靄華押業
Oiwahpawn

Oi Wah Pawnshop Credit Holdings Limited
靄 華 押 業 信 貸 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1319)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019

FINANCIAL HIGHLIGHTS

		2019	2018	Change
		$'000	*$'000*	
Revenue		**224,763**	217,276	3.4%
Profit before taxation		**121,566**	120,695	0.7%
Profit for the year attributable to shareholders		**100,820**	100,908	-0.1%
Net profit margin		**44.9%**	46.4%	
Basic earnings per share *(in HK cents)*		**5.1**	4.8	

		As at 28 February 2019	As at 28 February 2018	
		$'000	*$'000*	
Gross loan receivables – principal	*Note 1*	**1,364,806**	1,382,962	-1.3%
– Pawn receivables at amortised cost		**29,837**	130,866	
– Pawn receivables at fair value through profit or loss		**111,674**	–	
– Mortgage receivables at amortised cost		**1,223,295**	1,252,096	
Total assets		**1,441,303**	1,466,134	-1.7%
Total equity		**822,829**	788,129	4.4%
Net interest margin	*Note 2*	**12.4%**	13.1%	
For pawn loan services		**40.6%**	40.4%	
For mortgage loan services		**9.2%**	9.8%	

Note 1: Under new accounting standard HKFRS 9, pawn loan receivables under the Pawnbrokers Ordinance will be measured at fair value through profit or loss, and pawn loan and mortgage loan receivables under the Money Lenders Ordinance will be measured at amortised cost.

Note 2: Net interest margin during the year 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 year.

The board of directors (the "**Board**") of Oi Wah Pawnshop Credit Holdings Limited (the "**Company**" or "**our Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**") for the year ended 28 February 2019, together with the comparative figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2019
(Expressed in Hong Kong dollars)

	Note	**2019**	2018
		$'000	*$'000*
Revenue	*3*	**224,763**	217,276
Interest income calculated using the effective interest method		**166,498**	211,169
Interest income from pawn loan receivables at fair value through profit or loss		**51,351**	–
Gain on disposal of repossessed assets		**6,914**	6,107
Other income	*5*	**4,885**	4,158
Operating income		**229,648**	221,434
Other operating expenses	*6*	**(65,076)**	(62,547)
Charge for impairment losses on loan receivables	*7*	**(1,000)**	(725)
Profit from operations		**163,572**	158,162
Finance costs	*6(a)*	**(42,006)**	(37,467)
Profit before taxation	*6*	**121,566**	120,695
Income tax	*8*	**(20,746)**	(19,787)
Profit and total comprehensive income for the year		**100,820**	100,908
Profit and total comprehensive income for the year attributable to shareholders		**100,820**	100,908
Earnings per share (in HK cents)	*9*	**5.1**	4.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2019

(Expressed in Hong Kong dollars)

	Note	**2019**	2018
		$'000	*$'000*
Non-current assets			
Property, plant and equipment		**1,974**	758
Loan receivables	*10*	**81,928**	85,861
Trade and other receivables	*11*	**–**	2,402
Deferred tax assets		**229**	221
		84,131	89,242
Current assets			
Repossessed assets		**6,451**	8,108
Loan receivables	*10*	**1,304,277**	1,316,428
Trade and other receivables	*11*	**5,026**	7,523
Cash and cash equivalents		**41,418**	44,833
		1,357,172	1,376,892
Current liabilities			
Accruals and other payables	*13*	**6,691**	6,699
Bank loans and overdrafts	*12*	**83,950**	85,097
Obligations under finance leases		**76**	221
Loans from the immediate holding company	*15*	**94,000**	126,000
Current taxation		**5,960**	5,837
Other loans	*14*	**265,232**	291,623
		455,909	515,477
Net current assets		**901,263**	861,415
Total assets less current liabilities		**985,394**	950,657

	Note	2019	2018
		$'000	*$'000*
Non-current liabilities			
Debt securities issued	*16*	**162,565**	162,452
Obligations under finance leases		**–**	76
		162,565	162,528
NET ASSETS		**822,829**	788,129
CAPITAL AND RESERVES			
Capital		**19,385**	20,874
Reserves		**803,444**	767,255
TOTAL EQUITY		**822,829**	788,129

NOTES TO THE 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 on 5 June 2012. 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. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") since 12 March 2013 ("**the Listing Date**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Further details of the significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Changes in accounting policies

(i) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements:

- HKFRS 9, Financial instruments

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9, Financial instruments

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed note 2(b)(ii).

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 March 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	At 28 February 2018	impact on initial application of HKFRS 9	At 1 March 2018
	$'000	***$'000***	***$'000***
Deferred tax assets	221	(15)	206
Total non-current assets	**89,242**	**(15)**	**89,227**
Loans receivables	1,402,289	94	1,402,383
Total current assets	**1,376,892**	**94**	**1,376,986**
Net current assets	**861,415**	**94**	**861,509**
Net assets	**788,129**	**79**	**788,208**
Reserves	767,255	79	767,334
Total equity	**788,129**	**79**	**788,208**

(ii) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 March 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 March 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and the related tax impact at 1 March 2018.

