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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 YEAR ENDED 29TH FEBRUARY 2016

The board (the “Board”) of directors (the “Directors”) of AEON Credit Service (Asia) Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 29th February 2016, together with the comparative figures for the period from 21st February 2014 to 28th February 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 29th February 2016

	<i>Notes</i>	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Revenue	7	1,258,854	1,295,955
Interest income	9	1,107,583	1,154,223
Interest expense	10	(94,665)	(98,064)
Net interest income		1,012,918	1,056,159
Other operating income	11	162,649	150,371
Other gains and losses	12	(1,307)	(404)
Operating income		1,174,260	1,206,126
Operating expenses	13	(606,072)	(556,838)
Other expenses	13	(8,158)	–
Operating profit before impairment allowances		560,030	649,288
Impairment losses and impairment allowances		(301,938)	(348,736)
Recoveries of advances and receivables written-off		53,846	54,555
Share of results of associates		(4,583)	(8,427)
Profit before tax		307,355	346,680
Income tax expense	14	(57,388)	(64,276)
Profit for the year/period		249,967	282,404
Profit for the year/period attributable to: Owners of the Company		249,967	282,404
Earnings per share – Basic	16	59.69HK cents	67.44HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 29th February 2016

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Profit for the year/period	<u>249,967</u>	<u>282,404</u>
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on available-for-sale investments	(2,362)	(1,598)
Exchange difference arising from translation of foreign operations	(15,581)	(5,328)
Net adjustment on cash flow hedges	<u>14,961</u>	<u>(22,954)</u>
Other comprehensive expense for the year/period	<u>(2,982)</u>	<u>(29,880)</u>
Total comprehensive income for the year/period	<u>246,985</u>	<u>252,524</u>
Total comprehensive income for the year/period attributable to:		
Owners of the Company	<u>246,985</u>	<u>252,524</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 29th February 2016

	Notes	29.2.2016 HK\$'000	28.2.2015 HK\$'000
Non-current assets			
Property, plant and equipment	17	123,177	115,245
Investments in associates		39,598	49,647
Available-for-sale investments	18	22,145	24,507
Advances and receivables	19	1,186,140	1,224,888
Prepayments, deposits and other debtors	22	30,298	47,996
Derivative financial instruments	25	1,244	1,199
Restricted deposits		38,000	38,000
		<u>1,440,602</u>	<u>1,501,482</u>
Current assets			
Advances and receivables	19	4,059,463	4,064,751
Prepayments, deposits and other debtors	22	34,092	36,956
Amount due from immediate holding company		6	–
Amount due from intermediate holding company		423	298
Amounts due from fellow subsidiaries		5	490
Derivative financial instruments	25	241	–
Tax recoverable		1,465	874
Time deposits		98,105	113,528
Fiduciary bank balances		238	894
Bank balances and cash		306,944	232,156
		<u>4,500,982</u>	<u>4,449,947</u>
Current liabilities			
Creditors and accruals	23	244,130	210,200
Amounts due to fellow subsidiaries		49,830	48,901
Amount due to immediate holding company		–	6
Amount due to intermediate holding company		58	–
Amount due to ultimate holding company		52	50
Amount due to an associate		1,358	1,577
Bank borrowings	24	560,786	495,500
Bank overdrafts		–	1,794
Collateralised debt obligation	27	549,782	549,731
Derivative financial instruments	25	22,364	18,380
Tax liabilities		8,895	13,536
		<u>1,437,255</u>	<u>1,339,675</u>
Net current assets		<u>3,063,727</u>	<u>3,110,272</u>
Total assets less current liabilities		<u>4,504,329</u>	<u>4,611,754</u>

