

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

		Six months ended 31 August		Change
		2020 HK\$'000	2019 HK\$'000	
Revenue		99,307	117,838	-15.7%
Profit before taxation		63,510	70,793	-10.3%
Profit for the period attributable to shareholders		52,053	59,271	-12.2%
Net profit margin		52.4%	50.3%	
Basic earnings per share (in HK cents)		2.7	3.1	
Net interest margin	Note 1	13.5%	12.7%	
For pawn loan services		40.5%	40.7%	
For mortgage loan services		10.0%	9.3%	
		As at 31 August 2020 HK\$'000	As at 29 February 2020 HK\$'000	
Gross loan receivables – principal	Note 2	1,119,285	1,279,143	-12.5%
– Pawn receivables of amortised cost		26,972	30,045	
– Pawn receivables of fair value through profit or loss		101,463	111,770	
– Mortgage receivables of amortised cost		990,850	1,137,328	
Total assets		1,268,728	1,428,347	-11.2%
Total equity		923,414	895,319	3.1%

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 the 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 2020

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, the “**Group**” or “**our Group**”) for the six months ended 31 August 2020, with the comparative figures for the corresponding period in 2019 as follows:

Condensed Consolidated Statement of Profit or Loss And Other Comprehensive Income

for the six months ended 31 August 2020

(Expressed in Hong Kong dollars)

		Six months ended 31 August	
		2020	2019
	Notes	\$'000	\$'000
		(unaudited)	(unaudited)
Revenue	5	99,307	117,838
Other income	6	3,349	1,515
		<hr/>	<hr/>
Operating income		102,656	119,353
Other operating expenses	7(b)	(25,088)	(26,440)
Charge for impairment losses on loan receivables		(1,200)	–
		<hr/>	<hr/>
Profit from operations		76,368	92,913
Finance costs	7(a)	(12,858)	(22,120)
		<hr/>	<hr/>
Profit before taxation		63,510	70,793
Income tax	8	(11,457)	(11,522)
		<hr/>	<hr/>
Profit and total comprehensive income for the period attributable to shareholders		52,053	59,271
		<hr/>	<hr/>
Earnings per share (in HK cents) – basic and diluted	9	2.7	3.1
		<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position

as at 31 August 2020

(Expressed in Hong Kong dollars)

		31 August 2020 \$'000 (unaudited)	29 February 2020 \$'000 (audited)
	Notes		
Non-current assets			
Plant and equipment		1,448	1,671
Right-of-use assets	10	17,676	23,436
Loan receivables	11	111,738	114,482
Other receivables	12	2,740	2,740
Deferred tax assets		809	745
		<u>134,411</u>	<u>143,074</u>
Current assets			
Reposessed assets		7,274	9,292
Loan receivables	11	1,024,789	1,184,153
Trade and other receivables	12	2,165	2,802
Cash and cash equivalents	13	100,089	89,026
		<u>1,134,317</u>	<u>1,285,273</u>
Current liabilities			
Accruals and other payables	14	7,600	6,704
Bank loans and overdrafts	15	1,571	103,752
Lease liabilities	10	10,412	10,661
Other loans	16	44,112	124,112
Loans from the immediate holding company	17	99,000	104,000
Debt securities issued	18	49,963	—
Tax payable		11,526	7,433
		<u>224,184</u>	<u>356,662</u>
Net current assets		<u>910,133</u>	<u>928,611</u>
Total assets less current liabilities		<u>1,044,544</u>	<u>1,071,685</u>

		31 August 2020	29 February 2020
	<i>Notes</i>	\$'000	\$'000
		(unaudited)	(audited)
Non-current liabilities			
Debt securities issued	18	112,783	162,684
Lease liabilities	10	8,347	13,682
		<u>121,130</u>	<u>176,366</u>
NET ASSETS		<u>923,414</u>	<u>895,319</u>
CAPITAL AND RESERVES			
Capital	19	19,324	19,385
Reserves		<u>904,090</u>	<u>875,934</u>
TOTAL EQUITY		<u>923,414</u>	<u>895,319</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 August 2020

(Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Capital redemption reserve \$'000	Other reserve \$'000	Retained profits \$'000	Total \$'000
At 29 February 2020 and 1 March 2020 (audited)	<u>19,385</u>	<u>55,258</u>	<u>44,963</u>	<u>1,999</u>	<u>12,001</u>	<u>761,713</u>	<u>895,319</u>
Profit and total comprehensive income	–	–	–	–	–	52,053	52,053
Purchase of own shares	(61)	(1,736)	–	61	–	–	(1,736)
Special dividends declared and paid in respect of previous year (note 19(b))	–	(5,410)	–	–	–	–	(5,410)
Final dividends declared and paid in respect of previous year (note 19(b))	<u>–</u>	<u>(16,812)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(16,812)</u>
At 31 August 2020 (unaudited)	<u><u>19,324</u></u>	<u><u>31,300</u></u>	<u><u>44,963</u></u>	<u><u>2,060</u></u>	<u><u>12,001</u></u>	<u><u>813,766</u></u>	<u><u>923,414</u></u>
At 28 February 2019 and 1 March 2019 (audited)	<u>19,385</u>	<u>90,151</u>	<u>44,963</u>	<u>1,999</u>	<u>12,001</u>	<u>654,330</u>	<u>822,829</u>
Profit and total comprehensive income	–	–	–	–	–	59,271	59,271
Final dividends declared and paid in respect of previous year (note 19(b))	<u>–</u>	<u>(14,151)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(14,151)</u>
At 31 August 2019 (unaudited)	<u><u>19,385</u></u>	<u><u>76,000</u></u>	<u><u>44,963</u></u>	<u><u>1,999</u></u>	<u><u>12,001</u></u>	<u><u>713,601</u></u>	<u><u>867,949</u></u>