	$'000
Retained profits	
Release of collective impairment allowance on loan receivables reclassified to be measured at FVPL	79
Decrease of expected credit losses on loan receivables measured at amortised cost	15
Related tax	(15)
Net increase in retained profits at 1 March 2018	79

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2(d) and (e).

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 28 February 2018	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 March 2018**
	$'000	***$'000***	***$'000***	***$'000***
Financial assets carried at amortised cost				
Cash and cash equivalents	44,833	–	–	44,833
Trade and other receivables	9,925	–	–	9,925
Loan receivables	1,402,289	(111,439)	94	1,290,944
	1,457,047	(111,439)	94	1,345,702
Financial assets carried at FVPL				
Loan receivables	–	111,439	–	111,439

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 March 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 March 2018.

(ii) *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following item:

– financial assets measured at amortised cost (including cash and cash equivalents, loan receivables measured at amortised cost and trade and other receivables);

– loan commitments issued, which are not measured at FVPL.

Loan receivables measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For further details on the Group's accounting policy for accounting for credit losses, see note 2(e).

Opening balance adjustment

As a result of this change in accounting policy, the Group has released impairment allowance amounting to $125,000, representing $94,000 for collective impairment allowance and $31,000 for individual impairment allowance. The related financial impacts are increase in retained profits by $79,000 and decrease in gross deferred tax assets by $15,000 at 1 March 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 28 February 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 March 2018.

	$'000
Loss allowance at 28 February 2018 under HKAS 39	125
Release of collective impairment allowance on loan receivables reclassified as measured at FVPL	(79)
Decrease of expected credit losses on loan receivables measured at amortised cost	(15)
Release of individual impairment allowance as fair value loss on loan receivables reclassified as measured at FVPL	(31)
Loss allowance at 1 March 2018 under HKFRS 9	–

(iii) Hedge accounting

The Group does not apply hedge accounting. The adoption of HKFRS 9 has no significant impact on the Group's financial statements in this regard.

(iv) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits as at 1 March 2018. Accordingly, the information presented for the year ended 28 February 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 March 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services and disposal of repossessed assets in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income for all interest-bearing financial assets are recognised as it accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(ii) Fee income

Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk are incurred or is accounted for as interest income.

(iii) Disposal of repossessed assets

Disposal gain or loss is recognised when the buyer of the repossessed assets takes possession of and accepts the goods.

Disposal gain or loss was recognised on a similar basis in the comparative period under HKAS 18, *Revenue*, where it was recognised when the buyer of the repossessed assets had accepted the goods and the related risks and rewards of ownership.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payment receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(d) Financial instruments

(i) Initial recognition

The Group initially recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised using settlement date accounting.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

(ii) Classification and measurement

Loans and receivables

Loans and receivables mainly comprise pawn loans and mortgage loans. Pawn loans are loans provided whereby personal property such as gold, jewellery and diamonds, watches and consumer electronic products are used as collateral for the security of the loans. Mortgage loans are loans secured by real estates.

Policy applicable from 1 March 2018

Loans and receivables held by the Group are classified into one of the following measurement categories:

– amortised cost, if the loan and receivable is held for the collection of contractual cash flows which represent solely payments of principal and interest ("SPPI"). Interest income from the loan and receivable is calculated using the effective interest method;

– FVOCI–recycling, if the contractual cash flows of the loan and receivable comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the loan and receivable is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the loan and receivable does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the loan and receivable (including interest) are recognised in profit or loss.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

– Contingent events that would change the amount and timing of cash flows;

– Leverage features;

– Prepayment and extension terms;

– Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and

– Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Policy applicable prior to 1 March 2018

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (1) those that the Group intends to sell immediately or in the near term, which are classified as held for trading; (2) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (3) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 2(e)).

Financial liabilities at amortised cost

Financial liabilities (including bank loans and overdrafts, other payables, loans from the immediate holding company, other loans and debt securities issued) are subsequently measured at amortised cost, using the effective interest method.

(iii) Derecognition

The Group derecognise a financial asset when the contractual rights to receive the cash flows from the asset expire, or where it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

The Group derecognise a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

(e) Credit losses and impairment of assets

(i) Financial assets

Policy applicable from 1 March 2018

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income recognised in accordance with note 2(c)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Policy applicable prior to 1 March 2018

Prior to 1 March 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the issuer or borrower;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower.

If any such evidence exists, impairment losses are recognised that the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that borrower are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for impairment losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

The individual impairment allowance is based upon management's best estimate of the present value of cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management make judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits.

