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## Oi Wah Pawnshop Credit Holdings Limited

### 靚華押業信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1319)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2016, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

### FINANCIAL HIGHLIGHTS

	Six months ended		Change
	2016 HK\$	2015 HK\$	
Revenue	106,597,715	88,635,139	20.3%
Profit before taxation	64,439,230	54,820,535	17.5%
Profit for the year attributable to shareholders	53,791,732	45,760,505	17.6%
Net profit margin	50.5%	51.6%	
Basic earnings per shares (HK cents)	2.5	2.2	
Net interest margin	Note 1	18.5%	
For pawn loan services	40.5%	43.2%	
For mortgage loan services	11.0%	13.5%	
Aggregated new loans granted			
For pawn loan services (HK million)	300.9	304.2	-1.1%
For mortgage loan services (HK million)	474.6	456.1	4.1%
	As at 31 August 2016 HK\$	As at 29 February 2016 HK\$	
Gross loan receivables	1,206,979,442	1,032,784,223	16.9%
Total assets	1,288,566,399	1,125,148,818	14.5%
Total equity	705,244,259	666,594,039	5.8%

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.

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2016

The board (the “**Board**”) of directors (the “**Directors**”) of Oi Wah Pawnshop Credit Holdings Limited (the “**Company**” or “**our Company**”) is pleased to announce the unaudited interim results of our Company and its subsidiaries (collectively referred to as the “**Group**” or “**our Group**”) for the six months ended 31 August 2016, with the comparative figures for the corresponding period in 2015 as follows:

### Consolidated statement of comprehensive income

for the six months ended 31 August 2016 — unaudited

(Expressed in Hong Kong dollars)

		Six months ended 31 August	
	Note	2016 \$	2015 \$
<b>Revenue</b>	5	<b>106,597,715</b>	88,635,139
Other revenue	6	<b>1,756,911</b>	2,178,121
		<hr/>	<hr/>
<b>Operating income</b>		<b>108,354,626</b>	90,813,260
Operating expenses	7	<b>(28,007,587)</b>	(25,935,335)
Release of/(charge for) impairment losses on loan receivables	7	<b>35,589</b>	(119,427)
		<hr/>	<hr/>
<b>Profit from operations</b>		<b>80,382,628</b>	64,758,498
Finance costs	7(a)	<b>(15,943,398)</b>	(9,937,963)
		<hr/>	<hr/>
<b>Profit before taxation</b>	7	<b>64,439,230</b>	54,820,535
Income tax	8	<b>(10,647,498)</b>	(9,060,030)
		<hr/>	<hr/>
<b>Profit and total comprehensive income for the period</b>		<b>53,791,732</b>	45,760,505
		<hr/> <hr/>	<hr/> <hr/>
<b>Profit and total comprehensive income for the period attributable to shareholders</b>		<b>53,791,732</b>	45,760,505
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share (in HK cents)</b>	9	<b>2.5</b>	2.2
		<hr/> <hr/>	<hr/> <hr/>

## Consolidated statement of financial position

as at 31 August 2016 – unaudited

(Expressed in Hong Kong dollars)

		31 August 2016	29 February 2016
	<i>Note</i>	\$	\$
<b>Non-current assets</b>			
Property, plant and equipment		1,548,297	1,285,577
Loan receivables	10	66,607,191	74,836,363
Trade and other receivables	11	3,607,653	5,770,220
Deferred tax assets		322,757	350,756
		<u>72,085,898</u>	<u>82,242,916</u>
<b>Current assets</b>			
Repossessed assets		8,603,511	9,294,034
Loan receivables	10	1,139,589,183	957,129,203
Trade and other receivables	11	29,291,136	27,285,727
Cash and cash equivalents	12	38,996,671	49,196,938
		<u>1,216,480,501</u>	<u>1,042,905,902</u>
<b>Current liabilities</b>			
Accruals and other payables	14	7,490,836	6,585,458
Bank loans and overdrafts	13	20,775,132	76,390,858
Obligations under finance leases		210,760	207,050
Loans from the ultimate holding company	15	117,500,000	92,500,000
Current taxation		12,693,983	6,065,360
Other loans	16	294,750,543	151,840,000
		<u>453,421,254</u>	<u>333,588,726</u>
<b>Net current assets</b>		<u>763,059,247</u>	<u>709,317,176</u>
<b>Total assets less current liabilities</b>		<u>835,145,145</u>	<u>791,560,092</u>
<b>Non-current liabilities</b>			
Debt securities issued	17	129,468,693	124,454,079
Deferred tax liabilities		26,526	–
Obligations under finance leases		405,667	511,974
		<u>129,900,886</u>	<u>124,966,053</u>
<b>NET ASSETS</b>		<u>705,244,259</u>	<u>666,594,039</u>
<b>CAPITAL AND RESERVES</b>			
Capital		21,376,238	21,200,000
Reserves	18	683,868,021	645,394,039
<b>TOTAL EQUITY</b>		<u>705,244,259</u>	<u>666,594,039</u>

**Consolidated statement of changes in equity**  
*for the six months ended 31 August 2016 — unaudited*  
*(Expressed in Hong Kong dollars)*

