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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2018, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

		Six months ended 31 August		
		2018	2017	Change
		HK$'000	*HK$'000*	
Revenue		**112,010**	110,472	1.4%
Profit before taxation		**64,319**	65,213	-1.4%
Profit for the period attributable to shareholders		**53,646**	54,435	-1.4%
Net profit margin		**47.9%**	49.3%	
Basic earnings per share (HK cents)		**2.7**	2.5	
Net interest margin	*Note 1*	**12.1%**	13.8%	
For pawn loan services		**41.0%**	40.6%	
For mortgage loan services		**8.9%**	10.4%	
Aggregated new loans granted				
For pawn loan services (HK million)		**330.8**	278.1	19.0%
For mortgage loan services (HK million)		**501.3**	432.4	15.9%

	As at 31 August 2018	As at 28 February 2018	
	HK$'000	*HK$'000*	
Gross loan receivables	**1,467,631**	1,382,837	6.1%
Total assets	**1,556,800**	1,466,134	6.2%
Total equity	**795,817**	788,129	1.0%

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 2018

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 2018, with the comparative figures for the corresponding period in 2017 as follows:

Consolidated Statement of Comprehensive Income
for the six months ended 31 August 2018 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 August	
	Note	**2018**	2017
		$'000	*$'000*
Revenue	*5*	**112,010**	110,472
Other revenue	*6*	**3,662**	1,942
Operating income		**115,672**	112,414
Operating expenses		**(28,982)**	(28,799)
(Charge for)/Release of impairment losses on loan receivables	*7(b)*	**(771)**	141
Profit from operations		**85,919**	83,756
Finance costs	*7(a)*	**(21,600)**	(18,543)
Profit before taxation		**64,319**	65,213
Income tax	*8*	**(10,673)**	(10,778)
Profit and total comprehensive income for the period		**53,646**	54,435
Profit and total comprehensive income for the period attributable to shareholders		**53,646**	54,435
Earnings per share (in HK cents)	*9*	**2.7**	2.5

Consolidated Statement of Financial Position
as at 31 August 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	**31 August 2018** **$'000**	28 February 2018 $'000
Non-current assets			
Property, plant and equipment		**1,425**	758
Loan receivables	*10*	**98,406**	85,861
Trade and other receivables	*11*	**1,780**	2,402
Deferred tax assets		**117**	221
		101,728	89,242
Current assets			
Repossessed assets		**6,256**	8,108
Loan receivables	*10*	**1,388,968**	1,316,428
Trade and other receivables	*11*	**7,199**	7,523
Cash and cash equivalents	*12*	**52,649**	44,833
		1,455,072	1,376,892
Current liabilities			
Accruals and other payables	*14*	**8,366**	6,699
Bank loans and overdrafts	*13*	**79,983**	85,097
Obligations under finance leases		**187**	221
Loans from the immediate holding company	*15*	**151,200**	126,000
Current taxation		**9,744**	5,837
Other loans	*16*	**348,995**	291,623
		598,475	515,477
Net current assets		**856,597**	861,415
Total assets less current liabilities		**958,325**	950,657
Non-current liabilities			
Debt securities issued	*17*	**162,508**	162,452
Obligations under finance leases		**–**	76
		162,508	162,528
NET ASSETS		**795,817**	788,129
CAPITAL AND RESERVES	*18*		
Capital		**19,508**	20,874
Reserves		**776,309**	767,255
TOTAL EQUITY		**795,817**	788,129

Consolidated Statement of Changes in Equity

for the six months ended 31 August 2018 – unaudited
(Expressed in Hong Kong dollars)

	Paid-in capital/ share capital $'000	Share premium $'000	Capital reserve $'000	Capital redemption reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000
At 1 March 2017	21,376	207,573	44,963	–	12,001	452,523	738,436
Changes in equity for the six months ended 31 August 2017							
Profit and total comprehensive income	–	–	–	–	–	54,435	54,435
Dividends declared and paid in respect of the previous year	–	(14,750)	–	–	–	–	(14,750)
Purchase of own shares	(98)	(4,050)	–	98	–	–	(4,050)
At 31 August 2017	21,278	188,773	44,963	98	12,001	506,958	774,071
At 1 September 2017	21,278	188,773	44,963	98	12,001	506,958	774,071
Changes in equity for the six months ended 28 February 2018							
Profit and total comprehensive income	–	–	–	–	–	46,473	46,473
Interim dividends declared and paid in respect of the current year	–	(16,401)	–	–	–	–	(16,401)
Purchase of own shares	(404)	(16,014)	–	404	–	–	(16,014)
At 28 February 2018	20,874	156,358	44,963	502	12,001	553,431	788,129
At 1 March 2018	20,874	156,358	44,963	502	12,001	553,431	788,129
Impact on initial application of HKFRS 9	–	–	–	–	–	78	78
Adjusted balance at 1 March 2018	20,874	156,358	44,963	502	12,001	553,509	788,207
Changes in equity for the six months ended 31 August 2018							
Profit and total comprehensive income	–	–	–	–	–	53,646	53,646
Purchase of own shares	(1,366)	(46,036)	–	1,366	–	–	(46,036)
At 31 August 2018	19,508	110,322	44,963	1,868	12,001	607,155	795,817

