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

ANNUAL REPORT 2015/16

Planting Seeds of Growth

We are ÆON

Corporate Social Responsibility
企業社會責任

- 1 . AEON Scholarship Award Ceremony at Sun Yat-sen University
  AEON獎學金頒獎儀式 - 中山大學
- 2. UNICEF Young Envoys Programme
  聯合國兒童基金青年使者計劃
- 3. Hong Kong Tree Planting Day
  香港植樹日

ISO 9001 - QMS / FS 513193 | ISO 14001 - EMS 538444 | ISO 27001 - ISMS / IS 500955 | Customer Satisfaction ISO 10002 / CMS 513194

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Corporate Information

Board of Directors

Executive Directors
Hideo Tanaka *(Managing Director)*
Lai Yuk Kwong
Koh Yik Kung
Kiyoshi Wada

Non-executive Director
Masanori Kosaka *(Chairman)*

Independent Non-executive Directors
Ip Yuk Keung
Wong Hin Wing
Tong Jun

Company Secretary

Koh Yik Kung

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Share Registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Major Bankers

Mizuho Bank, Ltd.
Hong Kong Branch
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Hong Kong Branch

Registered Office

20/F, Miramar Tower
132 Nathan Road
Tsimshatsui
Kowloon
Hong Kong

Internet Address

Website address: http://www.aeon.com.hk
E-mail address: info@aeon.com.hk

Stock Code

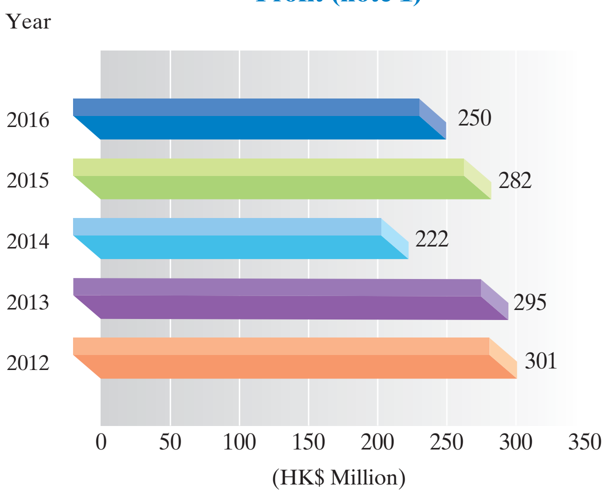
900

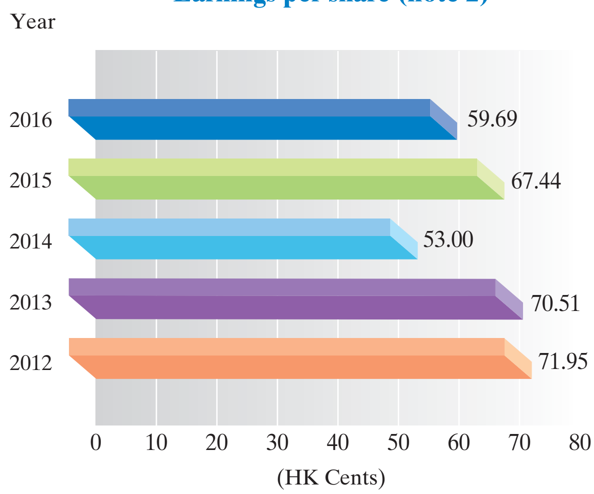
Shareholders' Calendar

25th September 2015	Announcement of interim results for the six months ended 31st August 2015
15th October 2015	Despatch of interim report for the six months ended 31st August 2015
16th October 2015	Book closing dates for interim dividend
27th October 2015	Payment of interim dividend of 18.0 HK cents per share
25th April 2016	Announcement of final results for the year ended 29th February 2016
20th May 2016	Despatch of annual report for the year ended 29th February 2016
22nd – 24th June 2016	Book closing dates for 2016 AGM
24th June 2016	2016 AGM
4th July 2016	Book closing date for final dividend
13th July 2016	Payment of final dividend of 18.0 HK cents per share (subject to shareholders' approval at the 2016 AGM)

Financial Summary

CONSOLIDATED RESULTS



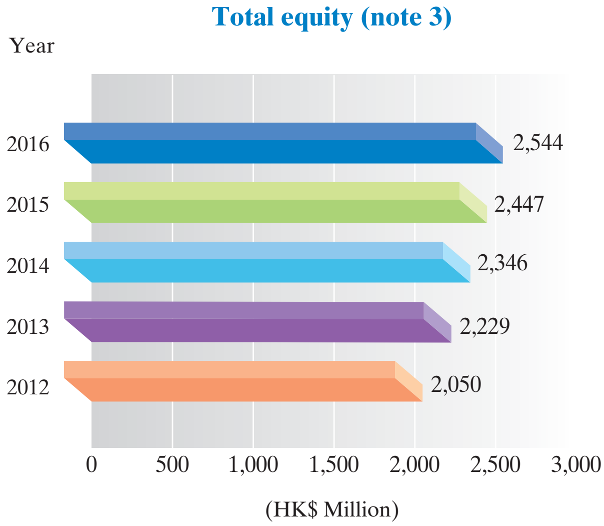


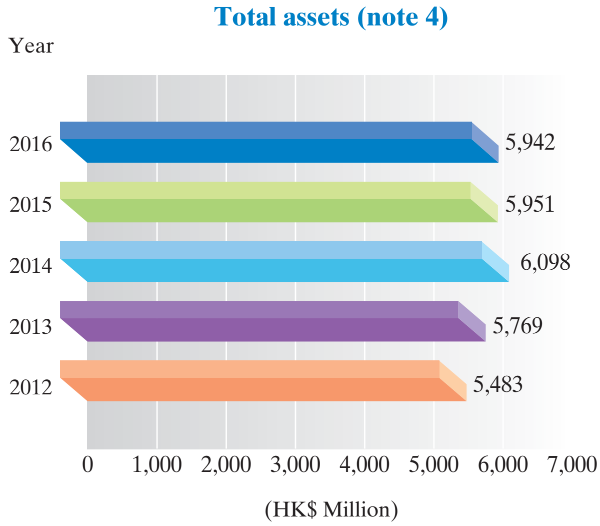
from 1.3.2015 to 29.2.2016
from 21.2.2014 to 28.2.2015
from 21.2.2013 to 20.2.2014
from 21.2.2012 to 20.2.2013
from 21.2.2011 to 20.2.2012

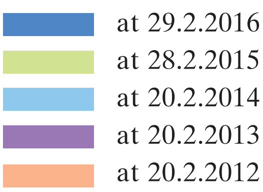
	21.2.2011 to 20.2.2012 HK$'000	21.2.2012 to 20.2.2013 HK$'000	21.2.2013 to 20.2.2014 HK$'000	21.2.2014 to 28.2.2015 HK$'000	**1.3.2015 to 29.2.2016 HK$'000**
Revenue	1,116,357	1,121,348	1,164,653	1,295,955	**1,258,854**
Profit before tax	356,095	355,361	274,490	346,680	**307,355**
Income tax expense	(54,776)	(60,089)	(52,542)	(64,276)	**(57,388)**
Profit for the year/period	301,319	295,272	221,948	282,404	**249,967**
Earnings per share	71.95 HK cents	70.51 HK cents	53.00 HK cents	67.44 HK cents	**59.69 HK cents**
Dividend per share	34.00 HK cents	35.00 HK cents	35.00 HK cents	36.00 HK cents	**36.00 HK cents**

Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES







	At				
	20.2.2012 HK$'000	20.2.2013 HK$'000	20.2.2014 HK$'000	28.2.2015 HK$'000	**29.2.2016 HK$'000**
Total assets	5,482,960	5,768,806	6,097,778	5,951,429	**5,941,584**
Total liabilities	(3,433,355)	(3,539,697)	(3,752,203)	(3,504,086)	**(3,398,012)**
Total equity	2,049,605	2,229,109	2,345,575	2,447,343	**2,543,572**

Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2012, 2013, 2014 and for the financial periods from 21st February 2014 to 28th February 2015 and from 1st March 2015 to 29th February 2016.

2. Represents the consolidated earnings per share for the financial years ended 20th February 2012, 2013, 2014 and for the financial periods from 21st February 2014 to 28th February 2015 and from 1st March 2015 to 29th February 2016.

3. Represents the consolidated total equity at 20th February 2012, 2013, 2014, at 28th February 2015 and at 29th February 2016.

4. Represents the consolidated total assets at 20th February 2012, 2013, 2014, at 28th February 2015 and at 29th February 2016.

5. With the change of financial year end date, the corresponding comparative amounts may not be comparable with amounts shown for the current year.

Chairman's Statement

Masanori Kosaka
Chairman

I am very pleased to present our FY2015/16 annual report. The Group continued to grow healthily in the past 12 months and consolidated its position as one of Hong Kong's leading credit card issuers and consumer finance service providers. At the same time, the Group continued to streamline its operations in its Mainland business.

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.

As China shifts to become a consumer and services-driven economy, the country's gross domestic product moderated to 6.9% in 2015. The slowdown of the country's growth 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 the 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. Consumer prices rose just 3% last year, down from 4.4% in 2014.

Chairman's Statement

The Group's core business lines and financials remain stable, and we will continue to focus on growing receivables and delivering innovative products to our customers. While the Hong Kong market remains the backbone of the Group's business, the Group's microfinance business in the Mainland will continue to capitalize on the growth potential of the vast market. I am confident that our seasoned management team who are focusing on prioritization and delivery of our strategic plan will navigate the difficult market conditions and see the Group reach new heights of success in FY2016/17.

OPERATING AND FINANCIAL RESULTS

Customer satisfaction has again led to volume growth across our businesses. For the year ended 29th February 2016, total sales volume increased by 2% to HK$8,777 million. Credit purchase and personal loan sales grew 5% and 6% respectively. There was a decline in cash advance sales due partly to the sharp rise in phone scams which shook consumer confidence and netted a negative effect on telemarketing sales. As a result, total revenue was 3% lower than the previous year.

Impairment losses and impairment allowances for the year reduced 13% to HK$301.9 million.

Operating profit before the shares of result of associates was HK$311.9 million, compared with HK$355.1 million in FY2014/15. Net profit for the year was HK$250.0 million, representing 88.5% of the net profit in the preceding year.

Despite an increasingly challenging environment, the Group remains a stable growth business. In the interests of our customers, partners and shareholders, it is paramount to see this growth continue. In addition to investing in our workforce, we have prioritized investment in technology and innovation to simplify processes for our customers in an environment that is increasingly digital and mobile.

The Group aims to continue expanding the card business and driving consumer engagement by providing service excellence and building brand loyalty.

OUTLOOK

In the year ahead, global volatility is likely to concern our customers, presenting challenges in Hong Kong and the Mainland while local competition is expected to remain keen. Nevertheless, the Group will remain cautious in expanding its business by minimizing risks and at the same time, focus on our long-term strategies of digitalization, enhance and upskill the Group's frontline business, and leverage data analytics to reduce credit loss. We will prudently examine any opportunities to maintain our competitiveness and leadership in the market while identifying ways of generating sustainable growth for the future.

Chairman's Statement

The opportunity that lies ahead of the Group is significant. Our goal is to have highly motivated employees putting the customers at the centre of everything we do, and focusing on deploying cutting-edge technology to simplify our customers' dealings with us, and to continuously make our business more productive.

The consistency of income, combined with our focus on long-term productivity, sustains our commitment to keep investing in our customer-focused strategy.

The Board and I, in partnership with the executive management team, are strongly dedicated to strengthening our value-based culture focused on transparency, integrity, excellence, accountability and service.

Lastly, the Group is well-funded and positioned to meet the demand of our customers. We are confident in our business prospects and will look forward to a satisfactory performance in FY2016/17.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank my fellow Directors for their dedication and commitment over the past year, and also to all the staff within our Group without whose efforts we would not be successful. The Board and I would also like to thank you, our shareholders, for your support and look forward to seeing you at the 2016 AGM.

Masanori KOSAKA
Chairman
Hong Kong, 25th April 2016

Managing Director's Operational Review

Hideo Tanaka
Managing Director

On behalf of the Board, I am pleased to present to you our annual report for the year ended 29th February 2016.

As a whole, 2015 was a challenging year for businesses in Hong Kong, especially retailers. Government reports indicated a year-on-year decrease of 3.7% in retail sales as a result of a double-digit decline in inbound tourism. Luxury goods retailers suffered the most, indicated by a 15.6% decline in the sales of the "jewellery, watches, clocks and valuable gifts" category. Nevertheless, the "supermarkets" category recorded a modest increase of 1.3%. For comparison, the Group saw an increase of 5.9% in sales relating to its "supermarkets" category, and credit purchase sales increased 5% collectively year-on-year. While not completely immune to the volatile market conditions, the Group's core card credit business was slightly affected.

For the financial year 2015/16, the Group recorded a 2% growth in sales while revenues declined 2.9%. On a consolidated basis, operating profit before impairment allowances declined 13.7% year-on-year to HK$560.0 million. Net interest income was 4.1% lower at HK$1,012.9 million.

Managing Director's Operational Review

As the Group is laying the foundation for long-term growth and developing its microfinance business in the Mainland, operating expenses edged up by 8.8% to HK$606.1 million. Cost-to-income ratio increased from 46.2% year-on-year to 51.6%.

The Group's prudent management on credit risk exposure continued to prove effective. At year end, overdue advances and receivables over gross advances and receivables was 4.7%. The delinquency rate has been declining across the Group's portfolio. Charge-offs and written off against loss reserves have also been declining.

The Group strives to improve customer satisfaction and is committed to maintaining the "Customer First" philosophy. Every staff, from front-line to senior management, is encouraged to see things in the eyes of our customers at all times to gain true "customer insight". Based on this valuable information, the Group can further improve on its products, services, and branch network.