	Paid-in capital/share capital	Share premium	Capital reserve	Other reserve	Retained profits	Total
Note	\$	\$	\$	\$	\$	\$
<b>At 1 March 2015</b>	4,500,000	132,500,004	44,962,406	12,001,100	257,927,295	451,890,805
<b>Change in equity for the six months ended 31 August 2015</b>						
Profit and total comprehensive income	-	-	-	-	45,760,505	45,760,505
Share issue under placing, net of issuing expenses	18(c) 800,000	152,217,295	-	-	-	153,017,295
Dividends approved in respect of the previous year	18(b)(ii) -	(15,900,000)	-	-	-	(15,900,000)
Bonus issue	18(d) 15,900,000	(15,900,000)	-	-	-	-
		<u>21,200,000</u>	<u>252,917,299</u>	<u>44,962,406</u>	<u>12,001,100</u>	<u>303,687,800</u>
<b>At 31 August 2015</b>	21,200,000	252,917,299	44,962,406	12,001,100	303,687,800	634,768,605
<b>At 1 September 2015</b>	<u>21,200,000</u>	<u>252,917,299</u>	<u>44,962,406</u>	<u>12,001,100</u>	<u>303,687,800</u>	<u>634,768,605</u>
<b>Change in equity for the six months ended 29 February 2016</b>						
Profit and total comprehensive income	-	-	-	-	45,605,434	45,605,434
Interim dividends approved in respect of the current year	18(b)(i) -	(13,780,000)	-	-	-	(13,780,000)
		<u>21,200,000</u>	<u>239,137,299</u>	<u>44,962,406</u>	<u>12,001,100</u>	<u>349,293,234</u>
<b>At 29 February 2016</b>	21,200,000	239,137,299	44,962,406	12,001,100	349,293,234	666,594,039
<b>At 1 March 2016</b>	21,200,000	239,137,299	44,962,406	12,001,100	349,293,234	666,594,039
<b>Change in equity for the six months ended 31 August 2016</b>						
Profit and total comprehensive income	-	-	-	-	53,791,732	53,791,732
Dividends approved in respect of the previous year	18(b)(ii) -	(13,780,000)	-	-	-	(13,780,000)
Special dividends with scrip dividend option approved in respect of the previous year	18(e) 176,238	(1,537,750)	-	-	-	(1,361,512)
		<u>21,376,238</u>	<u>223,819,549</u>	<u>44,962,406</u>	<u>12,001,100</u>	<u>403,084,966</u>
<b>At 31 August 2016</b>	21,376,238	223,819,549	44,962,406	12,001,100	403,084,966	705,244,259

**Condensed consolidated cash flow statement**  
for the six months ended 31 August 2016 – unaudited  
(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>Six months ended 31 August 2016</b>	2015
		\$	\$
<b>Operating activities</b>			
Operating profit before changes in working capital		<b>80,351,410</b>	65,117,739
Increase in loan receivables		<b>(174,195,219)</b>	(272,053,524)
Other cash flows generated from/(used in) operations		<b>1,753,059</b>	(4,886,035)
		<hr/>	<hr/>
<b>Cash used in operations</b>		<b>(92,090,750)</b>	(211,821,820)
Hong Kong Profits Tax paid		<b>(3,964,350)</b>	(2,296,289)
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>		<b>(96,055,100)</b>	(214,118,109)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(267,091)</b>	(57,390)
		<hr/>	<hr/>
<b>Financing activities</b>			
Proceeds from share issues under placing, net of issuing expenses		–	153,017,295
Proceeds from debt securities issued, net of issuing expenses		<b>4,975,000</b>	16,150,000
Dividends paid		<b>(15,141,512)</b>	(15,900,000)
Repayments for bank loans		<b>(55,684,423)</b>	(51,626,192)
Proceeds from other loans		<b>142,910,543</b>	132,224,000
Other cash flows generated from/(used in) financing activities		<b>8,993,619</b>	(9,646,128)
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		<b>86,053,227</b>	224,218,975
		<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10,268,964)</b>	10,043,476
<b>Cash and cash equivalents at the beginning of period</b>		<b>48,984,584</b>	38,263,348
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of period</b>	<i>12</i>	<b>38,715,620</b>	48,306,824
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 GENERAL INFORMATION

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

### 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (**HKAS**) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (**HKICPA**). It was authorised for issue on 26 October 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the year ended 29 February 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the year ending 28 February 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since annual financial statements for the year ended 29 February 2016. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (**HKFRSs**).

The interim financial report for the period ended 31 August 2016 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 29 February 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 29 February 2016 are available from the Company’s registered office. The auditor have expressed an unqualified opinion on those financial statements in their report dated 25 May 2016.

### 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 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 the granting of pawn loans and mortgage loans in Hong Kong.

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

	<b>Six months ended 31 August</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Revenue from pawn loan business		
– Interest earned on loan receivables	<b>31,542,069</b>	30,933,057
– Disposal of repossessed assets	<b>2,304,164</b>	658,843
	<hr/>	<hr/>
Total revenue from pawn loan business	<b>33,846,233</b>	31,591,900
Revenue from mortgage loan business		
– Interest earned on loan receivables	<b>72,751,482</b>	57,043,239
	<hr/>	<hr/>
Total	<b>106,597,715</b>	88,635,139
	<hr/> <hr/>	<hr/> <hr/>

Cost of repossessed assets disposed for the six months ended 31 August 2016 amounted to \$28 million (six months ended 31 August 2015: \$26 million).

The Group's customer base is diversified and includes only one customer (six months ended 31 August 2015: one customer) with whom transactions have exceeded 10% of the Group's revenues. During the six months ended 31 August 2016, revenues from interest earned on mortgage loan receivables from this customer, including interest earned from entities which are known to the Group to be under common control with this customer, amounted to approximately \$15.3 million (six months ended 31 August 2015: \$15.7 million).

## 6 OTHER REVENUE

**Six months ended 31 August**  
**2016**                      **2015**  
**\$**                                      **\$**

### Other revenue

Rental income	540,000	690,000
Interest earned on unsecured loans	37,864	110,592
Credit related fee income	594,024	893,328
Bank interest income	509	353
Others	584,514	483,848
	<b>1,756,911</b>	<b>2,178,121</b>
	<b>1,756,911</b>	<b>2,178,121</b>

## 7 PROFIT BEFORE TAXATION

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

**Six months ended 31 August**  
**2016**                      **2015**  
**\$**                                      **\$**

### (a) Finance costs

Finance charges on obligations under finance leases	11,595	15,305
Interest on loans from the ultimate holding company	2,940,822	2,068,986
Interest on bank loans and overdrafts	759,345	3,132,737
Interest on other loans	8,278,907	2,098,775
Interest on debt securities issued	3,952,729	2,622,160
	<b>15,943,398</b>	<b>9,937,963</b>
	<b>15,943,398</b>	<b>9,937,963</b>

### (b) Other items

(Release of)/charge for impairment losses on loan receivables	(35,589)	119,427
Staff costs	10,930,341	10,164,300
Premises and equipment expenses excluding depreciation	5,860,768	5,654,683
Depreciation	254,880	240,167
Advertising expenses	5,500,454	4,476,352
Auditor's remuneration	557,000	510,000
Legal and professional fees	1,235,604	1,282,154
Others	3,668,540	3,607,679
	<b>27,971,998</b>	<b>26,054,762</b>
	<b>27,971,998</b>	<b>26,054,762</b>



## 8 INCOME TAX

	Six months ended 31 August	
	2016	2015
	\$	\$
Current tax – Hong Kong Profits Tax	10,592,973	9,082,141
Deferred taxation	54,525	(22,111)
	<u>10,647,498</u>	<u>9,060,030</u>

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.

