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**AEON CREDIT SERVICE (ASIA) COMPANY LIMITED**  
**AEON 信貸財務（亞洲）有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 900)**

**FINAL RESULTS FOR THE PERIOD FROM  
21ST FEBRUARY 2014 TO 28TH FEBRUARY 2015**

The Directors of AEON Credit Service (Asia) Company Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the period from 21st February 2014 to 28th February 2015, together with the comparative figures for the year from 21st February 2013 to 20th February 2014 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the period from 21st February 2014 to 28th February 2015*

	Notes	21.2.2014 to 28.2.2015 HK\$'000	21.2.2013 to 20.2.2014 HK\$'000	Percentage Change %
Revenue	7	<b>1,295,955</b>	1,164,653	11.3
Interest income	9	<b>1,154,223</b>	1,033,863	11.6
Interest expense	10	<b>(98,064)</b>	(95,665)	2.5
Net interest income		<b>1,056,159</b>	938,198	12.6
Other operating income	11	<b>150,371</b>	136,862	9.9
Other gains and losses	12	<b>(404)</b>	(794)	(49.1)
Operating income		<b>1,206,126</b>	1,074,266	12.3
Operating expenses	13	<b>(556,838)</b>	(530,126)	5.0
Operating profit before impairment allowances		<b>649,288</b>	544,140	19.3
Impairment losses and impairment allowances		<b>(348,736)</b>	(314,723)	10.8
Recoveries of advances and receivables written-off		<b>54,555</b>	47,581	14.7
Share of results of associates		<b>(8,427)</b>	(2,508)	236.0
Profit before tax		<b>346,680</b>	274,490	26.3
Income tax expense	14	<b>(64,276)</b>	(52,542)	22.3
Profit for the period/year		<b>282,404</b>	221,948	27.2
Profit for the period/year attributable to: Owners of the Company		<b>282,404</b>	221,948	27.2
Earnings per share – Basic	16	<b>67.44 HK cents</b>	53.00 HK cents	27.2

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

For the period from 21st February 2014 to 28th February 2015

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000	Percentage Change %
Profit for the period/year	<u>282,404</u>	<u>221,948</u>	27.2
<b>Other comprehensive (expense) income</b>			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale investments	(1,598)	(18,204)	(91.2)
Exchange difference arising from translation of foreign operations	(5,328)	6,421	(183.0)
Net adjustment on cash flow hedges	<u>(22,954)</u>	<u>52,869</u>	(143.4)
Other comprehensive (expense) income for the period/year	<u>(29,880)</u>	<u>41,086</u>	(172.7)
Total comprehensive income for the period/year	<u>252,524</u>	<u>263,034</u>	(4.0)
Total comprehensive income for the period/year attributable to:			
Owners of the Company	<u>252,524</u>	<u>263,034</u>	(4.0)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28th February 2015

	Notes	28.2.2015 HK\$'000	20.2.2014 HK\$'000	Change HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	17	115,245	111,368	3,877
Investments in associates		49,647	15,162	34,485
Available-for-sale investments	18	24,507	26,105	(1,598)
Advances and receivables	19	1,224,888	1,292,429	(67,541)
Prepayments, deposits and other debtors	22	47,996	44,183	3,813
Derivative financial instruments	25	1,199	1,025	174
Restricted deposits		38,000	68,000	(30,000)
		<u>1,501,482</u>	<u>1,558,272</u>	<u>(56,790)</u>
<b>Current assets</b>				
Advances and receivables	19	4,064,751	3,975,192	89,559
Prepayments, deposits and other debtors	22	36,956	39,718	(2,762)
Amount due from immediate holding company		–	1,395	(1,395)
Amount due from intermediate holding company		298	–	298
Amounts due from fellow subsidiaries		490	73	417
Tax recoverable		874	–	874
Time deposits		113,528	361,660	(248,132)
Fiduciary bank balances		894	3,074	(2,180)
Bank balances and cash		232,156	158,394	73,762
		<u>4,449,947</u>	<u>4,539,506</u>	<u>(89,559)</u>
<b>Current liabilities</b>				
Creditors and accruals	23	210,200	170,094	40,106
Amounts due to fellow subsidiaries		48,901	59,854	(10,953)
Amount due to intermediate holding company		6	–	6
Amount due to ultimate holding company		50	49	1
Amount due to an associate		1,577	1,434	143
Bank borrowings	24	495,500	797,500	(302,000)
Bank overdrafts		1,794	5,025	(3,231)
Collateralised debt obligation	27	549,731	–	549,731
Derivative financial instruments	25	18,380	1,740	16,640
Tax liabilities		13,536	6,473	7,063
		<u>1,339,675</u>	<u>1,042,169</u>	<u>297,506</u>
<b>Net current assets</b>		<u>3,110,272</u>	<u>3,497,337</u>	<u>(387,065)</u>
<b>Total assets less current liabilities</b>		<u>4,611,754</u>	<u>5,055,609</u>	<u>(443,855)</u>