	<i>Notes</i>	29.2.2016 HK\$'000	28.2.2015 <i>HK\$'000</i>
Capital and reserves			
Share capital		269,477	269,477
Reserves		2,274,095	2,177,866
		<hr/>	<hr/>
Total equity		2,543,572	2,447,343
		<hr/>	<hr/>
Non-current liabilities			
Collateralised debt obligation	27	700,000	699,592
Bank borrowings	24	1,145,000	1,332,800
Derivative financial instruments	25	106,214	126,050
Deferred tax liabilities	26	9,543	5,969
		<hr/>	<hr/>
		1,960,757	2,164,411
		<hr/>	<hr/>
		4,504,329	4,611,754
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 29th February 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Hedging reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 21.2.2014	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 (Note)	227,600	(227,330)	(270)	-	-	-	-	-
Final dividend paid for the period 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
Profit for the year	-	-	-	-	-	-	249,967	249,967
Fair value loss on available-for-sale investments	-	-	-	(2,362)	-	-	-	(2,362)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(15,581)	-	(15,581)
Net adjustment on cash flow hedges	-	-	-	-	14,961	-	-	14,961
Total comprehensive (expense) income for the year	-	-	-	(2,362)	14,961	(15,581)	249,967	246,985
Final dividend paid for the period from 21.2.2014 to 28.2.2015	-	-	-	-	-	-	(75,378)	(75,378)
Interim dividend paid for the period from 1.3.2015 to 29.2.2016	-	-	-	-	-	-	(75,378)	(75,378)
	-	-	-	(2,362)	14,961	(15,581)	99,211	96,229
At 29.2.2016	269,477	-	-	(3,515)	(121,103)	(2,402)	2,401,115	2,543,572

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 year ended 29th February 2016

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Operating activities		
Profit before tax	307,355	346,680
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	459	436
Depreciation	46,879	42,475
Dividends received on available-for-sale investments	(705)	(727)
Impairment losses and impairment allowances recognised in respect of advances and receivables	301,938	348,736
Interest expense	94,206	97,628
Interest income	(1,107,583)	(1,154,223)
Net losses on disposal of property, plant and equipment	871	–
Share of results of associates	4,583	8,427
Operating cash flows before movements in working capital	(351,997)	(310,568)
Increase in advances and receivables	(264,313)	(376,671)
(Increase) decrease in prepayments, deposits and other debtors	(4,053)	9,444
(Increase) decrease in amount due from immediate holding company	(6)	1,395
Increase in amount due from intermediate holding company	(125)	(298)
Decrease (increase) in amounts due from fellow subsidiaries	485	(417)
Decrease in fiduciary bank balances	656	2,180
Increase in creditors and accruals	22,015	40,069
Increase (decrease) in amounts due to fellow subsidiaries	928	(10,953)
(Decrease) increase in amount due to immediate holding company	(6)	6
Increase in amount due to intermediate holding company	58	–
Increase in amount due to ultimate holding company	2	1
(Decrease) increase in amount due to an associate	(219)	143
Cash used in operations	(596,575)	(645,669)
Tax paid	(59,046)	(56,918)
Interest paid	(94,339)	(96,575)
Interest received	1,110,016	1,159,232
Net cash generated from operating activities	360,056	360,070

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Investing activities		
Dividends received	705	727
Purchase of property, plant and equipment	(2,757)	(22,673)
Deposits paid for acquisition of property, plant and equipment	(16,471)	(32,793)
Increase in time deposit with maturity of more than three months	(8,306)	(45,511)
Investment in an associate	–	(39,389)
	<u>(26,829)</u>	<u>(139,639)</u>
Net cash used in investing activities		
Financing activities		
Placement of restricted deposits	(997,010)	(1,367,376)
Withdrawal of restricted deposits	997,010	1,397,376
Dividends paid	(150,756)	(150,756)
Increase in collateralised debt obligation	550,000	150,000
Repayment of collateralised debt obligation	(550,000)	–
New bank loans raised	7,628,449	64,184,900
Repayment of bank loans	(7,751,914)	(64,641,900)
	<u>(274,221)</u>	<u>(427,756)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	59,006	(207,325)
Effect of changes in exchange rate	(4,257)	(9,325)
Cash and cash equivalents at beginning of the year/period	294,534	511,184
	<u>294,534</u>	<u>511,184</u>
Cash and cash equivalents at end of the year/period	349,283	294,534
	<u>349,283</u>	<u>294,534</u>
Being:		
Time deposits with maturity of three months or less	42,339	64,172
Bank balances and cash	306,944	232,156
Bank overdrafts	–	(1,794)
	<u>349,283</u>	<u>294,534</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 29th February 2016

1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the year ended 29th February 2016 and for the period from 21st February 2014 to 28th February 2015 included in this preliminary announcements of annual results for the year ended 29th February 2016 do not constitute the Company's statutory annual consolidated financial statements for the said year/period but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the new Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the period from 21st February 2014 to 28th February 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the new Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 29th February 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for the current and prior year/period. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the new Hong Kong Companies Ordinance.

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 new Hong Kong Companies Ordinance.

3. CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company was changed from 20th February to 28th February (or 29 February in a leap year) 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., Limited. Accordingly, the consolidated financial statements for the current year cover the period from 1st March 2015 to 29th February 2016. 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 period from 21st February 2014 to 28th February 2015 and therefore may not be comparable with amounts shown for the current year.