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 August 2020

(Expressed in Hong Kong dollars)

	Six months ended 31 August	
	2020	2019
	\$'000	\$'000
	(unaudited)	(unaudited)
Operating activities		
Operating profit before changes in working capital	83,407	98,617
Decrease (increase) in loan receivables	160,915	(53,320)
Other cash flows generated from operations	4,109	607
	<hr/>	<hr/>
Cash generated from operations	248,431	45,904
Hong Kong Profits Tax paid	(7,428)	(5,020)
	<hr/>	<hr/>
Net cash generated from operating activities	241,003	40,884
	<hr/>	<hr/>
Investing activities		
Payment for the purchase of plant and equipment	(30)	(217)
Proceeds from disposal of a subsidiary	–	100
Other cash flows generated from investing activities	–	3
	<hr/>	<hr/>
Net cash used in investing activities	(30)	(114)
	<hr/>	<hr/>
Financing activities		
Repayments of bank loans	(93,595)	(8,929)
Repayments of other loans	(80,000)	(33,680)
Dividends paid	(22,222)	(14,151)
Finance costs paid	(12,705)	(20,515)
Repayments of principal on lease liabilities	(5,417)	(4,801)
Repayments of loans from the immediate holding company	(5,000)	(40,000)
Payment of purchase of own shares	(1,736)	–
Repayments of interest on lease liabilities	(649)	(731)
New bank loans raised	24,712	4,690
New other loans raised	–	128,000
New loans raised from the immediate holding company	–	50,000
	<hr/>	<hr/>
Net cash (used in) generated from financing activities	(196,612)	59,883
	<hr/>	<hr/>
Net increase in cash and cash equivalents	44,361	100,653
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of period (note 13)	55,728	36,151
	<hr/>	<hr/>
Cash and cash equivalents at the end of period (note 13)	100,089	136,804
	<hr/>	<hr/>

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 (hereinafter collectively 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 2020 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 (the “**HKICPA**”).

The condensed consolidated financial statements of the Group for the six months ended 31 August 2020 are presented in Hong Kong dollars (“**HK\$**” or “**\$**”), which is also the functional currency of the Company, 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 loan receivables at fair value through profit or loss (“**FVPL**”) that are measured at fair values at the end of each reporting period.

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 29 February 2020 except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 March 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the amendments to HKFRS 16, COVID-19-Related Rent Concessions, which are effective for annual periods beginning on or after 1 June 2020.

Excepted as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS and the 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.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions

The amendments to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. During the current interim period, the COVID-19-related rent concessions recognised in the profit or loss amounted to approximately \$167,000. There is no impact on the opening balance of equity at 1 March 2020.

4 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.

5 REVENUE

The principal activities of the Group are 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 period is as follows:

	Six months ended 31 August	
	2020	2019
	'000	'000
	(unaudited)	(unaudited)
Revenue from pawn loan business		
– Interest income from pawn loan receivables at FVPL	24,455	27,679
– Interest income from pawn loan receivables calculated using the effective interest method	4,178	5,210
– Gain on disposal of repossessed assets	4,058	3,719
	<hr/>	<hr/>
Total revenue from pawn loan business	32,691	36,608
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	66,616	81,230
	<hr/>	<hr/>
Total	99,307	117,838
	<hr/>	<hr/>

The cost of disposal of repossessed assets for the six months ended 31 August 2020 amounted to \$21.3 million (six months ended 31 August 2019: \$25.7 million).

The Group's customer base is diversified and does not include any customer with whom transactions have exceeded 10% of the Group's revenue during both periods.

6 OTHER INCOME

	Six months ended 31 August	
	2020	2019
	'000	'000
	(unaudited)	(unaudited)
Credit related fee income	1,093	554
Government subsidy (Note a)	1,051	–
Rental income	1,002	796
COVID-19-related rent concession (Note b)	167	–
Gain on disposal of a subsidiary (Note c)	–	100
Bank interest income	–	3
Others	36	62
	<u>3,349</u>	<u>1,515</u>

Notes:

- (a) The amount primarily represents cash subsidy received from The Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund for relieving financial burdens of the businesses (six months ended 31 August 2019: nil).
- (b) Due to the outbreak of COVID-19, the Group has received rent concessions from lessors in the form of rent reduction. The Group has early adopted Amendments to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 is a lease modification.
- (c) Dream City Credit Limited, previously known as Oi Wah Finance Limited, which was an indirect wholly owned subsidiary of the Group located in Hong Kong and owned a 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 approximately \$100,000.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting):