	<i>Notes</i>	<b>28.2.2015</b> <b>HK\$'000</b>	20.2.2014 <i>HK\$'000</i>	Change <i>HK\$'000</i>
<b>Capital and reserves</b>				
Share capital		<b>269,477</b>	41,877	227,600
Reserves		<b>2,177,866</b>	2,303,698	(125,832)
<b>Total equity</b>		<b>2,447,343</b>	2,345,575	101,768
<b>Non-current liabilities</b>				
Collateralised debt obligation	27	<b>699,592</b>	1,098,887	(399,295)
Bank borrowings	24	<b>1,332,800</b>	1,487,750	(154,950)
Derivative financial instruments	25	<b>126,050</b>	118,597	7,453
Deferred tax liabilities	26	<b>5,969</b>	4,800	1,169
		<b>2,164,411</b>	2,710,034	(545,623)
		<b>4,611,754</b>	5,055,609	(443,855)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the period from 21st February 2014 to 28th February 2015*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21.2.2013	41,877	227,330	270	18,649	(165,979)	12,086	2,094,876	2,229,109
Profit for the year	-	-	-	-	-	-	221,948	221,948
Fair value loss on available-for-sale investments	-	-	-	(18,204)	-	-	-	(18,204)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	6,421	-	6,421
Net adjustment on cash flow hedges	-	-	-	-	52,869	-	-	52,869
Total comprehensive (expense) income for the year	-	-	-	(18,204)	52,869	6,421	221,948	263,034
Final dividend paid for the year from 21.2.2012 to 20.2.2013	-	-	-	-	-	-	(75,378)	(75,378)
Interim dividend paid for the year from 21.2.2013 to 20.2.2014	-	-	-	-	-	-	(71,190)	(71,190)
	-	-	-	(18,204)	52,869	6,421	75,380	116,466
At 20.2.2014	41,877	227,330	270	445	(113,110)	18,507	2,170,256	2,345,575
Profit for the period	-	-	-	-	-	-	282,404	282,404
Fair value loss on available-for-sale investments	-	-	-	(1,598)	-	-	-	(1,598)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(5,328)	-	(5,328)
Net adjustment on cash flow hedges	-	-	-	-	(22,954)	-	-	(22,954)
Total comprehensive (expense) income for the period	-	-	-	(1,598)	(22,954)	(5,328)	282,404	252,524
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance ( <i>Note</i> )	227,600	(227,330)	(270)	-	-	-	-	-
Final dividend paid for the year from 21.2.2013 to 20.2.2014	-	-	-	-	-	-	(75,378)	(75,378)
Interim dividend paid for the period from 21.2.2014 to 28.2.2015	-	-	-	-	-	-	(75,378)	(75,378)
	227,600	(227,330)	(270)	(1,598)	(22,954)	(5,328)	131,648	101,768
At 28.2.2015	269,477	-	-	(1,153)	(136,064)	13,179	2,301,904	2,447,343

*Note:* Under the new Hong Kong Companies Ordinance which came into effect on 3rd March 2014, the concepts of par value of shares and authorised share capital have been abolished.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 21st February 2014 to 28th February 2015

	21.2.2014 to 28.2.2015 HK\$'000	21.2.2013 to 20.2.2014 HK\$'000
<b>Operating activities</b>		
Profit before tax	346,680	274,490
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	436	426
Depreciation	42,475	40,665
Dividends received on available-for-sale investments	(727)	(171)
Impairment losses and impairment allowances recognised in respect of advances and receivables	348,736	314,723
Interest expense	97,628	95,239
Interest income	(1,154,223)	(1,033,863)
Net losses on disposal of property, plant and equipment	–	561
Share of results of associates	8,427	2,508
Operating cash flows before movements in working capital	(310,568)	(305,422)
Increase in advances and receivables	(376,671)	(766,774)
Decrease (increase) in prepayments, deposits and other debtors	9,444	(7,787)
Decrease (increase) in amount due from immediate holding company	1,395	(1,395)
Increase in amount due from intermediate holding company	(298)	–
Increase in amounts due from fellow subsidiaries	(417)	(73)
Decrease in amount due from an associate	–	979
Decrease in fiduciary bank balances	2,180	638
Increase in creditors and accruals	40,069	23,573
Decrease (increase) in amounts due to fellow subsidiaries	(10,953)	8,238
Increase in amount due to immediate holding company	6	–
Decrease in amount due to intermediate holding company	–	(2,963)
Increase (decrease) in amount due to ultimate holding company	1	(41)
Increase in amount due to an associate	143	1,434
Cash used in operations	(645,669)	(1,049,593)
Tax paid	(56,918)	(65,030)
Interest paid	(96,575)	(97,811)
Interest received	1,159,232	1,035,985
<b>Net cash generated from (used in) operating activities</b>	<b>360,070</b>	<b>(176,449)</b>

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
<b>Investing activities</b>		
Dividends received	727	171
Proceeds from disposal of property, plant and equipment	–	10
Purchase of property, plant and equipment	<b>(22,673)</b>	(45,816)
Deposits paid for acquisition of property, plant and equipment	<b>(32,793)</b>	(10,222)
Increase in time deposit with maturity of more than three months	<b>(45,511)</b>	(3,845)
Investment in an associate	<b>(39,389)</b>	–
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(139,639)</b>	(59,702)
	<hr/>	<hr/>
<b>Financing activities</b>		
Placement of restricted deposits	<b>(1,367,376)</b>	(2,509,669)
Withdrawal of restricted deposits	<b>1,397,376</b>	2,625,627
Dividends paid	<b>(150,756)</b>	(146,568)
New bank loans raised	<b>64,184,900</b>	65,731,636
Repayment of bank loans	<b>(64,641,900)</b>	(65,485,516)
Increase in collateralised debt obligation	<b>150,000</b>	–
	<hr/>	<hr/>
<b>Net cash (used in) generated from financing activities</b>	<b>(427,756)</b>	215,510
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(207,325)</b>	(20,641)
<b>Effect of changes in exchange rate</b>	<b>(9,325)</b>	5,803
<b>Cash and cash equivalents at beginning of the period/year</b>	<b>511,184</b>	526,022
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period/year</b>	<b>294,534</b>	511,184
	<hr/>	<hr/>
Being:		
Time deposits with maturity of three months or less	<b>64,172</b>	357,815
Bank balances and cash	<b>232,156</b>	158,394
Bank overdrafts	<b>(1,794)</b>	(5,025)
	<hr/>	<hr/>
	<b>294,534</b>	511,184
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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the period from 21st February 2014 to 28th February 2015*

### **1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS**

The financial information in this final results announcement does not constitute the Group's statutory consolidated financial statements for the period from 21st February 2014 to 28th February 2015 but is derived from those consolidated financial statements.