DIVIDEND

Profit attributable to equity owners for this year amounted to HK$250.0 million. Given the Group's strength and commitment to create value for shareholders and preserving capital for business growth, the Board has recommended a final dividend of 18.0 HK cents per share, bringing the total dividend for the year ended 29th February 2016 to 36.0 HK cents per share. This represents a dividend payout ratio of 60.3%.

BUSINESS REVIEW

Marketing

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.

Managing Director's Operational Review

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 in FY2015 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 co-brand card 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 cardholders only.

AEON Card JAL MasterCard Launch

DR-MAX Titanium MasterCard Launch

Managing Director's Operational Review

AEON Halloween Joyful Event

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.

AEON 20th Anniversary of Listing Promotion

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.

Branch and ATM Network

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 was uniquely themed to encourage customer engagement and promote the AEON brand.

Digital signage was 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.

China Business

The three microfinance subsidiaries continued to demonstrate improvement in operation efficiency in the past year. The focus on loans and hire purchase have opened up new revenue streams while the implementation of tight cost control measures have 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.

SYSTEM DEVELOPMENT

To support the future business growth, the Group has successfully upgraded its host computer in FY2015. The host computer has expanded its system capability, improved business continuity functions and added more security capabilities. The increased capacity will support the growth of business volume.

The Group has also updated its instant card system, a major source of new card accounts and customers, in all branches. The updated instant card system supports faster card issuance, end-to-end encryption and improved audit trail. Besides existing use, the updated instant card system can be used in the future to support the instant embossing of any cards, support for instant application through the Group's website and instant embossing of co-brand membership cards.

HUMAN RESOURCES

The total number of staff of the Group 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-house training programs and external training sponsorships to strengthen its human resources. The in-house training programs include the general training on AEON Code of Conduct, which reconfirms the necessity of corporate ethics to create a shared set of values among employees. Moreover, new appraisal and self-assessment systems were implemented during the year.

CORPORATE SOCIAL RESPONSIBILITY

The Group not only strives to provide a satisfactory return to our shareholders, but also takes pride in making charitable contributions to the local community.

The Group has continued to adopt the philosophy of the three key words, "peace", "people" and "community".

The Company's efforts and contributions to the local community have been recognized as this is the nineth year the Company has been granted the "Caring Company" award by the Hong Kong Council of Social Service in recognition of its continuous support to various community programs on environmental protection, education and cultural exchange.

Hong Kong Tree Planting Day

To fulfill our mission of "Planting Seeds of Growth" and supporting the Government in "preventing hill fire", the Group has participated in Hong Kong Tree Planting Day. This is the Group's 12th year as a participant in this meaningful activity.

Moreover, the Group has continued to sponsor charitable projects. The project sponsored during the year was "UNICEF Young Envoys Programme 2015".

In China, the Group has continued to participate in the sponsorship for the scholarship programs of different universities, including Peking University, Tsinghua University, Nankai University and Sun Yat-sen University.

AEON Scholarship Award Ceremony at Sun Yat-sen University

ACKNOWLEDGEMENT

On behalf of the Board, I would like to acknowledge the exemplary hard work and commitment at every level within the Group, and especially to the trustworthy management team and the members of the Board for their diligent guidance and support. This work attitude and spirit bode well for the Group's continued growth strategy. Moreover, I would like to wholeheartedly thank our loyal customers, business partners, and shareholders for their long-standing trust in and support for the Group.

田中秀夫

Hideo Tanaka
Managing Director

Hong Kong, 25th April 2016

Management Discussion and Analysis

GENERAL

Following the reorientation of the world and China economies, Hong Kong also faced a slow-down in economic growth in the past one year. With the drop in the number of tourists from the Mainland, retail industry faced stagnant growth in the second half of the year. Coupled with the new policies imposed on property market and the drop in the commodity prices, the consumer finance market shifted from growth to risk-oriented.

OPERATIONAL REVIEW

In view of the change in the economic environment, the Group has put more emphasis in asset quality management, technology investment and process simplification. On marketing side, the Group captured new market segment through the launch of unique co-branded cards and attractive marketing programs. Moreover, the Group continued to review its strategy on branch and ATM network so as to provide convenient service to the customers. On operation side, the Group upgraded its information technology system and continued to streamline the operation procedures. On funding side, the Group maintained its strategy to enter more long-term borrowings to strengthen its funding base for future expansion. On corporate governance, the Group has strengthened its risk management system, legal and compliance functions and frequency of self-compliance checkings. On China side, in view of the economic downturn, the operating model in one of the associates has been changed and the Group has revisited the cost structure of its three microfinance operations.

KEY FINANCIAL HIGHLIGHTS

For the year ended 29th February 2016, on an audited basis, profit before tax was HK$307.4 million, a decrease of 11.3% or HK$39.3 million when compared with the financial period from 21st February 2014 to 28th February 2015 (the "previous financial period"). After deducting income tax expense of HK$57.4 million, the Group recorded a profit drop of 11.5%, with profit after tax decreased from HK$282.4 million in the previous financial period to HK$250.0 million in 2015/16. Earnings per share decreased by 11.5% from 67.44 HK cents to 59.69 HK cents for the reporting year.

CONSOLIDATED PROFIT OR LOSS ANALYSIS

Revenue

Revenue for the year was HK$1,258.9 million, a decrease of HK$37.1 million when compared with HK$1,296.0 million in the previous financial period.

Net Interest Income

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 in 2015/16. 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.

Operating Income

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, there was an increase in ATM usage resulting in an increase in income from handling charges. As a result, revenue from handling and late charges increased 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.

Operating Expenses/Other Expenses

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.

Cost-to-Income Ratio

With the increase in operating expenses and drop in revenue, cost-to-income ratio for the year was 51.6%, as compared with 46.2% in the previous financial period.

At the operating level before impairment losses and impairment allowances, the Group recorded a decrease in operating profit by 13.7% or HK$89.3 million, from HK$649.3 million in the previous financial period to HK$560.0 million 2015/16.

Impairment Losses and Impairment Allowances

The Group's prudent management on credit risk exposure, coupled with the low unemployment rate in Hong Kong has resulted in a decrease in impairment losses and impairment allowances 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.

Share of Results of Associates

Following the change in the operating model in one of the associates, there was a reduction in the share of losses of associates from HK$8.4 million in the previous financial period to HK$4.6 million for the year ended 29th February 2016.

Dividend

The Board proposed the payment of a final dividend of 18.0 HK cents per share. Together with an interim dividend of 18.0 HK cents per share already paid, the total dividend for the year amounted to 36.0 HK cents per share, representing a dividend payout ratio of 60.3%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total equity at 29th February 2016 was HK$2,543.6 million, representing a growth of 3.9% or HK$96.2 million, when compared with the balance at 28th February 2015.

Total assets at 29th February 2016 were HK$5,941.6 million, as compared with total assets of HK$5,951.4 million at 28th February 2015.

Property, Plant and Equipment

During the year, the Group spent approximately HK$54.1 million on computer equipment, HK$1.5 million on leasehold improvements and HK$0.2 million on furniture and fixtures.

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.

Indebtedness

Following the shifting of short-term funding to long-term, and coupled with the continuous renewal of long-term bank borrowings with low interest rate and the entering of new tranche for collateralised debt obligation, the duration of indebtedness extended from 2.1 years at 28th February 2015 to 2.4 years at 29th February 2016. Net debt to equity ratio was 1.0 at 29th February 2016, as compared with 1.1 at 28th February 2015.

Net asset value per share (after final dividend), compared with the net asset value per share at 28th February 2015, has increased from HK$5.7 to HK$5.9.

FUNDING AND CAPITAL MANAGEMENT

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 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.

In determining the dividend payment, the objective is to reward shareholders with dividend income while retaining funds for the business growth in both Hong Kong and China. Shareholders generally expect a reasonable return on their investments and a stable share price. In order to meet shareholders' expectation, the Board decided to maintain the full year absolute dividend amount at 36.0 HK cents for the year ended 29th February 2016, with a pay-out out ratio of 60.3%.

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 instalment 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 instalment loan operation improved by 10.9% from HK$167.5 million in the previous financial period to HK$149.2 million in 2015/16, resulting in the instalment 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 35.1% 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.

COMPETITIVE ADVANTAGES

Business Model and Strategy

It is the Group's strategy to ride on co-branded cards to recruit new card members and cross-sell other consumer finance products and services to these new members. The Group continues to benefit from the strong connections with affiliated merchants and launching new co-branded cards. By using the merchants' networks as card acquisition base and cross-selling channels, the Group continues to explore fee based income business opportunities.

Customer Base

The customer base of the Group is widely diversified. Around 60% of the customers are in the age range of 40 to 60. The new cardholders recruited in this financial year were mainly related to merchants in the retail and travel industries. Meanwhile, female cardholders represent 70% of our card portfolio at 29th February 2016.

Convenient Service

The Group maintained its instant card services during the year so as to enable new cardholders to enjoy immediate shopping privilege. For ease of payment, customers can settle their payments via branch counters, convenience stores networks, phone banking, internet banking and ATM networks. Customers can also have easy access to speedy and convenient cash advance and personal loan services via the Group's 186 new ATMs as well as its branch network and call centres. For card spending, the extensive discount merchant network continues to provide convenience and wide-ranging choices to cardholders.

Quality of Service

The Group obtained ISO 27001 certification for Information Security Management System, ISO 9001 certification for Quality Management System, ISO 10002 certification for Customer Satisfaction – Complaints Management System and ISO 14001 certification for Environmental Management System. These certifications help ensure that the highest level of quality service is being offered to customers.

The ISO 27001 Information Security Management System has been implemented since August 2006. It was an upgrade from the renowned BS7799 standard originally adopted by the Company in February 2006. Award of the ISO 27001 certificate to the Company confirms implementation of all practical steps in the Company to ensure protection of its information assets, such as customer personal data, financial data and marketing data. The scope of ISO 27001 certification covers the Systems Division physically located in the head office of the Company at Tsimshatsui, the data centre at Chai Wan, and the disaster recovery site at Kwai Chung. The ISO 27001 certificate is continuously renewed every year upon successful completion of an audit exercise by external ISO auditors.

The ISO 9001 Quality Management System has been implemented since February 2007. Award of the ISO 9001 certificate to the Company confirms successful implementation of the quality management system requirements across all business processes of the Company, which ensures quality customer service and a high level of customer satisfaction. The scope of ISO 9001 certification covers most of the departments of the Company dealing with customer service as well as all its branches.

The ISO 10002 Complaints Management System has been implemented since February 2007 so as to enhance the level of customer satisfaction by managing the customer complaints in a more professional way through recording, analyzing customer complaints and taking pro-active action to prevent similar complaints from happening in future.

The ISO 14001 Environmental Management System has been implemented since February 2009. Award of the ISO 14001 certificate demonstrates the Company's commitment to protect the environment through implementing and promoting measures that are environmental friendly, such as paperless operations, reduction in consumption of water, paper and electricity. The Company also provides appropriate training to its staff in promoting awareness about protecting the environment.

Board of Directors

DIRECTORS

Mr. Masanori KOSAKA, aged 59, was appointed as the Chairman and a Non-executive Director on 18th June 2013. He was the Managing Director from June 2002 to June 2011. He was also the Managing Director of AEON Financial Service (Hong Kong) Co., Limited, the Company's immediate holding company. He was a director of AEON Thana Sinsap (Thailand) Public Company Limited, AEON Credit Service (M) Berhad and AEON Credit Service Co., Ltd., all of which are listed public companies. He first joined the Company in March 1993 (March 1993 – June 1996) and rejoined the Company in April 2002 (April 2002 – June 2012). He holds a Bachelor's degree in Law from Kyoto Sangyo University.

Mr. Hideo TANAKA, aged 45, was appointed as an Executive Director and the Managing Director on 26th June 2015. He was previously with the Company from April 1997 to March 1999 and rejoined the Company in June 2015. He joined AEON Financial Service Co., Ltd. in April 1995 and has worked for AEON financial group in Japan, Hong Kong, Malaysia and Vietnam. He was the General Director of ACS Trading Vietnam Co., Ltd. from May 2008 to May 2015. He has over 20 years of experience in the consumer finance industry. He holds a Bachelor's degree in Commerce from Waseda University.

Mr. LAI Yuk Kwong, aged 53, was re-designated as an Executive Director on 26th June 2015. He is in charge of the Accounts and Finance Division of the Company. He was an Executive Director from 16th June 1999 to 20th July 2012 and the Deputy Managing Director from 14th June 2006 to 17th June 2011. He was re-designated as a Non-executive Director on 21st July 2012. He was also the Deputy Managing Director of AEON Financial Service (Hong Kong) Co., Limited. He joined the Company in July 1996. He holds a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants.

Ms. KOH Yik Kung, aged 60, was appointed as an Executive Director on 21st June 2001. She is also the Company Secretary and in-house counsel. She is in charge of the Corporate Compliance Division of the Company. She was formerly with the Company from August 1992 to June 1994 and rejoined the Company in November 1998. Ms. Koh holds a Bachelor's degree in Law from South Bank University. She is a barrister.

Board of Directors

Mr. Kiyoshi WADA, aged 56, was appointed as an Executive Director on 26th June 2015. He is in charge of the Corporate Management Division of the Company. He joined AEON Co., Ltd. in April 1983 and has 29 years of experience in the retail industry before his transfer to AEON Financial Service Co., Ltd. in October 2012. Prior to joining the Company, he was the Chief General Manager of the Human Resources Department of AEON Financial Service Co., Ltd. He was also a director of AEON S.S. Insurance Co., Ltd. He has 28 years of experience in human resources. Mr. Wada holds a Bachelor's degree in Economics from Shinshu University.