In assessing the need for collective impairment allowances, management uses statistical modelling and considers historical trends of factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting date to identify indications that other assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

(f) Repossessed assets

In the recovery of impaired loan receivables granted under the Pawnbrokers Ordinance (Chapter 166 of the laws of Hong Kong), the Group takes possession of the collateral assets from the customers. This possession takes place once a loan becomes overdue, subject to a grace period granted at the discretion of the Group in certain cases.

Repossessed assets are initially recognised at the amortised cost of the related outstanding loans on the date of repossession, which is generally below the net realisable value of the repossessed assets. Upon repossession of the assets, the related loan receivables are derecognised from the statement of financial position. Subsequently, repossessed assets are carried at the lower of the amount initially recognised or net realisable value and are therefore written down if and when the net realisable value falls to below the carrying amount of the asset. The excess/shortfall of the net proceeds over the carrying amount of the repossessed assets is recognised as a gain/loss upon the disposal of the assets.

(g) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(h) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of businesses and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 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 results on disposal of repossessed assets. The amount of each nature of business of revenue recognised during the year is as follows:

	2019	2018
	$'000	*$'000*
Revenue from pawn loan business		
– Interest income from pawn loan receivables calculated using the effective interest method	**7,843**	58,754
– Interest income from pawn loan receivables at FVPL	**51,351**	–
– Gain on disposal of repossessed assets	**6,914**	6,107
Total revenue from pawn loan business	**66,108**	64,861
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	**158,655**	152,415
Total	**224,763**	217,276

Cost of disposal of repossessed assets for the year ended 28 February 2019 amounted to $45.9 million (28 February 2018: $46.1 million).

The Group's customer base is diversified and includes one customer (28 February 2018: two customers) with whom transactions have exceeded 10% of the Group's revenues. During the year ended 28 February 2019, revenues from interest income from mortgage loan receivables from this customer (28 February 2018: two customers), including interest from entities which are known to the Group to be under common control with this customer, amounted to approximately $25.1 million (28 February 2018: amounted to approximately $36.1 million and $21.8 million respectively).

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 have been presented.

5 OTHER INCOME

	2019	2018
	$'000	*$'000*
Rental income	**1,642**	1,089
Interest income from unsecured loans	**–**	891
Credit related fee income	**3,042**	1,699
Bank interest income	**6**	1
Others	**195**	478
	4,885	4,158

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2019	2018
	$'000	*$'000*
(a) Finance costs		
Finance charges on obligations under finance leases	**6**	14
Interest on loans from the immediate holding company	**6,098**	5,268
Interest on bank loans and overdrafts	**4,149**	3,305
Interest on other loans	**21,853**	19,524
Interest on debt securities issued	**9,900**	9,356
	42,006	37,467
(b) Staff costs		
Salaries and other benefits	**19,221**	18,320
Directors' remuneration	**9,383**	9,299
Contributions to defined contribution scheme	**552**	550
Charge for/(release of) provision for long service payment	**128**	(121)
	29,284	28,048

	2019	2018
	$'000	*$'000*
(c) Other operating expenses		
Premises and equipment expenses excluding depreciation:		
– rental of premises	**13,026**	12,271
– maintenance, repairs and others	**1,012**	1,248
	14,038	13,519
Auditors' remuneration	**1,180**	1,107
Depreciation	**522**	522
Advertising expenses	**9,856**	11,291
Legal and professional fees	**4,430**	2,900
Net loss on disposal on property, plant and equipment	**86**	–
Net loss on loans receivables at FVPL	**3**	–
Others	**5,677**	5,160
	21,754	20,980
	65,076	62,547

7 IMPAIRMENT LOSSES ON LOAN RECEIVABLES

	2019	2018
	$'000	*$'000*
Impairment losses on loan receivables		
Expected credit loss		
– Stage 1	**–**	–
– Stage 2	**–**	–
– Stage 3 *(note 10(a))*	**1,000**	–
Individual impairment losses	**–**	925
Collective impairment losses	**–**	(200)
	1,000	725

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2019	2018
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**20,769**	19,613
Under-provision in respect of prior years	**–**	165
	20,769	19,778
Deferred tax		
Origination and reversal of temporary differences	**(23)**	9
Tax expense	**20,746**	19,787

The provision for Hong Kong Profits Tax for 2019 is calculated at 8.25% for the first $2,000,000 estimated assessable profits and 16.5% for estimated assessable profits above $2,000,000 for the Group entity qualified for the two-tiered profits tax rates regime introduced pursuant to the Inland Revenue (Amendment) (No. 7) Bill 2017, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of $20,000 for each business (2018: to a maximum reduction of $30,000 for each business).

