium-sized apartments, and the fact that the Hong Kong government has raised the mortgage cap for first-time homebuyers, it is believed that the market price of local properties with a value below HK\$10.0 million will be relatively stable.

Meanwhile, international gold prices rose by approximately 15% during the latter half of FY2020, thereby triggering a growth in the size of our pawn loans. It is expected that various factors, such as ongoing global economic uncertainties as well as the implementation of quantitative easing policies by the world’s major central banks will continue to stimulate the international gold market.

## FINANCIAL REVIEW

### Revenue

Our Group’s revenue reduced from approximately HK\$224.8 million for FY2019 to approximately HK\$224.0 million for FY2020, representing a slight decrease of approximately HK\$0.8 million or 0.4%. The decrease was attributable to the decrease in our interest income from the mortgage loan business of approximately HK\$6.5 million or 4.1% from approximately HK\$158.7 million in FY2019 to approximately HK\$152.2 million in FY2020, netting off the increase in our revenue generated from our pawn loan business by approximately HK\$5.7 million or 8.6% from approximately HK\$66.1 million in FY2019 to approximately HK\$71.8 million in FY2020.

### *Mortgage loan business*

The decrease in our interest income derived from our mortgage loan business was mainly due to the fact that the Group adopted a more cautious approach in granting new mortgage loans during FY2020. As such, the average month-end balance for the gross mortgage loans receivables for the year decreased from approximately HK\$1,273.3 million in FY2019 to approximately HK\$1,220.3 million in FY2020, in which the total amount of new mortgage loans granted was approximately HK\$508.8 million during FY2020 (FY2019: approximately HK\$765.5 million).

### ***Pawn loan business***

The increase in the revenue generated from our pawn loan business was due to the increase in our interest income earned from our pawn loan receivables of approximately HK\$5.3 million or 9.0% from approximately HK\$59.2 million in FY2019 to approximately HK\$64.5 million in FY2020, and also the increase in revenue from disposal of repossessed assets of approximately HK\$0.4 million.

The increase in our interest income earned from our pawn loan receivables was primarily attributable to the increase in the aggregate amount of pawn loans granted. The amount rose from approximately HK\$685.4 million in FY2019 to approximately HK\$748.5 million in FY2020 with the average amount of pawn loans granted increased from approximately HK\$8,100 per transaction in FY2019 to approximately HK\$9,300 per transaction FY2020.

Revenue from disposal of repossessed assets represents the gain/(loss) of the Group as we sold the repossessed assets in the event of default in repayment of our pawn loans. The increase in our gain on disposal of repossessed assets in FY2020 was mainly due to the increase of the gold price per ounce from around US\$1,400 in August 2019 to around US\$1,600 in February 2020. Since every pawn loan has a loan term of four lunar months, revenue was derived from the appreciation of gold price in FY2020 and thus an increase in gain on disposal of repossessed assets in FY2020 was recorded.

### **Other revenue**

Other revenue decreased from approximately HK\$4.9 million in FY2019 to HK\$3.4 million in FY2020, representing a decrease of approximately HK\$1.5 million or 30.6%, which was mainly due to the decrease in our credit-related fee income by approximately HK\$1.8 million in FY2020, which was offset by the increase in our rental income of approximately HK\$0.3 million from approximately HK\$1.6 million in FY2019 to approximately HK\$1.9 million in FY2020.

### **Operating expenses**

Operating expenses decreased by approximately HK\$6.4 million or 9.8% from approximately HK\$65.1 million in FY2019 to approximately HK\$58.7 million in FY2020.

Staff costs increased by approximately HK\$1.1 million or 3.8% from approximately HK\$29.3 million in FY2019 to approximately HK\$30.4 million in FY2020. The increase was mainly attributable to the increase in salaries and other benefits and provision for long service payment of approximately HK\$0.5 million and HK\$0.4 million in FY2020 respectively.