Mr. IP Yuk Keung, aged 64, was appointed as an Independent Non-executive Director on 19th September 2013. He is an international banking and real estate professional with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo Bank and Merrill Lynch in Hong Kong, Asia and United States. His areas of expertise are in real estate, corporate banking, risk management, transaction banking and wealth management. He was named Managing Director of Citigroup in 2003 and Senior Credit Officer/Real Estate Specialist of Citicorp in 1990. At Citigroup, he was Corporate Bank Head, Head of Transaction Banking and Head of Asia Regional Investment Finance of Wealth Management. He was a Managing Director of Investments at Merrill Lynch (Asia Pacific). He is currently an Executive Director and Chief Executive Officer of LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited. He is also a Non-executive Director of Eagle Asset Management (CP) Limited (manager of Champion Real Estate Investment Trust) and an Independent Non-executive Director of Hopewell Highway Infrastructure Limited, New World China Land Limited, TOM Group Limited, Power Assets Holdings Limited, Lifestyle International Holdings Limited, and Hopewell Holdings Limited, all of which, except for Eagle Asset Management (CP) Limited, are listed public companies. He is an Honorary Professor of Faculty of Business at Lingnan University, a Member of International Advisory Board of College of Business and an Adjunct Professor at City University of Hong Kong, a Council Member of Hong Kong University of Science and Technology, an Adjunct Professor at Hang Seng Management College, a Member of the International Advisory Committee and an Adjunct Professor at University of Macau, an Executive Fellow in Asia at Washington University in St. Louis, an Honorary Fellow of Vocational Training Council, a Research Fellow of the Institute for Financial Economics at Singapore Management University, a Member of the Legal Aid Services Council and a Member of the Board of Governors of the World Green Organization. He holds a Bachelor's degree from Washington University in St. Louis (summa cum laude) and Master's degrees at Cornell University and Carnegie-Mellon University.

Mr. WONG Hin Wing, aged 53, was appointed as an Independent Non-executive Director on 13th October 2004. He holds a Master's degree in Executive Business Administration from Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administration. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is an Independent Non-executive Director of Dongjiang Environmental Company Limited (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange) and CRCC High-Tech Equipment Corporation Limited (a public company with H shares listed on the Stock Exchange). He is also a Member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a Member of the Nursing Council of Hong Kong and a Council Member of Hong Kong Institute of Certified Public Accountants. He has been the Chief Executive Officer and responsible officer of Legend Capital Partners, Inc., a licensed corporation under the SFO since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as Chief Financial Officer for seven years. He has 32 years of experience in accounting, finance, investment management and advisory.

Prof. TONG Jun, aged 53, was appointed as an Independent Non-executive Director on 23rd September 2009. He holds a Bachelor's degree in Japanese Major from Harbin Normal University, a Master's degree in Japanese Language and Literature from Okayama University and a Doctorate in Literature from Okayama University. He is currently a Professor of the School of Foreign Languages, Deputy Head of the Institute for Japanese Studies in Southeast China at Sun Yat-sen University and a Project Professor of Center for Global Partnerships and Education at Okayama University. He is also the Chairman of Federation for Japanese Returned Scholars of Guangzhou, Executive Director of Guangdong, Hong Kong and Macau Universities Association for Japanese Studies and the Chairman of the South China Alumni Association of Okayama University.

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, and employees. The Company has complied with the code provisions of the CG Code 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 the 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 the executive, non-executive and independent non-executive, are subject to retirement at each annual general meeting of the Company in accordance with the Articles. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for securities transactions by 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.

BOARD OF DIRECTORS

Role of the Board

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. The Board has a formal schedule of matters reserved for its approval. Matters reserved for the Board's decision include, among others, long-term objectives and strategy; oversight of operations ensuring competent and prudent management, sound planning, adequate systems of risk management and internal control, adequate accounting records and compliance with relevant statutory and regulatory obligations; annual budgets; capital management; annual and interim financial reporting; declaration of dividends; Board membership; and corporate governance matters. Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Company. Daily operations and administration are delegated to the management.

Composition

As at the date of this report, the Board comprises eight members, consisting of four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise) and that the number of independent non-executive directors must be at least one-third (1/3) of the board of directors. The name and biographical details of each Director are set out on pages 24 to 26 of this annual report.

Independent Non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the role and function of the Directors is maintained on the Company's website and the Stock Exchange's website.

The Non-executive Director brings expertise and knowledge in the consumer finance sector to the Company. The Independent Non-executive Directors possess relevant academic, professional and/or industry experience. They provide valuable advice to the Board towards the effective discharge of its duties and responsibilities.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Independence of Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee reviews and assesses the independence of the three Independent Non-executive Directors on an annual basis.

Board Process

Regular Board meetings are scheduled one year in advance and held at least four times a year, and, if necessary, additional meetings will be arranged. The date of the next regular Board meeting is fixed at the close of each Board meeting. At least 14 days' notice is given to all Directors before each regular Board meeting and all Directors are given an opportunity to include matters for discussion in the agenda. The agenda and accompanying Board papers are sent to all Directors at least three days in advance of every regular Board meeting to facilitate informed discussion and decision-making. Management provides appropriate and sufficient information to the Board and its committees in a timely manner to enable them to make informed decisions. Members of the senior management are invited to attend regular Board meetings to make presentations or answer the Board's and individual Directors' enquiries.

Minutes of the Board and committee meetings record in sufficient detail of matters and concerns discussed are kept by the Company Secretary and open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of Board and committee meetings are sent to Directors for their comments and records within a reasonable time after each meeting.

Under the Articles, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement or other proposal in which he/she or any of his/her associates is/are materially interested.

Appropriate liability insurance is in place to indemnify the Directors in respect of legal action against them.

Attendance at Board Meetings

During the year, seven Board meetings were held at which important matters discussed included, among others, material capital investments; business strategies; financial and business performance; annual budget; proposals for final and interim dividends; and connected transactions. The attendance records of the Directors are set out below:

Directors	**Attendance**
Executive Directors:	
Hideo Tanaka *(Managing Director)**	4/4
Fung Kam Shing, Barry *(Managing Director)*[Δ]	2/2
Lai Yuk Kwong	6/7
Koh Yik Kung	7/7
Kiyoshi Wada*	4/4
Tomoyuki Kawahara[Δ]	2/2
Fong Chung Leung, Gerald[Δ]	2/2
Non-executive Director:	
Masanori Kosaka *(Chairman)*	7/7
Independent Non-executive Directors:	
Ip Yuk Keung	7/7
Wong Hin Wing	7/7
Tong Jun	7/7

* *appointed on 26th June 2015*
Δ *retired on 26th June 2015*

Directors' Training

Every newly appointed Director will receive an induction package including key legal requirements, the Articles and the Company's relevant policies and guidelines. Executive Directors and senior management will meet with the new Directors to provide them with more detailed knowledge of the Company's business and operations. The Company continuously updates Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company organized a formal training session for all Directors on environmental, social and governance reporting issues and corporate sustainability, and latest changes to the CG Code and reporting in relation to risk management and internal control. The Company also organized AEON Code of Conduct training for the Executive Directors. Individual Directors also attended seminars/conferences/forums relevant to his/her profession and duties as Directors. All Directors had provided the Company Secretary with their training records for the year under review.

During the year ended 29th February 2016, the Directors received trainings on the following areas:

Directors	**Corporate Governance**	**Legal & Regulatory Development**	**Financial/ Management/ Business Skills & Knowledge**
Executive Directors			
Hideo Tanaka	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
Koh Yik Kung	✓	✓	✓
Kiyoshi Wada	✓	✓	✓
Non-executive Director			
Masanori Kosaka	✓	✓	✓
Independent Non-executive Directors			
Ip Yuk Keung	✓	✓	✓
Wong Hin Wing	✓	✓	✓
Tong Jun	✓	✓	✓

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Masanori Kosaka and the Managing Director is Mr. Hideo Tanaka. The respective roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual. The division of responsibilities between the Chairman and the Managing Director have been clearly established and set out in writing.

The Chairman is responsible for the effective running of the Board, while the Managing Director is delegated with the authorities to manage the business of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board adopts a nomination procedure for the appointment of new Directors. A proposal for the appointment of a new Director will be first reviewed by the Nomination Committee. Upon recommendation by the Nomination Committee, the Board will make the final decision.

In accordance with the Articles, all Directors are subject to retirement at each annual general meeting of the Company. Any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

On 26th June 2015, the Board approved the appointment of Mr. Hideo Tanaka as Executive Director and Managing Director and Mr. Kiyoshi Wada as Executive Director. Mr. Hideo Tanaka and Mr. Kiyoshi Wada will retire at the 2016 AGM in accordance with the Articles and offer themselves for re-election.

BOARD COMMITTEES

The Board has three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee. All the Board committees are empowered by the Board under their own respective terms of reference which have been posted on the Company's website and the Stock Exchange's website.

Nomination Committee

The Nomination Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Masanori Kosaka. The other members are Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun.

The Nomination Committee was established with specific written terms of reference which deal clearly with its authority and duties. Its duties include, among others, assessing the independence of Independent Non-executive Directors and making recommendations to the Board all new appointments and re-election of Directors. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience and other relevant factors, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. The Nomination Committee meets at least once a year, and its terms of reference are posted on the Company's website and the Stock Exchange's website.

The Nomination Committee held two meetings for the year ended 29th February 2016 to (i) review the structure, size and composition of the Board and consider the suitability of candidates for directorship; (ii) assess the independence of Independent Non-executive Directors; (iii) review the time required from a Director to perform his/her responsibilities; and (iv) recommend to the Board the Directors for re-election at the 2015 AGM.

The attendance records of members of the Nomination Committee are set out below:

Members	**Attendance**
Masanori Kosaka *(Chairman)*	2/2
Ip Yuk Keung	2/2
Wong Hin Wing	2/2
Tong Jun	2/2

The Board has adopted a Board Diversity Policy in September 2013 which aims to set out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit while taking into account diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Ip Yuk Keung. The other members are Mr. Masanori Kosaka, Mr. Wong Hin Wing and Prof. Tong Jun. The duties of the Remuneration Committee include, among others, determining the remuneration packages of individual Executive Directors and making recommendation to the Board on the fees of the

Independent Non-executive Directors. The Remuneration Committee meets at least once a year, and its terms of reference are posted on the Company's website and the Stock Exchange's website. The objective of the Company's remuneration policy is to provide remuneration in form and amount which will motivate and retain high calibre executives. The principal elements of executive remuneration package include basic salary and discretionary bonus. The emoluments of the Executive Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 12 to the financial statements.

The Remuneration Committee held one meeting for the year ended 29th February 2016 to review the salaries and performance bonuses for the Executive Directors and recommend to the Board the Directors' fees for the Independent Non-executive Directors. The attendance records of members of the Remuneration Committee are set out below:

Members	**Attendance**
Ip Yuk Keung *(Chairman)*	1/1
Masanori Kosaka	1/1
Wong Hin Wing	1/1
Tong Jun	1/1

Audit Committee

The Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is chaired by Mr. Ip Yuk Keung. The other members are Mr. Masanori Kosaka, Mr. Wong Hin Wing and Prof. Tong Jun. Members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management expertise. The duties of the Audit Committee include, among others, reviewing the nature and scope of audit performed by external auditor, reviewing the financial information of the Group, overseeing the Group's financial reporting, risk management and internal control systems, and reviewing and monitoring the effectiveness of the internal audit function. The Audit Committee is delegated by the Board with the responsibility of overseeing the corporate governance functions of the Company as set out in code provision D.3.1 of the CG Code. The Audit Committee will also discuss matters raised by external auditor to ensure that appropriate recommendations are implemented. The Audit Committee meets at least twice a year, and its terms of reference are posted on the Company's website and the Stock Exchange's website.

The Audit Committee held four meetings for the year ended 29th February 2016, and the meetings were attended by the external auditor. The work performed by the Audit Committee included:

- Met with external auditor to discuss the general scope of their audit work;
- Reviewed external auditor's management letter and management's response;
- Reviewed management representation letter;
- Reviewed the effectiveness of risk management and internal control systems;
- Reviewed and approved annual internal audit plan;
- Reviewed and approved the engagement of external auditor for providing non-audit services;
- Reviewed and approved the remuneration in respect of audit and non-audit services provided by external auditor;
- Reviewed the independence and objectivity of external auditor;
- Met with external auditor to discuss issues arising from the audit of annual accounts and review of interim accounts;
- Reviewed the quarterly, half-yearly and annual results;
- Reviewed the annual report and accounts and half-year interim report;
- Recommended to the Board the appointment of external auditor;
- Reviewed the continuing connected transactions;
- Reviewed the training and continuous professional development of the Directors;
- Reviewed the Terms of Reference of the Audit Committee; and
- Reviewed the Company's Corporate Governance Policy, its compliance with the CG Code and disclosure in the Corporate Governance Report.

The attendance records of members of the Audit Committee are set out below:

Members	Attendance
Ip Yuk Keung *(Chairman)*	4/4
Masanori Kosaka	4/4
Wong Hin Wing	4/4
Tong Jun	4/4

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, assesses the effectiveness of the Group's risk management and internal control systems, which covers all material controls, including financial, operational and compliance controls, on an annual basis, and also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. Significant issues in the management letters from both internal and external auditors will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time.

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, credit, operational (administrative, system, human resources, tangible and reputation), market, liquidity, legal and regulatory risks. Exposure to these risks is continuously monitored by the Board through the management-level Risk Management Committee and sub-committees comprising Executive Directors and members of senior management.

The internal control system of the Group includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The internal control system has been designed to safeguard the Group's assets against unauthorized use or disposition; to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standard.

The key processes that have been established under the risk management and internal control systems include the following:

- Policies and guidelines for enterprise risk management, operational risk management and credit risk management have been established.
- Each division has to follow the relevant policies and guidelines to conduct risk assessment and control in their areas and report any incidents or findings to the Risk Management Committee.
- Continuous monitoring of key risk indicators to ensure effective controls are in place in operating units.
- Regular monthly and ad hoc Risk Management Committee meetings are held to ensure risk mitigation is in place.
- Significant risk events, material losses, internal control weaknesses and relevant changes in legal and regulatory compliance requirements are reported in the Risk Management Committee and sub-committees meetings.
- Committee members are responsible for ensuring significant risks are mitigated with preventive measures.
- The Risk Management Committee and sub-committees are responsible for ensuring the effectiveness of the implementation and adequacy of the enterprise risk management framework.
- The Risk Management Committee will present risk management and internal control report to the Audit Committee on quarterly basis.
- Ongoing trainings on risk management and internal control are provided to relevant employees.