4. APPLICATION OF NEW AND REVISED HKFRS

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

The significant accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period from 21st February 2014 to 28th February 2015 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 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 on-going 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 followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

	<i>Notes</i>	1.3.2015 to 29.2.2016 <i>HK\$'000</i>	21.2.2014 to 28.2.2015 <i>HK\$'000</i>
Interest income	9	1,107,583	1,154,223
Fees and commissions	11	81,999	81,750
Handling and late charges	11	69,272	59,982
		1,258,854	1,295,955

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:

1.3.2015 to 29.2.2016

	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	851,168	376,675	30,939	72	1,258,854
RESULT					
Segment results	273,515	48,739	6,013	12	328,279
Unallocated operating income					6,777
Unallocated expenses					(23,118)
Share of results of associates					(4,583)
Profit before tax					307,355

21.2.2014 to 28.2.2015

	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	881,074	382,481	32,200	200	1,295,955
RESULT					
Segment results	319,191	33,620	9,260	18	362,089
Unallocated operating income					7,316
Unallocated expenses					(14,298)
Share of results of associates					(8,427)
Profit before tax					346,680

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

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Advances	1,100,906	1,145,081
Impaired advances	3,611	5,920
Time deposits, restricted deposits and bank balances	3,066	3,222
	<u>1,107,583</u>	<u>1,154,223</u>

10. INTEREST EXPENSE

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Interest on bank borrowings and overdrafts	30,425	30,696
Interest on collateralised debt obligation	7,743	7,202
Net interest expense on interest rate swap contracts	56,497	60,166
	<u>94,665</u>	<u>98,064</u>

Amortisation of upfront cost of **HK\$459,000** (21.2.2014 to 28.2.2015: HK\$436,000) is included in the interest expense on collateralised debt obligation.

11. OTHER OPERATING INCOME

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	645	727
Unlisted equity securities	60	–
Fees and commissions		
Credit card	51,060	49,550
Insurance	30,939	32,200
Handling and late charges	69,272	59,982
Others	10,673	7,912
	<u>162,649</u>	<u>150,371</u>

12. OTHER GAINS AND LOSSES

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Exchange gain (loss)		
Exchange gain on hedging instrument released from cash flow hedge reserve	951	50
Exchange loss on a bank loan	(951)	(50)
Other exchange losses, net	(226)	(194)
Hedge ineffectiveness on cash flow hedges	(210)	(210)
Net losses on disposal of property, plant and equipment	(871)	–
	(1,307)	(404)

13. OPERATING EXPENSES / OTHER EXPENSES

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Operating expenses		
Auditor's remuneration	2,946	3,119
Depreciation	46,879	42,475
General administrative expenses	175,828	139,835
Marketing and promotion expenses	76,667	73,004
Operating lease rentals in respect of rented premises, advertising space and equipment	72,342	72,811
Other operating expenses	54,911	63,870
Staff costs including Directors' emoluments	176,499	161,724
	606,072	556,838

Other expenses

During the year ended 29th February 2016, the Company invested in the establishment of prepaid card business. However, due to the uncertainty and various other considerations surrounding the proposed regulatory regime for stored-value facilities, this project has been suspended and all incurred expenses of **HK\$8,158,000** were written off and included under other expenses.

14. INCOME TAX EXPENSE

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Current tax:		
– Current year/period	54,538	63,063
– (Over)underprovision in respect of prior years	(724)	44
	53,814	63,107
Deferred tax:		
– Current year/period	3,574	1,169
	57,388	64,276

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

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for current year and prior period.

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

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Profit before tax	<u>307,355</u>	<u>346,680</u>
Tax at the applicable rate of 16.5% (21.2.2014 to 28.2.2015: 16.5%)	50,714	57,202
Tax effect of share of results of associates	756	1,390
Tax effect of expenses not deductible for tax purpose	3,879	2,684
Tax effect of income not taxable for tax purpose	(177)	(164)
(Over)underprovision in respect of prior years	(724)	44
Tax effect of tax losses in current year/period not recognised	1,995	3,250
Others	945	(130)
Income tax expense for the year/period	<u>57,388</u>	<u>64,276</u>