### **2. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

### **3. CHANGE OF FINANCIAL YEAR END DATE**

During the current financial period, the reporting period end date of the Company was changed from 20th February to 28th February in order to align the annual reporting period end date of the Company with that of its immediate holding company, AEON Financial Service (Hong Kong) Co., Ltd.. Accordingly, the consolidated financial statements for the current period cover the period from 21st February 2014 to 28th February 2015. The corresponding comparative amounts shown for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the year from 21st February 2013 to 20th February 2014 and therefore may not be comparable with amounts shown for the current period.

### **4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The Group has applied the following amendments to HKFRSs and a new Interpretation issued by HKICPA for the first time in the current period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the new amendments to HKFRSs and the Interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior period/years and/or on the disclosures set out in these financial statements.



The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>5</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>4</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1st January 2018, with earlier application permitted*

<sup>2</sup> *Effective for annual periods beginning on or after 1st January 2017, with earlier application permitted*

<sup>3</sup> *Effective for annual periods beginning on or after 1st July 2014, with earlier application permitted*

<sup>4</sup> *Effective for annual periods beginning on or after 1st January 2016, with earlier application permitted*

<sup>5</sup> *Effective for annual periods beginning on or after 1st July 2014, with limited exceptions. Earlier application is permitted*

## **HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group’s available-for-sale equity investments that are currently stated at cost less impairment. At the date of issuance of these financial statements, the Directors are in the process of assessing the potential financial impact.

### **HKFRS 15 Revenue from Contracts with Customers**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the Directors anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group’s financial performance and the Group’s financial positions for the future and/or on the disclosures set out in the financial statements of the Group.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year from 21st February 2013 to 20th February 2014 except for the adoption of the new HKFRSs as disclosed in note 4 above.

## **6. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

### **Impairment allowances on advances and receivables**

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated incurred loss in advances and receivables. The allowances consist of individual impairment allowances and collective impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write down its loan portfolio in order to state it in the consolidated statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When an advance is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## 7. REVENUE

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
Interest income	<b>1,154,223</b>	1,033,863
Fees and commissions	<b>81,750</b>	80,013
Handling and late charges	<b>59,982</b>	50,777
	<b><u>1,295,955</u></b>	<b><u>1,164,653</u></b>

## 8. SEGMENT INFORMATION

### Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

Credit card	–	Provide credit card services to individuals and acquiring services for member-stores
Instalment loan	–	Provide personal loan financing to individuals
Insurance	–	Provide insurance brokerage and agency services
Hire purchase	–	Provide vehicle financing and hire purchase financing for household products and other consumer products to individuals

### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

#### 21.2.2014 to 28.2.2015

	<b>Credit card HK\$'000</b>	<b>Instalment loan HK\$'000</b>	<b>Insurance HK\$'000</b>	<b>Hire purchase HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>REVENUE</b>	<b><u>881,074</u></b>	<b><u>382,481</u></b>	<b><u>32,200</u></b>	<b><u>200</u></b>	<b><u>1,295,955</u></b>
<b>RESULT</b>					
Segment results	<b><u>319,191</u></b>	<b><u>33,620</u></b>	<b><u>9,260</u></b>	<b><u>18</u></b>	<b>362,089</b>
Unallocated operating income					7,316
Unallocated expenses					(14,298)
Share of results of associates					<u>(8,427)</u>
Profit before tax					<b><u>346,680</u></b>

21.2.2013 to 20.2.2014

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>763,139</u>	<u>364,069</u>	<u>37,066</u>	<u>379</u>	<u>1,164,653</u>
RESULT					
Segment results	<u>255,664</u>	<u>15,652</u>	<u>16,073</u>	<u>86</u>	287,475
Unallocated operating income					4,614
Unallocated expenses					(15,091)
Share of results of associates					<u>(2,508)</u>
Profit before tax					<u>274,490</u>

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain income (including dividend income), unallocated head office expenses and share of results of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

## 9. INTEREST INCOME

	<b>21.2.2014 to 28.2.2015</b> <i>HK\$'000</i>	21.2.2013 to 20.2.2014 <i>HK\$'000</i>
Advances	<b>1,145,081</b>	1,026,886
Impaired advances	<b>5,920</b>	4,607
Time deposits and bank balances	<u><b>3,222</b></u>	<u>2,370</u>
	<u><b>1,154,223</b></u>	<u>1,033,863</u>

## 10. INTEREST EXPENSE

	<b>21.2.2014 to 28.2.2015</b> <i>HK\$'000</i>	21.2.2013 to 20.2.2014 <i>HK\$'000</i>
Interest on bank borrowings and overdrafts wholly repayable within five years	<b>29,803</b>	10,805
Interest on bank borrowings wholly repayable after five years	<b>893</b>	538
Interest on collateralised debt obligation wholly repayable within five years	<b>7,202</b>	6,432
Net interest expense on interest rate swap contracts	<u><b>60,166</b></u>	<u>77,890</u>
	<u><b>98,064</b></u>	<u>95,665</u>