Condensed Consolidated Cash Flow Statement
for the six months ended 31 August 2018 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 August	
	Note	**2018**	2017
		$'000	*$'000*
Operating activities			
Operating profit before changes in working capital		**86,993**	83,890
(Increase)/decrease in loan receivables		**(85,765)**	13,799
Other cash flows generated from operations		**4,049**	232
Cash generated from operations		**5,277**	97,921
Hong Kong Profits Tax paid		**(6,678)**	(20,476)
Net cash (used in)/generated from operating activities		**(1,401)**	77,445
Investing activities			
Payment for the purchase of property, plant and equipment		**(1,029)**	(8)
Proceeds from disposal of property, plant and equipment		**60**	–
Other cash flows generated from investing activities		**2**	1
Net cash used in investing activities		**(967)**	(7)
Financing activities			
Increase/(decrease) in loans from the immediate holding company		**25,200**	(22,000)
Proceeds from debt securities issued, net of issuing expenses		**–**	14,925
Finance costs paid		**(21,124)**	(17,940)
Proceeds from/(repayment of) other loans		**57,372**	(34,888)
(Repayments of)/proceeds from bank loans		**(5,189)**	44,096
Dividends paid		**–**	(14,750)
Payments for purchase of own shares		**(46,036)**	(4,050)
Other cash flows used in financing activities		**(114)**	(114)
Net cash generated from/(used in) financing activities		**10,109**	(34,721)
Net increase in cash and cash equivalents		**7,741**	42,717
Cash and cash equivalents at the beginning of period		**39,836**	22,040
Cash and cash equivalents at the end of period	*12*	**47,577**	64,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

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

2 BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the interim report for the six months ended 31 August 2018 of the Group, but are extracted from the report.

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 29 October 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the year ended 28 February 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the year ending 28 February 2019 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 the year ended 28 February 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 2018 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. KPMG's independent review report to the Board of Directors is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 28 February 2018 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 28 February 2018 are available from the Company's registered office. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3 CHANGES IN ACCOUNTING POLICIES

(a) 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:

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 in note 3(b) for HKFRS 9.

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
		(Note 3(b))	
	$'000	*$'000*	*$'000*
Deferred tax assets	221	(16)	205
Total non-current assets	**89,242**	**(16)**	**89,226**
Loans receivables	1,296,976	94	1,297,070
Total current assets	**1,376,892**	**94**	**1,376,986**
Net current assets	**861,415**	**94**	**861,509**
Net assets	**788,129**	**78**	**788,207**
Reserves	767,255	78	767,333
Total equity	**788,129**	**78**	**788,207**

Further details of these changes are set out in sub-section (b) of this note.

(b) 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 earnings and the related tax impact at 1 March 2018.

	$'000
Retained earnings	
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	(16)
Net increase in retained earnings at 1 March 2018	78

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.

Non-equity investments held by the Group are classified into one of the following measurement categories:

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

– FVOCI – recycling, if the contractual cash flows of the investment 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 investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

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

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

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.

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.

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 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.

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 earnings by $78,000 and decrease in gross deferred tax assets by $16,000 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.

(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 earnings 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.

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:

	Six months ended 31 August	
	2018	2017
	$'000	*$'000*
Revenue from pawn loan business		
Interest earned on loan receivables measured at FVPL	**25,577**	–
Interest earned on loan receivables measured at amortised cost	**3,615**	29,940
Gain on disposal of repossessed assets	**3,940**	3,135
Total revenue from pawn loan business	**33,132**	33,075
Revenue from mortgage loan business		
Interest earned on loan receivables	**78,878**	77,397
Total	**112,010**	110,472

Cost of repossessed assets disposed for the six months ended 31 August 2018 amounted to $23.4 million (six months ended 31 August 2017: $22.2 million).

The Group's customer base is diversified and includes only one customer (six months ended 31 August 2017: two customers) with whom transactions have exceeded 10% of the Group's revenues. During the six months ended 31 August 2018, revenues from interest earned on mortgage loan receivables from this customer (six months ended 31 August 2017: two customers), including interest earned from entities which are known to the Group to be under common control with this customer, amounted to approximately $14.0 million (six months ended 31 August 2017: $20.0 million and $12.3 million of the two customers respectively).