15. DIVIDENDS

	1.3.2015 to 29.2.2016 HK\$'000	21.2.2014 to 28.2.2015 HK\$'000
Dividends recognised as distribution during the year/period:		
Final 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: 18.0 HK cents) per share	75,378	75,378
Interim dividend paid in respect of the period from 1.3.2015 to 29.2.2016 of 18.0 HK cents (21.2.2014 to 28.2.2015: 18.0 HK cents) per share	<u>75,378</u>	<u>75,378</u>
	<u>150,756</u>	<u>150,756</u>
Final dividend proposed in respect of the period from 1.3.2015 to 29.2.2016 of 18.0 HK cents (21.2.2014 to 28.2.2015: 18.0 HK cents) per share	<u>75,378</u>	<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 24th June 2016 (the "2016 AGM"), the final dividend will be paid on 13th July 2016 to shareholders whose names appear on the register of members of the Company on 4th July 2016. 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 year of **HK\$249,967,000** (21.2.2014 to 28.2.2015: HK\$282,404,000) and on the number of shares of **418,766,000** (21.2.2014 to 28.2.2015: 418,766,000) in issue during the year.

17. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately **HK\$54,149,000** on computer equipment, **HK\$1,497,000** on leasehold improvements and **HK\$213,000** on furniture and fixtures.

18. AVAILABLE-FOR-SALE INVESTMENTS

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>
Listed equity securities, at fair value		
Hong Kong	13,001	15,363
Unlisted equity securities, at cost	9,144	9,144
	<u>22,145</u>	<u>24,507</u>

19. ADVANCES AND RECEIVABLES

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>
Credit card receivables	3,577,431	3,554,916
Instalment loans receivable	1,697,234	1,772,360
Hire purchase debtors	749	1,514
	<u>5,275,414</u>	<u>5,328,790</u>
Accrued interest and other receivables	106,515	109,166
	<u>5,381,929</u>	<u>5,437,956</u>
Gross advances and receivables		
Impairment allowances (<i>Note 20</i>)		
– individually assessed	(90,723)	(92,403)
– collectively assessed	(45,603)	(55,914)
	<u>(136,326)</u>	<u>(148,317)</u>
	<u>5,245,603</u>	<u>5,289,639</u>
Current portion included under current assets	(4,059,463)	(4,064,751)
	<u>1,186,140</u>	<u>1,224,888</u>

Included in the advances and receivables, there are secured credit card receivables and instalment loans receivable of **HK\$5,444,000** (28.2.2015: HK\$11,182,000) and **HK\$12,570,000** (28.2.2015: HK\$35,785,000) 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 interests) 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

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>	
Analysis by products as:			
Credit card receivables	34,235	48,577	
Instalment loans receivable	100,643	98,116	
Hire purchase debtors	6	23	
Accrued interest and other receivables	1,442	1,601	
	<u>136,326</u>	<u>148,317</u>	
	Individual assessment <i>HK\$'000</i>	Collective assessment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1.3.2015	92,403	55,914	148,317
Impairment losses and impairment allowances	312,249	(10,311)	301,938
Amounts written-off as uncollectable	(311,716)	–	(311,716)
Exchange realignment	(2,213)	–	(2,213)
	<u>90,723</u>	<u>45,603</u>	<u>136,326</u>
At 29.2.2016			
	Individual assessment <i>HK\$'000</i>	Collective assessment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21.2.2014	81,207	66,153	147,360
Impairment losses and impairment allowances	358,975	(10,239)	348,736
Amounts written-off as uncollectable	(346,995)	–	(346,995)
Exchange realignment	(784)	–	(784)
	<u>92,403</u>	<u>55,914</u>	<u>148,317</u>
At 28.2.2015			

21. OVERDUE ADVANCES AND RECEIVABLES

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

	29.2.2016		28.2.2015	
	<i>HK\$'000</i>	%*	<i>HK\$'000</i>	%*
Overdue 1 month but less than 2 months	89,934	1.7	90,731	1.7
Overdue 2 months but less than 3 months	45,420	0.8	44,743	0.8
Overdue 3 months but less than 4 months	27,229	0.5	28,749	0.5
Overdue 4 months or above	89,738	1.7	97,208	1.8
	<u>252,321</u>	<u>4.7</u>	<u>261,431</u>	<u>4.8</u>

* *Percentage of gross advances and receivables*

22. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>
Deposits for property, plant and equipment	15,338	39,953
Rental and other deposits	19,664	23,106
Prepaid operating expenses	23,198	14,584
Other debtors	6,190	7,309
	64,390	84,952
Current portion included under current assets	(34,092)	(36,956)
Amount due after one year	30,298	47,996

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:

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>
Current	68,355	84,235
Over 1 month but less than 3 months	1,877	3,976
Over 3 months	5,895	5,235
	76,127	93,446

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK\$8,143,000** (28.2.2015: HK\$8,162,000).