Amortisation of upfront cost of **HK\$436,000** (21.2.2013 to 20.2.2014: HK\$426,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

## 11. OTHER OPERATING INCOME

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	727	171
Fees and commissions		
Credit card	49,550	42,947
Insurance	32,200	37,066
Handling and late charges	59,982	50,777
Others	7,912	5,901
	<u>150,371</u>	<u>136,862</u>

## 12. OTHER GAINS AND LOSSES

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
Exchange gain (loss)		
Exchange gain (loss) on hedging instrument released from cash flow hedge reserve	50	(30)
Exchange (loss) gain on a bank loan	(50)	30
Other exchange losses, net	(194)	(23)
Hedge ineffectiveness on cash flow hedges	(210)	(210)
Net losses on disposal of property, plant and equipment	–	(561)
	<u>(404)</u>	<u>(794)</u>

## 13. OPERATING EXPENSES

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
Auditor's remuneration	3,119	2,813
Depreciation	42,475	40,665
General administrative expenses	139,835	147,117
Marketing and promotion expenses	73,004	75,583
Operating lease rentals in respect of rented premises, advertising space and equipment	72,811	64,876
Other operating expenses	63,870	59,693
Staff costs including Directors' emoluments	161,724	139,379
	<u>556,838</u>	<u>530,126</u>

#### 14. INCOME TAX EXPENSE

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
Current tax:		
– Current period/year	<b>63,063</b>	50,942
– Under (over) provision in respect of prior years	<b>44</b>	(800)
	<b>63,107</b>	50,142
Deferred tax		
– Current period/year	<b>1,169</b>	2,400
	<b>64,276</b>	52,542

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both current period and prior year.

Under the Law of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the China subsidiaries is 25% for both current period and prior year.

The tax charge for the period/year can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
Profit before tax	<b>346,680</b>	274,490
Tax at the applicable rate of 16.5% (21.2.2013 to 20.2.2014: 16.5%)	<b>57,202</b>	45,291
Tax effect of share of results of associates	<b>1,390</b>	414
Tax effect of expenses not deductible for tax purpose	<b>184</b>	33
Tax effect of income not taxable for tax purpose	<b>(164)</b>	(116)
Under (over) provision in respect of prior years	<b>44</b>	(800)
Tax effect of tax losses in current period/year not recognised	<b>8,529</b>	10,682
Effect of different tax rates of subsidiaries operating outside Hong Kong	<b>(2,900)</b>	(3,632)
Others	<b>(9)</b>	670
Income tax expense for the period/year	<b>64,276</b>	52,542

## 15. DIVIDENDS

	<b>21.2.2014 to 28.2.2015 HK\$'000</b>	21.2.2013 to 20.2.2014 HK\$'000
Dividends recognised as distribution during the period/year:		
Final dividend paid in respect of the year from 21.2.2013 to 20.2.2014 of 18.0 HK cents (21.2.2012 to 20.2.2013: 18.0 HK cents) per share	<b>75,378</b>	75,378
Interim dividend paid in respect of the period from 21.2.2014 to 28.2.2015 of 18.0 HK cents (21.2.2013 to 20.2.2014: 17.0 HK cents) per share	<b>75,378</b>	71,190
	<b><u>150,756</u></b>	<u>146,568</u>
Final dividend proposed in respect of the period from 21.2.2014 to 28.2.2015 of <b>18.0</b> HK cents (21.2.2013 to 20.2.2014: 18.0 HK cents) per share	<b><u>75,378</u></b>	<u>75,378</u>

The Directors have recommended a final dividend of **18.0** HK cents per share. Subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 26th June 2015 (the "2015 AGM"), the final dividend will be paid on 13th July 2015 to shareholders whose names appear on the Register of Members of the Company on 6th July 2015. This dividend has not been included as a liability in the consolidated financial statements.

## 16. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the period of **HK\$282,404,000** (21.2.2013 to 20.2.2014: HK\$221,948,000) and on the number of shares of **418,766,000** (21.2.2013 to 20.2.2014: 418,766,000) in issue during the period/year.

## 17. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately **HK\$41,477,000** on computer equipment, **HK\$4,377,000** on leasehold improvements and **HK\$810,000** on furniture and fixtures.

## 18. AVAILABLE-FOR-SALE INVESTMENTS

	<b>28.2.2015 HK\$'000</b>	20.2.2014 HK\$'000
Listed equity securities, at fair value		
Hong Kong	<b>15,363</b>	16,961
Unlisted equity securities, at cost	<b>9,144</b>	9,144
	<b><u>24,507</u></b>	<u>26,105</u>



## 19. ADVANCES AND RECEIVABLES

	<b>28.2.2015</b> <i>HK\$'000</i>	20.2.2014 <i>HK\$'000</i>
Credit card receivables	<b>3,554,916</b>	3,520,833
Instalment loans receivable	<b>1,772,360</b>	1,775,736
Hire purchase debtors	<b>1,514</b>	2,545
	<b>5,328,790</b>	5,299,114
Accrued interest and other receivables	<b>109,166</b>	115,867
Gross advances and receivables	<b>5,437,956</b>	5,414,981
Impairment allowances ( <i>note 20</i> )		
– individually assessed	<b>(92,403)</b>	(81,207)
– collectively assessed	<b>(55,914)</b>	(66,153)
	<b>(148,317)</b>	(147,360)
	<b>5,289,639</b>	5,267,621
Current portion included under current assets	<b>(4,064,751)</b>	(3,975,192)
Amount due after one year	<b>1,224,888</b>	1,292,429

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK\$11,182,000** (20.2.2014: HK\$29,700,000) and **HK\$35,785,000** (20.2.2014: HK\$47,191,000) respectively. The Group holds collateral over these balances. The Directors consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interest) is higher than the outstanding amount of these receivables at the end of the reporting period. Other advances and receivables are unsecured.