		Six months ended 31 August	
		2020	2019
		\$'000	\$'000
		(unaudited)	(unaudited)
(a) Finance costs			
Interest on debt securities issued		4,989	4,992
Interest on other loans		3,501	11,309
Interest on loans from the immediate holding company		2,573	2,718
Interest on bank loans and overdrafts		1,146	2,370
Interest on lease liabilities		649	731
		<hr/>	<hr/>
		12,858	22,120
		<hr/>	<hr/>
(b) Other operating expenses			
Premises and equipment expenses excluding depreciation			
– rental of premises		700	1,357
– maintenance, repairs and others		533	588
		<hr/>	<hr/>
		1,233	1,945
		<hr/>	<hr/>
Depreciation of plant and equipment		253	237
Depreciation of right-of-use assets		5,760	5,259
Net (gains) losses on loan receivables at FVPL		(7)	5
Staff costs		11,671	12,409
Advertising expenses		1,802	2,077
Auditor's remuneration		415	443
Legal and professional fees		1,650	1,534
Others		2,311	2,531
		<hr/>	<hr/>
		23,855	24,495
		<hr/>	<hr/>
		25,088	26,440
		<hr/>	<hr/>

8 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:

	Six months ended 31 August	
	2020	2019
	'000	'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax		
Provision for the period		
– Current tax	10,554	11,621
– Under-provision in prior periods	967	–
	11,521	11,621
Deferred taxation	(64)	(99)
	11,457	11,522

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 periods, 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 British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

9 EARNINGS PER SHARE

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

Earnings

	Six months ended 31 August	
	2020	2019
	\$'000	\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to shareholders of the Company	52,053	59,271

Weighted average number of ordinary shares

	Six months ended 31 August	
	2020	2019
	Number of	Number of
	shares	shares
	'000	'000
	(unaudited)	(unaudited)
Issued ordinary shares at 1 March	1,938,468	1,938,468
Effect of purchase of own shares (note 19(a))	(5,164)	—
	<u>1,933,304</u>	<u>1,938,468</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,933,304</u>	<u>1,938,468</u>

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

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	31 August	29 February
	2020	2020
	\$'000	\$'000
	(unaudited)	(audited)
Leased properties – buildings	<u>17,676</u>	<u>23,436</u>

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

During the six months ended 31 August 2020, the Group has subleased part of the leased properties. The Group has classified the sublease as operating lease. During the six months ended 31 August 2020, the Group recognises rental income from subleasing right-of-use assets of approximately \$1.0 million (six months ended 31 August 2019: \$0.8 million).

Lease liabilities

	31 August 2020 \$'000 (unaudited)	29 February 2020 \$'000 (audited)
Current	10,412	10,661
Non-current	8,347	13,682
	18,759	24,343

In addition, the lease liabilities have been reduced by approximately \$167,000 (six months ended 31 August 2019: nil) in relation to the rent concessions granted by the landlords due to the COVID-19 during the six months ended 31 August 2020.

Amounts recognised in profit or loss

	Six months ended 31 August 2020 \$'000 (unaudited)	2019 \$'000 (unaudited)
Depreciation expense on right-of-use assets	5,760	5,259
Interest on lease liabilities	649	731
Expenses relating to short-term leases	700	1,357
Rent concession related to COVID-19	(167)	–
Income from subleasing right-of-use assets	(1,002)	(796)

Others

During the six months ended 31 August 2020, the total cash outflow for leases amount to approximately \$6,766,000 (six months ended 31 August 2019: \$6,889,000).

11 LOAN RECEIVABLES

	31 August 2020 \$'000 (unaudited)	29 February 2020 \$'000 (audited)
Loan receivables at amortised cost:		
– Pawn loans	26,972	30,045
– Accrued interests of pawn loans	<u>460</u>	<u>784</u>
Pawn loan receivables	<u>27,432</u>	<u>30,829</u>
– Mortgage loans	990,850	1,137,328
– Accrued interests of mortgage loans	<u>12,354</u>	<u>12,278</u>
	1,003,204	1,149,606
Less: Impairment allowance on mortgage loans – (stage 3)	<u>(4,211)</u>	<u>(3,011)</u>
Net mortgage loan receivables	<u>998,993</u>	<u>1,146,595</u>
Net loan receivables at amortised cost	<u>1,026,425</u>	<u>1,177,424</u>
Loan receivables at FVPL:		
– Pawn loans	<u>110,102</u>	<u>121,211</u>
Total loan receivables	1,136,527	1,298,635
Current portion included under current assets	<u>(1,024,789)</u>	<u>(1,184,153)</u>
Amounts due after one year included under non-current assets	<u><u>111,738</u></u>	<u><u>114,482</u></u>

During the six months ended 31 August 2020, impairment losses of approximately \$1.2 million (six months ended 31 August 2019: nil) were recognised as expense in accordance with the expected credit loss model.