6 OTHER REVENUE

	Six months ended 31 August	
	2018	2017
	$'000	*$'000*
Rental income	**794**	540
Interest earned on unsecured loans	**634**	320
Credit related fee income	**2,095**	923
Bank interest income	**2**	1
Others	**137**	158
	3,662	1,942

7 PROFIT BEFORE TAXATION

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

	Six months ended 31 August	
	2018	2017
	$'000	*$'000*
(a) Finance costs		
Finance charges on obligations under finance leases	**4**	8
Interest on loans from the immediate holding company	**3,322**	2,600
Interest on bank loans and overdrafts	**2,010**	1,391
Interest on other loans	**11,302**	9,927
Interest on debt securities issued	**4,962**	4,617
	21,600	18,543
(b) Other items		
Net loss on disposal of property, plant, and equipment	**86**	–
Depreciation	**216**	274
Charge for/(Release of) impairment losses on loan receivables	**771**	(141)
Net losses on loan receivables at FVPL	**3**	–
Staff costs	**11,835**	11,015
Premises and equipment expenses excluding depreciation	**6,419**	6,091
Advertising expenses	**3,765**	6,095
Auditor's remuneration	**615**	551
Legal and professional fees	**2,433**	1,361
Others	**3,610**	3,412
	29,753	28,658

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 31 August	
	2018	2017
	$'000	*$'000*
Current tax – Hong Kong Profits Tax	**10,584**	10,766
Deferred taxation	**89**	12
	10,673	10,778

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 2017: 16.5%) to the estimated assessable profits for the six months ended 31 August 2018.

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 $53.6 million (six months ended 31 August 2017: $54.4 million) and the weighted average of 2,002.0 million ordinary shares (six months ended 31 August 2017: 2,136.8 million ordinary shares) in issue during the interim period.

Weighted average number of ordinary shares

	31 August 2018	31 August 2017
	'000	*'000*
Issued ordinary shares at 1 March	**2,087,360**	2,137,624
Effect of purchase of own shares *(note 18(c))*	**(85,367)**	(776)
Weighted average number of ordinary shares at 31 August	**2,001,993**	2,136,848

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 2018 *$'000*	28 February 2018 *$'000*
Loan receivables at amortised cost:		
Pawn loans	**29,215**	130,866
Accrued interests of pawn loans	**838**	9,407
	30,053	140,273
Less: Impairment allowance		
– Stage 1	**–**	–
– Stage 2	**–**	–
– Stage 3	**–**	–
– Individually assessed	**–**	(31)
– Collectively assessed	**–**	(94)
Net pawn loan receivables	**30,053**	140,148
Mortgage loans	**1,331,275**	1,252,096
Accrued interests of mortgage loans	**10,612**	10,045
	1,341,887	1,262,141
Less: Impairment allowance		
– Stage 1	**–**	–
– Stage 2	**–**	–
– Stage 3	**(771)**	–
– Individually assessed	**–**	–
– Collectively assessed	**–**	–
Net mortgage loan receivables	**1,341,116**	1,262,141
Net loan receivables at amortised cost	**1,371,169**	1,402,289
Loan receivables at FVPL:		
Pawn loans	**116,205**	–
Total loan receivables	**1,487,374**	1,402,289
Current portion included under current assets	**(1,388,968)**	(1,316,428)
Amounts due after one year included under non-current assets	**98,406**	85,861

(a) Movement in impairment losses

	Six months ended 31 August						
	2018				2017		
	Expected credit loss				Loss allowances		
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Individual	Collective	Total
	$'000	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
At 1 March	**–**	**–**	**–**	**–**	1,025	294	1,319
Impairment losses charged/(released) to profit or loss	**–**	**–**	**771**	**771**	9	(150)	(141)
At 31 August	**–**	**–**	**771**	**771**	1,034	144	1,178

(b) Ageing analysis

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

	Pawn loans at amortised cost	**Pawn loans at FVPL**	**Mortgage loans**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
31 August 2018				
Not past due	26,414	113,177	1,159,393	1,298,984
Less than 1 month past due	2,687	2,316	150,276	155,279
1 to less than 3 months past due	188	466	19,441	20,095
3 to less than 6 months past due	212	246	5,251	5,709
6 months to 1 year past due	–	–	–	–
Over 1 year past due	552	–	7,526	8,078
	30,053	116,205	1,341,887	1,488,145
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 these mortgage loans which have been past due for one month or above, except for one mortgage loan amounted to $7.5 million which an individually assessed impairment loss had been recognised, the respective valuations of the collaterals can fully cover the outstanding balances of these loans as at 31 August 2018. 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

	31 August 2018 *$'000*	28 February 2018 *$'000*
Trade receivables	**203**	49
Deposits and payments in advance	**8,674**	9,774
Others	**102**	102
	8,979	9,925
Non-current portion of deposits and payments in advance included under non-current assets	**(1,780)**	(2,402)
Amounts due within one year included under current assets	**7,199**	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 $1.8 million (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:

	31 August 2018 *$'000*	28 February 2018 *$'000*
Not past due	**203**	16
Less than 1 month past due	**–**	33
1 to less than 3 months past due	**–**	–
3 to less than 6 months past due	**–**	–
	203	49

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

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 August 2018	28 February 2018
	$'000	*$'000*
Cash in hand	**5,472**	4,760
Cash at banks	**47,177**	40,073
Cash and cash equivalents in the consolidated statements of financial position	**52,649**	44,833
Bank overdrafts (note 13)	**(5,072)**	(4,997)
Cash and cash equivalents in the consolidated cash flow statement	**47,577**	39,836