## 20. IMPAIRMENT ALLOWANCES

	<b>28.2.2015</b> <i>HK\$'000</i>	20.2.2014 <i>HK\$'000</i>
Analysis by products as:		
Credit card receivables	<b>48,577</b>	61,084
Instalment loans receivable	<b>98,116</b>	84,058
Hire purchase debtors	<b>23</b>	57
Accrued interest and other receivables	<b>1,601</b>	2,161
	<b>148,317</b>	147,360

	<b>Individual assessment HK\$'000</b>	<b>Collective assessment HK\$'000</b>	<b>Total HK\$'000</b>
<b>At 21.2.2014</b>	<b>81,207</b>	<b>66,153</b>	<b>147,360</b>
<b>Impairment losses and impairment allowances</b>	<b>358,975</b>	<b>(10,239)</b>	<b>348,736</b>
<b>Amounts written-off as uncollectable</b>	<b>(347,779)</b>	<b>–</b>	<b>(347,779)</b>
<b>At 28.2.2015</b>	<b>92,403</b>	<b>55,914</b>	<b>148,317</b>
	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
At 21.2.2013	56,365	70,471	126,836
Impairment losses and impairment allowances	319,041	(4,318)	314,723
Amounts written-off as uncollectable	(294,199)	–	(294,199)
At 20.2.2014	81,207	66,153	147,360

## 21. OVERDUE ADVANCES AND RECEIVABLES

Set out below is an analysis of gross balance of advances and receivables (excluding impairment allowances) which is overdue for more than 1 month:

	<b>28.2.2015 HK\$'000</b>	<b>%*</b>	20.2.2014 HK\$'000	<b>%*</b>
Overdue 1 month but less than 2 months	<b>90,731</b>	<b>1.7</b>	142,006	2.6
Overdue 2 months but less than 3 months	<b>44,743</b>	<b>0.8</b>	46,056	0.9
Overdue 3 months but less than 4 months	<b>28,749</b>	<b>0.5</b>	30,204	0.6
Overdue 4 months or above	<b>97,208</b>	<b>1.8</b>	84,384	1.5
	<b>261,431</b>	<b>4.8</b>	302,650	5.6

\* Percentage of gross advances and receivables

## 22. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	<b>28.2.2015 HK\$'000</b>	20.2.2014 HK\$'000
Deposits for property, plant and equipment	<b>39,953</b>	31,150
Rental and other deposits	<b>23,106</b>	22,543
Prepaid operating expenses	<b>14,584</b>	22,022
Other debtors	<b>7,309</b>	8,186
	<b>84,952</b>	83,901
Current portion included under current assets	<b>(36,956)</b>	(39,718)
Amount due after one year	<b>47,996</b>	44,183

## 23. CREDITORS AND ACCRUALS

The aged analysis of creditors presented based on the invoice date at the end of the reporting period is as follows:

	<b>28.2.2015</b> <i>HK\$'000</i>	20.2.2014 <i>HK\$'000</i>
Current	<b>84,235</b>	53,842
Over 1 month but less than 3 months	<b>3,976</b>	4,169
Over 3 months	<b>5,235</b>	5,770
	<b>93,446</b>	63,781

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK\$8,162,000** (20.2.2014: HK\$7,591,000).

## 24. BANK BORROWINGS

	<b>28.2.2015</b> <i>HK\$'000</i>	20.2.2014 <i>HK\$'000</i>
Bank loans, unsecured	<b>1,828,300</b>	2,285,250
Carrying amount repayable ( <i>Note</i> )		
Within one year	<b>495,500</b>	797,500
Between one and two years	<b>527,800</b>	330,000
Between two and five years	<b>680,000</b>	1,042,750
Over five years	<b>125,000</b>	115,000
	<b>1,828,300</b>	2,285,250
Amount repayable within one year included under current liabilities	<b>(495,500)</b>	(797,500)
	<b>1,332,800</b>	1,487,750

*Note:* The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>28.2.2015</b>		20.2.2014	
	<b>Assets</b> <i>HK\$'000</i>	<b>Liabilities</b> <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	<b>166</b>	<b>143,640</b>	1,025	119,034
Cross-currency interest rate swap	–	<b>790</b>	–	1,303
Interest rate caps	<b>1,033</b>	–	–	–
	<b>1,199</b>	<b>144,430</b>	1,025	120,337
Current portion	–	<b>(18,380)</b>	–	(1,740)
Non-current portion	<b>1,199</b>	<b>126,050</b>	1,025	118,597

All derivative financial instruments entered by the Group that remain outstanding at 28th February 2015 and 20th February 2014 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings and collateralised debt obligation, the designated hedged items.

#### **Cash flow hedges:**

##### *Interest rate swaps*

The Group uses interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings and collateralised debt obligation by swapping certain Hong Kong Dollar (“HKD”) floating-rate bank borrowings and collateralised debt obligation from floating rates to fixed rates. The interest rate swaps, the corresponding bank borrowings and the collateralised debt obligation have similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

##### *Cross-currency interest rate swap*

The Group uses cross-currency interest rate swap designated as highly effective hedging instrument to minimise its exposures to foreign currency and cash flow interest rate risk of its United States Dollars (“USD”) bank borrowing by swapping the floating-rate USD bank borrowing to fixed-rate HKD bank borrowing. The cross-currency interest rate swap and the corresponding bank borrowing have the same terms and the Directors consider that the cross-currency interest rate swap is highly effective hedging instrument.