For the year ended 28 February 2018, Hong Kong profits tax was calculated at a single flat rate of 16.5% of the estimated assessable profits.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019	2018
	$'000	*$'000*
Profit before taxation	**121,566**	120,695
Notional tax on profit before taxation, calculated at Hong Kong profit tax rate of 8.25% or 16.5% (2018: 16.5%)	**19,894**	19,915
Tax effect of non-taxable income	**(1)**	–
Tax effect of non-deductible expenses	**975**	45
Tax effect of unused tax losses not recognised	**–**	7
Tax effect of taxable temporary differences not recognised	**–**	(165)
Statutory tax concession	**(122)**	(180)
Under-provision in prior years	**–**	165
Actual tax expense	**20,746**	19,787

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 for the year ended 28 February 2019 of $100,820,000 (28 February 2018: $100,908,000) and the weighted average number of 1,971,692,000 (28 February 2018: 2,120,477,000) ordinary shares of the Company in issue during the year, calculated as follows:

	2019 Number of shares *'000*	2018 Number of shares *'000*
Issued ordinary share at 1 March	**2,087,360**	2,137,624
Effect of scrip dividend issued	**144**	–
Effect of purchase of own shares	**(115,812)**	(17,147)
Weighted average number of ordinary shares at 28 February	**1,971,692**	2,120,477

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

10 LOAN RECEIVABLES

	28 February 2019 *$'000*	28 February 2018 *$'000*
Loan receivables at amortised cost:		
– Pawn loans	**29,837**	130,866
– Accrued interests of pawn loans	**591**	9,407
	30,428	140,273
Less: Impairment allowance		
– Stage 1	**–**	–
– Stage 2	**–**	–
– Stage 3	**–**	–
– Individually assessed	**–**	(31)
– Collectively assessed	**–**	(94)
Net pawn loan receivables	**30,428**	140,148

	28 February 2019 *$'000*	28 February 2018 *$'000*
Mortgage loans	**1,223,295**	1,252,096
– Accrued interests of mortgage loans	**12,505**	10,045
	1,235,800	1,262,141
Less: Impairment allowance		
– Stage 1	**–**	–
– Stage 2	**–**	–
– Stage 3	**(1,000)**	–
– Individually assessed	**–**	–
– Collectively assessed	**–**	–
Net mortgage loan receivables	**1,234,800**	1,262,141
Net loan receivables at amortised cost	**1,265,228**	1,402,289
Loan receivables at FVPL:		
Pawn loans	**120,977**	–
Total loan receivables	**1,386,205**	1,402,289
Current portion included under current assets	**(1,304,277)**	(1,316,428)
Amounts due after one year included under non-current assets	**81,928**	85,861

(a) Movement in impairment allowance

	2019				2018		
	Expected credit loss				Loss allowances		
	Stage 1 ***$'000***	**Stage 2** ***$'000***	**Stage 3** ***$'000***	**Total** ***$'000***	Individual *$'000*	Collective *$'000*	Total *$'000*
At 1 March	–	–	–	–	1,025	294	1,319
Impairment losses charged/(released) to profit or loss	–	–	1,000	1,000	925	(200)	725
Uncollectible amounts written off	–	–	–	–	(1,919)	–	(1,919)
At 28 February	–	–	1,000	1,000	31	94	125

(b) Ageing analysis

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

	Pawn loans at amortised cost *$'000*	Pawn loans at FVPL *$'000*	Mortgage loans *$'000*	Total *$'000*
28 February 2019				
Not past due	27,023	117,852	1,034,040	1,178,915
Less than 1 month past due	3,090	2,445	72,880	78,415
1 to less than 3 months past due	315	441	112,693	113,449
3 to less than 6 months past due	–	239	–	239
6 months to 1 year past due	–	–	8,661	8,661
Over 1 year past due	–	–	7,526	7,526
	30,428	120,977	1,235,800	1,387,205
28 February 2018				
Not past due	136,751	–	1,136,244	1,272,995
Less than 1 month past due	2,603	–	103,207	105,810
1 to less than 3 months past due	367	–	11,837	12,204
3 to less than 6 months past due	–	–	3,327	3,327
6 months to 1 year past due	552	–	–	552
Over 1 year past due	–	–	7,526	7,526
	140,273	–	1,262,141	1,402,414

Of the mortgage loans which have been past due for one month or above, except for one mortgage loan amounted to $7.5 million on which an allowance for expected credit loss had been recognised, the respective valuations of the collaterals can fully cover the outstanding balances of these loans as at 28 February 2019. 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.

11 TRADE AND OTHER RECEIVABLES

	28 February 2019	28 February 2018
	$'000	*$'000*
Trade receivables	**564**	49
Deposits and payments in advance	**4,360**	9,774
Others	**102**	102
	5,026	9,925
Non-current portion of deposits and payments in advance included under non-current assets	**–**	(2,402)
Amounts due within one year included under current assets	**5,026**	7,523

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 $Nil (28 February 2018: $2.4 million) that is expected to be recovered over one year.