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 31 August 2015: 16.5%) to the estimated assessable profits for the six months ended 31 August 2016.

## 9 EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of \$53,791,732 (six months ended 31 August 2015: \$45,760,505) and the weighted average of 2,120,096,000 ordinary shares (six months ended 31 August 2015: 2,073,478,000 ordinary shares) in issue during the interim period.

### Weighted average number of ordinary shares

	31 August 2016	31 August 2015
Issued ordinary shares at 1 March	2,120,000,000	450,000,000
Effect of issue of shares under placing ( <i>note 18(c)</i> )	–	33,478,000
Effect of bonus issue ( <i>note 18(d)</i> )	–	1,590,000,000
Effect of scrip dividend issued ( <i>note 18(e)</i> )	96,000	–
	<u>2,120,096,000</u>	<u>2,073,478,000</u>

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both periods.

## 10 LOAN RECEIVABLES

	31 August 2016 \$	29 February 2016 \$
Pawn loans	147,801,030	141,755,620
Mortgage loans	1,058,428,412	890,778,603
Unsecured loans	750,000	250,000
	<u>1,206,979,442</u>	<u>1,032,784,223</u>
Gross loan receivables	<u>1,206,979,442</u>	<u>1,032,784,223</u>
Less: Impairment allowance ( <i>note 10(a)</i> )		
– Individually assessed	(25,670)	(29,285)
– Collectively assessed	(757,398)	(789,372)
	<u>(783,068)</u>	<u>(818,657)</u>
	<u>1,206,196,374</u>	<u>1,031,965,566</u>
Current portion included under current assets	<u>(1,139,589,183)</u>	<u>(957,129,203)</u>
Amounts due after one year included under non-current assets	<u><u>66,607,191</u></u>	<u><u>74,836,363</u></u>

### (a) Movement in impairment losses

	Six months ended 31 August					
	2016			2015		
	Individual \$	Collective \$	Total \$	Individual \$	Collective \$	Total \$
At 1 March	29,285	789,372	818,657	67,540	259,733	327,273
Impairment losses (released of)/charged to profit or loss	<u>(3,615)</u>	<u>(31,974)</u>	<u>(35,589)</u>	<u>(39,375)</u>	<u>158,802</u>	<u>119,427</u>
At 31 August	<u><u>25,670</u></u>	<u><u>757,398</u></u>	<u><u>783,068</u></u>	<u><u>28,165</u></u>	<u><u>418,535</u></u>	<u><u>446,700</u></u>

Impairment allowance is made in respect of the pawn loans.

**(b) Ageing analysis**

Ageing analysis is prepared based on contractual due date.

	Pawn loans \$	Mortgage loans \$	Unsecured loans \$	Total \$
<b>31 August 2016</b>				
Neither past due nor impaired	145,180,930	997,683,367	750,000	1,143,614,297
Less than 1 month past due	1,738,050	16,374,903	–	18,112,953
1 to less than 3 months past due	882,050	15,020,142	–	15,902,192
3 to less than 6 months past due	–	2,100,000	–	2,100,000
6 months to less than 1 year past due	–	27,250,000	–	27,250,000
	<u>147,801,030</u>	<u>1,058,428,412</u>	<u>750,000</u>	<u>1,206,979,442</u>
<b>29 February 2016</b>				
Neither past due nor impaired	138,989,320	787,874,540	250,000	927,113,860
Less than 1 month past due	2,244,550	97,069,271	–	99,313,821
1 to less than 3 months past due	521,750	5,834,792	–	6,356,542
	<u>141,755,620</u>	<u>890,778,603</u>	<u>250,000</u>	<u>1,032,784,223</u>

Of these mortgage loans which have been past due for one month or above, the respective valuations of the collateral can fully cover the outstanding balances and the related interest receivables (see note 11(b)) of these loans as at 31 August 2016. In respect of the mortgage loans which have been past due for less than one month, the amounts mainly represent occasional delay in repayment and are not an indication of significant deterioration of credit quality of these mortgage loans. As such, no individual impairment allowances were made in respect of the mortgage loans which were past due as at 31 August 2016.

**11 TRADE AND OTHER RECEIVABLES**

	31 August 2016 \$	29 February 2016 \$
Trade receivables	987,400	942,500
Interest receivables	18,428,381	16,803,555
	<u>19,415,781</u>	<u>17,746,055</u>
Deposits and payments in advance	13,381,508	15,208,392
Others	101,500	101,500
	<u>32,898,789</u>	<u>33,055,947</u>
Non-current portion of deposits and payments in advance included under non-current assets	<u>(3,607,653)</u>	<u>(5,770,220)</u>
Amounts due within one year included under current assets	<u>29,291,136</u>	<u>27,285,727</u>

Trade receivables are due within 60 days from the date of billing. All of the trade and other receivables are not impaired and expected to be recovered within one year, except for prepayment amounting to \$3.6 million (29 February 2016: \$5.8 million) that is expected to be recovered over one year.