During the year under review, no major issue but areas for improvement have been identified by the Risk Management Committee and both the internal and external auditors and appropriate measures taken. The Board is of the view that the risk management and internal control systems in place for the year and up to the date of issuance of the annual report is effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining a high standard of probity, openness, and accountability. A Whistleblowing Policy is in place to create a system for the employees and other stakeholders of the Company to raise concerns, in confidence, about possible improprieties. The identity of each whistleblower and all information provided in connection with a whistleblowing report will be treated with the strictest confidence.

Continuous Disclosure Policy

A Continuous Disclosure Policy is in place to ensure potential inside information as defined in the SFO is identified and confidentiality of such information is maintained until timely and appropriate disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Roles and responsibilities of the divisions/department of the Company in identifying and escalating any potential inside information within the Company;
- Procedures for determining the necessity, means and/or extent of disclosure of such information; and
- Designation of persons to act as spokespersons to speak on behalf of the Company and to respond to external enquiries.

Internal Audit Function

The Company's Audit and Assurance Division monitors the Group's internal governance and strives to provide objective assurance to the Board that appropriate, adequate and effective risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards by performing periodic checking. Annual internal audit plan is designed with audit resources to focus on higher risk areas and submitted to the Audit Committee for review and approval. This is further supplemented by the J-SOX audit performed by internal and external auditors of which risk management and internal control systems and procedures for key operating areas have been evaluated and tested for adequacy and effectiveness.

FINANCIAL REPORTING

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Management shall provide sufficient explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. Furthermore, Directors are provided with monthly updates on the Group's performance to assist the Directors to discharge their duties.

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 29th February 2016, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. A statement by the external auditor of the Company about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 53 to 54 of this annual report.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant period, as laid down in the Listing Rules.

EXTERNAL AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the Company's external auditor at the 2015 AGM until the conclusion of the 2016 AGM.

During the year under review, a remuneration of HK$2.9 million was paid or payable to Deloitte Touche Tohmatsu for the provision of audit services. In addition, the following remunerations were paid or payable to Deloitte Touche Tohmatsu for the provision of non-audit related services to the Group:

Services rendered	**Fees HK$'000**
Taxation compliance	76
Agreed upon procedures	580
J-SOX annual compliance review	590
Total	1,246

COMPANY SECRETARY

The Company Secretary's role is to support the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on governance matters and facilitating induction and professional development of Directors. The Company Secretary is an employee of the Company and reports to the Chairman and the Managing Director. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is delegated with the responsibility for drawing up the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda and that all applicable rules and regulations are followed. All Directors may ask for matters to be included in the agenda for regular board meetings by request to the Company Secretary. For the year under review, the Company Secretary has taken over 15 hours of relevant professional training to update her skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the year ended 29th February 2016, there was no change in the Company's constitutional documents. A copy of the latest consolidated version of the Articles is posted on the Company's and the Stock Exchange's respective websites.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with shareholders and investors. The Company establishes various communication channels with its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, announcements, circulars, the Company's website and meetings with investors and analysts.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Board welcomes shareholders to express their opinions at the annual general meeting. Directors, senior management and external auditor attend the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors. The notice of the meeting, the annual report and the circular containing information on the proposed resolutions are sent to shareholders at least 20 clear business days before the meeting. Voting at the annual general meeting is by way of a poll. Details of the poll voting procedures are explained to shareholders at the annual general meeting to ensure that shareholders are familiar with such procedures. The results of the poll are published on the Company's website and the Stock Exchange's website.

The Company's 2015 AGM was held on Friday, 26th June 2015. The notice of the 2015 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than 20 clear business days before the 2015 AGM. All Board members together with the key executives and the external auditor attended the 2015 AGM. The Company Secretary explained the poll voting procedures at the 2015 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2015 AGM. All the resolutions at the 2015 AGM were dealt with by poll. The poll results of the 2015 AGM are available on the Company's website and the Stock Exchange's website.

The attendance records of the Directors at the 2015 AGM are set out below:

Directors	**Attendance**
Executive Directors:	
Hideo Tanaka *(Managing Director)**	0/0
Fung Kam Shing, Barry *(Managing Director)*$^{\Delta}$	1/1
Lai Yuk Kwong	1/1
Koh Yik Kung	1/1
Kiyoshi Wada*	0/0
Tomoyuki Kawahara$^{\Delta}$	1/1
Fong Chung Leung$^{\Delta}$	1/1
Non-executive Director:	
Masanori Kosaka *(Chairman)*	1/1
Independent Non-executive Directors:	
Ip Yuk Keung	1/1
Wong Hin Wing	1/1
Tong Jun	1/1

* *appointed on 26th June 2015*
Δ *retired on 26th June 2015*

The management personnel responsible for investor relations holds regular meetings with equity research analysts, fund managers and institutional shareholders and investors. In addition, press conferences and investors' and analysts' presentations are held after the interim and final results announcements.

The market capitalization of the Company as at 29th February 2016 was HK$2,043.57 million (issued share capital: 418,765,600 shares at closing market price: HK$4.88 per share).

The 2016 AGM will be held at Ming Room, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 24th June 2016 at 10:00 a.m.

SHAREHOLDERS' RIGHTS

Calling a general meeting of the Company

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having the right to vote at general meetings may request the Directors to call a general meeting of the Company. The requisition, duly signed by the shareholder(s) concerned, must clearly state the objects of the meeting and must be deposited at the registered office of the Company for the attention of the Company Secretary. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 566 to 568 of the Companies Ordinance once a valid requisition is received.

Putting forward proposals at a general meeting of the Company

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have the right to vote or at least 50 shareholders who have a relevant right to vote may by requisition in writing to the Company either put forward a proposal at a general meeting or circulate to other shareholders a written statement with respect to matter to be dealt with at a general meeting. The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 581 to 583 of the Companies Ordinance once valid documents are received.

Proposing a candidate for election as a Director at an annual general meeting of the Company ("AGM")

Pursuant to Article 88 of the Articles, if a shareholder of the Company intends to propose a person other than a Director for election as a Director at an AGM, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the despatch of the AGM notice and ending no later than seven days prior to the date of the AGM. Detailed procedures can be found in the document titled "Procedures for Shareholder to propose a person for election as a Director" which is available on the Company's website.

Enquiries to the Board

Enquiries may be put forward to the Board through the Company Secretary at 20/F, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 29th February 2016.

PRINCIPAL ACTIVITIES

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products, insurance brokerage and agency business and microfinance business.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 6 to 8 and in the Management Discussion and Analysis on pages 16 to 23 of the annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 6 to 8 and in the Management Discussion and Analysis on pages 16 to 23 of the annual report. Also, the financial risk management objective and policies of the Group can be found in note 39 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on pages 4 to 5 of the annual report, in the Management Discussion and Analysis on pages 16 to 23 of the annual report and in note 6 to the consolidated financial statements.

To the best knowledge of the Directors, the Group was in compliance with the relevant laws and regulations that were significant to the Group for the year ended 29th February 2016.

NET DEBT TO EQUITY RATIO

At 29th February 2016, the net debt to equity ratio was 1.0 (28th February 2015: 1.1).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 29th February 2016 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 55 to 58.

An interim dividend of 18.0 HK cents (2015: interim dividend of 18.0 HK cents) per share amounting to HK$75,378,000 (2015: HK$75,378,000) was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 18.0 HK cents (2015: 18.0 HK cents) per share in respect of the current year to the shareholders on the register of members on 4th July 2016 amounting to HK$75,378,000 (2015: HK$75,378,000).

MAJOR CUSTOMERS

During the year, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

DIRECTORS OF THE COMPANY

The Directors of the Company during the year ended 29th February 2016 and up to the date of this report were:

Executive Directors:

Hideo Tanaka *(Managing Director)*	(Appointed on 26th June 2015)
Lai Yuk Kwong	(Re-designated on 26th June 2015)
Koh Yik Kung	
Kiyoshi Wada	(Appointed on 26th June 2015)
Fung Kam Shing, Barry	(Retired on 26th June 2015)
Tomoyuki Kawahara	(Retired on 26th June 2015)
Fong Chung Leung, Gerald	(Retired on 26th June 2015)

Non-executive Director:

Masanori Kosaka *(Chairman)*

Independent Non-executive Directors:

Ip Yuk Keung
Wong Hin Wing
Tong Jun

Mr. Fung Kam Shing, Barry, Mr. Tomoyuki Kawahara and Mr. Fong Chung Leung, Gerald retired as Executive Directors of the Company and did not stand for re-election at the 2015 AGM in order to take up new management posts in the AEON group. Each of Mr. Fung Kam Shing, Barry, Mr. Tomoyuki Kawahara and Mr. Fong Chung Leung, Gerald confirmed that he has no disagreement with the Board and there is no matter relating to his retirement that needs to be brought to the attention of the shareholders of the Company.

In accordance with Article 102 of the Articles of Association, all Directors shall retire at the 2016 AGM and shall be eligible for re-election. Save for Mr. Masanori Kosaka, Mr. Lai Yuk Kwong and Prof. Tong Jun who will not stand for re-election, all other existing Directors will offer themselves for re-election at the 2016 AGM. Each of Mr. Masanori Kosaka, Mr. Lai Yuk Kwong and Prof. Tong Jun has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needs to be brought to the attention of the shareholders of the Company.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the board of directors of the subsidiaries of the Company during the year and up to the date of this report are as follows:

AEON Insurance Brokers (HK) Limited

Fong Chung Leung, Gerald	(Appointed on 26th June 2015)
Lui Pui Yee	(Resigned on 25th April 2016)
Tomoharu Fukayama	(Appointed on 28th May 2015)
Masayuki Sato	(Resigned on 28th May 2015)

AEON Micro Finance (Shenyang) Co., Ltd.

Fung Kam Shing, Barry
Junji Murakami
Bao Yi

AEON Micro Finance (Tianjin) Co., Ltd.

Fung Kam Shing, Barry
Wei Ai Guo
Zhang Ji Kang

AEON Micro Finance (Shenzhen) Co., Ltd.

Hideo Tanaka	(Appointed on 28th October 2015)
Yasunori Narabayashi	
Jin Hwa Shu	

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2016 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 29th February 2016, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) The Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Masanori Kosaka	110,000	0.03
Hideo Tanaka	28,600	0.01

(b) AFS – intermediate holding company of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Masanori Kosaka	11,096	0.01
Hideo Tanaka	732	0.01

(c) AEON Japan – ultimate holding company of Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Japan
Kiyoshi Wada	4,500	0.01

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

(d) ACS Thailand – a fellow subsidiary of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of ACS Thailand
Masanori Kosaka	100,000	0.04

(e) ACS Malaysia – a fellow subsidiary of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of ACS Malaysia
Hideo Tanaka	14,400	0.01

Other than the holdings disclosed above, none of the Directors nor their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 29th February 2016.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 29th February 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company:

Name	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	280,588,000	67.00
AFS *(Note 2)*	220,814,000	52.73
AFS (HK) *(Note 3)*	220,814,000	52.73
Aberdeen Asset Management Plc and its Associates	29,284,000	6.99

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 41.16% of the issued share capital of AFS, the holding company of AFS (HK) and 71.64% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 220,814,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.

2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 220,814,000 shares owned by AFS (HK).

3. Out of 220,814,000 shares, 213,114,000 shares were held by AFS (HK) and 7,700,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited, as a nominee on behalf of AFS (HK).

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 29th February 2016.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions which are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(a) On 16th April 2014, the Company and AEON Stores entered into a renewal agreement to extend the terms of the previous agreement for a further term of three years whereby the Company would receive commission from this fellow subsidiary in respect of purchases made by customers using credit purchase facilities, card instalment facilities, hire purchase facilities and payment solutions provided by the Company. The total amount of commission received by the Company from AEON Stores for the year ended 29th February 2016 was HK$13,954,000 of which HK$6,231,000 is classified as interest income under HKAS 39. The commission amount did not exceed the cap of HK$21,300,000 as disclosed in the Company's announcement dated 16th April 2014.

CONNECTED TRANSACTIONS (Cont'd)

(b) The Company had entered into a number of licence agreements with AEON Stores for the operation of branches and ATMs inside the stores of AEON Stores under which the Company would pay to AEON Stores a fixed monthly licence fee. All licences were for a fixed term with no options for renewal. The total amount of licence fees for all the licence agreements paid by the Company to AEON Stores for the year ended 29th February 2016 was HK$8,589,000.

On 29th November 2013, the Company entered into a licence agreement with AEON Stores for the leasing of shop no. L302, 3/F, Kornhill Plaza (South), 2 Kornhill Road, Quarry Bay, Hong Kong for a term of two years from 1st December 2013 to 30th November 2015 at a monthly licence fee of HK$186,327 for the first year and HK$191,917 for the second year. The current monthly management fee is HK$10,998. The aggregate sum of the licence fee and management fee for the period from 1st March 2015 to 30th November 2015 was HK$1,826,000, which did not exceed the cap of HK$2,100,000 as disclosed in the Company's announcement dated 29th November 2013.

On 14th January 2014, the Company entered into a licence agreement with AEON Stores for the leasing of shop no. G002, Ground Floor, Tuen Mun Town Plaza, Phase 1, 1 Tuen Shun Street, Tuen Mun, New Territories, Hong Kong for a term of two years from 16th January 2014 to 15th January 2016 at a monthly licence fee of HK$103,773 for the first year and HK$106,886 for the second year. The current monthly management fee is HK$5,239. The aggregate sum of the licence fee and management fee for the period from 1st March 2015 to 15th January 2016 was HK$1,176,000, which did not exceed the cap of HK$1,400,000 as disclosed in the Company's announcements 14th January 2014.

(c) Pursuant to a master service agreement dated 20th February 2013 (the "Master Service Agreement") entered into between the Company and AIS, the Company would pay service fees to AIS for the provision of call centre services.