(a) Ageing analysis of trade receivables

The ageing analysis of trade receivables that are not considered to be impaired is as follows:

	28 February 2019	28 February 2018
	$'000	*$'000*
Not past due	**564**	16
Less than 1 month past due	**–**	33
	564	49

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

12 BANK LOANS AND OVERDRAFTS

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

	2019	2018
	$'000	*$'000*
Unsecured bank overdrafts *(note 12(a))*	**5,267**	4,997
Bank loans, secured *(note 12(b))*	**50,000**	47,000
Bank loans, unsecured *(note 12(c))*	**28,683**	33,100
	78,683	80,100
Total bank loans and overdrafts – repayable within 1 year or on demand	**83,950**	85,097

(a) At 28 February 2019, unsecured bank overdraft facilities of $11.5 million (28 February 2018: $11.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above.

(b) At 28 February 2019, uncommitted secured revolving bank loan facility of the lower of $50.0 million (28 February 2018: $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. As at 28 February 2019, the available uncommitted banking facility after taking into consideration of the drawdown was $Nil (28 February 2018: $3.0 million). The uncommitted secured revolving bank loan facility was secured by loan receivables with a carrying value of approximately $266.3 million (28 February 2018: $114.0 million).

(c) At 28 February 2019, unsecured bank loan facilities of $28.7 million (28 February 2018: $53.1 million) were provided to the Company and the subsidiaries and utilised to the extent as disclosed above.

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

13 ACCRUALS AND OTHER PAYABLES

	2019	2018
	$'000	*$'000*
Accrued interest expenses	**3,125**	3,383
Accrued expenses	**2,295**	2,184
Provision for long services payment	**687**	559
Other payable and deposit received	**584**	573
	6,691	6,699

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

14 OTHER LOANS

During the year ended 28 February 2019, the Group obtained uncommitted secured revolving loan facilities from an independent third party. The limit of the facilities is the lower of $440.3 million (28 February 2018: $458.6 million) and a certain percentage of the aggregate principal amount of the mortgage loan receivables of the subsidiaries which are then sub-charged/sub-mortgaged to the independent third party. The facilities are interest bearing at Prime Rate plus 2% (currently 7.125%) and the tenor for the facilities is one year.

As at 28 February 2019, the available uncommitted loan facilities after taking into consideration of the drawdown was approximately $Nil (28 February 2018: $14.4 million). These loan facilities were secured by mortgage loan receivables for the Group with a carrying value of $331.5 million (28 February 2018: $384.5 million).

15 LOANS FROM THE IMMEDIATE HOLDING COMPANY

During the year ended 28 February 2019, the Group obtained an unsecured revolving loan facility from the immediate holding company with a facility limit of $200.0 million (28 February 2018: $200.0 million). The loans are interest bearing at 5% (28 February 2018: 5%) per annum and repayable within one year.

At 28 February 2019, the available loan facility after taking into consideration of the drawdown was approximately $106.0 million (28 February 2018: $74.0 million) and the accrued interest payable as of 28 February 2019 was $173,000 (28 February 2018: $252,000).

16 DEBT SECURITIES ISSUED

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

17 DIVIDENDS

(i) Dividend paid and payable to equity shareholders of the Company attributable to the year:

	2019	2018
	$'000	*$'000*
Interim dividend declared and paid of $0.83 cents per ordinary share (28 February 2018: $0.78 cents per ordinary share) *(note)*	**16,086**	16,401
Final dividend proposed after the end of the reporting period of $0.73 cents per ordinary share (28 February 2018: $ Nil cents per ordinary share)	**14,151**	–

Note: Interim dividend was satisfied by way of cash of $15,832,000 and scrip issuance in lieu of the cash payment as selected by shareholders. The scrip dividend was satisfied by allotment of 836,000 shares of the Company and was credited as fully paid.

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

	2019	2018
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following year, of $Nil cents per ordinary share (2018: $0.69 cents per ordinary share)	**–**	14,750

18 COMPARATIVES

Accrued interest for loan receivables were reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

MORTGAGE LOAN BUSINESS

For the year ended 28 February 2019 ("**FY2019**"), the mortgage loan business remained as a major source of income of the Group. Revenue generated from the mortgage loan business in FY2019 accounted for approximately 70.6% of the Group's total revenue during the year. During the year, the mortgage loan business maintained a stable growth with interest income increased from approximately HK$152.4 million for the year ended 28 February 2018 ("**FY2018**") to HK$158.7 million in FY2019, representing an increase of 4.1% or HK$6.3 million. The mortgage loan receivables reached HK$1,223.3 million as at 28 February 2019. During the year, there were 206 new cases of mortgage loan transactions, with an average loan size of HK$3.7 million.

During the year, the loan-to-value ratio for the first mortgage was around 51.0%, while the overall loan-to-value ratio for subordinate mortgage was around 51.9%, in which the loan-to-value ratio of subordinate mortgage that the Group participated in was around 15.9%.

PAWN LOAN BUSINESS

During FY2019, the revenue generated from the pawn loan business increased from HK$64.9 million to HK$66.1 million, representing an increase of 1.8% or HK$1.2 million. Also, the aggregate loan amount increased by 25.7% or HK$140.0 million from approximately HK$545.4 million in FY2018 to HK$685.4 million in FY2019.