13 BANK LOANS AND OVERDRAFTS

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

	31 August 2018	28 February 2018
	$'000	*$'000*
Unsecured bank overdrafts (note 13(a))	**5,072**	4,997
Bank loans, secured (note 13(b))	**50,000**	47,000
Bank loans, unsecured (note 13(c))	**24,911**	33,100
	74,911	80,100
Total bank loans and overdrafts – repayable within 1 year or on demand	**79,983**	85,097

(a) At 31 August 2018, 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 31 August 2018, uncommitted secured revolving bank loan facilities of the lower of $50 million (28 February 2018: $50 million) and a certain percentage of the aggregate principal amount of the mortgage loan receivables of a subsidiary which are then charged to the bank were obtained. The tenor for the facilities ranged from one month, two months, three months or six months as selected by the subsidiary. As at 31 August 2018, the available uncommitted banking facilities after taking into consideration of the drawdown was approximately $Nil (28 February 2018: $3.0 million). These uncommitted secured revolving bank loan facilities were secured by loan receivables with a carrying value of approximately $152.3 million (28 February 2018: $114.0 million).

(c) At 31 August 2018, unsecured bank loan facilities of $24.9 million (28 February 2018: $53.1 million) were provided to the subsidiaries and utilised to the extent as disclosed above.

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

14 ACCRUALS AND OTHER PAYABLES

	31 August 2018	28 February 2018
	$'000	*$'000*
Accrued interest expense	**3,799**	3,383
Accrued expenses	**3,241**	2,184
Provision for long service payment	**703**	559
Other payable and deposits received	**623**	573
	8,366	6,699

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 IMMEDIATE HOLDING COMPANY

The loans from the immediate 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 $440.2 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 tenor for these facilities are one year. As at 31 August 2018, the available uncommitted loan facilities after taking into consideration of the drawdown was approximately $Nil (28 February 2018: $14.4 million). These uncommitted secured revolving loan facilities were secured by mortgage loan receivables for the Group with carrying value of $349.0 million (28 February 2018: $384.5 million).

17 DEBT SECURITIES ISSUED

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

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Share Capital

	Note	Par value	No of shares	Nominal value of ordinary shares
		$	*'000*	*$'000*
Authorised:				
At 28 February/31 August 2017 and 28 February/31 August 2018		0.01	100,000,000	1,000,000
Issued and fully paid:				
At 1 March 2017		0.01	2,137,624	21,376
Purchase of own shares		0.01	(9,784)	(98)
At 31 August 2017		0.01	2,127,840	21,278
Purchase of own shares		0.01	(40,480)	(404)
At 28 February 2018			2,087,360	20,874
At 1 March 2018		0.01	2,087,360	20,874
Purchase of own shares	*18(c)*	0.01	(136,568)	(1,366)
At 31 August 2018			1,950,792	19,508

(b) Dividends

(i) Dividend payable to equity shareholders of the Company attributable to the six months ended 31 August 2018:

	Six months ended 31 August	
	2018	2017
	$'000	*$'000*
Interim dividend declared after the interim period of $0.83 cents per ordinary share (2017: $0.78 cents per ordinary share)	**16,146**	16,501

The interim dividend declared for the period ended 31 August 2018 will be satisfied by way of cash or shareholders may elect to receive scrip dividend wholly or partly in lieu of the cash dividend. The scrip dividend will be satisfied by an allotment of new shares of the Company to be credited as fully paid.

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

	Six months ended 31 August	
	2018	2017
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of $Nil per ordinary share (Six months ended 31 August 2017: $0.69 cents per ordinary share)	**–**	14,750

(c) Purchase of own shares

During the interim period, the Company repurchased 136,568,000 shares of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month	No. of shares repurchased	Purchase price per share		Aggregate consideration after expense
		Highest	Lowest	
	'000			*HKD'000*
Mar-18	62,232	$0.345	$ 0.315	21,422
Apr-18	2,104	$0.345	$ 0.330	484
May-18	30,000	$0.345	$ 0.335	3,679
Jun-18	25,000	$0.335	$ 0.325	14,957
Jul-18	9,544	$0.330	$ 0.315	3,055
Aug-18	7,688	$0.330	$ 0.305	2,439
	136,568			46,036

Of the 136,568,000 repurchased shares, 128,880,000 shares were cancelled before the period end and 7,688,000 shares were cancelled after the period end.

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, the issued share capital of the Company was reduced by the nominal value of the repurchased shares. Pursuant to 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares repurchased of $1,366,000 was transferred from share premium to the capital redemption reserve. The premium paid on the repurchased shares of $44,670,000 was charged to share premium.