(a) Ageing analysis of trade receivables

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>31 August 2016</b>	29 February 2016
	\$	\$
Neither past due nor impaired	<b>979,200</b>	390,000
Less than 1 month past due	<b>8,200</b>	–
1 to less than 3 months past due	–	–
3 to less than 6 months past due	–	552,500
	<u><b>987,400</b></u>	<u>942,500</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(b) Ageing analysis of interest receivable

The ageing analysis of interest receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>Pawn loans</b>	<b>Mortgage loans</b>	<b>Unsecured loans</b>	<b>Total</b>
	\$	\$	\$	\$
<b>31 August 2016</b>				
Neither past due nor impaired	<b>9,817,650</b>	<b>4,479,640</b>	<b>10,968</b>	<b>14,308,258</b>
Less than 1 month past due	<b>304,159</b>	<b>245,348</b>	–	<b>549,507</b>
1 to less than 3 months past due	<b>185,230</b>	<b>564,208</b>	–	<b>749,438</b>
3 to less than 6 months past due	–	<b>222,096</b>	–	<b>222,096</b>
6 months to less than 1 year past due	–	<b>2,599,082</b>	–	<b>2,599,082</b>
	<u><b>10,307,039</b></u>	<u><b>8,110,374</b></u>	<u><b>10,968</b></u>	<u><b>18,428,381</b></u>
<b>29 February 2016</b>				
Neither past due nor impaired	10,033,067	4,815,239	3,103	14,851,409
Less than 1 month past due	392,796	1,360,654	–	1,753,450
1 to less than 3 months past due	109,567	89,129	–	198,696
	<u>10,535,430</u>	<u>6,265,022</u>	<u>3,103</u>	<u>16,803,555</u>

## 12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	<b>31 August 2016</b>	29 February 2016
	\$	\$
Cash in hand	<b>5,769,593</b>	4,870,099
Cash at banks	<b>33,227,078</b>	44,326,839
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated statement of financial position	<b>38,996,671</b>	49,196,938
Bank overdrafts ( <i>note 13</i> )	<b>(281,051)</b>	(212,354)
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statements	<b>38,715,620</b>	48,984,584
	<hr/> <hr/>	<hr/> <hr/>

## 13 BANK LOANS AND OVERDRAFTS

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

	<b>31 August 2016</b>	29 February 2016
	\$	\$
Unsecured bank overdrafts ( <i>note 13(a)</i> )	<b>281,051</b>	212,354
	<hr/>	<hr/>
Bank loans, secured ( <i>note 13(b)</i> )	–	49,076,040
Bank loans, unsecured ( <i>note 13(c)</i> )	<b>20,494,081</b>	27,102,464
	<hr/>	<hr/>
	<b>20,494,081</b>	76,178,504
	<hr/> <hr/>	<hr/> <hr/>
Total bank loans and overdrafts – repayable within 1 year or on demand	<b>20,775,132</b>	76,390,858
	<hr/> <hr/>	<hr/> <hr/>

- (a) At 31 August 2016, unsecured bank overdraft facilities of \$6,500,000 (29 February 2016: \$21,500,000) were provided to the subsidiaries and utilised to the extent as disclosed above.
- (b) At 31 August 2016, no uncommitted secured revolving bank loan facilities were obtained.

At 29 February 2016, uncommitted secured revolving bank loan facilities of the lower of \$125.3 million or a certain percentage of the aggregate principal amount of the mortgage loan receivables of a subsidiary which are then sub charged/sub-mortgaged to the bank were obtained. The tenor for the facilities ranged from one month, two months, three months or six months as selected by the subsidiaries. The secured bank loan outstanding balance were secured by loan receivables of the Group with a carrying value of approximately \$63.1 million.

- (c) At 31 August 2016, unsecured bank loan facilities of \$20,494,081 (29 February 2016: \$27,102,464) were provided to the subsidiaries and utilised to the extent as disclosed above.

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

## 14 ACCRUALS AND OTHER PAYABLES

	<b>31 August 2016</b>	29 February 2016
	\$	\$
Accrued interest expenses	<b>2,932,857</b>	2,257,665
Accrued expenses	<b>2,789,174</b>	2,268,683
Provision for long services payment	<b>911,337</b>	916,540
Other payable and deposits received	<b>857,468</b>	1,142,570
	<hr/> <b>7,490,836</b> <hr/>	<hr/> <b>6,585,458</b> <hr/>

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

## 15 LOANS FROM THE ULTIMATE HOLDING COMPANY

Loans from the ultimate holding company are unsecured, interest-bearing at Prime Rate less 0.25% (currently 5%) per annum and repayable within one year.

## 16 OTHER LOANS

The Group obtained uncommitted secured revolving loan facilities from an independent third party. The limit of the facilities is the lower of \$400 million (29 February 2016: \$300 million) or a certain percentage of the aggregate principal amount of the mortgage loan receivables of the subsidiaries which are then sub-charged/sub-mortgaged to the independent third party. The tenor for these facilities are one year. As at 31 August 2016, the available uncommitted loan facilities after taking into consideration of the drawdown was approximately \$Nil (29 February 2016: \$Nil). These outstanding loan balance of \$294.8 million (29 February 2016: \$151.8 million) were secured by mortgage loan receivables for the Group with carrying value of \$368.4 million (29 February 2016: \$189.8 million).

## 17 DEBT SECURITIES ISSUED

The debt securities are unsecured, denominated in HKD, interest-bearing at 6% per annum with interest coupon being paid semi-annually and will be mature in between 2021 and 2023. All debt securities issued are measured at amortised cost.