In FY2019, the Group recorded 419 transactions of pawn loan that exceeded HK$0.1 million. The average loan amount increased from approximately HK$6,200 to approximately HK$8,100 per transaction. The Group will continue to diversify its collaterals to other luxurious items, such as automobiles and yachts, as well as to channel resources to advertising and promotion (especially for online channels) to enhance the Group's brand awareness.

INDUSTRY OVERVIEW

During the year, the luxurious goods market has experienced a positive growth owing to rising demand from various sectors. The Group is optimistic about the prospects of the pawn loan segment and anticipates to achieve a steady growth.

In FY2019, the local property market experienced a correction and thus turned active and energetic again. Although the Group maintained a stable growth in the mortgage loan business, the Directors considered that a prudent and cautious approach was still necessary amid the unstable and uncertain economic environment.

FINANCIAL REVIEW

Revenue

Our Group's revenue increased from approximately HK$217.3 million for FY2018 to approximately HK$224.8 million for FY2019, representing an increase of approximately HK$7.5 million or 3.4%.

The increase was attributable to an increase in our interest income from the mortgage loan business by approximately HK$6.3 million or 4.1% from approximately HK$152.4 million in FY2018 to approximately HK$158.7 million in FY2019. The increase was mainly due to the continuous expansion of our mortgage loan portfolio in FY2019. The average month-end balance for the gross mortgage loan receivables for the year increased from approximately HK$1,178.7 million in FY2018 to approximately HK$1,273.3 million in FY2019, where the total amount of new mortgage loans granted was approximately HK$765.5 million during FY2019.

Our performance in the pawn loan business remained steady. Revenue generated from our pawn loan business increased by approximately HK$1.2 million or 1.8% from approximately HK$64.9 million in FY2018 to approximately HK$66.1 million in FY2019. Such an increase was due to the increase in our interest income derived from our pawn loan receivables of approximately HK$0.4 million, as well as the increase in revenue from disposal of repossessed assets of approximately HK$0.8 million in FY2019.

The increase in our interest income generated from our pawn loan receivables was primarily attributable to the increase in the aggregate amount of pawn loans granted. The amount rose from approximately HK$545.4 million in FY2018 to approximately HK$685.4 million in FY2019 with the average amount of pawn loans granted increased from approximately HK$6,200 per transaction in FY2018 to approximately HK$8,100 per transaction in FY2019.

Revenue from disposal of repossessed assets represents the gain/(loss) of the Group as we sold the repossessed assets in the event of default in repayment of our pawn loans. The increase in our gain on disposal of repossessed assets in FY2019 was mainly due to (i) bounce back on the secondhand market in branded watches; and (ii) the gold price per ounce rose from US$1,180 in August 2018 to US$1,300 in February 2019. Since every pawn loan has a term of four lunar months, revenue was derived from the appreciation of gold price and branded watches in FY2019 and thus an increase in gain on disposal of repossessed assets in FY2019 was recorded.

Other revenue

Other revenue increased from approximately HK$4.2 million in FY2018 to HK$4.9 million in FY2019, representing an increase of approximately HK$0.7 million or 16.7%, which was mainly due to the increase in credit-related fee income by approximately HK$1.3 million in FY2019.

Operating expenses

Operating expenses increased by approximately HK$2.6 million or 4.2% from approximately HK$62.5 million in FY2018 to approximately HK$65.1 million in FY2019.

Staff costs increased by approximately HK$1.3 million or 4.6% from approximately HK$28.0 million in FY2018 to approximately HK$29.3 million in FY2019. The increase was mainly attributable to the increase in salaries and other benefits of approximately HK$0.9 million in FY2019.

Rental expenses increased by approximately HK$0.7 million or 5.7% from approximately HK$12.3 million in FY2018 to HK$13.0 million in FY2019. The increase was mainly due to the increase in the monthly rent for the pawnshops during the year.

Despite an increase in the staff costs and rental expenses in FY2019, other operating expenses increased from approximately HK$22.2 million in FY2018 to approximately HK$22.8 million in FY2019. This was mainly due to an increase in legal and professional fees of approximately HK$1.5 million, which was offset by the decrease in advertising expenses of approximately HK$1.4 million.

Finance costs

The finance costs increased by approximately HK$4.5 million or 12.0% from approximately HK$37.5 million in FY2018 to approximately HK$42.0 million in FY2019. The increase was mainly due to the increase in average month-end balance for other loans and loans from the immediate holding company of approximately HK$51.2 million and HK$17.4 million in FY2019 respectively.

Charge for impairment losses on loan receivables

For FY2019

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

For FY2018

Based on HKAS 39, the impairment losses on loan receivables charged to profit or loss in FY2018 of approximately HK$725,000 were attributable to the net effect of (i) the subsequent reassessment on the recoverability of previously impaired loan receivables that were individually assessed and being charged to profit or loss of approximately HK$925,000; and (ii) the impairment losses on loan receivables that were collectively assessed and being credited to profit or loss of approximately HK$200,000.