##### *Interest rate caps*

The Group entered into interest rate caps to minimise its exposures to interest rate changes of its collateralised debt obligation transaction during the amortisation periods.

## **26. DEFERRED TAX LIABILITIES**

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the periods from 21st February 2014 to 28th February 2015 and from 21st February 2013 to 20th February 2014:

	<b>Accelerated tax depreciation <i>HK\$'000</i></b>	<b>Impairment allowances <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
At 21.2.2013	14,000	(11,600)	2,400
Charge to profit or loss for the year	1,100	1,300	2,400
<b>At 20.2.2014</b>	<b>15,100</b>	<b>(10,300)</b>	<b>4,800</b>
<b>Charge to profit or loss for the period</b>	<b>208</b>	<b>961</b>	<b>1,169</b>
<b>At 28.2.2015</b>	<b>15,308</b>	<b>(9,339)</b>	<b>5,969</b>

## 27. COLLATERALISED DEBT OBLIGATION

- a) At 20th February 2014, the Company had a HK\$1,100,000,000 collateralised debt obligation financing transaction (the “Existing Transaction”). The Existing Transaction consists of two tranches – Tranche A and Tranche B. The amount under Tranche A and Tranche B is HK\$550,000,000 each. The revolving periods for Tranche A and Tranche B will end in January 2016 and January 2017 respectively. The two tranches are arranged at floating interest rates of 0.35% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Two corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are arranged to swap these two tranches from floating rates to fixed rates.
- b) In September 2014, the Company extended the revolving periods of Tranche A and Tranche B and secured an additional tranche of HK\$150,000,000 to the Existing Transaction (the “New Transaction”). The New Transaction consists of three tranches – New Tranche A, New Tranche B and Tranche C. The amount under New Tranche A and New Tranche B is HK\$550,000,000 each and the amount under Tranche C is HK\$150,000,000. The total amount of the collateralised debt obligation financing transaction at 28th February 2015 was HK\$1,250,000,000. The revolving periods for New Tranche A and New Tranche B will start from February 2016 and February 2017 respectively and both end in August 2019. The revolving period for Tranche C started from October 2014 and will end in July 2020. The two tranches under New Tranche A and New Tranche B are arranged at floating interest rates of 0.40% plus HIBOR per annum and the tranche under Tranche C is arranged at floating interest rate of 0.55% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Including the two corresponding interest rate swaps under the Existing Transaction, five corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are executed to swap these five tranches from floating rates to fixed rates at 3.2% to 3.9% per annum respectively. The effective interest rate after taking into account the executed interest rate swaps was 3.7% per annum for the period from 21st February 2014 to 28th February 2015 (3.8% per annum for the year from 21st February 2013 to 20th February 2014).
- c) Pursuant to the Existing Transaction and the New Transaction (collectively the “Transactions”), the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the “Trust”) established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10, the Trust is controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transactions have not been derecognised and remained in the Group’s consolidated financial statements. The Transactions are backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

## 28. PLEDGE OF ASSETS

At 28th February 2015, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,697,384,000** and **HK\$38,000,000** respectively (20.2.2014: HK\$1,858,750,000 and HK\$68,000,000).

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the shareholders who are entitled to attend and vote at the 2015 AGM, the Register of Members of the Company will be closed from Wednesday, 24th June 2015 to Friday, 26th June 2015, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2015 AGM, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 23rd June 2015.

For the purpose of determining the shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed on Monday, 6th July 2015, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3rd July 2015.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the period from 21st February 2014 to 28th February 2015, except for the deviations from code provisions A.4.1 and A.4.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Non-executive Directors are not appointed for a specific term and Directors are not subject to retirement by rotation. However, all Directors, including executive, non-executive and independent non-executive, are subject to retirement at each annual general meeting of the Company (the "AGM") in accordance with the Company's Articles of Association. As such, the Board of Directors (the "Board") of the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The 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 its own code for securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Economic Review

During 2014, tourist spending and domestic demand weakened and Hong Kong economy grew only modestly by 2.3%, down from 2.9% in 2013. Exports of services grew only marginally in 2014, marking the slowest growth since 2009. Total export of goods grew slightly in 2014, confined by subdued global demand conditions, particularly those in Europe and Japan.

The labour market remained broadly stable in 2014 with seasonally adjusted unemployment rate staying low at 3.3% in the fourth quarter. Inflation averaged at 3.5%, down further from 4.0% in 2013. Gross Domestic Product (GDP) expanded by 2.3% in real terms, dropped from 2.9% in 2013 and 3.9% annual average growth in the past decade. The low interest rate environment continued through 2014 alongside the accommodative monetary policy in the United States.

Despite the low growth environment, value has been delivered by recognizing the importance of enhancing the financial well-being of our customers, and the continued investment in technology, as well as the focus on productivity and process simplification. The Group will continue to exercise cost control measures and asset quality management while expanding its product pipeline and customer base.

### Financial Review

The Group recorded a profit attributable to owners of HK\$282.4 million for the period from 21st February 2014 to 28th February 2015, representing an increase of 27.2% or HK\$60.5 million when compared to HK\$221.9 million in the previous year. The Group's basic earnings per share increased by 27.2% from 53.00 HK cents per share in 2013/14 to 67.44 HK cents per share for the period from 21st February 2014 to 28th February 2015.