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:

	31 August 2018 *$'000*	28 February 2018 *$'000*
Within one year	**10,727**	9,149
After one year but within five years	**9,983**	3,082
	20,710	12,231

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

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

	31 August 2018 *$'000*	28 February 2018 *$'000*
Within one year	**1,749**	1,035
After one year but within five years	**1,325**	468
	3,074	1,503

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

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	
	2018	2017
	$'000	*$'000*
Salary and other emoluments	**3,043**	2,772
Contributions to Mandatory Provident Fund	**45**	45
Others	**11**	19
	3,099	2,836

(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	
	2018	2017
	$'000	*$'000*
Rental expense paid to		
– Kwan Chart (Holding) Company Ltd.	**480**	480
– Kwan Chart Estate Company Ltd.	**307**	288
– Mr. Chan Chart Man	**508**	480

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.

21 COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 at 1 March 2018. Under the transition methods chosen, comparative information is not restated. The comparative figures of interest receivables under trade and other receivables have been reclassified to loan receivables to conform to current period's presentation. Please refer to consolidated statement of financial position, notes 3 and 10 for the effect.

Further details of the changes in accounting policies are disclosed in note 3.

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 31 AUGUST 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, Leases, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, Leases

As discussed in the year ended 28 February 2018, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 31 August 2018:

	$'000
Amounts payable:	
Within 6 months	6,070
After 6 months but within 1 year	4,657
After 1 year but within 5 years	9,983
	20,710

Upon the initial adoption of HKFRS 16 at 1 March 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

MORTGAGE LOAN BUSINESS

For the six months ended 31 August 2018 ("**FP2019**"), the mortgage loan business remained a major source of income of the Group. During the period, the interest income increased by approximately HK$1.5 million or 1.9% from approximately HK$77.4 million for the six months ended 31 August 2017 ("**FP2018**") to approximately HK$78.9 million in FP2019. The gross mortgage loans receivables increased from approximately HK$1,252.1 million as at 28 February 2018 to approximately HK$1,331.3 million as at 31 August 2018. An increase in the amount of loans from the immediate holding company and other loans in the same period for funding our expansion of mortgage loan portfolios contributed to the overall increase of the gross mortgage loans receivables.

In FP2019, the Group continued to implement a prudent lending strategy to ensure that the mortgage loan portfolio of the Group remained healthy. The loan-to-value ratio for first mortgage is around 52.4%, while the overall loan-to-value ratio for subordinary mortgage was around 44.9%, of which, loan-to-value ratio of subordinate mortgage that the Group participate in was around 14.8%.

PAWN LOAN BUSINESS

During FP2019, pawn loan business remained stable. The revenue from pawn business reached HK$33.1 million, with HK$29.2 million interest income from pawn loan receivables and HK$3.9 million from gain on disposal. The aggregate new loan amounts increased by 19.0% to HK$330.8 million (FP2018: HK$278.1 million).

The US-China trade war has created some distress in Hong Kong's financial market as well as affected the local stock market's volatilities. The Group believes that these macroeconomic factors have increased the demand for funds. On the other hand, the luxurious market has experienced an increased in pricing and the Group will continue to remain cautious and maintain its focus on collaterals diversification.

INDUSTRY OVERVIEW

For pawn loan business, the demand and prices of luxurious goods in FP2019 have both experienced an upside trend. Being one of the core businesses, the Group remains positive and optimistic about the stability of this segment and a steady growth can be anticipated.

The Hong Kong Monetary Authority announced an uplift in its base lending rate with the pace of federal funds rate move in the United States and major money lenders in the city followed the increment in September 2018. The rise in interest rate has shown some pressure on Hong Kong's property market as the private home prices marked their first decline in 28 months only days after the announcement according to data by the Rating and Valuation Department. Meanwhile, the on-going trade conflict between US and China has also created instabilities and uncertainties in local financial markets. As such, the Group remains exposed to mark-to-market volatilities which might in turn affect our short term results. To cope with the fluctuated situation, the management will continue to run the business in a prudent manner whilst to seek growth and control the risk.

Additionally, the Hong Kong Monetary Authority ordered all banks to tighten their property lending to developers to guard lenders from risk since June 2018. While the purpose of this new regulation is to dampen developers from offering generous mortgage schemes, the management believes that it also brings new business opportunities for non-banking money lenders. Hence, the Group will continue to capture such opportunities to further expand existing loan portfolios.

FINANCIAL REVIEW

Revenue

Our Group's revenue increased from approximately HK$110.5 million in FP2018 to approximately HK$112.0 million in FP2019, representing an increase of approximately HK$1.5 million or 1.4%.

The increase was mainly attributable to an increase in our interest income from mortgage business by approximately HK$1.5 million or 1.9% from approximately HK$77.4 million in FP2018 to approximately HK$78.9 million in FP2019, which was mainly due to the continuous expansion of our mortgage loan portfolio in FP2019. The average month end balance for the gross mortgage loans receivables from March to August increased from approximately HK$1,136.7 million in FP2018 to approximately HK$1,292.6 million in FP2019 with total new mortgage loans granted of approximately HK$501.3 million during FP2019.