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
31 August 2020 (unaudited)				
Not past due	26,981	107,795	749,993	884,769
Less than 1 month past due	294	1,284	163,217	164,795
1 to less than 3 months past due	–	563	17,686	18,249
3 to less than 6 months past due	157	460	64,970	65,587
6 months to 1 year past due	–	–	–	–
Over 1 year past due	–	–	7,338	7,338
	<u>27,432</u>	<u>110,102</u>	<u>1,003,204</u>	<u>1,140,738</u>
29 February 2020 (audited)				
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>

At 31 August 2020, of these mortgage loans which have been past due for one month or above, except for one mortgage loan receivable amounted to approximately \$7.3 million (29 February 2020: \$7.3 million) on which an allowance for lifetime 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

	31 August 2020 \$'000 (unaudited)	29 February 2020 \$'000 (audited)
Non-current		
Rental deposits	<u>2,740</u>	<u>2,740</u>
Current		
Trade receivables	–	700
Deposits and payments in advance	2,063	2,000
Others	<u>102</u>	<u>102</u>
	<u>2,165</u>	<u>2,802</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 are expected to be recovered within one year.

13 CASH AND CASH EQUIVALENTS

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

	31 August 2020 \$'000 (unaudited)	29 February 2020 \$'000 (audited)
Cash on hand	6,294	6,326
Cash at banks	<u>93,795</u>	<u>82,700</u>
Cash and cash equivalents in the condensed consolidated statement of financial position	100,089	89,026
Bank overdrafts (note 15)	<u>–</u>	<u>(33,298)</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>100,089</u>	<u>55,728</u>

14 ACCRUALS AND OTHER PAYABLES

	31 August 2020 \$'000 (unaudited)	29 February 2020 \$'000 (audited)
Accrued interest expense	2,045	2,603
Accrued expenses	3,962	2,001
Provision for long services payment	778	1,200
Other payable and deposits received	815	900
	<u>7,600</u>	<u>6,704</u>

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

15 BANK LOANS AND OVERDRAFTS

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

	31 August 2020 \$'000 (unaudited)	29 February 2020 \$'000 (audited)
Unsecured bank overdrafts (note a)	–	33,298
Bank loans, secured (note b)	–	40,000
Bank loans, unsecured (note c)	1,571	30,454
	<u>1,571</u>	<u>70,454</u>
Total bank loans and overdrafts – repayable within 1 year or on demand	<u>1,571</u>	<u>103,752</u>

Notes:

- (a) At 31 August 2020, unsecured bank overdraft facilities of approximately \$41.5 million (29 February 2020: \$41.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above. At 31 August 2020, the bank overdrafts carried floating interest rate range from prime rate minus 0.75% to prime rate plus 1.5% per annum (29 February 2020: floating interest rate range from prime rate minus 0.75% to prime rate plus 1.5% per annum) with repayment on demand clause. During the six months ended 31 August 2020, the outstanding amount had been fully settled.

- (b) At 31 August 2020, uncommitted secured revolving bank loan facility of the lower of \$50.0 million (29 February 2020: \$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 (29 February 2020: HIBOR plus 4% per annum) and the available uncommitted banking facility after taking into consideration of the drawdown was \$50.0 million (29 February 2020: \$10.0 million). The uncommitted secured revolving bank loan facility was secured by certain mortgage loan receivables with a carrying value of approximately \$120.9 million (29 February 2020: \$131.1 million). During the six months ended 31 August 2020, the outstanding amount had been fully settled.
- (c) At 31 August 2020, unsecured bank loan facilities of approximately \$16.6 million (29 February 2020: \$30.5 million) were provided to the Company and the subsidiaries and utilised to the extent as disclosed above. At 31 August 2020, the bank loans carried floating interest rate which ranged from prime rate minus 0.75% to prime rate plus 1.5% per annum (29 February 2020: floating interest rate ranged from prime rate minus 0.75% to prime rate plus 1.5% per annum).

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 OTHER LOANS

The Group obtained uncommitted secured revolving certain loan facility from an independent third party. The limit of the facility is the lower of \$439.0 million (29 February 2020: \$439.0 million) and a certain percentage of the aggregate principal amount of the 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 (29 February 2020: HSBC prime rate plus 2% per annum) and the tenor for the facilities is one year.

As at 31 August 2020, the available uncommitted loan facilities after taking into consideration of the drawdown was nil (29 February 2020: \$18.0 million). These loan facilities were secured by certain mortgage loan receivables for the Group with a carrying value of approximately \$55.1 million (29 February 2020: \$177.6 million).

17 LOANS FROM THE IMMEDIATE HOLDING COMPANY

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

At 31 August 2020, the available loan facility after taking into consideration of the drawdown was approximately \$101.0 million (29 February 2020: \$96.0 million) and the accrued interest payable as of 31 August 2020 was approximately \$213,000 (29 February 2020: \$198,000).

18 DEBT SECURITIES ISSUED

The debt securities are unsecured, denominated in HK\$, interest-bearing ranging from 6% to 7% per annum (29 February 2020: 6% to 7% per annum) with interest coupon being paid semi-annually and are matured between 2021 and 2025. All debt securities issued are measured at amortised cost.