With the launch of a series of effective marketing programs, the Group recorded a double-digit growth in revenue from card credit purchase and card cash advance in this period. Interest income for the period from 21st February 2014 to 28th February 2015 recorded an increase of 11.6% or HK\$120.4 million to HK\$1,154.2 million when compared with last year. Total interest expense for the period was HK\$98.1 million, an increase of 2.5% or HK\$2.4 million when compared with last year, with average funding cost being 2.9% as compared with 3.0% in the previous year. Net interest income of the Group recorded a growth of 12.6% or HK\$118.0 million to HK\$1,056.2 million from HK\$938.2 million in 2013/14. The increase in fees and commissions and handling and late charges had resulted in the increase in other operating income by 9.9% from HK\$136.9 million in 2013/14 to HK\$150.4 million for the period from 21st February 2014 to 28th February 2015.

With the increase in the number of staff in the three microfinance subsidiaries in Shenyang, Tianjin and Shenzhen, their running costs along with rental and other expenses, had contributed to an increase in the operating expenses by 5.0% or HK\$26.7 million from HK\$530.1 million in 2013/14 to HK\$556.8 million for the period from 21st February 2014 to 28th February 2015.

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$649.3 million for the period from 21st February 2014 to 28th February 2015, representing an increase of 19.3% or HK\$105.2 million from HK\$544.1 million in the previous year. During the period under review, the increase in bankruptcy petitions and additional provision for impairment allowances on the advances by microfinance subsidiaries had resulted in an increase in impairment losses and impairment allowances by 10.8% or HK\$34.0 million from HK\$314.7 million in 2013/14 to HK\$348.7 million. Recoveries of advances and receivables written-off was HK\$54.6 million, representing an increase of 14.7% or HK\$7.0 million when compared with HK\$47.6 million in 2013/14.

Following the launch of effective marketing programs, the Group recorded an increase in gross advances by 0.6% or HK\$29.7 million to HK\$5,328.8 million, as compared to HK\$5,299.1 million at 20th February 2014, mainly in credit card receivables. Impairment allowances amounted to HK\$148.3 million at 28th February 2015 as compared to HK\$147.4 million at 20th February 2014. Total equity strengthened by 4.3% to HK\$2,447.3 million at 28th February 2015. This is mainly due to the increase in accumulated profits.

### **Segment Information**

The Group's business comprises four main operating segments, namely credit card, instalment loans, insurance and hire purchase.

For credit card operation, with effective marketing programs, credit card receivables increased steadily. As a result, there was an increase in interest income, fees and commission, and handling and late charges. Revenue from credit card operation increased by 15.5% or HK\$118.0 million from HK\$763.1 million in 2013/14 to HK\$881.1 million for the period from 21st February 2014 to 28th February 2015, accounted for 68.0% of the Group's revenue, as compared to 65.5% in 2013/14. With the effective control on operating expenses, the segment result for the period from credit card operation increased by 24.8% or HK\$63.5 million from HK\$255.7 million in 2013/14 to HK\$319.2 million, which accounted for 88.2% of the Group's whole operations for the period from 21st February 2014 to 28th February 2015, as compared to 88.9% in 2013/14.

During the period under review, competition in personal loan market was fierce. The Group strived to acquire quality customers with higher return. Together with the business growth in microfinance subsidiaries, revenue from instalment loan operation recorded an increase of 5.1% or HK\$18.4 million from HK\$364.1 million in 2013/14 to HK\$382.5 million for the period from 21st February 2014 to 28th February 2015. With the improvement in provision of impairment allowance, the segment result for the period from instalment loan operation recorded an increase of 114.8% or HK\$17.9 million from HK\$15.7 million in 2013/14 to HK\$33.6 million in this period.

Revenue from insurance operation recorded a drop of 13.1% or HK\$4.9 million from HK\$37.1 million in 2013/14 to HK\$32.2 million for the period from 21st February 2014 to 28th February 2015. After deducting the operating expenses including fixed overhead expenses, segment result for the period from insurance operation decreased by 42.4% or HK\$6.8 million from HK\$16.1 million in 2013/14 to HK\$9.3 million in this period.



With a continuous shift from hire purchase to card instalment plan, segment result for the period from hire purchase operation recorded a decrease from HK\$0.09 million in 2013/14 to HK\$0.02 million.

## **Business Review**

In 2014, the Group demonstrated the benefits of adhering to a consistent marketing strategy for a high quality and efficient operation. The focus on long term strategic priorities continued to benefit our customers, our staff, and stakeholders. The Group's revenue increased by 11.3% when compared to last year, while the operating expenses increased by 5.0%. This is attributable to the Group's focus on productivity.

During this period, the Group invested in innovation within the business, such as the launch of the Application Digitalization project, web-based credit limit-up service and mobile loan application. To take advantage of the AEON brand, the Company has partnered with AEON Japan to offer exclusive incentives to our card members while they spend and shop in Japan. The Enjoy AEON! promotion offers customers the chance to earn 5x bonus points and receive special discounts when they spend at any one of the 542 AEON locations across Japan.

Other key marketing promotions in 2014 included the Noah's Ark Promotion, Ocean Park Halloween Event, Approaching 20th Anniversary Listing Promotion, 2014 Football Fever Promotion, Watami 13th Anniversary Promotion and KFC Home Delivery Promotion. Customers' engagement was overwhelming and results were positive.