Following the change of financial year end date of the Company from 20th February to 28th February (or 29th February in a leap year) and the increase in the quantity of tasks assigned to AIS by the Group, the Company revised the annual caps, details of which were disclosed in the Company's announcement dated 16th February 2015.

The total amount of service fees paid by the Group to AIS for the period from 1st March 2015 to 20th February 2016 was HK$43,826,000, which did not exceed the revised cap of HK$52,000,000 as disclosed in the Company's announcement dated 16th February 2015.

CONNECTED TRANSACTIONS (Cont'd)

(c) (Cont'd)

In view of the change of financial year end date of the Company from 20th February to 28th February (or 29th February in a leap year) and for the alignment of future master service agreements with the revised financial year end date, the Company and AIS entered into a transitional service agreement on 19th February 2016 for the provision of call centre services for the period of nine days from 21st February 2016 to 29th February 2016 on the same terms as the Master Service Agreement. The service fees paid to AIS during the period from 21st February 2016 to 29th February 2016 amounted to HK$1,163,000.

(d) Pursuant to a master service agreement dated 30th October 2013 entered into between the Company and ACSS, the Company would pay service fees to ACSS for the provision of computer related services.

The total amount of service fees paid by the Company to ACSS for the year ended 29th February 2016 amounted to HK$11,344,000, which did not exceed the cap of HK$13,717,000 as disclosed in the Company's announcement dated 30th October 2013.

(e) Pursuant to a business advisory service agreement dated 27th April 2015 entered into between the Company and AFS (HK), the Company would pay an advisory fee to AFS (HK) for the provision of consultation and advisory services.

The total amount of advisory fee paid by the Company to AFS (HK) for the year ended 29th February 2016 amounted to HK$5,817,000, which did not exceed the cap of HK$7,000,000 as disclosed in the Company's announcement dated 28th April 2015.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a), (b), (c), (d) and (e) above which constituted continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Cont'd)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The related party transactions as disclosed in note 44 to the consolidated financial statements also fell under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

LOAN FACILITY WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On 31st March 2011, the Company obtained a term loan of USD50,000,000 (the "Facility") from a syndicate of banks, with the repayment date falling on 20th September 2016.

Under the Facility, it will be an event of default if the Company ceases to be a consolidated subsidiary of AFS, which is a controlling shareholder of the Company currently holding 52.73% of the issued share capital of the Company. If the event occurs, the Facility may become due and payable on demand.

During the period of review, no repayment was made under the Facility. At 29th February 2016, the circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continued to exist.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in the execution of his duties or otherwise in relation thereto. A directors' liability insurance has been arranged to indemnify the Directors.

EQUITY-LINKED AGREEMENTS

For the year ended 29th February 2016, the Company has not entered into any equity-linked agreements.

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.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$1,264,000.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

RETIREMENT BENEFITS SCHEME

Details of the Company's retirement benefits scheme are set out in note 43 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 29th February 2016.

AUDITOR

A resolution will be submitted to the 2016 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

田中秀夫

Hideo Tanaka
Managing Director

Hong Kong, 25th April 2016

Deloitte.
德勤

TO THE MEMBERS OF AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of AEON Credit Service (Asia) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 144, which comprise the consolidated statement of financial position as at 29th February 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (Cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 29th February 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25th April 2016

Consolidated Statement of Profit or Loss

For the year ended 29th February 2016

	NOTES	1.3.2015 to 29.2.2016 HK$'000	21.2.2014 to 28.2.2015 HK$'000
Revenue	5	**1,258,854**	1,295,955
Interest income	7	**1,107,583**	1,154,223
Interest expense	8	**(94,665)**	(98,064)
Net interest income		**1,012,918**	1,056,159
Other operating income	9	**162,649**	150,371
Other gains and losses	10	**(1,307)**	(404)
Operating income		**1,174,260**	1,206,126
Operating expenses	11	**(606,072)**	(556,838)
Other expenses	11	**(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	17	**(4,583)**	(8,427)
Profit before tax		**307,355**	346,680
Income tax expense	13	**(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	15	**59.69 HK cents**	67.44 HK 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	**249,967**	282,404
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	**14,961**	(22,954)
Other comprehensive expense for the year/period	**(2,982)**	(29,880)
Total comprehensive income for the year/period	**246,985**	252,524
Total comprehensive income for the year/period attributable to:		
Owners of the Company	**246,985**	252,524

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	16	**123,177**	115,245
Investments in associates	17	**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	23	**30,298**	47,996
Derivative financial instruments	33	**1,244**	1,199
Restricted deposits	24	**38,000**	38,000
		1,440,602	1,501,482
Current assets			
Advances and receivables	19	**4,059,463**	4,064,751
Prepayments, deposits and other debtors	23	**34,092**	36,956
Amount due from immediate holding company	30	**6**	–
Amount due from intermediate holding company	30	**423**	298
Amounts due from fellow subsidiaries	29	**5**	490
Derivative financial instruments	33	**241**	–
Tax recoverable		**1,465**	874
Time deposits	25	**98,105**	113,528
Fiduciary bank balances	26	**238**	894
Bank balances and cash	27	**306,944**	232,156
		4,500,982	4,449,947
Current liabilities			
Creditors and accruals	28	**244,130**	210,200
Amounts due to fellow subsidiaries	29	**49,830**	48,901
Amount due to immediate holding company	30	**–**	6
Amount due to intermediate holding company	30	**58**	–
Amount due to ultimate holding company	30	**52**	50
Amount due to an associate	31	**1,358**	1,577
Bank borrowings	32	**560,786**	495,500
Bank overdrafts		**–**	1,794
Collateralised debt obligation	37	**549,782**	549,731
Derivative financial instruments	33	**22,364**	18,380
Tax liabilities		**8,895**	13,536
		1,437,255	1,339,675
Net current assets		**3,063,727**	3,110,272
Total assets less current liabilities		**4,504,329**	4,611,754

Consolidated Statement of Financial Position

At 29th February 2016

	NOTES	29.2.2016 HK$'000	28.2.2015 HK$'000
Capital and reserves			
Share capital	35	**269,477**	269,477
Reserves	36	**2,274,095**	2,177,866
Total equity		**2,543,572**	2,447,343
Non-current liabilities			
Collateralised debt obligation	37	**700,000**	699,592
Bank borrowings	32	**1,145,000**	1,332,800
Derivative financial instruments	33	**106,214**	126,050
Deferred tax liabilities	34	**9,543**	5,969
		1,960,757	2,164,411
		4,504,329	4,611,754

The consolidated financial statements on pages 55 to 144 were approved and authorised for issue by the Board on 25th April 2016 and are signed on its behalf by:

HIDEO TANAKA
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

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 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 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

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
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)
Net cash used in investing activities	**(26,829)**	(139,639)
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)
Net cash used in financing activities	**(274,221)**	(427,756)
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
Cash and cash equivalents at end of the year/period	**349,283**	294,534
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)
	349,283	294,534

Notes To The Consolidated Financial Statements

1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on the Stock Exchange. Its immediate holding company is AFS (HK), incorporated in Hong Kong and its ultimate holding company is AEON Japan, incorporated in Japan and listed on the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 20/F, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products, insurance brokerage and agency business and microfinance business.

The consolidated financial statements are presented in HKD, which is the same as the functional currency of the Company.

Change of financial year end date

The financial year end date of the Company was changed from 20th February to 28th February (or 29th 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, AFS (HK). 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.

2. APPLICATION OF NEW AND REVISED HKFRSs

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.

2. APPLICATION OF NEW AND REVISED HKFRSs (Cont'd)

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[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

1 *Effective for annual periods beginning on or after 1st January 2018*
2 *Effective for annual periods beginning on or after 1st January 2016*
3 *Effective for annual periods beginning on or after a date to be determined*

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 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 FVTOCI measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HKFRSs (Cont'd)

HKFRS 9 Financial Instruments (Cont'd)

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported and disclosures made in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HKFRSS (Cont'd)

HKFRS 15 Revenue from Contracts with Customers

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 do not anticipate that the application of other new and revised HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance.

The provisions of the Companies Ordinance regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 29th February 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 29th February 2016 have been changed to comply with these new requirements. Comparative information in respect of the period from 21st February 2014 to 28th February 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or Listing Rules but not under the Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Commission income, handling charge and late charge revenues are recognised when services are provided.

Credit card transactions that result in award credits (often called "bonus points") for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the commission received or receivable is allocated between the credit card transactions and the award credits granted. The commission allocated to the award credits is measured by reference to their fair value of the awards for which they could be redeemed. Such commission is not recognised as revenue at the time of the initial credit card transactions – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Annual fee is recognised on a time proportion basis.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Insurance brokerage income and agency fee received or receivable is recognised as revenue when the underlying transaction has been completed.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from customers in respect of hire purchase contracts are classified under finance leases and are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the contracts.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Leasing (Cont'd)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into one of the two categories, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated listed and unlisted equity securities as available-for-sale investments on initial recognition of those items.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

Available-for-sale financial assets (Cont'd)

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets at fair value are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including credit card receivables and instalment loans receivable, accrued interest and other receivables, other debtors, amounts due from immediate holding company, intermediate holding company and fellow subsidiaries, restricted deposits, time deposits, fiduciary bank balances, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (including hire purchase debtors)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as advances and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

Individual impairment allowances are assessed by a discounted cash flow method for loans and receivables that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (including hire purchase debtors) (Cont'd)

On collective impairment, individually insignificant loans and receivables or loans and receivables where no impairment has been identified individually are assessed on a portfolio basis. Evaluation is made by reference to the credit risk characteristics that are indicative of borrowers' ability to pay all amounts in accordance with the contractual terms. Expected future cash flows of loans and receivables that are assessed collectively for impairment are estimated on the basis of prior loan loss experience.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Changes in the carrying amount of the allowance account are recognised in profit or loss. When advances and receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including bank borrowings, bank overdrafts, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, immediate holding company, intermediate holding company, ultimate holding company and an associate, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Insurance intermediary assets and liabilities

The Group acts as an agent in placing the insurable risks of their clients with insurers and, as such, generally is not liable as principal for amounts arising from such transactions. Other than the receivable for fees and commissions earned on the transaction which is recognised within trade receivables, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time the amount is recognised in fiduciary bank balances and a corresponding deposit liability is established in favour of the insurer or the policyholder and recognised on the consolidated statement of financial position as a financial liability under the trade payables line item. Fiduciary cash arising from insurance broking deposits is settled over a short term and do not yield any interest for the insurer or the policyholder. Discounting is omitted given the effect of discounting is immaterial. The Group is entitled to retain the interest income on any cash balances arising from these transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment losses – non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme in China are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

Details of advances and receivables and the impairment allowances movements are disclosed in notes 19 and 20.

5. REVENUE

	1.3.2015 to 29.2.2016 HK$'000	21.2.2014 to 28.2.2015 HK$'000
Interest income	**1,107,583**	1,154,223
Fees and commissions	**81,999**	81,750
Handling and late charges	**69,272**	59,982
	1,258,854	1,295,955

6. 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

6. SEGMENT INFORMATION (Cont'd)

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 HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
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

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

21.2.2014 to 28.2.2015

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
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 described in (note 3). 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.

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

At 29.2.2016

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,955,720	1,865,261	58,088	772	5,879,841
Investments in associates					39,598
Available-for-sale investments					22,145
Consolidated total assets					5,941,584
LIABILITIES					
Segment liabilities	2,761,872	614,873	2,649	180	3,379,574
Unallocated liabilities					18,438
Consolidated total liabilities					3,398,012

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

At 28.2.2015

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,901,616	1,911,665	62,428	1,566	5,877,275
Investments in associates					49,647
Available-for-sale investments					24,507
Consolidated total assets					5,951,429
LIABILITIES					
Segment liabilities	3,061,318	418,706	3,885	672	3,484,581
Unallocated liabilities					19,505
Consolidated total liabilities					3,504,086

For the purposes of monitoring segment performance and allocating resources amongst segments:

- all assets are allocated to operating and reportable segments other than investments in associates and available-for-sale investments.
- all liabilities are allocated to operating and reportable segments other than tax liabilities and deferred tax liabilities.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure of segment results or segment assets:

1.3.2015 to 29.2.2016

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	**47,565**	**10,473**	**108**	**–**	**58,146**
Depreciation	**31,172**	**15,540**	**167**	**–**	**46,879**
Impairment losses and impairment allowances	**152,742**	**149,190**	**–**	**6**	**301,938**
Net losses on disposal of property, plant and equipment	**871**	**–**	**–**	**–**	**871**
Recoveries of advances and receivables written-off	**(39,708)**	**(14,025)**	**–**	**(113)**	**(53,846)**

21.2.2014 to 28.2.2015

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	68,264	6,442	71	–	74,777
Depreciation	27,520	14,456	499	–	42,475
Impairment losses and impairment allowances	181,260	167,474	–	2	348,736
Recoveries of advances and receivables written-off	(41,918)	(12,553)	–	(84)	(54,555)

Note: Non-current assets exclude investments in associates and derivative financial instruments.

6. SEGMENT INFORMATION (Cont'd)

Geographical information

Most of the Group's interest income, fees and commissions, handling and late charges and profit are derived from operations carried out in Hong Kong. In addition, most of the Group's non-current assets (excluding financial assets) are located in Hong Kong. Accordingly, no geographical analysis is presented.

Information about major customers

During both the year ended 29th February 2016 and the period from 21st February 2014 to 28th February 2015, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. 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
	1,107,583	1,154,223

8. 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
	94,665	98,064

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.

9. 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
	162,649	150,371

10. 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)

11. 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

Operating lease rentals in respect of Directors' and staff quarters of **HK$2,968,000** (21.2.2014 to 28.2.2015: HK$1,675,000) are included under staff costs.