Our pawn loan business remained stable during FP2019. Revenue from our pawn loan business maintained at HK$33.1 million in both FP2018 and FP2019. This was attributable to the decrease in our interest income earned on our loan receivables by approximately HK$0.8 million or 2.7% from approximately HK$30.0 million in FP2018 to approximately HK$29.2 million in FP2019 and the increase in gain on disposal of repossessed assets by approximately HK$0.8 million or 25.8% from approximately HK$3.1 million in FP2018 to approximately HK$3.9 million in FP2019.

The decrease in our interest income earned on our pawn loan receivables was primarily attributable to a slightly decrease in the average month end balance for the gross pawn loan receivables from March to August from approximately HK$147.4 million in FP2018 to approximately HK$141.8 million in FP2019.

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 FP2019 was mainly due to (i) the rebound in the second-hand market in luxury items like diamond and branded watches; and (ii) a stable environment for the gold price per ounce during FP2019 which ranged from approximately US$1,230 to US$1,300. Since every pawn loan has a loan term of four lunar months, the revenue increase with the appreciation of luxury goods in FP2019 and thus a better result in gain on disposal of repossessed assets in FP2019.

Other revenue

Other revenue increased from approximately HK$1.9 million in FP2018 to approximately HK$3.7 million in FP2019, representing an increase of approximately HK$1.8 million or 94.7%, which was mainly due to the increase in our credit-related fee income by approximately HK$1.2 million representing early repayment fees and handling charges from our mortgage loan customers.

Operating expenses

Operating expenses slightly increased by approximately HK$0.3 million or 1.0% from approximately HK$28.7 million in FP2018 to approximately HK$29.0 million in FP2019.

During FP2019, staff costs slightly increased by approximately HK$0.8 million or 7.3% from approximately HK$11.0 million in FP2018 to approximately HK$11.8 million in FP2019. The increase was mainly due to the increase in the staff cost and long service payment by approximately HK$0.4 million and HK$0.3 million respectively.

Rental expenses increased by approximately HK$0.3 million or 4.9% from approximately HK$6.1 million in FP2018 to approximately HK$6.4 million in FP2019. The increase was mainly due to the effect for the increase in the rental expenses under the terms in the rental agreements for several pawnshops during FP2019.

Excluding the staff costs and rental expenses of approximately HK$17.1 million and HK$18.2 million in FP2018 and FP2019 respectively as mentioned above, other operating expenses decreased by approximately HK$0.8 million or 6.9% from approximately HK$11.6 million in FP2018 to approximately HK$10.8 million in FP2019, which was mainly due to the decrease in advertising expenses by approximately HK$2.3 million, offset by the increase of legal and professional fee by approximately HK$1.1 million.

Charged for/Credited to impairment losses on loan receivables

For FP2019

The charge for impairment losses on loan receivables of HK$0.8 million in FP2019 was measured based on the new impairment requirement under HKFRS 9. The charge for impairment losses was attributable to an overdue mortgage loan which the management considered there is an increasing possibility which the valuation of the collateral of the respective loan cannot fully cover the outstanding amount.

For FP2018

Based on HKAS 39, the impairment losses on loan receivables released to profit or loss in FP2018 of approximately HK$141,000 was attributable to the net effect of (i) the subsequent reassessment on the recoverability of previously impaired loan receivables that were individually assessed being charged to profit or loss of approximately HK$8,000; and (ii) the impairment losses on loan receivables that were collectively assessed being released to profit or loss of approximately HK$149,000.

Finance costs

The finance costs increased by approximately HK$3.1 million or 16.8% from approximately HK$18.5 million in FP2018 to approximately HK$21.6 million in FP2019 after netting off with the decrease in bank loans and overdrafts by approximately HK$5.1 million in FP2019. The increase was mainly due to the increase in other loans and loans from the immediate holding company in FP2019 for funding our mortgage loan portfolios.

Income tax expenses

Our Group's effective tax rate was approximately 16.5% in FP2018 and FP2019. No material change is noted.

Profit and total comprehensive income for the period

Our Group's profit for FP2019 slightly decreased to approximately HK$53.6 million from approximately HK$54.4 million in FP2018, representing an decrease of approximately HK$0.8 million or 1.5%. The decrease was mainly attributable to the increase in rental expense, staff cost, legal and professional fee, impairment losses on loan receivables and finance costs amounted to HK$0.3 million, HK$0.8 million, HK$1.1 million, HK$0.8 million and HK$3.1 million respectively, netting off with increase in revenue and other revenue amounted to approximately HK$1.5 million and HK$1.8 million respectively and decrease in advertising expenses amounted to approximately HK$2.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 August 2018, cash and cash equivalents, after netting off with the bank overdraft, amounted to approximately HK$47.6 million, representing a net increase of approximately HK$7.8 million as compared to the position as at 28 February 2018.