According to the new Accounting Standard HKFRS 16, all operating lease should be treated as finance lease in FY2020. Thus, the contractual liabilities for the rental agreements are discounted and recognised as finance lease assets. Rental expenses and depreciation for right-to-use assets slightly increased by approximately HK\$0.2 million or 1.5% from approximately HK\$13.0 million in FY2019 to approximately HK\$13.2 million in FY2020. The increase was mainly due to the effect for the increase in the rental expenses under the terms in the rental agreements for several pawnshops during FY2020.

Notwithstanding the increase in staff costs, rental expenses and depreciation for right-to-use assets in FY2020, other operating expenses decreased from approximately HK\$22.8 million in FY2019 to approximately HK\$15.1 million in FY2020. This was mainly resulted from the decrease in advertising expenses and legal and professional fees of approximately HK\$5.7 million and HK\$1.3 million respectively.

### **Finance costs**

The finance costs decreased by approximately HK\$3.6 million or 8.6% from approximately HK\$42.0 million in FY2019 to approximately HK\$38.4 million in FY2020. The decrease was mainly due to the decrease in average month-end balance for other loans from approximately HK\$330.7 million in FY2019 to approximately HK\$243.9 million in FY2020.

### **Charge for impairment losses on loan receivables**

#### ***For FY2020***

The charge for impairment losses on loan receivables of HK\$2.0 million in FY2020 was measured based on the requirement under HKFRS 9. The charge for impairment losses represented a further impairment made to a mortgage loan (same mortgage loan impaired in FY2019) which had been overdue for more than 1 year and the management considered there is a growing likelihood the value of the collateral of the said loan cannot fully cover the outstanding amount.

#### ***For FY2019***

The charge for impairment losses on loan receivables of HK\$1.0 million in FY2019 was measured based on the requirement under HKFRS 9. The charge for impairment losses was attributable to a mortgage loan which had been overdue for more than 1 year and the management considered there is an increasing possibility that the value of the collateral of the said loan cannot fully cover the outstanding amount.

### **Income tax expenses**

Our Group's effective tax rate decreased from approximately 17.1% in FY2019 to approximately 16.3% in FY2020. The decrease was mainly due to part of the advertising expenses amounted to approximately HK\$5.4 million may not be qualified as deductible expenses in FY2019. As such, a tax provision of approximately HK\$0.9 million in respect of the above expenses was recorded in FY2019.

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

Our Group's profit for FY2020 increased to approximately HK\$107.4 million from approximately HK\$100.8 million in FY2019, representing an increase of approximately HK\$6.6 million or 6.5%. The increase was mainly attributable to the decrease in advertising costs and finance costs of approximately HK\$5.7 million and HK\$3.6 million respectively, netting off the increase in expenses in staff costs and impairment losses on loan receivables which amounted to HK\$1.1 million and HK\$1.0 million respectively.



## Liquidity and financial resources

As at 29 February 2020, cash and cash equivalents (net of bank overdraft) amounted to approximately HK\$55.7 million, representing a net increase of approximately HK\$19.5 million as compared to the position as at 28 February 2019. The increase was attributable to the following items:

	<b>For the year ended 29 February 2020</b>	For the year ended 28 February 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	<b>243,447</b>	166,520
Payment for the purchase of plant and equipment	<b>(266)</b>	(1,884)
Net repayment of other loans	<b>(141,120)</b>	(26,391)
Net repayment of bank loans	<b>(8,229)</b>	(1,417)
Net proceed/(repayment) in loans from the immediate holding company	<b>10,000</b>	(32,000)
Payment for repurchase of shares	–	(50,367)
Dividend paid	<b>(34,893)</b>	(15,840)
Finance costs paid	<b>(37,229)</b>	(42,145)
Other net outflow	<b>(12,133)</b>	(161)
Net increase/(decrease) in cash and cash equivalents	<b>19,577</b>	(3,685)

## Pledge of assets

As at 29 February 2020, the Group had pledged its mortgage loan receivables with net book value of HK\$308.7 million (28 February 2019: HK\$597.8 million) for the purpose of obtaining facilities from banks and other independent third parties.