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.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (21.2.2014 to 28.2.2015: ten) Directors were as follows:

1.3.2015 to 29.2.2016

Name of Directors	Fees	Salaries and other benefits	Discretionary bonus *(Note a)*	Mandatory provident fund contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Hideo Tanaka *(Note b)* (26.6.2015–29.2.2016)	–	1,052	–	–	1,052
Lai Yuk Kwong *(Note c)*	–	1,124	–	12	1,136
Koh Yik Kung	–	1,782	110	18	1,910
Kiyoshi Wada *(Note b)* (26.6.2015–29.2.2016)	–	898	–	–	898
Fung Kam Shing, Barry (1.3.2015–26.6.2015)	–	440	718	7	1,165
Tomoyuki Kawahara (1.3.2015–26.6.2015)	–	354	263	7	624
Fong Chung Leung, Gerald (1.3.2015–26.6.2015)	–	462	368	7	837
Sub-total	–	6,112	1,459	51	7,622

The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

Non-executive Director					
Masanori Kosaka	–	–	–	–	–

The Non-executive Director's emoluments shown above were mainly for his services as director of the Company and the Group.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

1.3.2015 to 29.2.2016

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus *(Note a)* HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Independent Non-executive Directors					
Ip Yuk Keung	284	–	–	–	284
Wong Hin Wing	284	–	–	–	284
Tong Jun	284	–	–	–	284
Sub-total	852	–	–	–	852

The Independent Non-executive Directors' emoluments shown above were mainly for their services as directors of the Company and the Group.

Total	8,474

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

21.2.2014 to 28.2.2015

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus *(Note a)* HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Executive Directors					
Fung Kam Shing, Barry	–	1,389	330	17	1,736
Koh Yik Kung	–	1,789	100	17	1,906
Tomoyuki Kawahara (17.6.2014–28.2.2015)	–	742	–	13	755
Fong Chung Leung, Gerald (17.6.2014–28.2.2015)	–	927	–	13	940
Sub-total	–	4,847	430	60	5,337

The Executive Directors' emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus *(Note a)* HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Non-executive Directors					
Masanori Kosaka	–	–	–	–	–
Tomoko Misaki *(Note b)* (21.2.2014–17.6.2014)	–	193	–	4	197
Lai Yuk Kwong	–	–	–	–	–
Sub-total	–	193	–	4	197

The Non-executive Directors' emoluments shown above were mainly for their services as directors of the Company and the Group.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

21.2.2014 to 28.2.2015

Name of Directors	Fees	Salaries and other benefits	Discretionary bonus *(Note a)*	Mandatory provident fund contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Independent Non-executive Directors					
Ip Yuk Keung	270	–	–	–	270
Wong Hin Wing	270	–	–	–	270
Tong Jun	270	–	–	–	270
Sub-total	810	–	–	–	810

The Independent Non-executive Directors' emoluments shown above were mainly for their services as directors of the Company and the Group.

Total	6,344

Notes:

(a) The discretionary bonus is determined by the Remuneration Committee of the Company with reference to the financial performance of the Group and the performance of the individual Director.

(b) Operating lease rentals in respect of Directors' accommodations of **HK$576,000** (21.2.2014 to 28.2.2015: HK$42,000) are included under salaries and other benefits.

(c) With effect from 26th June 2015, Lai Yuk Kwong started to receive remuneration from the Company following his re-designation as an Executive Director.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (21.2.2014 to 28.2.2015: three) were Directors, one of whom with emoluments of **HK$1,165,000** as disclosed above resigned during the year (21.2.2014 to 28.2.2015: one of the Directors with emoluments of HK$755,000 resigned during the period). Details of the emoluments of the other two (21.2.2014 to 28.2.2015: two) Directors were set out as above. The emoluments of the remaining two (21.2.2014 to 28.2.2015: two) individuals and the resigned Director (21.2.2014 to 28.2.2015: one newly appointed Director) were as follows:

	1.3.2015 to 29.2.2016 HK$'000	21.2.2014 to 28.2.2015 HK$'000
Salaries and other benefits	**2,558**	2,314
Discretionary bonus	**919**	243
Mandatory provident fund contributions	**45**	22
	3,522	2,579

Their emoluments were within the following bands:

	No. of employees	
	1.3.2015 to 29.2.2016	21.2.2014 to 28.2.2015
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	2
	3	3

13. 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 *(Note 34)*		
– 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 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	**307,355**	346,680
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**	2,596
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**	(42)
Income tax expense for the year/period	**57,388**	64,276

14. 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	**75,378**	75,378
	150,756	150,756
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	**75,378**	75,378

The Directors have recommended a final dividend of 18.0 HK cents per share. Subject to the approval of the shareholders at 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.

15. 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 21.2.2014	22,231	18,247	382,262	226	422,966
Additions	4,377	810	41,477	–	46,664
Disposals/write-off	(311)	(6,917)	(90,521)	–	(97,749)
Exchange realignment	(146)	(38)	(213)	–	(397)
At 28.2.2015	**26,151**	**12,102**	**333,005**	**226**	**371,484**
Additions	**1,497**	**213**	**54,149**	**–**	**55,859**
Disposals/write-off	**(358)**	**–**	**(31,126)**	**–**	**(31,484)**
Exchange realignment	**(160)**	**(44)**	**(246)**	**–**	**(450)**
At 29.2.2016	**27,130**	**12,271**	**355,782**	**226**	**395,409**
DEPRECIATION					
At 21.2.2014	14,440	13,641	283,291	226	311,598
Provided for the period	4,772	1,513	36,190	–	42,475
Eliminated on disposals/write-off	(311)	(6,917)	(90,521)	–	(97,749)
Exchange realignment	(31)	(13)	(41)	–	(85)
At 28.2.2015	**18,870**	**8,224**	**228,919**	**226**	**256,239**
Provided for the year	**4,150**	**1,152**	**41,577**	**–**	**46,879**
Eliminated on disposals/write-off	**(60)**	**–**	**(30,553)**	**–**	**(30,613)**
Exchange realignment	**(113)**	**(17)**	**(143)**	**–**	**(273)**
At 29.2.2016	**22,847**	**9,359**	**239,800**	**226**	**272,232**
CARRYING VALUES					
At 29.2.2016	**4,283**	**2,912**	**115,982**	**–**	**123,177**
At 28.2.2015	7,281	3,878	104,086	–	115,245

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$% or over the lease term, if shorter
Furniture and fixtures	20%
Computer equipment	20% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%

17. INVESTMENTS IN ASSOCIATES

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Cost of unlisted investments in associates	**79,335**	79,335
Share of post-acquisition results	**(47,453)**	(42,870)
Exchange difference arising from translation	**7,716**	13,182
	39,598	49,647

At 29th February 2016 and 28th February 2015, the Group had interests in the following associates:

Name of associates	Place of incorporation and operation	Proportion of ownership interest deemed to be held by the Company		Proportion of board member representative		Principal activities
		29.2.2016	28.2.2015	**29.2.2016**	28.2.2015	
AEON Credit Guarantee (China) Co., Ltd.	China	**50%**	50%	**33.3%**	33.3%	Credit guarantee business
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**33.3%**	40.0%	Provision of call centre services

The other shareholder of ACG and AIS is the Group's intermediate holding company and hence the Group considers that the Group is able to participate in the financial and operating policy decisions of ACG and AIS but does not control or jointly control over those policies.

17. INVESTMENTS IN ASSOCIATES (Cont'd)

For the year ended 29th February 2016 and the period from 21st February 2014 to 28th February 2015, both associates prepare separate set of financial statements as of 29th February and 28th February respectively for the purpose of applying the equity method of accounting.

The above associates are also fellow subsidiaries of the Group.

All of these associates' financial statements are prepared in accordance with HKFRSs and are accounted for using the equity method in these consolidated financial statements.

Aggregate information of associates that are not individually material

The summarised financial information below represents the aggregate amount of the Group's share of its interests in associates which are not individually material.

	1.3.2015 to 29.2.2016 HK$'000	21.2.2014 to 28.2.2015 HK$'000
Loss and other comprehensive expense for the year/period	**(4,583)**	(8,427)

18. AVAILABLE-FOR-SALE INVESTMENTS

	29.2.2016 HK$'000	28.2.2015 HK$'000
Listed equity securities, at fair value		
Hong Kong	**13,001**	15,363
Unlisted equity securities, at cost	**9,144**	9,144
	22,145	24,507

The investments included above represent investments in both listed and unlisted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of listed equity securities are based on quoted market bid prices. The above unlisted investments represent equity interest in three (28.2.2015: three) private entities incorporated overseas engaged in consumer credit finance services and related business. The unlisted investments are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

18. AVAILABLE-FOR-SALE INVESTMENTS (Cont'd)

The Directors also conducted a review of those unlisted investments by using discounted cash flow method based on the latest financial budgets prepared by investees' management covering a period of 3 to 5 years. Budgeted net profit projections have been determined based on the historical records and the management's expectations for the growth potential and stable market development. No impairment loss was charged for both the year and the period.

19. ADVANCES AND RECEIVABLES

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

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. The credit risk exposures of the advances and receivables are disclosed in note 39(b).

19. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables

The term of credit card instalment plans entered with customers ranges from 3 months to 6 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (28.2.2015: 26.8% to 43.5%) per annum.

Asset backed financing transaction

The Group entered into asset backed financing transaction, which is collateralised by the Group's revolving credit card receivables portfolio. Under the revolving structure, as the excess cash flows collected in respect of the transferred credit card receivables are to be reinvested, the transaction does not meet the "transfer of asset" tests under HKAS 39 for the derecognition of financial assets. Accordingly, the Group continues to recognise the full amount of the transferred credit card receivables and related deposits and recognised the cash receipt as collateralised debt obligation.

The trust is controlled by the Group as the Group is the sole beneficiary of the trust which holds the entire undivided interest in the credit card receivables transferred, and therefore, the trust is consolidated by the Group. The transaction is accounted for as a collateralised borrowing arrangement in the Group's consolidated financial statements (see note 37).

The Group is restricted to sell, pledge, assign or transfer any of the transferred receivables and related deposits to any person other than the bank. As at 29th February 2016, the principal amount of the collateralised debt obligation is **HK$1,250,000,000** (28.2.2015: HK$1,250,000,000).

(b) Instalment loans receivable

Most of the instalment loans receivable entered with customers ranges from 6 months to 4 years and are denominated in HKD. The instalment loans receivable carry effective interest ranging from 3.1% to 47.4% (28.2.2015: 3.1% to 45.4%) per annum.

19. ADVANCES AND RECEIVABLES (Cont'd)

(c) Hire purchase debtors

	Minimum payments		Present value of minimum payments	
	29.2.2016	28.2.2015	**29.2.2016**	28.2.2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**723**	1,367	**710**	1,337
In the second to fifth year inclusive	**39**	178	**39**	177
	762	1,545	**749**	1,514
Unearned finance income	**(13)**	(31)	**–**	–
Present value of minimum payments receivable	**749**	1,514	**749**	1,514

The term of hire purchase contracts entered with customers ranges from 6 months to 1.5 years. All hire purchase agreements are denominated in HKD.

20. IMPAIRMENT ALLOWANCES

	29.2.2016	28.2.2015
	HK$'000	HK$'000
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
	136,326	148,317

20. IMPAIRMENT ALLOWANCES (Cont'd)

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
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)**
At 29.2.2016	**90,723**	**45,603**	**136,326**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
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)
At 28.2.2015	92,403	55,914	148,317

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:

	29.2.2016		28.2.2015	
	HK$'000	**%***	HK$'000	%*
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
	252,321	**4.7**	261,431	4.8

* *Percentage of gross advances and receivables*

22. IMPAIRED ADVANCES

Details of the advances assessed for impairment individually are as follows:

	29.2.2016 HK$'000	28.2.2015 HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 21)*	**93,356**	94,976
– Current	**539**	–
Impairment allowances under individual assessment	**(90,723)**	(92,403)
Net impaired advances	**3,172**	2,573
Gross impaired advances as a percentage of gross advances	**1.8%**	1.8%

23. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	29.2.2016 HK$'000	28.2.2015 HK$'000
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

24. RESTRICTED DEPOSITS

The restricted deposits are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying fixed rates ranging from 0.04% to 0.33% (21.2.2014 to 28.2.2015: 0.15% to 0.21%) per annum during the year.

25. TIME DEPOSITS

Time deposits are denominated in RMB with maturity of three months or less carry fixed rates ranging from 0.01% to 4.20% (21.2.2014 to 28.2.2015: 0.01% to 3.08%) per annum during the year.

Time deposits are denominated in RMB with maturity of more than three months carry fixed rates ranging from 1.55% to 2.99% (21.2.2014 to 28.2.2015: 3.05% to 3.08%) per annum during the year.

	HK$'000
At 29.2.2016	
Time deposits with maturity of three months or less	**42,339**
Time deposits with maturity of more than three months	**55,766**
	98,105
At 28.2.2015	
Time deposits with maturity of three months or less	64,172
Time deposits with maturity of more than three months	49,356
	113,528

26. FIDUCIARY BANK BALANCES

The fiduciary bank balances are in relation to the money deposited by clients in the course of the conduct of the regulated activities under insurance brokerage business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding payables to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

27. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	HKD HK$'000	RMB HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
At 29.2.2016					
Bank balances and cash	**284,508**	**21,950**	**486**	**–**	**306,944**
At 28.2.2015					
Bank balances and cash	213,980	17,777	393	6	232,156

28. 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 HK$'000	28.2.2015 HK$'000
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).

29. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand except for **HK$42,220,000** (28.2.2015: HK$43,047,000) which is trade-related.

The aged analysis of amounts due to fellow subsidiaries that are trade-related based on the invoice date at the end of the reporting period is as follows:

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Current	**42,220**	43,047

30. AMOUNTS DUE FROM/TO IMMEDIATE/INTERMEDIATE/ULTIMATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

31. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable on demand.

32. BANK BORROWINGS

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Bank loans, unsecured	**1,705,786**	1,828,300
Carrying amount repayable *(Note)*		
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
	1,705,786	1,828,300
Amount repayable within one year included under current liabilities	**(560,786)**	(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.