24. BANK BORROWINGS

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>
Bank loans, unsecured	1,705,786	1,828,300
Carrying amount repayable (<i>Note</i>)		
Within one year	560,786	495,500
Between one and two years	190,000	527,800
Between two and five years	870,000	680,000
Over five years	85,000	125,000
Amount repayable within one year included under current liabilities	1,705,786 (560,786)	1,828,300 (495,500)
Amount repayable after one year	1,145,000	1,332,800

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

	29.2.2016		28.2.2015	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	57	128,578	166	143,640
Cross-currency interest rate swap	241	–	–	790
Interest rate caps	1,187	–	1,033	–
	<u>1,485</u>	<u>128,578</u>	<u>1,199</u>	<u>144,430</u>
Current portion	(241)	(22,364)	–	(18,380)
Non-current portion	<u>1,244</u>	<u>106,214</u>	<u>1,199</u>	<u>126,050</u>

All derivative financial instruments entered by the Group that remain outstanding at 29th February 2016 and 28th February 2015 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 year ended 29th February 2016 and the period from 21st February 2014 to 28th February 2015:

	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21.2.2014	15,100	(10,300)	4,800
Charge to profit or loss for the period	<u>208</u>	<u>961</u>	<u>1,169</u>
At 28.2.2015	15,308	(9,339)	5,969
Charge to profit or loss for the year	<u>1,760</u>	<u>1,814</u>	<u>3,574</u>
At 29.2.2016	<u>17,068</u>	<u>(7,525)</u>	<u>9,543</u>

27. COLLATERALISED DEBT OBLIGATION

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>
Tranche A	550,000	550,000
Tranche B	550,000	550,000
Tranche C	<u>150,000</u>	<u>150,000</u>
	1,250,000	1,250,000
Less: Upfront cost	<u>(218)</u>	<u>(677)</u>
	1,249,782	1,249,323
Amount repayable within one year included under current liabilities	<u>(549,782)</u>	<u>(549,731)</u>
Amount repayable after one year	<u>700,000</u>	<u>699,592</u>

- a) The Group entered into a HK\$1,250,000,000 collateralised debt obligation financing transaction (the "Transaction"). The Transaction consists of three tranches – Tranche A, Tranche B and Tranche C. The revolving period for Tranche A ended in January 2016 while the revolving periods for Tranche B and Tranche C will end in January 2017 and July 2020 respectively. The three tranches are arranged at floating interest rates from 0.35% plus Hong Kong Interbank Offered Rate ("HIBOR") per annum to 0.55% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Three 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 three tranches from floating rates to fixed rates from 3.2% to 3.9% per annum.

- b) In September 2014, the Group extended the revolving periods of Tranche A and Tranche B by entering into two new tranches – New Tranche A and New Tranche B. The revolving period for New Tranche A started from February 2016 while the revolving period for New Tranche B will start from February 2017 and both will end in August 2019. The two tranches under New Tranche A and New Tranche B are arranged at floating interest rates of 0.40% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Two corresponding new 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 new tranches from floating rates to fixed rates at 3.5% to 3.8% per annum. The effective interest rate after taking into account the executed interest rate swaps was 3.7% (3.7% per annum for the period from 21st February 2014 to 28th February 2015) per annum during the year.
- c) Pursuant to the Transaction, the Group 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 Group 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 Group and the results thereof are consolidated by the Group in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group’s consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

28. PLEDGE OF ASSETS

At 29th February 2016, the collateralised debt obligation was secured by credit card receivables and restricted deposits of **HK\$1,670,046,000** and **HK\$38,000,000** respectively (28.2.2015: HK\$1,697,384,000 and HK\$38,000,000).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the 2016 AGM, the Register of Members of the Company will be closed from Wednesday, 22nd June 2016 to Friday, 24th June 2016, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2016 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, 21st June 2016.

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, 4th July 2016, 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 Thursday, 30th June 2016.

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 year ended 29th February 2016, with the exceptions of 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 in accordance with the articles of association of the Company. As such, the Board 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 year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review

In 2015, the global financial markets faced great uncertainty. Divergence in monetary policy in the major economies, geopolitical threats and terrorist concerns undermined operating environments worldwide. Moreover, weak commodity prices have lowered the value of trade across the globe and intensified deflationary pressure.