## 18 CAPITAL, RESERVES AND DIVIDENDS

### (a) Share Capital

	<i>Note</i>	<i>Par value</i> \$	<i>No of shares</i>	\$
<b>Authorised:</b>				
At 28 February/31 August 2015 and 29 February/31 August 2016		0.01	<u>100,000,000,000</u>	<u>1,000,000,000</u>
<b>Issued and fully paid:</b>				
At 1 March 2015		0.01	450,000,000	4,500,000
Issue of shares under placing	<i>18(c)</i>	0.01	80,000,000	800,000
Bonus issue	<i>18(d)</i>	0.01	<u>1,590,000,000</u>	<u>15,900,000</u>
At 31 August 2015 and 29 February 2016		0.01	<u>2,120,000,000</u>	<u>21,200,000</u>
At 1 March 2016		0.01	2,120,000,000	21,200,000
Scrip dividends issued	<i>18(e)</i>	0.01	<u>17,623,825</u>	<u>176,238</u>
At 31 August 2016		0.01	<u>2,137,623,825</u>	<u>21,376,238</u>

### (b) Dividends

- (i) Dividend payable to equity shareholders of the Company attributable to the six months ended 31 August 2016

	<b>Six months ended 31 August</b>	
	<b>2016</b>	2015
	\$	\$
Interim dividend declared after the interim period of \$0.76 cents per ordinary share (2015: \$0.65 cents per ordinary share)	<u>16,245,941</u>	<u>13,780,000</u>

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

	<b>Six months ended 31 August</b>	
	<b>2016</b>	2015
	\$	\$
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of \$0.65 cents per ordinary share (Six months ended 31 August 2015: \$3.0 cents per ordinary share)	<u>13,780,000</u>	<u>15,900,000</u>

<b>Six months ended 31 August</b>	
<b>2016</b>	<b>2015</b>
\$	\$

Special dividend with scrip dividend option in respect of the previous financial year, approved and paid during the following interim period, of \$0.43 cents per ordinary share (Six months ended 31 August 2015: \$Nil per ordinary share) (Note 18(e))

<b>9,116,000</b>	<b>–</b>
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**(c) Issue of shares under placing**

On 16 June 2015, the Company issued 80,000,000 shares with par value of \$0.01 each, at a price of \$2.03 per share by way of a placing. Net proceeds from the issue amounted to \$153,017,295 (after offsetting expenses directly attributable to the issue of shares of \$9,382,705), out of which \$800,000 and \$152,217,295 were recorded in share capital and share premium respectively.

**(d) Bonus issue**

By an ordinary resolution passed at the annual general meeting on 31 July 2015, the issued share capital was increased by way of a bonus issue by applying \$15,900,000 charged to the share premium account respectively as payment in full for 1,590,000,000 shares at par of \$0.01 each, on the basis of three new shares for every one shares held on 18 August 2015. These shares rank pari passu with the existing ordinary shares in all respects.

**(e) Scrip dividend issue**

By an ordinary resolution passed at the annual general meeting on 25 July 2016, special dividend of HK\$0.43 cent per share, totalling \$9,116,000, with a scrip dividend option was approved for the year ended 29 February 2016. The special dividend was distributed out of share premium. 17,623,825 ordinary shares were issued by the Company in order to satisfy shareholders' scrip dividend elections and the relevant scrip price for these shares is HK\$0.44 per share. These shares rank pari passu with the existing ordinary shares in all respects.

The share premium was decreased by \$1,537,750 as a result of the special dividend. Of which, \$1,361,512 represents the amount settled by cash and \$176,238 represents the par value of the ordinary shares issued.

## **19 OPERATING LEASE COMMITMENTS**

### **Operating lease commitments**

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

	<b>31 August 2016</b>	<b>29 February 2016</b>
	\$	\$
Within one year	<b>12,137,100</b>	7,530,000
After one year but within five years	<b>15,604,240</b>	11,730,540
	<b>27,741,340</b>	<b>19,260,540</b>



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

## 20 MATERIAL RELATED PARTY TRANSACTIONS

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

### (a) Key management personnel remuneration

	Six months ended 31 August	
	2016	2015
	\$	\$
Salary and other emoluments	2,594,322	2,393,901
Contributions to Mandatory Provident Fund	45,000	51,984
Others	13,410	7,780
	<u>2,652,732</u>	<u>2,453,665</u>

### (b) Transactions with other related parties

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

	Six months ended 31 August	
	2016	2015
	\$	\$
Rental expense paid to		
– Kwan Chart (Holding) Company Ltd.	480,000	480,000
– Kwan Chart Estate Company Ltd.	288,000	288,000
– Mr. Chan Chart Man	480,000	480,000
	<u>480,000</u>	<u>480,000</u>

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

### (c) Personal guarantees provided to landlord in respect of the Group's rental of premises

	31 August	28 February
	2016	2016
	\$	\$
Mr. Chan Kai Ho Edward	–	88,000
	<u>–</u>	<u>88,000</u>

The rental guarantees are provided to the landlords in respect of the Group's pawnshops lease contracts. The guarantees mature at the end of the related contracts.

## 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 pawn loans and mortgage loans.

### MORTGAGE LOAN BUSINESS

For the six months ended 31 August 2016 (“**FP2017**”), the mortgage loan business remained a major source of income of the Group. During the period, the interest income increased by approximately HK\$15.7 million or 27.5% from approximately HK\$57.0 million for the six months ended 31 August 2015 (“**FP2016**”) to approximately HK\$72.7 million in FP2017. Revenue generated from the mortgage loan business in FP2017 accounted for approximately 68.2% of the Group’s total revenue during the period. The gross mortgage loan receivables increased from approximately HK\$890.8 million as at 29 February 2016 to approximately HK\$1,058.4 million as at 31 August 2016 with total new mortgage loans granted of approximately HK\$474.6 million during FP2017. During the period, there were 119 new cases of loan transactions while no bad debt was recorded.

The local property market has turned active again and has seen a rebound in prices in the second and third quarter of 2016. However, the uncertainties of the global economy has made the local property market unpredictable. The Group believes prices fluctuation is a market norm, the Group will continue to implement a prudent strategy and to maintain its focus on high net worth customers and remain cautious when granting mortgage loans. The Group is confident that its current proportion of first Mortgage and second Mortgage, as well as the discount policy on the valuation of properties are effective measures of risk management.

### PAWN LOAN BUSINESS

Despite the uncertainties of the local economy and luxury retail market, the revenue from the pawn loan business increased by approximately HK\$2.3 million or 7.3% from approximately HK\$31.6 million in FP2016 to approximately HK\$33.9 million in FP2017, with interest income from pawn loan receivables increased by approximately HK\$0.7 million or 2.3% from approximately HK\$30.9 million in FP2016 to approximately HK\$31.6 million in FP2017 and revenue from disposal of repossessed assets increased by approximately HK\$1.6 million or 228.6% from approximately HK\$0.7 million in FP2016 to approximately HK\$2.3 million in FP2017.