32. BANK BORROWINGS (Cont'd)

Functional currency of relevant group entity is HKD. The carrying amounts of the bank borrowings are denominated in the following currencies:

	HKD HK$'000	USD HK$'000	RMB HK$'000	Total HK$'000
At 29.2.2016				
Bank loans	**1,285,950**	**387,800**	**32,036**	**1,705,786**
At 28.2.2015				
Bank loans	1,440,500	387,800	–	1,828,300

HKD bank loans of **HK$240,000,000** (28.2.2015: HK$300,000,000) are arranged at fixed interest rates ranging from 1.4% to 3.1% (28.2.2015: 1.2% to 3.4%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates ranging from 0.42% plus HIBOR to 0.85% plus HIBOR (28.2.2015: 0.40% plus HIBOR to 0.85% plus HIBOR) per annum, the RMB borrowings are arranged at floating interest rates at 85% of PBOC per annum and the USD borrowing is arranged at floating interest rate at 0.70% plus LIBOR (28.2.2015: 0.70% plus LIBOR) per annum, thus exposing the Group to cash flow interest rate risk.

At 29th February 2016, the Group has available unutilised overdrafts of **HK$705,620,000** (28.2.2015: HK$650,620,000).

At 29th February 2016, the Group has available unutilised non-committed short term bank loan facilities of **HK$645,109,000** (28.2.2015: HK$526,310,000).

33. DERIVATIVE FINANCIAL INSTRUMENTS

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

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 by swapping certain HKD floating-rate bank borrowings with aggregate principal of **HK$1,065,000,000** (28.2.2015: HK$1,048,000,000) from floating rates to fixed rates. The interest rate swaps with aggregate notional amount of **HK$1,065,000,000** (28.2.2015: HK$1,048,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.8% to 3.5% (28.2.2015: 1.0% to 3.5%) per annum and floating interest receipts quarterly ranging from 0.35% plus HIBOR to 0.85% plus HIBOR (28.2.2015: 0.35% plus HIBOR to 0.85% plus HIBOR) per annum for periods up until August 2021 (28.2.2015: until April 2020).

33. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate swaps (Cont'd)

Besides bank borrowings, the Group also entered into interest rate swaps to minimise its exposures to cash flow changes of its collateralised debt obligation transaction. Two interest rate swaps with notional amounts of **HK$550,000,000** each and one interest rate swap with notional amount of **HK$150,000,000** (28.2.2015: two interest rate swaps for HK$550,000,000 each and one interest rate swap for HK$150,000,000) were entered by the Group to swap its **HK$1,250,000,000** (28.2.2015: HK$1,250,000,000) floating-rate financing facility from floating rates to fixed rates. The interest rate swaps have fixed interest payments monthly at fixed interest rates ranging from 3.2% to 3.9% (28.2.2015: 3.2% to 3.9%) per annum and floating interest receipts monthly from 0.35% plus HIBOR to 0.55% plus HIBOR (28.2.2015: 0.35% plus HIBOR to 0.55% plus HIBOR) per annum for periods up until February 2016, February 2017 and July 2020 (28.2.2015: until February 2016, February 2017 and July 2020) respectively.

In addition, the Group entered into another two new interest rate swaps with notional amounts of HK$550,000,000 each to extend the maturity dates of above-mentioned two interest rate swaps to 2019. One of the new interest rate swaps started from February 2016 while the other will start from February 2017 and both end in August 2019. The interest rate swaps have fixed interest payments monthly at fixed interest rates ranging from 3.5% to 3.8% (28.2.2015: 3.5% to 3.8%) per annum and floating interest receipts monthly at 0.4% plus HIBOR (28.2.2015: 0.4% plus HIBOR) per annum for periods up until August 2019 (28.2.2015: until August 2019).

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.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to **HK$14,725,000** (21.2.2014 to 28.2.2015: HK$24,450,000) and is included in other comprehensive income.

The fair values of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at the end of the reporting period.

33. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

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 USD bank borrowing by swapping the floating-rate USD bank borrowing to fixed-rate HKD bank borrowing.

The cross-currency interest rate swap with notional amount of **USD50,000,000** (28.2.2015: USD50,000,000) (equivalent to HK$388,750,000 at the date of inception of the bank borrowing) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.78 (28.2.2015: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (28.2.2015: 3.28%) per annum and floating interest receipts quarterly in USD at 0.70% plus LIBOR (28.2.2015: 0.70% plus LIBOR) per annum for periods up until September 2016 (28.2.2015: until September 2016).

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.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to **HK$82,000** (21.2.2014 to 28.2.2015: HK$463,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swap is determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between USD and HKD estimated at the end of the reporting period.

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. For the collateralised debt obligation transaction, the amortisation periods for the New Tranche A and New Tranche B of HK$550,000,000 each will start from August 2019 and end in August 2020 while the amortisation period for the Tranche C of HK$150,000,000 will start from July 2020 and end in February 2021. The interest rates will be capped at the minimum of 10% or 1-month HIBOR.

During the year, net adjustment on the above-mentioned interest rate caps amounted to **HK$154,000** (21.2.2014 to 28.2.2015: HK$1,033,000) and is included in other comprehensive income.

34. 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 HK$'000	Impairment allowances HK$'000	Total HK$'000
At 21.2.2014	15,100	(10,300)	4,800
Charge to profit or loss for the period	208	961	1,169
At 28.2.2015	**15,308**	**(9,339)**	**5,969**
Charge to profit or loss for the year	**1,760**	**1,814**	**3,574**
At 29.2.2016	**17,068**	**(7,525)**	**9,543**

At the end of the reporting period, the Group had unused tax losses of **HK$73,204,000** (28.2.2015: HK$61,112,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax loss due to the unpredictability of future profit streams. The tax losses of **HK$71,058,000** (28.2.2015: HK$61,112,000) will expire in 2016 to 2020 (28.2.2015: 2016 to 2019) and the remaining tax losses may be carried forward indefinitely.

35. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised		
At 21.2.2014		
– Ordinary shares of HK$0.1 each	1,000,000,000	100,000
At 28.2.2015 and 29.2.2016	Note	Note
Issued and fully paid		
At 21.2.2014		
– Ordinary shares of HK$0.1 each	418,766,000	41,877
At 28.2.2015 and 29.2.2016		
– Ordinary shares with no par value	418,766,000	41,877

Note: Par value of the Company's shares is retired and requirement for authorised capital is abolished upon the commencement of the Companies Ordinance on 3rd March 2014.

36. RESERVES

The reserves available for distribution to shareholders at 29th February 2016 amounted to **HK$2,401,115,000** (28.2.2015: HK$2,301,904,000), representing the accumulated profits.

37. COLLATERALISED DEBT OBLIGATION

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

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 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.

37. COLLATERALISED DEBT OBLIGATION (Cont'd)

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.

38. 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 commensurately 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 Group's management review 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.

38. CAPITAL RISK MANAGEMENT (Cont'd)

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

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Debt *(Note a)*	**2,955,568**	3,077,623
Cash and cash equivalents	**(349,283)**	(294,534)
Net debt	**2,606,285**	2,783,089
Equity *(Note b)*	**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 32 and 37 respectively.

(b) Equity includes all capital and reserves of the Group.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**22,145**	24,507
Loans and receivables (excluding hire purchase debtors)	**5,694,751**	5,680,771
Derivative instruments in designated hedge accounting relationships	**1,485**	1,199
Financial liabilities		
Amortised cost	**3,084,371**	3,226,828
Derivative instruments in designated hedge accounting relationships	**128,578**	144,430

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, credit card receivables and instalment loans receivable, accrued interest and other receivables, other debtors, amounts due from immediate holding company, intermediate holding company and fellow subsidiaries, restricted deposits, time deposits, fiduciary bank balances, bank balances and cash and derivative financial assets, bank borrowings, bank overdrafts, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, immediate holding company, intermediate holding company, ultimate holding company and an associate and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group seeks to minimise the effects of cash flow risk by using derivative financial instruments to hedge the cash flow risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, and the use of derivative financial instruments. Compliance with policies on effectiveness of hedging activities is reviewed by internal auditors on a regular basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including:

- currency swap to convert the foreign currency debt to the functional currency of the relevant group entity; and
- interest rate swaps and interest rate caps to mitigate the cash flow interest rate risk.

Market risk exposures are measured using sensitivity analysis.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

There has been no change to the Group's exposures to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's position as a result of a change in foreign currency exchange rates. Certain bank deposits and balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

As at 29th February 2016, the Group's currency risk exposure primarily relates to its USD denominated bank borrowing. The total carrying amount of USD bank borrowing was **HK$387,800,000** (28.2.2015: HK$387,800,000). To minimise the currency risk in relation to the USD bank borrowing, the Group has been using cross-currency interest rate swap designed to hedge against the debt which is highly effective to convert the foreign currency debt to the functional currency of the relevant group entity. The critical terms of this currency swap is similar to those of hedged borrowing. Hence, the net foreign currency risk after taking the derivative financial instrument into consideration is not material to the Group. In this regard, no sensitivity analysis is presented.

(ii) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings including variable rate borrowings under hedge accounting to change from variable rate to fixed rate. All interest-bearing financial assets are exposed to fair value interest rate risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Group are disclosed in notes 19, 32 and 37.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

The Group's cash flow interest rate risk relates primarily to floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed rate (see note 32).

The Group monitors the interest rate exposure, through assessing the interest rate gap of its interest bearing financial assets and financial liabilities. To minimise the cash flow interest rate gap, the Group has been using interest rate swaps to convert a proportion of its variable rate debts to fixed rate. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable rate financial instruments (excluding variable rate borrowings which are hedged by interest rate swaps) and interest component of derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole period. A 100 basis point increase in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (21.2.2014 to 28.2.2015: 100 basis points) higher and all other variables were held constant:

- profit for the year would decrease by **HK$267,000** (21.2.2014 to 28.2.2015: decrease by HK$1,215,000); and

- other comprehensive income would decrease by **HK$48,992,000** (21.2.2014 to 28.2.2015 increase by HK$95,194,000) mainly as a result of the changes in the fair value of derivative financial instruments, excluding the impact of foreign exchange component for the cross-currency interest rate swaps.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the period end exposure does not reflect the exposure during the year.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale investments. The Group's equity price risk is mainly concentrated on equity securities operating in consumer credit finance services and related business. The management will monitor the price movements and take appropriate actions when it is required.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk on equity securities at the end of the reporting period.

If equity prices had been 10% (21.2.2014 to 28.2.2015: 10%) higher/lower:

- other comprehensive income would increase/decrease by **HK$1,300,000** (21.2.2014 to 28.2.2015: increase/decrease by HK$1,536,000) as a result of the changes in fair value of listed equity securities.

In management's opinion, the sensitivity analysis is unrepresentative of the other price risk as the period end exposure does not reflect the exposure during the period.

The Group's sensitivity to equity prices has not changed significantly from the prior period.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk

The Group's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations at 29th February 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. The Group's credit risk is primarily attributable to its advances and receivables. In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposures to credit risk relating to credit related commitments unrecorded in the consolidated statement of financial position is **HK$34,393,559,000** (28.2.2015: HK$37,268,502,000).

The Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's policy requires the review of individual financial assets that are above materiality thresholds on quarterly basis. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the end of the reporting period on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: i) portfolios of homogenous assets that are not assessed individually: and ii) losses incurred but not yet identified, by using the historical loss experience, experienced judgment and statistical techniques to provide.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit quality

Credit quality of advances and receivables of the Group are summarised as follows:

	29.2.2016 HK$'000	28.2.2015 HK$'000
Neither past due nor individually impaired	**5,129,069**	5,176,525
Past due but not individually impaired	**158,965**	166,455
Individually impaired	**93,895**	94,976
	5,381,929	5,437,956
Less: impairment allowances *(Note 20)*	**(136,326)**	(148,317)
	5,245,603	5,289,639

(i) Advances and receivables neither past due nor individually impaired

Included in collectively assessed impairment allowances, there is **HK$8,833,000** (28.2.2015: HK$13,483,000) in relation to collective impairment in advances and receivables that were not past due at the end of the reporting period.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit quality (Cont'd)

(ii) Advances and receivables past due but not individually impaired

Gross amount of advances and receivables that were past due but not individually impaired, of which assessment for impairment has been performed on collective basis, were as follows:

	29.2.2016			
	Credit card HK$'000	**Instalment loan HK$'000**	**Hire purchase HK$'000**	**Total HK$'000**
Overdue for:				
Over 1 month but less than 2 months	**33,561**	**55,242**	**–**	**88,803**
Over 2 months but less than 3 months	**14,782**	**30,330**	**–**	**45,112**
Over 3 months but less than 4 months	**7,102**	**17,136**	**–**	**24,238**
Over 4 months or above	**812**	**–**	**–**	**812**
	56,257	**102,708**	**–**	**158,965**
Less: collectively impaired	**(14,668)**	**(22,102)**	**–**	**(36,770)**
	41,589	**80,606**	**–**	**122,195**

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit quality (Cont'd)

(ii) Advances and receivables past due but not individually impaired (Cont'd)

	28.2.2015			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
Overdue for:				
Over 1 month but less than 2 months	29,117	60,210	–	89,327
Over 2 months but less than 3 months	13,353	31,210	12	44,575
Over 3 months but less than 4 months	9,135	17,239	–	26,374
Over 4 months or above	403	5,776	–	6,179
	52,008	114,435	12	166,455
Less: collectively impaired	(16,832)	(25,593)	(6)	(42,431)
	35,176	88,842	6	124,024

39. **FINANCIAL INSTRUMENTS (Cont'd)**

(b) **Financial risk management objectives and policies (Cont'd)**

Credit quality (Cont'd)

(iii) Advances and receivables individually impaired

The breakdown of the gross amount of individually impaired advances and receivables by class are as follows:

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
At 29.2.2016				
Individually impaired	**18,030**	**75,865**	**–**	**93,895**
At 28.2.2015				
Individually impaired	27,768	67,202	6	94,976

Impairment allowances of **HK$90,723,000** (28.2.2015: HK$92,403,000) have been provided *(Note 20)*.

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and maintain a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intends to repay the liabilities before their maturities. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest yield curve at the end of the reporting period.