For FP2019, net cash outflow from operating activities of our Group amounted to approximately HK$1.4 million. It is mainly due to the cash inflow from the revenue amounted to approximately HK$87.0 million, offset by the increase in loan receivables amounted to approximately HK$85.8 million and payment for Hong Kong Profit Tax amounted to approximately HK$6.7 million, during FP2019. The net cash inflow from financing activities of our Group amounted to approximately HK$10.1 million for FP2019 which was mainly due to the proceeds from other loans and loans from immediate holding company during FP2019 amounted to approximately HK$57.4 million and HK$25.2 million respectively, offset by repayment for bank loans and overdrafts, payment for purchase of own shares and finance cost paid which amounted to approximately HK$5.2 million, HK$46.0 million and HK$21.1 million respectively.

Pledge of assets

As at 31 August 2018, the Group had pledged its mortgage loan receivables with net book value of HK$501.3 million (28 February 2018: HK$498.5 million) for the purpose of obtaining facilities from a bank and an independent third party.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 31 August 2018.

PROSPECTS

During the period under review, Hong Kong's financial market is facing various risk factors that cast uncertainties over its future development. Major banks have increased their lending rates after Hong Kong Monetary Authority lifted its base lending rate in June 2018, formally ending decades of unchanged rates in the city. Higher rates are also believed to increase the pressure to Hong Kong's property market. Moreover, the escalating trade tensions between US and China increase global volatilities of asset prices in the financial market as well. To prepare for the uncertainty and possible future fluctuations in domestic interest rate and property market, the Group strives to implement a more cautious and prudent strategy when reviewing and granting mortgage loans to manage the risk. Furthermore, the Group will continue to leverage on the team's professionalism and profound experience in mortgage loan business to maintain a healthy loan portfolio and therefore, a steady growth can be expected.

Looking forward, as the Group foresees that the market condition is likely to remain unpredictable and volatile, it is of utmost importance for the Group to continue to put efforts on developing sustainable competitive advantage to enhance long term business value and shareholder returns. In mortgage business, the Group will focus on net interest margin improvement by actively seeking diversified and affordable financing channels to maintain abundant capital reserve and expand its market share as well as to compensate the potential impact from the uncertainty. The Group will also take cautious and prudent approach to maintain the current loan to valuation ratio and be more careful on customer selection for a better risk management.

In regard to the pawn loan business, the Board is of the view that this business segment will remain stable. The Group will continue to provide differentiated offering to the customers and grow its customer base by diversifying its collaterals to other luxurious items such as automobiles and yachts.

KEY FINANCIAL RATIOS

	As at 31 August 2018	As at 28 February 2018
	$	*$*
Current ratio [1]	**2.4x**	2.7x
Gearing ratio [2]	**93.3%**	84.4%

	For the six months ended 31 August 2018	For the six months ended 31 August 2017
	$	*$*
Return on total assets [3]	**6.9%**	7.8%
Return on equity [4]	**13.5%**	14.1%
Net profit margin [5]	**47.9%**	49.3%
Net interest margin [6]	**12.1%**	13.8%
– pawn loan services	**41.0%**	40.6%
– mortgage loan services	**8.9%**	10.4%

Notes:

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

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

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

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

(5) Net profit margin is calculated by dividing profit for the period by the revenue for the respective period.

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

Current ratio

Our Group's current ratio slightly decrease from 2.7 times as at 28 February 2018 to 2.4 times as at 31 August 2018, which was mainly due to the increase in other loans and loans from the immediate holding company amounting to HK$57.4 million and HK$25.2 million respectively, offset by the increase in current loan receivables from approximately HK$1,316.4 million as at 28 February 2018 to approximately HK$1,389.0 million as at 31 August 2018 or by approximately 5.5%.

Gearing ratio

Our Group's gearing ratio slightly increase from approximately 84.4% as at 28 February 2018 to approximately 93.3% as at 31 August 2018, which was mainly due to the increase in other loans and loans from immediate holding company amounted to approximately HK$57.4 million and HK$25.2 million respectively as the result of expansion of our mortgage loan portfolio.

Return on total assets and return on equity

Our return on total assets and return on equity slightly decreased from approximately 7.8% and 14.1% in FP2018 to 6.9% and 13.5% in FP2019 respectively, which was mainly due to the decrease in net interest margin from 13.8% in FP2018 to 12.1% in FP2019.

Net profit margin and net interest margin

There was a decrease in our net profit margin and net interest margin from approximately 49.3% and 13.8% in FP2018 to 47.9% and 12.1% in FP2019. The reason for the decrease was mainly due to the result of obtaining more mortgage loans with lower loan-to-value ratio and better credit rating during FP2019, which led to relatively lower interest rates charged as compared to those in FP2018.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 19 February 2013. As at 31 August 2018, being the end of FP2019 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 2.04% of the total issued Shares of the Company as at 31 August 2018;

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 2018, our Group had a total of 51 staff (28 February 2018: 52). Total staff costs (including Directors' emoluments) were approximately HK$11.8 million for FP2019 (FP2018: approximately HK$11.0 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 FP2019.

