AEON

AEON CREDIT SERVICE

AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

AEON信貸財務(亞洲)有限公司

Stock Code : 900

20th

Anniversary of Listing

"We have been listed in Hong Kong for 20 years. Thank you for your support."

20th 上市20週年

ANNUAL REPORT 2014/15

Planting Seeds of Growth

We are ÆON

Corporate Social Responsibility
企業社會責任

The Caring Company Scheme Award Presentation

(The ceremony is hosted by Bernard Chan, Chairperson of the Hong Kong Council of Social Service and awards are presented by Mr John Tsang, Financial Secretary of the HKSAR)

「商界展關懷」計劃

（儀式由社聯主席陳智思先生主持並獲香港特別行政區財政司司長曾俊華先生頒獎）

Hong Kong Tree Planting Day

香港植樹日

UNICEF Young Envoys Programme

聯合國兒童基金青年使者計劃

AEON Scholarship Ceremony in Lingnan University

(Signing of the scholarship agreement by Professor Leonard Cheng, President of Lingnan University, and Mr Barry Fung, Managing Director of our Company)

嶺南大學獎學金簽約儀式

（嶺南大學校長鄭國漢教授及我們董事總經理馮錦成先生分別代表各方簽署）

AEON Scholarship Ceremony in Nankai University

AEON 獎學金頒發儀式－南開大學

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

5 years+ 商界展關懷 caringcompany

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Corporate Information

Board of Directors

Executive Directors
Fung Kam Shing, Barry *(Managing Director)*
Koh Yik Kung
Tomoyuki Kawahara
Fong Chung Leung, Gerald

Non-executive Directors
Masanori Kosaka *(Chairman)*
Lai Yuk Kwong

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
Citibank, N.A.
Hong Kong Branch

Registered Office

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

Internet Addresses

Website address: http://www.aeon.com.hk
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Stock Code

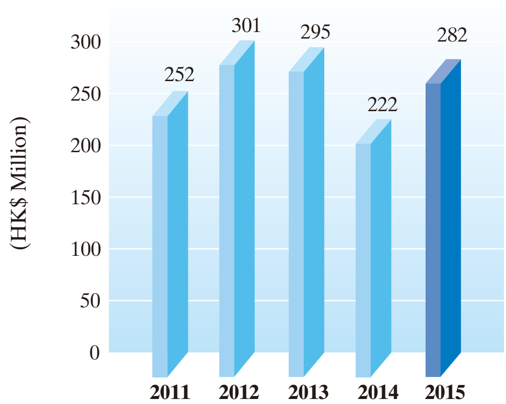
900

Shareholders' Calendar

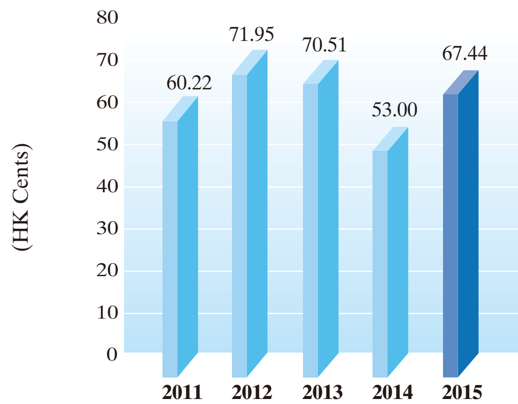
19th September 2014	Announcement of interim results for the six months ended 20th August 2014
9th October 2014	Despatch of interim report for the six months ended 20th August 2014
10th – 14th October 2014	Book closing dates for interim dividend
22nd October 2014	Payment of interim dividend of 18.0 HK cents per share
24th April 2015	Announcement of final results for the period ended 28th February 2015
20th May 2015	Despatch of annual report for the period ended 28th February 2015
24th – 26th June 2015	Book closing dates for 2015 AGM
26th June 2015	2015 AGM
6th July 2015	Book closing date for final dividend
13th July 2015	Payment of final dividend of 18.0 HK cents per share