39. **FINANCIAL INSTRUMENTS (Cont'd)**

(b) **Financial risk management objectives and policies (Cont'd)**

Liquidity risk (Cont'd)

	29.2.2016					
	On demand or less than 1 month HK$'000	1–3 months HK$'000	3–12 months HK$'000	1–4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Collateralised debt obligation	3,747	7,494	582,307	610,561	151,684	1,355,793
Bank borrowings						
– fixed rate	501	60,801	13,023	78,178	101,387	253,890
– variable rate	25,472	22,402	477,952	675,934	363,089	1,564,849
Other financial liabilities	126,675	1,126	–	–	–	127,801
Total undiscounted financial liabilities	156,395	91,823	1,073,282	1,364,673	616,160	3,302,333
Credit related commitment	34,393,559	–	–	–	–	34,393,559

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	28.2.2015					
	On demand or less than 1 month HK$'000	1–3 months HK$'000	3–12 months HK$'000	1–4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Collateralised debt obligation	3,855	7,710	582,426	588,066	152,487	1,334,544
Bank borrowings						
– fixed rate	50,104	205	120,920	131,416	–	302,645
– variable rate	198,912	36,443	128,546	965,610	309,218	1,638,729
Bank overdrafts	1,794	–	–	–	–	1,794
Other financial liabilities	143,533	3,878	–	–	–	147,411
Total undiscounted financial liabilities	398,198	48,236	831,892	1,685,092	461,705	3,425,123
Credit related commitment	37,268,502	–	–	–	–	37,268,502

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

The following tables detail the Group's contractual maturity for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	29.2.2016				
	Up to 3 months HK$'000	**3–12 months HK$'000**	**1–4 years HK$'000**	**Over 4 years HK$'000**	**Total HK$'000**
Derivative financial instruments					
Net cash outflow	**(11,887)**	**(27,479)**	**(64,112)**	**(9,476)**	**(112,954)**

	28.2.2015				
	Up to 3 months HK$'000	3–12 months HK$'000	1–4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Derivative financial instruments					
Net cash outflow	(16,069)	(45,655)	(67,677)	(11,159)	(140,560)

(c) Fair value measurements of financial instruments

Fair value measurements recognised in the statements of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

39. **FINANCIAL INSTRUMENTS (Cont'd)**

(c) **Fair value measurements of financial instruments (Cont'd)**

Fair value measurements recognised in the statements of financial position (Cont'd)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

	29.2.2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Derivative financial assets	**–**	**1,485**	**–**	**1,485**
Available-for-sale financial assets				
Listed equity securities	**13,001**	**–**	**–**	**13,001**
Total	**13,001**	**1,485**	**–**	**14,486**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**128,578**	**–**	**128,578**

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

	28.2.2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	1,199	–	1,199
Available-for-sale financial assets				
Listed equity securities	15,362	–	–	15,362
Total	15,362	1,199	–	16,561
Financial liabilities at FVTPL				
Derivative financial liabilities	–	144,430	–	144,430

There were no transfers between Level 1 and 2 in the current period.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's financial statements approximate to their fair values:

	29.2.2016		28.2.2015	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**1,705,786**	**1,713,664**	1,828,300	1,809,480

The fair value of listed equity securities is determined with reference to quoted market bid price from Stock Exchange.

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

The fair value of interest rate swaps and cross-currency interest rate swap are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between USD and HKD (for cross-currency interest rate swap), which is observable at the end of the reporting period.

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements

The Group has entered certain derivative transactions that are covered by the ISDA Agreements signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group's consolidated statements of financial position or are subject to similar netting arrangements.

(a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the statements of financial position HK$'000	Net amounts of financial assets presented in the statements of financial position HK$'000
At 29.2.2016			
Derivative financial instruments	**1,485**	**–**	**1,485**
At 28.2.2015			
Derivative financial instruments	1,199	–	1,199

39. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the statements of financial position HK$'000	Financial liabilities not set off in the statements of financial position HK$'000	Net amount HK$'000
At 29.2.2016			
Counterparty A	**298**	**(298)**	**–**
Counterparty B	**1,187**	**(1,187)**	**–**
Total	**1,485**	**(1,485)**	**–**
At 28.2.2015			
Counterparty A	166	(166)	–
Counterparty B	1,033	(1,033)	–
Total	1,199	(1,199)	–

39. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statements of financial position HK$'000	Net amounts of financial liabilities presented in the statements of financial position HK$'000
At 29.2.2016			
Derivative financial instruments	**(128,578)**	**–**	**(128,578)**
At 28.2.2015			
Derivative financial instruments	(144,430)	–	(144,430)

39. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(d) Net financial liabilities subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial liabilities presented in the statements of financial position HK$'000	Financial assets not set off in the statements of financial position HK$'000	Net amount HK$'000
At 29.2.2016			
Counterparty A	**(14,794)**	**298**	**(14,496)**
Counterparty B	**(112,892)**	**1,187**	**(111,705)**
Counterparty C	**(892)**	**–**	**(892)**
Total	**(128,578)**	**1,485**	**(127,093)**
At 28.2.2015			
Counterparty A	(21,484)	166	(21,318)
Counterparty B	(122,946)	1,033	(121,913)
Total	(144,430)	1,199	(143,231)

40. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Within one year	**54,185**	46,202
In the second to fifth year inclusive	**28,768**	34,983
	82,953	81,185

Leases for rented premises are negotiated for an average term of two to three years and rentals are fixed for an average of one year.

41. CAPITAL COMMITMENTS

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**11,533**	19,562

42. PLEDGE OF ASSETS

At 29th February 2016, the collateralised debt obligation was secured by credit card receivables and restricted deposits of **HK$1,670,045,540** and **HK$38,000,000** respectively (28.2.2015: HK$1,697,384,000 and HK$38,000,000) (see notes 19 and 24).

43. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$18,000 (28.2.2015: HK$18,000) per annum of each individual employee) to the MPF Scheme, which contribution is matched by employees. The total cost charged to profit or loss of **HK$4,729,000** (21.2.2014 to 28.2.2015: HK$4,005,000) and at 29th February 2016, contributions of the Group amounting to **HK$685,000** (28.2.2015: HK$687,000) due in respect of the reporting period had not been paid over to the MPF Scheme.

The employees employed in China subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The China subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

44. RELATED PARTY TRANSACTIONS

During the year/period, the Group entered into the following transactions with related parties:

	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associates	
	1.3.2015 to 29.2.2016 HK$'000	21.2.2014 to 28.2.2015 HK$'000	**1.3.2015 to 29.2.2016 HK$'000**	21.2.2014 to 28.2.2015 HK$'000	**1.3.2015 to 29.2.2016 HK$'000**	21.2.2014 to 28.2.2015 HK$'000	**1.3.2015 to 29.2.2016 HK$'000**	21.2.2014 to 28.2.2015 HK$'000
Interest income received	**6,231**	6,687	**–**	–	**–**	–	**–**	–
Commission received	**7,723**	7,843	**–**	–	**–**	–	**–**	–
Dividends received	**645**	727	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**3,288**	1,466	**–**	–	**–**	–
Licence fees paid	**8,756**	10,358	**–**	–	**35**	35	**878**	717
Service fees paid	**–**	–	**5,817**	–	**–**	–	**44,989**	44,425
Development fees paid *(Note)*	**11,344**	12,204	**–**	–	**–**	–	**–**	–

Note: For the computer system development fees paid during the year, **HK$7,867,000** (21.2.2014 to 28.2.2015: HK$1,307,000) is recognised as administrative expenses, **HK$6,161,000** (21.2.2014 to 28.2.2015: HK$10,897,000) is capitalised under property, plant and equipment of which **HK$2,684,000** (21.2.2014 to 28.2.2015: HK$Nil) is included in prepayments, deposits and other debtors.

44. RELATED PARTY TRANSACTIONS (Cont'd)

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year/period was as follows:

	1.3.2015 to 29.2.2016 HK$'000	21.2.2014 to 28.2.2015 HK$'000
Short-term benefits	**7,571**	5,831
Post-employment benefits	**51**	70
	7,622	5,901

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the Group's operating results, performance of individuals and market trends.

45. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	**116,985**	107,346
Investments in subsidiaries	**372,989**	372,989
Investments in associates	**39,598**	49,647
Available-for-sale investments	**22,145**	24,507
Advances and receivables	**1,150,720**	1,224,888
Prepayments, deposits and other debtors	**29,966**	47,714
Derivative financial instruments	**1,244**	1,199
Restricted deposits	**38,000**	38,000
	1,771,647	1,866,290
Current assets		
Advances and receivables	**3,957,944**	3,931,636
Prepayments, deposits and other debtors	**22,505**	21,973
Amount due from a subsidiary	**4**	–
Amount due from immediate holding company	**6**	–
Amount due from intermediate holding company	**386**	285
Amount due from a fellow subsidiary	**–**	461
Derivative financial instruments	**241**	–
Bank balances and cash	**233,319**	160,573
	4,214,405	4,114,928
Current liabilities		
Creditors and accruals	**237,048**	200,032
Amounts due to fellow subsidiaries	**46,368**	47,745
Amount due to immediate holding company	**–**	5
Amount due to intermediate holding company	**54**	–
Amount due to ultimate holding company	**52**	50
Amount due to an associate	**1,191**	1,444
Bank borrowings	**528,750**	495,500
Bank overdrafts	**–**	1,794
Collateralised debt obligation	**549,782**	549,731
Derivative financial instruments	**22,364**	18,380
Tax liabilities	**8,895**	13,536
	1,394,504	1,328,217
Net current assets	**2,819,901**	2,786,711
Total assets less current liabilities	**4,591,548**	4,653,001

45. FINANCIAL POSITION OF THE COMPANY (Cont'd)

	29.2.2016	28.2.2015
	HK$'000	HK$'000
Capital and reserves		
Share capital	**269,477**	269,477
Reserves *(Note)*	**2,361,355**	2,219,113
Total equity	**2,630,832**	2,488,590
Non-current liabilities		
Collateralised debt obligation	**700,000**	699,592
Bank borrowings	**1,145,000**	1,332,800
Derivative financial instruments	**106,214**	126,050
Deferred tax liabilities	**9,502**	5,969
	1,960,716	2,164,411
	4,591,548	4,653,001

The financial statements of the Company were approved and authorised for issue by the Board on 25th April 2016 and are signed on its behalf by:

HIDEO TANAKA
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

45. FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note: The movements in reserve are present below:

	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)	9,646	2,182,851	2,349,309
Profit for the period	–	–	–	–	–	–	311,054	311,054
Fair value loss on available-for-sale investments	–	–	–	(1,598)	–	–	–	(1,598)
Exchange difference arising from translation of foreign operations	–	–	–	–	–	3,535	–	3,535
Net adjustment on cash flow hedges	–	–	–	–	(22,954)	–	–	(22,954)
Total comprehensive (expense) income for the period	–	–	–	(1,598)	(22,954)	3,535	311,054	290,037
Transfer upon abolition of par value under the 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)	3,535	160,298	139,281
At 28.2.2015	**269,477**	**–**	**–**	**(1,153)**	**(136,064)**	**13,181**	**2,343,149**	**2,488,590**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**285,926**	**285,926**
Fair value loss on available-for-sale investments	**–**	**–**	**–**	**(2,362)**	**–**	**–**	**–**	**(2,362)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(5,527)**	**–**	**(5,527)**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**14,961**	**–**	**–**	**14,961**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(2,362)**	**14,961**	**(5,527)**	**285,926**	**292,998**
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**	**(5,527)**	**135,170**	**142,242**
At 29.2.2016	**269,477**	**–**	**–**	**(3,515)**	**(121,103)**	**7,654**	**2,478,319**	**2,630,832**

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

46. PARTICULARS OF THE SUBSIDIARIES

At 29th February 2016 and 28th February 2015, the Company had interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration and operation	Share capital/ paid-up capital		Proportion of ownership interest directly held by the Company		Principal activities
		29.2.2016	28.2.2015	**29.2.2016**	28.2.2015	
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage services
AEON Micro Finance (Shenyang) Co., Ltd	China	**HK$124,221,000**	HK$124,221,000	**100%**	100%	Microfinance business
AEON Micro Finance (Tianjin) Co., Ltd	China	**RMB¥100,000,000**	RMB¥100,000,000	**100%**	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd	China	**RMB¥100,000,000**	RMB¥100,000,000	**100%**	100%	Microfinance business

47. PARTICULARS OF A MASTER TRUST OF THE COMPANY

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. At 29th February 2016, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

Glossary

2015 AGM	the annual general meeting of the Company held on 26th June 2015
2016 AGM	the annual general meeting of the Company to be held on 24th June 2016
ACG	AEON Credit Guarantee (China) Co., Ltd.
ACS Malaysia	AEON Credit Service (Malaysia) Berhad
ACS Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
ACSS	AEON Credit Service Systems (Philippines) Inc.
AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AFS	AEON Financial Service Co., Ltd.
AFS (HK)	AEON Financial Service (Hong Kong) Co., Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles	the articles of association of the Company
Board	the board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
China or Mainland or PRC	the People's Republic of China
Company	AEON Credit Service (Asia) Company Limited
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong) as amended from time to time
Director(s)	the director(s) of the Company
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss

Glossary

Group	the Company and its subsidiaries
HKAS	Hong Kong Accounting Standards
HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
HIBOR	Hong Kong Interbank Offered Rate
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
ISDA Agreements	International Swaps and Derivatives Association Master Agreements
JPY	Japanese Yen, the lawful currency of Japan
LIBOR	London Interbank Offered Rate
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended from time to time
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States Dollars, the lawful currency of the United States of America

Product Launch and Promotion
產品發行及推廣

AEON Card JAL MasterCard
AEON Card JAL 萬事達卡

DR-MAX Titanium MasterCard
DR-MAX Titanium 萬事達卡

AEON Halloween Joyful Event
AEON海洋公園哈囉喂會員同樂日

Overseas Spending Promotion
海外簽賬優惠

AEON Stores Private Sale
AEON百貨會員尊享購物日