19 CAPITAL AND DIVIDENDS

(a) Share Capital

	Par value \$	No of shares '000	Nominal value of ordinary shares \$'000
Authorised:			
At 1 March 2019, 31 August 2019 and 1 March 2020, 31 August 2020	0.01	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
At 1 March 2019, 28 February 2020 and 1 March 2020 (audited)	0.01	1,938,468	19,385
Purchase of own shares (note)	0.01	<u>(6,096)</u>	<u>(61)</u>
31 August 2020 (unaudited)		<u>1,932,372</u>	<u>19,324</u>

During the six months ended 31 August 2020, the Company repurchased 6,096,000 shares of the Company on the Stock Exchange with prices ranging from \$0.260 to \$0.305. The total consideration paid for these shares was \$1,736,000. All these shares were cancelled by 31 August 2020.

For the six months ended 31 August 2020

Month	Number of shares repurchased ('000)	Purchase price per share		Aggregate consideration after expense (\$'000)
		Highest	Lowest	
March 2020	4,432	\$0.300	\$0.260	1,253
April 2020	1,200	\$0.305	\$0.280	346
May 2020	<u>464</u>	\$0.300	\$0.295	<u>137</u>
Total	<u>6,096</u>			<u>1,736</u>

(b) Dividends

- (i) Interim dividend payable to equity shareholders of the Company in respect of the financial period ended 31 August 2020:

	Six months ended 31 August	
	2020	2019
	\$'000	\$'000
	(unaudited)	(unaudited)
Interim dividend declared after the interim period of 0.81 cents per ordinary share (2019: 1.07 cents per ordinary share)	15,652	20,742

The interim dividend declared for the period ended 31 August 2020 will be satisfied by way of cash.

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

	Six months ended 31 August	
	2020	2019
	\$'000	\$'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved and paid during the following interim period of 0.87 cents per ordinary share (2019: 0.73 cents per ordinary share)	16,812	14,151

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

	Six months ended 31 August	
	2020	2019
	\$'000	\$'000
	(unaudited)	(unaudited)
Special dividend in respect of the previous financial year, approved and paid during the following interim period of 0.28 cents per ordinary share (2019: nil)	5,410	—

20 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	
	2020	2019
	\$'000	\$'000
	(unaudited)	(unaudited)
Salary and other emoluments	3,600	3,493
Contributions to Mandatory Provident Fund	45	45
Others	11	11
	<u>3,656</u>	<u>3,549</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:

	31 August	29 February
	2020	2020
	\$'000	\$'000
	(unaudited)	(audited)
Rental deposits placed with		
– Kwan Chart (Holding) Company Limited (<i>Note</i>)	160	160
– Kwan Chart Estate Company Limited (<i>Note</i>)	110	110
– Mr. Chan Chart Man	<u>180</u>	<u>180</u>
Management fee deposit placed with		
– Kwan Chart Estate Company Limited	<u>22</u>	<u>22</u>

The Group entered into a 2-year lease agreement in respect of the rental of a property from Kwan Chart (Holding) Company Limited, a company with common beneficial owners with the Company. During the six months ended 31 August 2020, the amount payable by the Group under the lease was \$80,000 per month (31 August 2019: \$80,000 per month). As at 31 August 2020, the carrying amount of such lease liabilities was nil (29 February 2020: \$256,000). The lease contract had expired during the six months ended 31 August 2020 and the renewal lease term of 1-year lease entered into was classified as short term lease with monthly rental expense of HK\$80,000 at terms mutually agreed by the parties thereafter. During the six months ended 31 August 2020, the Group made lease payment in cash of \$259,000 (31 August 2019: \$480,000) to the related company. In addition, the Group has made the lease payment of \$221,000 in cash (31 August 2019: nil) to the related company, where the lease is accounted for as a short-term lease.

The Group entered into a 2-year lease agreement in respect of the rental of a property from Kwan Chart Estate Company Limited, a company with common beneficial owners with the Company. During the six months ended 31 August 2020, the amount payable by the Group under the lease was \$55,000 per month (31 August 2019: \$55,000 per month). As at 31 August 2020, the carrying amount of such lease liabilities was nil (29 February 2020: \$163,000). The lease contract had expired during the six months ended 31 August 2020 and the renewal lease term of 1-year lease entered into was classified as short term lease with monthly rental expense of HK\$55,000 at terms mutually agreed by the parties thereafter. During the six months ended 31 August 2020, the Group made lease payment in cash of \$165,000 (31 August 2019: \$330,000) to the related company. In addition, the Group has made the lease payment of \$165,000 in cash (31 August 2019: nil) to the related company, where the lease is accounted for as a short-term lease.

The Group entered into a 2-year lease agreement in respect of the rental of a property from Mr. Chan Chart Man, a director of the Company. During the six months ended 31 August 2020, the amount payable by the Group under the lease was \$90,000 per month (31 August 2019: \$90,000). As at 31 August 2020, the carrying amount of such lease liabilities was nil (29 February 2020: \$288,000). The lease contract had expired during the six months ended 31 August 2020 and the renewal lease term of 1-year lease entered was classified as short term lease with monthly rental expense of HK\$90,000 at terms mutually agreed by the parties thereafter. During the six months ended 31 August 2020, the Group made lease payment in cash of \$291,000 (31 August 2019: \$540,000) to the related company. In addition, the Group has made the lease payment of \$249,000 in cash (31 August 2019: nil) to the related company, where the lease is accounted for as a short-term lease.