During the period, the Group continued to channel resources to advertising and promotion to enhance the Group’s brand awareness. Such effort has generated demand of one-to-one pawn loan appointment services for pan loans that exceed HK\$0.1 million. Number of pawn loan transactions with such amount granted increased from 163 transactions in FP2016 to 249 transactions in FP2017. Average loan amount increased to approximately HK\$6,100 per transaction (FP2016: HK\$5,600 per transaction).

## **INDUSTRY OVERVIEW**

The Hong Kong government is planning to introduce more stringent conditions for Money Lenders Ordinance to combat the rise in illegal loans. We believe that the increasing fraud and overcharging by a number of illegal financial intermediaries has seriously damaged the industry's reputation. In accordance with the Government's new measure, the Group will take action to raise awareness of fraudulent practices and to remind its clients to thoroughly understand the terms and conditions, as well as fees and charges before signing any loan agreements or financial contracts. Currently, clients referred by financial intermediaries made up only a small proportion of our business. We believe that the new measures will have little impact on the Group's existing business. The Group will continue to provide reliable and legal loan services to its customers, and work with the Government and authorities in hopes to combat such crime.

## **FINANCIAL REVIEW**

### **Revenue**

Our Group's revenue increased from approximately HK\$88.6 million in FP2016 to approximately HK\$106.6 million in FP2017, representing an increase of approximately HK\$18.0 million or 20.3%.

The increase was mainly attributable to an increase in our interest income from mortgage business by approximately HK\$15.7 million or 27.5% from approximately HK\$57.0 million in FP2016 to approximately HK\$72.7 million in FP2017, which was mainly due to the continuous expansion of our mortgage loan portfolio in FP2017. The gross mortgage loans receivables increased from approximately HK\$890.8 million as at 29 February 2016 to approximately HK\$1,058.4 million as at 31 August 2016 with total new mortgage loans granted of approximately HK\$474.6 million during FP2017.

Despite the weak atmosphere in the luxury goods market, our performance in pawn loan business remained a steady growth. Revenue from our pawn loan business increased by approximately HK\$2.3 million or 7.3% from approximately HK\$31.6 million in FP2016 to approximately HK\$33.9 million in FP2017. The increase was attributable to the increase in our interest income earned on our loan receivables by approximately HK\$0.7 million or 2.3% from approximately HK\$30.9 million in FP2016 to approximately HK\$31.6 million in FP2017 and the increase in gain on disposal of repossessed assets by approximately HK\$1.6 million or 228.6% from approximately HK\$0.7 million in FP2016 to approximately HK\$2.3 million in FP2017.

The increase in our interest income earned on our pawn loan receivables was primarily attributable to the increase in average amount of pawn loans granted from approximately HK\$5,600 per transaction in FP2016 to approximately HK\$6,100 per transaction in FP2017 and the increase in average of month-end gross pawn loan receivables balances from approximately HK\$142.8 million in FP2016 to approximately HK\$155.6 million in FP2017.

Revenue from disposal of repossessed assets represents the gain/(loss) we received as we sold the repossessed assets in the event of default in repayment of our pawn loans. The increase in our gain on disposal of repossessed assets in FP2017 had boosted our revenue and was mainly due to the increase in gold price per ounce from approximately US\$1,150 in February 2016 to US\$1,350 in August 2016.

### **Other revenue**

Other revenue decreased from approximately HK\$2.2 million in FP2016 to approximately HK\$1.8 million in FP2017, representing a decrease of approximately HK\$0.4 million or 18.2%, which was mainly due to the decrease in our credit-related fee income by approximately HK\$0.3 million representing early repayment fees and handling charges from our mortgage loan customers.

### **Operating expenses**

Operating expenses slightly increased by approximately HK\$2.1 million or 8.1% from approximately HK\$25.9 million in FP2016 to approximately HK\$28.0 million in FP2017.

Staff costs increased by approximately HK\$0.8 million or 7.9% from approximately HK\$10.1 million in FP2016 to approximately HK\$10.9 million in FP2017. The increase was mainly attributable to the increase in the performance bonus of the staff, which was in line with the increase in the Group's turnover.

Rental expenses increased by approximately HK\$0.2 million or 3.5% from approximately HK\$5.7 million in FP2016 to approximately HK\$5.9 million in FP2017. The increase was mainly due to the effect for the renewal of rental agreements for three pawnshops at the end of year 2015, offset by the closure of one of our pawnshops in December 2015.

Excluding the staff costs and rental expenses of approximately HK\$15.8 million and HK\$16.8 million in FP2016 and FP2017 respectively as mentioned above, other operating expenses increased by approximately HK\$1.1 million or 10.9% from approximately HK\$10.1 million in FP2016 to approximately HK\$11.2 million in FP2017, which was mainly due to the increase in advertising expenses and commission fee by approximately HK\$1.0 million and HK\$0.4 million respectively.

### **Finance costs**

The finance costs increased by approximately HK\$6.0 million or 60.6% from approximately HK\$9.9 million in FP2016 to approximately HK\$15.9 million in FP2017 after netting off with the decrease in bank loans and overdrafts by approximately HK\$55.6 million in FP2017. The increase was mainly due to the increase in the amount of loans from the ultimate holding company, other loans and debt securities issued in FP2017 for funding our expansion of mortgage loan portfolios.

## **Credited to impairment losses on loan receivables**

The impairment losses on loan receivables released to profit or loss in FP2017 of approximately HK\$36,000 was attributable to the net effect of (i) the subsequent reassessment on the recoverability of previously impaired loan receivables that were individually assessed being released to profit or loss of approximately HK\$4,000; and (ii) the impairment losses on loan receivables that were collectively assessed being released to profit or loss of approximately HK\$32,000.