Income tax expenses

The Group's effective tax rate increased from 16.4% for FY2018 to 17.1% for FY2019. The increase in the effective tax rate was mainly due to part of the advertising expenses amounted to approximately HK$5.4 million may not be qualified as deductible expenses. With a view of possible outflow of resources, a tax provision of approximately HK$0.9 million in respect of the expenses was provided in FY2019.

Profit and total comprehensive income for the year

Our Group's profit for FY2019 slightly decreased to approximately HK$100.8 million from approximately HK$100.9 million in FY2018, representing a decrease of approximately HK$0.1 million or 0.1%. The decrease was mainly attributable to the increase in expenses in staff costs, rental expenses and finance costs which amounted to HK$1.3 million, HK$0.7 million and HK$4.5 million respectively, netting off the increase in revenue of approximately HK$7.5 million and the decrease in advertising costs of approximately HK$1.4 million.

Liquidity and financial resources

As at 28 February 2019, cash and cash equivalents (net of bank overdraft) amounted to approximately HK$36.2 million, representing a net decrease of approximately HK$3.6 million as compared to the position as at 28 February 2018. The decrease was attributable to the following items:

	For the year ended 28 February 2019 *HK$'000*	For the year ended 28 February 2018 *HK$'000*
Net cash generated from operating activities	**166,520**	37,114
Payment for the purchase of property, plant and equipment	**(1,884)**	(12)
Repayment of other loans	**(26,391)**	(17,016)
Proceeds from debt securities issued, net of issuing expenses	**–**	25,875
(Repayment of)/proceeds from bank loans	**(1,417)**	47,843
(Decrease)/increase in loans from the immediate holding company	**(32,000)**	12,500
Payment for repurchase of shares	**(50,367)**	(20,064)
Dividend paid	**(15,840)**	(31,151)
Finance costs paid	**(42,145)**	(37,065)
Other net outflow	**(161)**	(228)
Net (decrease)/increase in cash and cash equivalents	**(3,685)**	17,796

Pledge of assets

As at 28 February 2019, the Group had pledged its mortgage loan receivables with net book value of HK$597.8 million (28 February 2018: HK$498.5 million) for the purpose of obtaining facilities from banks and other independent third parties.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 28 February 2019.

Key financial ratios

	As at 28 February 2019	As at 28 February 2018
Current ratio(1)	**3.0x**	2.7x
Gearing ratio(2)	**73.6%**	84.4%

	For the year ended 28 February 2019	For the year ended 28 February 2018
Return on total assets(3)	**7.0%**	6.9%
Return on equity(4)	**12.3%**	12.8%
Net profit margin(5)	**44.9%**	46.4%
Net interest margin(6)	**12.4%**	13.1%
– pawn loan services	**40.6%**	40.4%
– mortgage loan services	**9.2%**	9.8%

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year end.

(2) Gearing ratio is calculated by dividing total borrowings (summation of bank loans, overdrafts, obligations under finance leases, loans from the immediate holding company, other loans and debt securities issued) by total equity as at the respective year end.

(3) Return on total assets is calculated by dividing profit for the year by the total assets as at the respective year end.

(4) Return on equity is calculated by dividing profit for the year by the total equity as at the respective year end.

(5) Net profit margin is calculated by dividing profit for the year by the turnover for the respective year.

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

Current ratio

Our Group's current ratio slightly increased from approximately 2.7 times as at 28 February 2018 to 3.0 times as at 28 February 2019, as the amount of other loans and loans from immediate holding company decreased from approximately HK$291.6 million and HK$126.0 million as at 28 February 2018 to approximately HK$265.2 million and HK$94.0 million as at 28 February 2019 respectively.

Gearing ratio

Our Group's gearing ratio decreased from approximately 84.4% as at 28 February 2018 to approximately 73.6% as at 28 February 2019, which was mainly due to the decrease in other loans and loans from immediate holding company of approximately HK$26.4 million and HK$32 million respectively.

Return on total assets and return on equity

Our return on total assets slightly increased from approximately 6.9% in FY2018 to 7.0% in FY2019. Our return on equity slightly decreased from approximately 12.8% in FY2018 to 12.3% in FY2019. No material change was noted as the Group's overall performance remained stable during FY2019.

Net profit margin

The Group recorded a slight decrease in the net profit margin from approximately 46.4% in FY2018 to approximately 44.9% in FY2019. This was mainly due to a higher concentration of first mortgage in our mortgage loans during FY2019.

Net interest margin

The net interest margin decreased from approximately 13.1% in FY2018 to approximately 12.4% in FY2019. The decrease was due to an increase in the percentage of first mortgage in our mortgage loan portfolio from approximately 80.5% in FY2018 to approximately 86.5% in FY2019.