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.

Note: A director of the Company has beneficial interest in Kwan Chart (Holding) Company Limited and Kwan Chart Estate Company Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

MORTGAGE LOAN BUSINESS

For the six months ended 31 August 2020 (“**FP2021**”), the mortgage loan business remained a major source of income of the Group, of which revenue generated therefrom accounted for approximately 67.1% of the Group’s total revenue. Given the outbreak of the pandemic of Coronavirus Disease 2019 (“**COVID-19**”) and the subsequent decline of the global economy, many small and medium enterprises (SMEs) in Hong Kong adopted a more prudent approach on their future expansion, thus has weakened the local loan demand. During the period, the interest income of the mortgage loan business of the Group decreased by approximately HK\$14.6 million or 18.0% from approximately HK\$81.2 million for the six months ended 31 August 2019 (“**FP2020**”) to approximately HK\$66.6 million in FP2021. The gross mortgage loan receivables was approximately HK\$990.9 million as at 31 August 2020 with the total new mortgage loans granted amounted to approximately HK\$182.1 million in FP2021. During the period, net interest margin of the mortgage loan business increased by 0.7% to 10.0% (FP2020: 9.3%). There were 80 new cases of mortgage loan transactions.

The Board deemed the market to be unpredictable in the future and continued to keep a close eye on the performance of the Group’s loan portfolio, especially in respect to the repayment status of its existing customers. With such effort, there was no bad debt recorded during the period. In FP2021, the loan-to-value ratio for first mortgage was approximately 50.9%, while the overall loan-to-value ratio for subordinate mortgage was approximately 56.7%, of which the loan-to-value ratio of subordinate mortgage that the Group participated in was approximately 10.1%.

PAWN LOAN BUSINESS

During the period, the revenue generated from the pawn loan business decreased by approximately HK\$3.9 million or 10.7% from approximately HK\$36.6 million in FP2020 to approximately HK\$32.7 million in FP2021, with interest income from pawn loan receivables and gain from disposal of repossessed assets of approximately HK\$28.6 million and HK\$4.1 million respectively. The decrease was mainly attributed to the impact of COVID-19 on foot traffic. In response to this, the Group is currently developing a mobile app to capture opportunities for online pawn loan service.

During the period, the Group continued to channel resources for advertising and promotion, in order to enhance the Group's brand exposure. Thus, the average loan amount increased to approximately HK\$10,000 per transaction (FP2020: HK\$9,200 per transaction).

INDUSTRY OVERVIEW

Gold price had reached record high in August 2020 due to the global financial downturn triggered by COVID-19 and the subsequent risk aversion sentiments among investors. It is believed that, given the continuous uncertainty in global economy, gold price will remain strong in the near future and will have a positive impact on the Group's pawn loan business.

Meanwhile, it is expected that the cost of funds will remain stable under the low interest rate environment. Coupled with the reduction in competition among the industry players to provide lower interest rates in mortgage loans, the Board is of the view that the net profit margin of mortgage loan business will continue to improve.

FINANCIAL REVIEW

Revenue

Our Group's revenue decreased from approximately HK\$117.8 million in FP2020 to approximately HK\$99.3 million in FP2021, representing a decrease of approximately HK\$18.5 million or 15.7%. A decrease was recorded in both the pawn loan and mortgage loan businesses with detailed analysis set out as follows:

Mortgage loan business

The decrease in our interest income derived from our mortgage loan business of approximately HK\$14.6 million or 18.0% (from approximately HK\$81.2 million in FP2020 to approximately HK\$66.6 million in FP2021) was due to the fact that under the global outbreak of the COVID-19 pandemic, the Group has adopted a more cautious approach in granting new mortgage loans during FP2021. As such, the average month-end balance for the gross mortgage loans receivables for the period decreased from approximately HK\$1,286.6 million in FP2020 to approximately HK\$1,090.6 million in FP2021 and the total amount of new mortgage loans granted during FY2021 was approximately HK\$182.1 million (FP2020: HK\$306.6 million).

Pawn loan business

Revenue from our pawn loan business decreased from approximately HK\$36.6 million in FP2020 to approximately HK\$32.7 million in FP2021, representing a decrease of approximately HK\$3.9 million or 10.7%. This was attributable to the decrease in our interest income earned on our loan receivables by approximately HK\$4.3 million or 13.1% from approximately HK\$32.9 million in FP2020 to approximately HK\$28.6 million in FP2021, netting off by the increase in gain on disposal of repossessed assets by approximately HK\$0.4 million or 10.8% from approximately HK\$3.7 million in FP2020 to approximately HK\$4.1 million in FP2021.