In FP2016, the impairment losses on loan receivables charged to profit or loss of approximately HK\$119,000 was attributable to the net effect of (i) the subsequent reassessment on the recoverability of previously impaired loan receivables that were individually assessed being released to profit or loss of approximately HK\$39,000; and (ii) the impairment losses on loan receivables that were collectively assessed being charged to profit or loss of approximately HK\$158,000.

## **Income tax expenses**

Our Group's effective tax rate was approximately 16.5% in FP2016 and FP2017. No material change is noted.

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

Our Group's profit for FP2017 increased to approximately HK\$53.8 million from approximately HK\$45.8 million in FP2016, representing an increase of approximately HK\$8.0 million or 17.5%. The increase was mainly attributable to the increase in turnover amounting to approximately HK\$18.0 million, netting off with the increase in expenses in rental expenses, advertising expenses, finance costs and commission fees amounting to HK\$0.2 million, HK\$1.0 million, HK\$6.0 million and HK\$0.4 million respectively.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 August 2016, cash and cash equivalents, after netting off with the bank overdraft, amounted to approximately HK\$38.7 million, representing a net decrease of approximately HK\$10.3 million as compared to the position as at 29 February 2016.

For FP2017, net cash outflow from operating activities of our Group amounted to approximately HK\$96.1 million. It is mainly due to the increase in loan receivables amounting to approximately HK\$174.2 million during FP2017. The net cash inflow from financing activities of our Group amounted to approximately HK\$86.1 million for FP2017 which was mainly proceeds from other loans and proceeds from debt securities which amounted to approximately HK\$142.9 million and HK\$5.0 million respectively, offset by the dividend paid and repayments for bank loans during FP2017 amounting to approximately HK\$15.1 million and HK\$55.7 million respectively.

## Pledge of assets

At 31 August 2016, the Group had pledged its mortgage loan receivables with net book value of HK\$368.4 million (29 February 2016: HK\$252.9 million) for the purpose of obtaining facilities from an independent third party.

## Contingent liabilities

There were no significant contingent liabilities for the Group as at 31 August 2016.

## KEY FINANCIAL RATIOS

	<b>As at 31 August 2016 \$</b>	<b>As at 29 February 2016 \$</b>
Current ratio <sup>(1)</sup>	<b>3x</b>	3x
Gearing ratio <sup>(2)</sup>	<b>79.8%</b>	66.9%
	<b>For the six months ended 31 August 2016 \$</b>	<b>For the six months ended 31 August 2015 \$</b>
Return on total assets <sup>(3)</sup>	<b>8.3%</b>	8.7%
Return on equity <sup>(4)</sup>	<b>15.3%</b>	14.4%
Net profit margin <sup>(5)</sup>	<b>50.5%</b>	51.6%
Net interest margin <sup>(6)</sup>	<b>14.9%</b>	18.5%
– pawn loan services	<b>40.5%</b>	43.2%
– mortgage loan services	<b>11.0%</b>	13.5%

### 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 ultimate holding company, obligations under finance leases, 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 remained stable at approximately 3 times as at 29 February 2016 and 31 August 2016, which was mainly due to the increase in current loan receivables from approximately HK\$957.1 million as at 29 February 2016 to approximately HK\$1,139.6 million as at 31 August 2016 or by approximately 19.1%, offset by the increase in other loans amounting to HK\$294.8 million.

### **Gearing ratio**

Our Group's gearing ratio increased from approximately 66.9% as at 29 February 2016 to approximately 79.8% as at 31 August 2016, which was mainly due to the increase in other loans and loans from ultimate holding company amounting to approximately HK\$143.0 million and HK\$25.0 million respectively, offset by the decrease in bank loans and overdrafts amounted to approximately HK\$55.6 million.

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

Our return on total assets slightly decreased from approximately 8.7% in FP2016 to 8.3% in FP2017, which was mainly due to the decrease in net interest margin from 18.5% in FP2016 to 14.9% in FP2017.

Our return on total equity slightly increased from approximately 14.4% in FP2016 to 15.3% in FP2017. The reason was mainly due to the increase in gearing ratio from approximately 66.9% as at 29 February 2016 to approximately 79.8% as at 31 August 2016. Since the net interest margin of the Group is positive, the more debts are borrowed by the Group, the more funding will be available for the Group to lend and thus more profit is generated for shareholders.

### **Net profit margin**

There was a slight decrease in our net profit margin from approximately 51.6% in FP2016 to 50.5% in FP2017. The reason for the decrease was mainly due to the decrease in net interest margin of our mortgage loan services as the result of the increasing proportion of first legal charged mortgage loan receivables during FP2017.

### **Net interest margin**

The net interest margin decreased from approximately 18.5% in FP2016 to approximately 14.9% in FP2017 since a greater proportion of our revenue was earned from mortgage loan business in FP2017, from which we generally charged comparatively lower interest rate than that charged for our pawn loans. For FP2016 and FP2017, revenue from mortgage loan business contributed approximately 64.3% and 68.2% to our total revenue respectively, resulted from the expansion of our mortgage loan business during FP2017.

## **PROSPECTS**

Looking forward, the Group will continue to expand its business in a cautious and prudent manner, especially in mortgage business. The Group expects that the loan demand in Hong Kong will remain robust. The Group will actively seek diversified financing channels (such as issuing bonds, obtaining loans from overseas banks, etc) to maintain abundant capital reserve, in order to fulfill customers' needs and expand the Group's market share.

Leveraging on extensive experience and knowledge of our professional team, the Group believe that it will continue to gain steady growth, as well as implement proper risk management.

In regard to the pawn loan business, the Group is of the view that luxurious goods market has bottomed and that its pawn loan business will remain stable. The Group will continue to broaden its customer base.

## **SHARE OPTION SCHEME**

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 19 February 2013. As at 31 August 2016, being the end of FP2017 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 1.87% of the total issued Shares of the Company as at 31 August 2016;
- 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 2016, our Group had a total of 50 staff (29 February 2016: 52). Total staff costs (including Directors' emoluments) were approximately HK\$10.9 million for FP2017 (FP2016: approximately HK\$10.1 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of an individual employee. Bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include a share option scheme and contributions to statutory mandatory provident fund scheme to our Group's employees in Hong Kong.