PROSPECTS

In response to the fast-paced development of financial technology, the Group will actively explore the possibility of developing online pawn loan service. The pawnshop business has been fully computerized since 2011, which facilitates better internal control and provides a solid foundation for online pawn loan business. In Europe and the United States ("**U.S.**"), well-established and reputable online pawnshops have developed mature operating mechanisms to meet the short-term financial needs of customers in a discreet, simple and efficient manner. It is believed that online pawnshops will be attractive for the new generation, and will enable the Group to promote its pawn loan business at a lower cost.

During the period under review, Hong Kong's financial market is facing various risk factors that cast uncertainties over its future development. The Group will keep an eye on the on-going trade conflict between U.S. and China and its potential impact on the Hong Kong property market. Whilst the Group strives to sustain its business growth, the management will continue to run the business in a prudent manner through enhancing risk control to cope with the possible economic fluctuations The Group will continue to adopt a cautious approach when granting loans, such as increasing the proportion of first mortgage loans and high net-worth customers, as well as tightening the loan-to-value ratio.

SHARE OPTION SCHEME

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

As at 28 February 2019, being the financial year end of FY2019 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 28 February 2019;

ii) an option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof; and

iii) the Share Option Scheme will remain in force until 18 February 2023.

HUMAN RESOURCES

As at 28 February 2019, our Group had a total of 50 staff (28 February 2018: 52). Total staff costs (including Directors' emoluments) were approximately HK$29.3 million for FY2019 (FY2018: approximately HK$28.0 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of each individual employee. Bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include a share option scheme and contributions to statutory mandatory provident fund scheme to our Group's employees in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2019, the Company repurchased a total of 149,728,000 shares of the Company on the Stock Exchange at the aggregate consideration of approximately HK$50.4 million (before expenses). All the repurchased shares were cancelled during FY2019.

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate Consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
March 2018	62,232,000	0.345	0.315	21,421,560.00
April 2018	2,104,000	0.345	0.330	716,320.00
May 2018	30,000,000	0.345	0.335	10,217,120.00
June 2018	25,000,000	0.335	0.325	8,186,480.00
July 2018	9,544,000	0.330	0.315	3,055,120.00
August 2018	7,688,000	0.330	0.305	2,439,520.00
September 2018	5,440,000	0.335	0.320	1,759,160.00
October 2018	6,064,000	0.335	0.325	2,027,440.00
November 2018	1,656,000	0.335	0.325	544,000.00
Total	149,728,000			50,366,720.00

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 FY2019.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not engage in any material acquisitions or disposals during FY2019.

CORPORATE GOVERNANCE CODE

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

Throughout FY2019, our Company complied with the Code Provisions, 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 ("**Mr. Chan**"), an executive Director, currently holds both positions. Mr. Chan has been the key leadership figure of our Group and has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group's operations as he directly supervises other executive Directors and senior management of our Group. Taking into account the continuation of the implementation of our Group's business plans, our Directors (including the independent non-executive Directors) consider that Mr. Chan is the best candidate for both positions and the present arrangements are beneficial and in the best interests of our Company and its shareholders (the "**Shareholders**" or "**our Shareholders**") as a whole.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by our Directors. Our Company confirms that, having made specific enquiry of all the Directors, our Directors complied with the required standards as set out in the Model Code during FY2019.

REVIEW OF FINAL RESULTS BY THE AUDIT COMMITTEE

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

The Audit Committee has discussed with the management of the Company about the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the consolidated financial statements for FY2019, and it has not identified any significant deficiency or material weakness. The Audit Committee has also reviewed the consolidated financial statements for FY2019 with the management and the auditor of the Company and recommended them to the Board for approval.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 28 February 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

ANNUAL GENERAL MEETING

The annual general meeting of our Company for FY2019 is scheduled to be held on Monday, 29 July 2019 (the "**AGM**"). A notice convening the AGM will be issued and disseminated to our Shareholders in due course.

DIVIDEND

At our Board meeting held on 28 May 2019, our Directors proposed to recommend the payment of a final dividend of HK$0.73 cents per ordinary share, together with the interim dividend of HK$0.83 cents per share declared and paid during FY2019, representing 30.1% of the profit attributable to our Shareholders of our Company for FY2019. The aforesaid final dividend is subject to approval by our Shareholders at the AGM and will be paid on Thursday, 22 August 2019 to our Shareholders whose names appear on the register of members of our Company at the close of business on Friday, 9 August 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of our Shareholders who are entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Tuesday, 23 July 2019. The register of members of our Company will be closed from Wednesday, 24 July 2019 to Monday, 29 July 2019, both days inclusive, during which period no transfer of shares will be registered.

In order to establish the identity of the shareholders of our Company who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Tuesday, 6 August 2019. The register of members of our Company will be closed from Wednesday, 7 August 2019 to Friday, 9 August 2019, both days inclusive, during which no transfer of shares will be registered.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is also published on our Company's website (www.pawnshop.com.hk) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 28 February 2019 containing all relevant information required by Appendix 16 to the Listing Rules will be disseminated to our Shareholders and will be available on the above websites in due course.

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

Hong Kong, 28 May 2019

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