## Contingent liabilities

There were no significant contingent liabilities for the Group as at 29 February 2020.

## Key financial ratios

	<b>As at 29 February 2020</b>	As at 28 February 2019
Current ratio <sup>(1)</sup>	<b>3.6x</b>	3.0x
Gearing ratio <sup>(2)</sup>	<b>55.2%</b>	73.6%

	<b>For the year ended 29 February 2020</b>	For the year ended 28 February 2019
Return on total assets <sup>(3)</sup>	<b>7.5%</b>	7.0%
Return on equity <sup>(4)</sup>	<b>12.0%</b>	12.3%
Net profit margin <sup>(5)</sup>	<b>47.9%</b>	44.9%
Net interest margin <sup>(6)</sup>	<b>13.1%</b>	12.4%
– pawn loan services	<b>41.0%</b>	40.6%
– mortgage loan services	<b>9.5%</b>	9.2%

*Notes:*

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

### **Current ratio**

Our Group's current ratio increased from approximately 3.0 times as at 28 February 2019 to 3.6 times as at 29 February 2020, as the amount of other loans decreased from approximately HK\$265.2 million as at 28 February 2019 to approximately HK\$124.1 million as at 29 February 2020.

### **Gearing ratio**

Our Group's gearing ratio decreased from approximately 73.6% as at 28 February 2019 to approximately 55.2% as at 29 February 2020, which was mainly due to the decrease in other loans of approximately HK\$141.1 million.

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

Our return on total assets slightly increased from approximately 7.0% in FY2019 to 7.5% in FY2020. Such increase was mainly due to the decrease in other operating expenses amounted to approximately HK\$6.4 million during the year.

Our return on equity slightly decreased from approximately 12.3% in FY2019 to 12.0% in FY2020. This was mainly due to the decrease in gearing ratio during FY2020. In view of the current volatile market conditions, the management of the Company decided to adopt a more prudent strategy in granting new loans and thus less funding was required during FY2020. This led to a drop in the Group's borrowings and thereby limited the available funds of the Group to lend to our customers. As such, the Group's return on equity slightly decreased in FY2020 notwithstanding the positive net interest margin of the Group.

## **Net profit margin**

The Group recorded an increase in the net profit margin from approximately 44.9% in FY2019 to approximately 47.9% in FY2020. This was mainly due to a decrease in other operating expenses of approximately HK\$6.4 million during FY2020.

## **Net interest margin**

The net interest margin increased from approximately 12.4% in FY2019 to approximately 13.1% in FY2020. 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.

## **PROSPECTS**

Looking ahead, the local business environment is challenging, as the Hong Kong economy has entered a technical recession due to the double blow of social unrest and the COVID-19 pandemic. Many enterprises, especially SMEs, have decided to postpone expansion plans or reduce the scale of expansion until they see a sustainable recovery from COVID-19 and the resumption of vital economic activities.

The Group has adopted a prudent strategy when granting loans in the past years. In response to the present economic uncertainties, the Group will continue to strengthen its risk management measures, such as increasing the proportion of first mortgage loans, further tightening the loan-to-value ratio, adopting a more cautious approach to properties such as shops for securing mortgage loans, and focusing on high-net-worth customers.

Currently, the implementation of ultra-loose monetary policies by the world's major central banks are boosting the global economy in a low interest rate environment. The Group will continue to actively explore sources of funds, especially in Southeast Asian countries.

Regarding our pawn loan business, the Group is currently developing a mobile app for online pawn loan service, which aims to make the pawning process simpler and more accessible for everyone in everywhere. It is believed that such 24/7 service will allow the Group to cater to the needs of the busy generation, as well as to promote the Group's pawn loan business at a lower cost.

## **SHARE OPTION SCHEME**

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 19 February 2013.

As at 29 February 2020, being the financial year end of FY2020 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 29 February 2020;
- 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 29 February 2020, our Group had a total of 50 staff (28 February 2019: 50). Total staff costs (including Directors' emoluments) were approximately HK\$30.4 million for FY2020 (FY2019: approximately HK\$29.3 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of each 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2020.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Our Group did not engage in any material acquisitions or disposals during FY2020.