## **INTERNAL CONTROL**

The Board considers that our Group's internal control system was effective and adequate for FP2017.

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 operation of our Company.



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

Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities during FP2017.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Our Group did not engage in any material acquisitions or disposals during FP2017.

## **ADVANCE TO ENTITY**

### **Advances to Group A Customers**

As disclosed in the announcements of our Company dated 5 November 2015, 11 January 2016, 22 January 2016, 11 May 2016, 26 August 2016 and 30 August 2016 (the "**Group A Announcements**"), Oi Wah Property Credit Limited ("**Oi Wah PL**"), an indirectly wholly-owned subsidiary of our Company, as lender entered into seven loan agreements ("**Group A Loan Agreements**") with ten customers ("**Group A Customers**") which are associate or connected to each other as borrower. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Group A Customers are independent third parties and are not connected with our Group.

Pursuant to Group A Loan Agreements, Oi Wah PL granted loans in an aggregate amount of HK\$213.0 million to Group A Customers ("**Group A Loans**") for terms ranging from one month to twelve months at the interest rates ranging from P + 5.55% to P + 18.75% per annum, where P represented the prime rate of 5.25% of Wing Lung Bank Limited as of the respective dates of the Group A Loan Agreements. Group A Customers shall repay the interests on a daily basis, monthly basis and/or yearly basis with the principal amount at loan maturity respectively.

HK\$213.0 million representing approximately 16.5% of the total assets of our Group of approximately HK\$1,288.6 million as at 31 August 2016, approximately 30.2% to the net assets of our Group of approximately HK\$705.2 million and approximately 20.1% to the total mortgage loan portfolio of our Group of approximately HK\$1,058.4 million as at 31 August 2016 (all based on the unaudited consolidated financial statements of our Group for FP2017).

Group A Loans are collateralised. The collaterals provided by Group A Customers to Group A Loans amounted to an aggregate amount of approximately HK\$1,058.1 million, the valuations of which were conducted by two independent property valuers. The collaterals are sufficient as the aggregate loan-to-value ratio of the mortgaged properties is approximately 55% (loan-to-value ratio of first mortgage: 30%, loan-to-value ratio as subordinated mortgages to other independent mortgagees: approximately 5%, loan-to-value ratio of the Loans as a first/subordinated mortgage: 20%) based on the value of the mortgaged properties determined by two independent property valuers. Pursuant to Group A Loan Agreements, Group A Loans are guaranteed by independent third parties who are not connected with our Group.

For further details of Group A Loans, please refer to the Group A Announcements.

## **Advances to Group Customers B**

As disclosed in the announcements of our Company dated 8 April 2016, 18 April 2016, 12 July 2016, 25 July 2016, 26 July 2016, 18 August 2016 and 23 August 2016 (the “**Group B Announcements**”), Oi Wah PL as lender entered into twelve loan agreements (“**Group B Loan Agreements**”) with five customers (“**Group B Customers**”) which are associate or connected to each other as borrower. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Group B Customers are independent third parties and are not connected with our Group.

Pursuant to Group B Loan Agreements, Oi Wah PL granted loans in an aggregate amount of HK\$244.0 million to Group B Customers (“**Group B Loans**”) for terms ranging from one month to twelve months at the interest rates ranging from P + 3.75% to P + 10.75% per annum, where P represented the prime rate of 5.25% of Wing Lung Bank Limited as of the respective dates of the Group B Loan Agreements. Group B Customers shall repay the interests on a daily basis, monthly basis and/or yearly basis with the principal amount at loan maturity respectively.

HK\$244.0 million representing approximately 18.9% of the total assets of our Group of approximately HK\$1,288.6 million as at 31 August 2016, approximately 34.6% to the net assets of our Group of approximately HK\$705.2 million and approximately 23.1% to the total mortgage loan portfolio of our Group of approximately HK\$1,058.4 million as at 31 August 2016 (all based on the unaudited consolidated financial statements of our Group for FP2017).

Group B Loans are collateralised. The collaterals provided by Group B Customers to Group B Loans amounted to an aggregate amount of approximately HK\$517.0 million, the valuations of which were conducted by two independent property valuers. The collaterals are sufficient as the aggregate loan-to-value ratio of the mortgaged properties is approximately 59% (loan-to-value ratio of first mortgage: 7%, loan-to-value ratio as subordinated mortgages to other independent mortgagees: approximately 5%, loan-to-value ratio of the Loans as a first/subordinated mortgage: 47%) based on the value of the mortgaged properties determined by two independent property valuers. Pursuant to Group B Loan Agreements, Group B Loans are guaranteed by independent third parties who are not connected with our Group.

For further details of Group B Loans, please refer to the Group B Announcements.

## **CORPORATE GOVERNANCE PRACTICES**

For the six months ended 31 August 2016, our Company has complied with the code provisions in the Corporate Governance Code (the “**Code Provisions**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 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 has made specific enquiry to all Directors and the Directors confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 31 August 2016.

## **REVIEW OF INTERIM RESULTS**

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 2016. 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.

## **INTERIM DIVIDEND**

On 26 October 2016, our Board declared an interim dividend of HK0.76 cents per ordinary share, representing approximately 30.2% of the profit attributable to the shareholders of our Company for FP2017. The total payout for the interim dividend will be amounted to approximately HK\$16.2 million. The aforesaid interim dividend will be paid on 21 December 2016 to the shareholders of our Company whose names appear on the register of members of our Company at the close of business on 5 December 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to establish the identity of the shareholders of our Company 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 31/F., 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on 1 December 2016. The register of members of our Company will be closed from 2 December 2016 to 5 December 2016, both days inclusive, during which no transfer of shares will be registered.

## **PUBLICATION**

The interim results announcement of our Company for the six months ended 31 August 2016 is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.pawnshop.com.hk](http://www.pawnshop.com.hk)) respectively. The 2016 interim report will be dispatched to the shareholders of our Company 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, 26 October 2016

*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 Macksion as non-executive Director; and Mr. Chan Wing Lee, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai as independent non-executive Directors.*