The slowdown of country growth in China prompted the Central Government to continue its quantitative easing measures. Various monetary policies, such as interest rate cuts, and reductions in reserve requirements were put in place to maintain growth momentum and fight deflation. However, the devaluation of the yuan and the volatile equity market are complicating the Central Government's efforts to boost an economy estimated to grow at the slowest pace in 25 years.

Similarly, Hong Kong's economy expanded by a modest 2.4% last year as characterized by lackluster demand, dull retail growth and weak consumer sentiment. Amid the decline in tourist arrivals, the value of retail sales dropped 3.7% in 2015. Meanwhile, the labour market conditions remained tight with an unemployment rate of 3.3% for the three-month period ended January 2016. Consumer prices rose just 3% last year, down from 4.4% in 2014.

Financial Review

The Group recorded a profit attributable to owners of HK\$250.0 million for the year ended 29th February 2016, representing a decrease of 11.5% or HK\$32.4 million when compared to HK\$282.4 million in the previous financial period from 21st February 2014 to 28th February 2015 (the "previous financial period"). The Group's basic earnings per share decreased by 7.75 HK cents from 67.44 HK cents per share in 2014/15 to 59.69 HK cents per share for the year ended 29th February 2016.

Following the launch of new co-brand credit cards and attractive marketing programs, card credit purchase sales increased by 5.0% for the year ended 29th February 2016. However, in view of the slow-down in the economic situation, the Group continued to exercise cautious credit judgment and asset quality management. As a result, interest income decreased by 4.0%, from HK\$1,154.2 million in the previous financial period to HK\$1,107.6 million for the year. With the renewal of long-term bank borrowings with lower interest rates in the second half, interest expense for the year was HK\$94.7 million, a decrease of HK\$3.4 million when compared with HK\$98.1 million in the previous financial period. Net interest income for the year was HK\$1,012.9 million, a decrease of 4.1% when compared with HK\$1,056.2 million in the previous financial period.

Credit card commission recorded an increase of 3.0% to HK\$51.1 million in 2015/16. Following the revamp of ATM network with additional features, ATM usage has increased resulting in an increase in handling and late charges by 15.5% to HK\$69.3 million in 2015/16. Other operating income for the year was HK\$162.7 million, an increase of HK\$12.3 million when compared with HK\$150.4 million in the previous financial period. Operating income was HK\$1,174.3 million, as compared with HK\$1,206.1 million in the previous financial period.

With the implementation of new front-end processing system (“FEP system”) and AS400 during the year, depreciation has increased when compared with the previous financial period. On general administrative expenses, the Company entered into a business advisory service agreement with its intermediate holding company and started to pay advisory fee during the year. In the second half, the Company signed an agreement with JETCO to join its ATM network and incurred a one-time membership joining fee. Moreover, additional computer expenses were incurred to upgrade the operating system to synchronize with the new FEP system and AS400. There was also an increase in staff costs due to the competitive labour markets in both Hong Kong and China in first half of the year. The Group has revisited its manpower requirement and made necessary adjustment in the second half of the year. As a result of the above, operating expenses increased by 8.8% from HK\$556.8 million in the previous financial period to HK\$606.1 million in 2015/16.

During the year under review, the Group invested in the establishment of prepaid card business. However, due to the uncertainty and various other considerations surrounding the proposed regulatory regime for stored-value facilities, this project had been suspended, resulting in the recording of all incurred expenses as one-time expenditure under other expenses.

The Group continued to exercise cautious judgement criteria in both Hong Kong and China. With the unemployment rate in Hong Kong maintained at low level in the past year, impairment losses and impairment allowances recorded a decrease of 13.4% or HK\$46.8 million, from HK\$348.7 million in the previous financial period to HK\$301.9 million for the year ended 29th February 2016.

On advances and receivables, the drop in commodity market and slow down of economic growth have affected the growth of instalment loan markets in both Hong Kong and China, with instalment loans receivable decreased by 4.2% from HK\$1,772.4 million at 28th February 2015 to HK\$1,697.2 million at 29th February 2016. Despite the decrease in tourist arrivals and retail spending, attractive marketing programs and the launch of new credit cards resulted in credit card receivables maintaining at similar level as that of last year, being HK\$3,577.4 million at 29th February 2016, as compared with HK\$3,554.9 million at 28th February 2015.

Following the drop in bankruptcy cases and receivables overdue 3 months, impairment allowances decreased by HK\$12.0 million, from HK\$148.3 million at 28th February 2015 to HK\$136.3 million at 29th February 2016.