## EVENTS AFTER THE REPORTING PERIOD

Save and except the outbreak of COVID-19 as disclosed in Note 19 to the Financial Statements in this announcement, subsequent to the end of FY2020 and up to the date of this announcement, there is no other important or significant events that affects the business of the Group.

## CORPORATE GOVERNANCE CODE

Our Company has adopted the code provisions set out in the Corporate Governance Code (the “**Code Provisions**”) and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

Throughout FY2020, our Company complied with the Code Provisions, save for the deviation from Code Provision A.2.1 and Code Provision A.6.7 which is explained below.

Code Provision A.2.1 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 (“**Mr. Chan**”), an executive Director, currently holds both positions. Mr. Chan has been the key leadership figure of our Group and 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, our Directors (including the independent non-executive Directors) consider that Mr. Chan is the best candidate for both positions and the present arrangements are beneficial and in the best interests of our Company and its shareholders (the “**Shareholders**” or “**our Shareholders**”) as a whole.

Code Provision A.6.7 requires independent non-executive Directors and non-executive Directors to attend general meetings to gain and develop a balanced understanding of the views of shareholders. At the annual general meeting held on 29 July 2019, a non-executive Director was absent, due to his other prior engagement.

The Directors will review our Company’s corporate governance policies and compliance with the Code Provisions from time to time.

## COMPLIANCE WITH THE MODEL CODE FOR 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 securities transactions by our Directors. Our Company confirms that, having made specific enquiry of all the Directors, our Directors complied with the required standards as set out in the Model Code during FY2020.

## **REVIEW OF FINAL RESULTS BY THE AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely, Mr. Lam On Tai, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai (“**Dr. Yip**”), and is chaired by Dr. Yip.

The Audit Committee has discussed with the management of the Company about the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the consolidated financial statements for FY2020, and it has not identified any significant deficiency or material weakness. The Audit Committee has also reviewed the consolidated financial statements for FY2020 with the management and the auditor of the Company and recommended them to the Board for approval.

## **SCOPE OF WORK PERFORMED BY AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 29 February 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of our Company for FY2020 is scheduled to be held on Thursday, 30 July 2020 (the “**AGM**”). A notice convening the AGM will be issued and disseminated to our Shareholders in due course.

## **DIVIDEND**

At our Board meeting held on 26 May 2020 (the “**Board Meeting**”), our Directors recommended the payment of a final dividend (the “**Final Dividend**”) of HK\$0.87 cents per ordinary share. In addition, during the Board Meeting, our Directors also recommended the payment of a special dividend (the “**Special Dividend**”) of HK\$0.28 cents per ordinary share to the Shareholders in recognition of their continuous support to the Company.

The Final Dividend and the Special Dividend, together with the interim dividend of HK\$1.07 cents per share declared and paid during FY2020, represent 40.1% of the profit attributable to the Shareholders for FY2020.

The Final Dividend and the Special Dividend are subject to approval by the Shareholders at the AGM and will be paid on Thursday, 20 August 2020 to the Shareholders whose names appear on the register of members of our Company at the close of business on Monday, 10 August 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the identity of our Shareholders who are entitled to attend and vote at the AGM, 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 Friday, 24 July 2020. The register of members of our Company will be closed from Monday, 27 July 2020 to Thursday, 30 July 2020, both days inclusive, during which period no transfer of shares will be registered.

In order to establish the identity of the shareholders of our Company who are entitled to the Final Dividend and the Special 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 Tuesday, 4 August 2020. The register of members of our Company will be closed from Wednesday, 5 August 2020 to Monday, 10 August 2020, both days inclusive, during which no transfer of shares will be registered.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is also published on our Company's website ([www.pawnshop.com.hk](http://www.pawnshop.com.hk)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report for the year ended 29 February 2020 containing all relevant information required by Appendix 16 to the Listing Rules will be disseminated to our Shareholders and will be available on the above websites 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, 26 May 2020

*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.*