The decrease in our interest income earned on our pawn loan receivables was primarily attributable to (i) a decrease in the average month-end balance for the gross pawn loan receivables from March to August from approximately HK\$157.4 million in FP2020 to approximately HK\$140.5 million in FP2021; and (ii) a decrease in the aggregated amount of pawn loans granted from approximately HK\$386.0 million in FP2020 to approximately HK\$324.8 million in FP2021.

Revenue from the disposal of repossessed assets represents the gain/(loss) we received as we sold the repossessed assets in the event of default in the repayment of our pawn loans. The increase in our gain on disposal of repossessed assets in FP2021 was mainly due to the increase of the gold price per ounce from around US\$1,600 in February 2020 to around US\$2,050 in August 2020. Since every pawn loan has a loan term of four lunar months, the revenue increased with the appreciation of gold price in FP2021 and thus a better result was seen in the gain on disposal of repossessed assets in FP2021.

Other revenue

Other revenue increased from approximately HK\$1.5 million in FP2020 to approximately HK\$3.3 million in FP2021, representing an increase of approximately HK\$1.8 million or 120.0%, which was mainly due to (i) the receipt of a one-off subsidy from The Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund for relieving financial burdens of the businesses of approximately HK\$1.1 million; and (ii) an increase in our credit-related fee income by approximately HK\$0.5 million representing early repayment fees and handling charges from our mortgage loan customers.

Operating expenses

Operating expenses decreased by approximately HK\$1.3 million or 4.9% from approximately HK\$26.4 million in FP2020 to approximately HK\$25.1 million in FP2021.

During FP2021, staff costs slightly decreased by approximately HK\$0.7 million or 5.6% from approximately HK\$12.4 million in FP2020 to approximately HK\$11.7 million in FP2021. The decrease was mainly contributed by the decrease in the bonus for staff of approximately HK\$0.2 million.

According to HKFRS 16, all operating lease should be treated as finance lease. 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 decreased slightly by approximately HK\$0.1 million or 1.5% from approximately HK\$6.6 million in FP2020 to approximately HK\$6.5 million in FP2021. No material change was noted.

Apart from staff costs, rental expenses and depreciation for right-to-use assets of approximately HK\$19.0 million and HK\$18.2 million in FP2020 and FP2021 respectively as mentioned above, other operating expenses decreased by approximately HK\$0.5 million or 6.8% from approximately HK\$7.4 million in FP2020 to approximately HK\$6.9 million in FP2021, which was mainly due to the decrease in commission fee by approximately HK\$0.3 million.

Finance costs

The finance costs decreased by approximately HK\$9.2 million or 41.6% from approximately HK\$22.1 million in FP2020 to approximately HK\$12.9 million in FP2021. It was mainly due to the decrease in bank loans and overdrafts, other loans and loans from the immediate holding company in FP2021.

Charge for impairment losses on loan receivables

The charge for impairment losses on loan receivables of HK\$1.2 million in FP2021 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 for the year ended 29 February 2020) which had been overdue for more than one year and the management considered there is a growing likelihood that the value of the collateral of the said loan cannot fully cover the outstanding amount. No such impairment was made in FP2020.

Income tax expenses

Our Group's effective tax rate increased from approximately 16.3% in FP2020 to approximately 18.0% in FP2021. The increase was due to the additional assessment amounted of approximately HK\$1.0 million, which is due to part of the advertising expenses in previous years were subsequently disqualified as deductible expense by Hong Kong Inland Revenue Department.

Profit and total comprehensive income for the period

Our Group's profit for FP2021 decreased to approximately HK\$52.1 million from approximately HK\$59.3 million in FP2020, representing a decrease of approximately HK\$7.2 million or 12.1%. The decrease was mainly attributable to the decrease in revenue amounted to approximately HK\$18.5 million and the charge for impairment losses on loan receivables of approximately HK\$1.2 million, netting off against the increase in other revenue of approximately HK\$1.8 million and decrease in staff cost, commission fee and finance cost amounted to approximately HK\$0.7 million, HK\$0.3 million and HK\$9.2 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2020, cash and cash equivalents, after netting off with the bank overdrafts, amounted to approximately HK\$100.1 million, representing a net increase of approximately HK\$44.4 million as compared to the position as at 29 February 2020.

For FP2021, net cash inflow from operating activities of our Group amounted to approximately HK\$241.0 million which is mainly due to the cash inflow from the repayment of loan receivables which was amounted to approximately HK\$160.9 million. The net cash outflow from financing activities of our Group amounted to approximately HK\$196.6 million for FP2021. It was mainly contributed by the dividend payment, finance cost paid, the net repayment for bank loans and overdrafts, other loans and loans from the immediate holding company during FP2021 which were amounted to approximately HK\$22.2 million, HK\$12.7 million, HK\$68.9 million, HK\$80.0 million and HK\$5.0 million respectively.

Pledge of assets

At 31 August 2020, the Group had pledged its mortgage loan receivables with net book value of HK\$176.0 million (29 February 2020: HK\$308.7 million) for the purpose of obtaining facilities from a bank and another independent third party.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 31 August 2020.