Segment Information

The Group’s business comprises mainly four operating segments, namely, credit card, instalment loans, insurance and hire purchase. For the year ended 29th February 2016, credit card operation accounted for 67.6% of the Group’s revenue, as compared to 68.0% in the previous financial period. For segment results, credit card operation in 2015/16 accounted for 83.3% of the Group’s whole operations, as compared to 88.2% in the previous financial period.

Faced with uncertain economic environment, customers took a cautious approach in obtaining new credits. As a result, there was a drop in interest income on credit card operation. Following the launch of new credit cards and effective marketing programs, other operating income on credit card operation recorded an increase when compared with the previous financial period. Nonetheless, revenue from credit card operation still recorded a decrease of 3.4% or HK\$29.9 million from HK\$881.1 million in the previous financial period to HK\$851.2 million in 2015/16. Moreover, certain one-time expenditures incurred under credit card operation (including prepaid card related expenses and JETCO membership joining fee) together with the drop in revenue resulted in the credit card segment result to record a decrease of 14.3% or HK\$45.7 million from HK\$319.2 million in the previous financial period to HK\$273.5 million for the year ended 29th February 2016.

The Group recorded a steady growth in installment loan business in China. However, the stagnant growth of loan portfolio in Hong Kong resulted in the drop of revenue by 1.5% or HK\$5.8 million from HK\$382.5 million in the previous financial period to HK\$376.7 million in 2015/16. With the continued maintenance of asset quality, impairment losses and impairment allowances for installment loan operation improved by 10.9% from HK\$167.0 million in the previous financial period to HK\$149.0 million in 2015/16, resulting in the installment loan segment result to record an increase of 45.0% or HK\$15.1 million from HK\$33.6 million in the previous financial period to HK\$48.7 million for the year ended 29th February 2016.

Revenue from insurance operation recorded a drop of 3.9% or HK\$1.3 million from HK\$32.2 million in the previous financial period to HK\$30.9 million in 2015/16. After taking into account the increase in operating expenses, the insurance segment result for the year ended 29th February 2016 recorded a decrease of 35.5% or HK\$3.3 million from HK\$9.3 million in the previous financial period to HK\$6.0 million for the year ended 29th February 2016.

With a continuous shift from hire purchase to card instalment plan, the contribution from hire purchase operation accounted for an insignificant portion of the Group's revenue and segment results.

Business Review

In FY2015, the Group continued to strengthen its core card business by launching promotions and acquiring new customers. Guided by our vision and values, we concentrated on the execution of our customer-focused strategy and long-term priorities. The financial wellbeing of the Group's customers is at the centre of our strategy, and at the heart of everything we do. The modus operandi of "Customer First" has persistently served us well even as market conditions continue to change.

Based on statistics released by the Hong Kong Monetary Authority, the Group assumes a market share of approximately 6.5% in the number of credit cards issued. To align with our growth objectives, our vision is to create innovative products while improving our understanding of the market we are serving. The Group will continue to identify and focus on catalysts that offer growth in the near term and sustainable growth in the long run.

The Group continued to dedicate resources to product innovation this year. We partnered with Japan Airlines to launch the AEON Card JAL MasterCard. In addition to a comprehensive list of standard benefits, customers can register for complimentary memberships in the JAL Mileage Bank and AEON Membership Card point programs. The ongoing card acquisition results of the AEON Card JAL MasterCard are satisfactory with over 47% card applicants being new customers.

Card usage overseas continued its momentum from FY2014 and registered a 45% growth this year to HK\$557 million. Overseas sales in Japan particularly, recorded a triple-digit growth. The Group will capitalize on this market trend and seek steady growth in the near to medium term by targeting frequent flyers and high spenders. An emphasis on “no markup fees” will be placed on all overseas spending promotions to further drive sales through brand loyalty.

Furthermore, the DR-MAX Titanium MasterCard launched in July allowed customers keen to learning materials and books to enjoy shopping in a massive merchant network with exclusive discounts available to the DR-MAX Titanium MasterCard cardholders only.

In FY2015, a number of key mass promotions was launched. The AEON Ocean Park event was fashioned to promote family values. The EVA Air promotion catered to the travel-oriented customers and the Macau Ferry campaign further broadened the diversity of the Group’s promotions.