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

During FP2019, the Company repurchased a total of 136,568,000 shares of the Company on The Stock Exchange at the aggregate consideration of HK$46,036,120.00. 128,880,000 repurchased shares were cancelled before 31 August 2018[(1)] and 7,688,000 repurchased shares were cancelled after 31 August 2018[(2)].

Particulars of the repurchases are as follows:

Month	Number of shares repurchased	Purchase price per share Highest *(HK$)*	Lowest *(HK$)*	Aggregate consideration *(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
	136,568,000			46,036,120.00

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during FP2019.

Notes:

(1) On 1 March 2018, 2 March 2018, 5 March 2018, 6 March 2018 and 7 March 2018, the Company repurchased a total of 2,232,000 ordinary shares, all of which were cancelled on 13 March 2018. On 19 March 2018, 20 March 2018, 21 March 2018, 22 March 2018, 23 March 2018 and 26 March 2018, the Company repurchased a total of 60,000,000 ordinary shares, all of which were cancelled on 13 April 2018. On 26 April 2018 and 27 April 2018, the Company repurchased a total of 2,104,000 ordinary shares, all of which were cancelled on 1 June 2018. On 29 May 2018, 30 May 2018, 31 May 2018, and 1 June 2018, the Company repurchased a total of 36,000,000 ordinary shares, all of which were cancelled on 28 June 2018. On 20 June 2018, 21 June 2018, 22 June 2018, and 25 June 2018, the Company repurchased a total of 19,000,000 ordinary shares, all of which were cancelled on 26 July 2018. On 18 July 2018, 19 July 2018, 20 July 2018 and 25 July 2018, the Company repurchased a total of 9,544,000 ordinary shares, all of which were cancelled on 23 August 2018.

(2) On 13 August 2018, 14 August 2018, 15 August 2018, 16 August 2018, 17 August 2018, and 20 August 2018, the Company repurchased a total of 7,688,000 ordinary shares, all of which were cancelled on 21 September 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

Our Group did not engage in any material acquisitions or disposals during FP2019.

ADVANCE TO ENTITY

Advances to Group Customers

As disclosed in the announcements of our Company dated 16 January 2018 and 21 August 2018 (the "**Group Announcements**"), Oi Wah Property Credit Limited ("**Oi Wah PL**"), an indirectly wholly-owned subsidiary of our Company, as lender entered into two loan agreements ("**Group Loan Agreements**") with seven customers ("**Group 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 Customers are independent third parties and are not connected with our Group.

Pursuant to Group Loan Agreements, Oi Wah PL granted loans in an aggregate amount of HK$160.5 million to Group Customers ("**Group Loans**") for terms ranging from one month to twelve months at the interest rates ranging from P + 6.75% to P + 15.75% per annum, where P represented the prime rate of 5.25% of Wing Lung Bank Limited as of the respective dates of the Group Loan Agreements. Group Customers shall repay the interests on a daily basis or monthly basis with the principal amount at loan maturity respectively.

HK$160.5 million represents approximately 10.3% of the total assets of our Group of approximately HK$1,556.8 million as at 31 August 2018, approximately 20.2% to the net assets of our Group of approximately HK$795.8 million and approximately 12.1% to the total gross mortgage loan portfolio of our Group of approximately HK$1,331.3 million as at 31 August 2018 (all based on the unaudited consolidated financial statements of our Group for FP2019).

Group Loans are collateralised. The collaterals provided by Group Customers to Group Loans amounted to an aggregate amount of approximately HK$921.0 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 66.4% (loan-to-value ratio of first mortgage: 33.4%, loan-to-value ratio as subordinated mortgages to other independent mortgagees: approximately 15.6%, loan-to-value ratio of the Group Loans as a first/subordinated mortgage: 17.4%) based on the value of the mortgaged properties determined by two independent property valuers. Pursuant to Group Loan Agreements, Group Loans are guaranteed by independent third parties who are not connected with our Group.

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

CORPORATE GOVERNANCE PRACTICES

For the six months ended 31 August 2018, 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 in FP2019.

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 2018. 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 29 October 2018, our Board declared an interim dividend of HK0.83 cents per ordinary share, representing approximately 30.1% of the profit attributable to the shareholders of our Company for FP2019. The total payout for the interim dividend will amount to approximately HK$16.1 million, assuming the total number of issued shares of our Company on 14 November 2018 will be the same as that on 29 October 2018. The interim dividend will be paid in cash, with an option to elect to receive wholly or partly the allotment and issue of new shares of the Company credited as fully paid, in lieu of cash payment. The aforesaid interim dividend will be paid on 28 December 2018 to the shareholders of our Company whose names appear on the register of members of our Company at the close of business on 14 November 2018.

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 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on 9 November 2018. The register of members of our Company will be closed from 12 November 2018 to 14 November 2018, both days inclusive, during which no transfer of shares will be registered.

PUBLICATION

The interim results announcement of our Company for FP2019 is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.pawnshop.com.hk) respectively. The 2018 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, 29 October 2018

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.