PROSPECTS

In 2020, COVID-19 has rocked the world. The Hong Kong government has introduced relief measures to lessen the blow on economy, including the “Employment Support Scheme”. However, hard-hit businesses are still facing considerable operational difficulties, with many of them struggling to stay in business. The Directors are of the view that the Hong Kong property market remains unpredictable, especially for commercial properties and luxury homes. As such, the Group will continue to adopt a prudent strategy when granting mortgage loans and maintain its focus on high net worth customers.

Looking ahead, the Group plans to launch an online pawn loan mobile app in the year of 2021 that would enable customers to obtain loans at their fingertips at anytime and anywhere. It is expected that online pawn loan services will increase customer satisfaction, attract younger customers, and help to promote the Group’s pawn loan business at a lower cost.

KEY FINANCIAL RATIOS

	As at 31 August 2020	As at 29 February 2020
Current ratio ⁽¹⁾	5.1x	3.6x
Gearing ratio ⁽²⁾	33.3%	55.2%
	For the six months ended 31 August 2020	For the six months ended 31 August 2019
Return on total assets ⁽³⁾	8.2%	7.3%
Return on equity ⁽⁴⁾	11.3%	13.7%
Net profit margin ⁽⁵⁾	52.4%	50.3%
Net interest margin ⁽⁶⁾	13.5%	12.7%
– pawn loan services	40.5%	40.7%
– mortgage loan services	10.0%	9.3%

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, other loans 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 increased from 3.6 times as at 29 February 2020 to 5.1 times as at 31 August 2020, which was mainly due to the decrease in other loans, bank loans and overdrafts and loans from the immediate holding company that were amounted to HK\$80.0 million, HK\$102.2 million and HK\$5.0 million respectively, and was offset by the increase in current debt securities issued and current loan receivables of approximately HK\$50.0 million and HK\$159.4 million respectively.

Gearing ratio

Our Group's gearing ratio decreased from approximately 55.2% as at 29 February 2020 to approximately 33.3% as at 31 August 2020, which was mainly triggered by the decrease in other loans, bank loans and overdrafts and loans from the immediate holding company which were amounted to approximately HK\$80.0 million, HK\$102.2 million and HK\$5.0 million respectively as a result of the decrease of our mortgage loan portfolio.

Return on total assets and return on equity

Our return on total assets increased slightly from approximately 7.3% in FP2020 to 8.2% in FP2021, which was mainly due to the increase in our net interest margin from 12.7% in FP2020 to 13.5% in FP2021.

Our return on equity decreased from approximately 13.7% in FP2020 to 11.3% in FP2021, which was mainly due to the decrease in the gearing ratio from approximately 55.2% as at 29 February 2020 to approximately 33.3% as at 31 August 2020. Since the net interest margin of the Group is positive, less funding will decrease the revenue of the Group.

Net profit margin and net interest margin

There was an increase in our net profit margin and net interest margin from approximately 50.3% and 12.7% in FP2020 to 52.4% and 13.5% in FP2021 respectively. The reason for such an increase was mainly due to the decrease in finance cost by approximately HK\$9.2 million during FP2021.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 19 February 2013. As at 31 August 2020, being the end of FP2021 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 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 31 August 2020, our Group had a total of 51 staff (29 February 2020: 50). Total staff costs (including directors’ emoluments) were approximately HK\$11.7 million for FP2021 (FP2020: approximately HK\$12.4 million). Remuneration is determined with reference to the market conditions and the performance, qualifications and experience of an individual employee. Bonus based on individual performance will be paid to employees as a 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 FP2021.

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

During FP2021, the Company repurchased a total of 6,096,000 shares of the Company on the Stock Exchange at the aggregate consideration of approximately HK\$1.7 million (before expenses). All the repurchased shares were cancelled during FP2021.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate Consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
March 2020	4,432,000	0.300	0.260	1,253,400.00
April 2020	1,200,000	0.305	0.280	345,520.00
May 2020	464,000	0.300	0.295	137,440.00
Total	6,096,000			1,736,360.00

The above share repurchases were made with a view to stabilise the price per share of the Company, as the management of the Company considered that the market price of the share might not be able to truly reflect the value of the Company's shares and the Company's prospects.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during FP2021.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not engage in any material acquisitions or disposals during FP2021.

CORPORATE GOVERNANCE PRACTICES

During FP2021, our Company had 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 during FP2021.

REVIEW OF INTERIM RESULTS

The Group's condensed consolidated financial statements for the six months ended 31 August 2020 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 2020. 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 was no important event affecting the Group which occurred after 31 August 2020.

INTERIM DIVIDEND

On 29 October 2020, the Board declared an interim dividend of HK\$0.81 cents per ordinary share, representing approximately 30.1% of the profit attributable to the Shareholders for FP2021. The total payout for the interim dividend will amount to approximately HK\$15.7 million. The aforesaid interim dividend will be paid on 21 December 2020 to the Shareholders whose names appear on the register of members of our Company at the close of business on 8 December 2020.

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 2020. The register of members of our Company will be closed from 4 December 2020 to 8 December 2020, both days inclusive, during which no transfer of shares will be registered.

PUBLICATION

The interim results announcement of our Company for FP2021 is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.pawnshop.com.hk) respectively. The 2020 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 2020

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