In addition to mass promotions, various campaigns and merchant programs were arranged to stimulate sales and drive card acquisition. The Group launched the China Unicom Visa Card in 2014. This unique product extends the Group's diverse portfolio to include the mobile-savvy segment. Offers available exclusively to the China Unicom Visa Card members include 8x AEON bonus points, credit card installment plan, special offers on handsets and subscription plans. The Group will continue to work with its partners to drive customer engagement, develop new revenue models while delivering excellent customer service.

Moving on to China business, the combined sales volume and revenue of the three microfinance subsidiaries recorded a healthy growth, which represented 108% and 198% respectively when compared to last year. Assessment and expansion into different market sectors are underway. The Group has also allocated additional human resources support as well as increasing involvement of its senior management from Hong Kong. IT and system support will also be effected by means of system development and workflow enhancements. The China Business Department of the Company will continue to formulate marketing strategies catered to their respective localities and demographics.

AEON Information Service (Shenzhen) Co., Ltd, ("AIS") has continued to deliver back office and operation support to the Group. To cope with future expansion and increase competitiveness, AIS has expanded its processing business into Suzhou and Wuhan. The Group will continue to offload back office operations to AIS for better operational efficiency and cost reductions.

## **Prospects**

Looking ahead, business and consumer confidence remain fragile. Political unrest and differences among the locals over concerns such as housing costs continues to cast shadows over the economic growth. Moreover, the strengthening of the U.S. dollar against major currencies including the RMB, coupled with the weakening of the euro and yen made shopping for luxury goods in Hong Kong less appealing to affluent Chinese visitors. This was evident by the slump in retail sales in December 2014 and January 2015.

Nevertheless, the levels of underlying activity continue to lay a robust foundation for the local economy while the incessant low interest rates have been positive for the consumer finance sector. If the stability in global markets continues, increases in consumer spending and demand for credit over the next twelve months are likely, provided that the Hong Kong Government has clear medium to long term economic direction.

The Company is celebrating its 20th anniversary of listing in 2015. To ride on this milestone, the Group has planned a number of unique promotional campaigns to drive sales and customer appreciation. Many exciting and industry-first products will be launched in FY2015. The Group will continue to leverage its competitive edge and broad customer base to improve service while developing new revenue streams.

The Group is well positioned for the future and is confident in its ability to deliver superior long term performance for its customers, its shareholders and the communities in which it conducts business. The Group is confident in its business prospects and is looking forward to an overall satisfactory performance in FY2015.

## **FUNDING AND CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that:

- the Group will continue as going concern,
- maximise the return to shareholders through the optimisation of the debt and equity balance and by pricing products to commensurate with the level of risk; and
- funds are available at competitive costs to meet all contractual financial commitments, to fund debtor balance growth and to generate reasonable funds from available funds.

The capital structure of the Group consists of debt (which includes bank borrowings and collateralised debt obligation), net of cash and cash equivalents and equity attributable to owners of the Group, comprising share capital and reserves.

## Net debt to equity ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the period/year end was as follows:

	<b>28.2.2015</b> <i>HK\$'000</i>	20.2.2014 <i>HK\$'000</i>
Debt ( <i>Note a</i> )	<b>3,077,623</b>	3,384,137
Cash and cash equivalents	<b>(294,534)</b>	(511,184)
Net debt	<b>2,783,089</b>	2,872,953
Equity ( <i>Note b</i> )	<b>2,447,343</b>	2,345,575
Net debt to equity ratio	<b>1.1</b>	1.2

*Notes:*

- (a) *Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 24 and 27 respectively.*
- (b) *Equity includes all capital and reserves of the Group.*

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 28th February 2015, 44.3% of its funding was derived from total equity, 33.1% from direct borrowings from financial institutions and 22.6% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 28th February 2015, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$1,828.3 million, with 16.4% being fixed in interest rates, 78.5% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 5.1% being renewed overnight. Including the collateralised debt obligation, 34.0% of these indebtedness will mature within one year, 35.0% between one and two years, 22.1% between two and five years and 8.9% over five years. The duration of indebtedness was around 2.1 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD 50.0 million which was hedged by cross-currency interest rate swap.

The net asset of the Group at 28th February 2015 was HK\$2,447.3 million, as compared with HK\$2,345.6 million at 20th February 2014. Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

The Group's principal operations were transacted and recorded in HKD and therefore its core assets did not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings and its collateralised debt obligation. At 28th February 2015, capital commitments entered were mainly related to the purchase of property, plant and equipment.

## **HUMAN RESOURCES**

The total number of staff at 28th February 2015 and 20th February 2014 was 756 and 639 respectively. Employees are remunerated according to the job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Group. The Group also provides in-housing training programmes and external training sponsorships to strengthen its human resources.

To foster a sense of belonging and team spirit among staff members, the Group issues staff newsletters and organize various team building activities for its staff.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Company has reviewed the annual results.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the period from 21st February 2014 to 28th February 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF ANNUAL REPORT**

The 2014/15 annual report of the Group, containing the relevant information required by the Listing Rules and the Companies Ordinance, will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

## **BOARD OF DIRECTORS**

At the date of this announcement, the Board comprises Mr. Fung Kam Shing, Barry (Managing Director), Ms. Koh Yik Kung, Mr. Tomoyuki Kawahara and Mr. Fong Chung Leung, Gerald as executive Directors; Mr. Masanori Kosaka (Chairman) and Mr. Lai Yuk Kwong as non-executive Directors; and Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun as independent non-executive Directors.

By order of the Board  
**Fung Kam Shing, Barry**  
*Managing Director*

Hong Kong, 24th April 2015