In addition to mass promotions, a diverse mix of marketing campaigns was launched with AEON Stores and co-brand partners alongside our extensive network of discount merchants to stimulate sales and drive customer engagement. Overseas-spending promotions were organized regularly to stimulate card usage abroad and customers were invited to take advantage of exclusive shopping incentives at the AEON Malls throughout Japan.

As consumer activities rapidly shift toward digitalization and personalization, the Group will evolve continuously to adapt to market dynamics by allocating more resources to its online and mobile platforms.

The Group’s network comprised 21 branches and 186 ATMs at the end of FY2015. The approach to performance improvement is continuously assessed and revised to meet the goal of ensuring that services and operations are customer oriented at all times. The Group will continue to improve on its sales channels and infrastructure to better suit customer needs and to sustain business growth. Thirty-two roadshows were organized to supplement the Group’s regular card acquisition channels. A number of these roadshows were uniquely themed to encourage customer engagement and promote the AEON brand. Digital signage were utilized in many roadshow events in addition to traditional and static point-of-purchase displays. The ease of content management and interactive abilities of the digital setup not only improved the productivity and efficiency of the frontline staff, but also offered an interactive experience to our customers.

Moving on to China business, the three microfinance subsidiaries continued to demonstrate improvement in operation efficiency in the past year. The focus on loans and hire purchase has opened up new revenue streams while the implementation of tight cost control measures has strengthened the business even when market conditions are unfavourable.

By tightening credit control and further improving operational efficiency, the Group expects business deliverables to be achieved more effectively with fewer resources and ultimately, improvement in the bottom line.

The Group will continue formulating distinctive marketing strategies for each of the three localities where we have a presence and centralize business processes to promote sustainability and business performance.

Prospects

Looking ahead, we remain positive about the long-term performance of the Hong Kong economy. As Hong Kong consumers move to a more digital life style, we believe there are opportunities that the Group can harness given our capabilities and aspiration for innovation.

Going forward, the Group will continue to innovate and streamline business processes. The joining of the JETCO network will provide our customers with a more convenient experience and at the same time extend coverage of our ATMs. Assessment is performed on a regular basis to improve the accessibility and effectiveness of branch locations and ATM placements. New branch openings are scheduled for the second half of FY2016 and AEON Lounge service will be made available to selected branch locations. Moreover, the Group's branch network will undergo modernization with new technologies and conveniences to provide our customers with world class service.

To capitalize on the growing number of outbound tourists, the Group will continue to launch promotions with an overseas spending theme to stimulate card spending. The Group will strive to continue delivering long-term value to our customers, shareholders, people and the broader community in which we conduct business.

FUNDING AND CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that:

- the Group will continue as a going concern,
- maximise the return to shareholders through the optimisation of the debt and equity balance and by pricing products 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), and equity attributable to owners of the Group (comprising share capital and reserves).

Net debt to equity ratio

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

	29.2.2016 <i>HK\$'000</i>	28.2.2015 <i>HK\$'000</i>
Debt (<i>Note a</i>)	2,955,568	3,077,623
Cash and cash equivalents	(349,283)	(294,534)
Net debt	2,606,285	2,783,089
Equity (<i>Note b</i>)	2,543,572	2,447,343
Net debt to equity ratio	1.0	1.1

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 29th February 2016, 46.3% of its funding was derived from total equity, 31.0% from direct borrowings from financial institutions and 22.7% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 29th February 2016, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$1,705.8 million, with 14.1% being fixed in interest rates and 85.9% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 37.6% of these indebtedness will mature within one year, 6.4% between one and two years, 53.1% between two and five years and 2.9% over five years. The duration of indebtedness was around 2.4 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD50.0 million which was hedged by cross-currency interest rate swap, and short term loans of RMB27.0 million.

The net asset of the Group at 29th February 2016 was HK\$2,543.6 million, as compared with HK\$2,447.3 million at 28th February 2015. 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 year under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 29th February 2016, capital commitments entered were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff at 29th February 2016 and 28th February 2015 was 622 and 674 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. Moreover, new appraisal and self-assessment systems were implemented during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or 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 year ended 29th February 2016 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 year. 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 the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2015/16 annual report of the Group, containing the relevant information required by the Listing Rules, 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. Hideo Tanaka (Managing Director), Mr. Lai Yuk Kwong, Ms. Koh Yik Kung and Mr. Kiyoshi Wada as Executive Directors; Mr. Masanori Kosaka (Chairman) as Non-executive Director; and Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun as Independent Non-executive Directors.

By order of the Board
HIDEO TANAKA
Managing Director

Hong Kong, 25th April 2016