Financial Summary

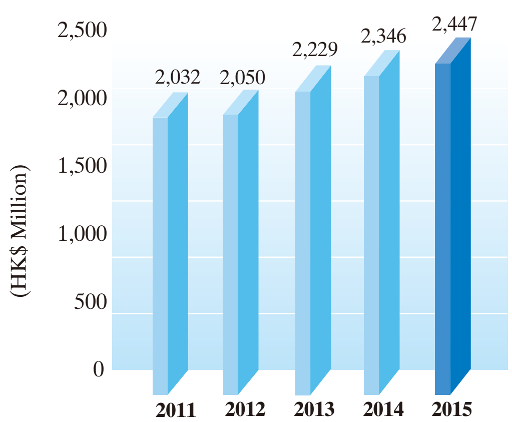
Profit (note 1)



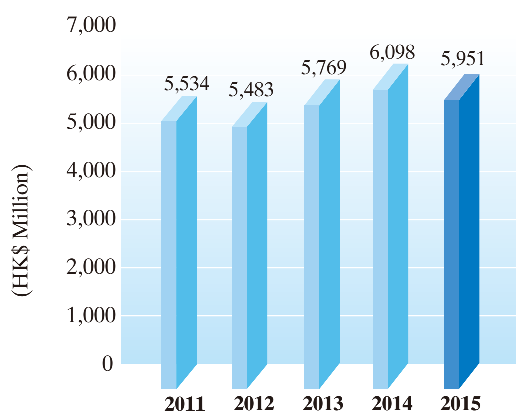
Earnings per share (note 2)



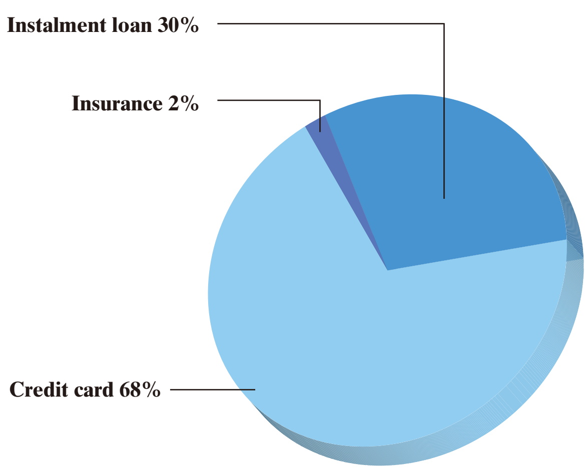
Total equity (note 3)



Total assets (note 4)



Segment revenue (note 5)



Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2011, 2012, 2013, 2014 and for the period from 21st February 2014 to 28th February 2015.

2. Represents the consolidated earnings per share for the financial years ended 20th February 2011, 2012, 2013, 2014 and for the period from 21st February 2014 to 28th February 2015.

3. Represents the consolidated total equity at 20th February 2011, 2012, 2013, 2014 and at 28th February 2015.

4. Represents the consolidated total assets at 20th February 2011, 2012, 2013, 2014 and at 28th February 2015.

5. Represents the respective percentage of revenue by operating and reportable segments for the period from 21st February 2014 to 28th February 2015.

Financial Summary

CONSOLIDATED RESULTS

	21.2.2010 to 20.2.2011 HK$'000	21.2.2011 to 20.2.2012 HK$'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**
Revenue	1,112,592	1,116,357	1,121,348	1,164,653	**1,295,955**
Profit before tax	303,796	356,095	355,361	274,490	**346,680**
Income tax expense	(51,614)	(54,776)	(60,089)	(52,542)	**(64,276)**
Profit for the year/period	252,182	301,319	295,272	221,948	**282,404**
Earnings per share	60.22 HK cents	71.95 HK cents	70.51 HK cents	53.00 HK cents	**67.44 HK cents**
Dividend per share	32.00 HK cents	34.00 HK cents	35.00 HK cents	35.00 HK cents	**36.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

			At		
	20.2.2011 HK$'000	20.2.2012 HK$'000	20.2.2013 HK$'000	20.2.2014 HK$'000	**28.2.2015 HK$'000**
Total assets	5,533,999	5,482,960	5,768,806	6,097,778	**5,951,429**
Total liabilities	(3,501,604)	(3,433,355)	(3,539,697)	(3,752,203)	**(3,504,086)**
Total equity	2,032,395	2,049,605	2,229,109	2,345,575	**2,447,343**

Chairman's Statement

Masanori Kosaka
Chairman

The past year has been an eventful one for Hong Kong's economy, with shockwaves in areas ranging from politics to real estate. The Occupy Central movement, despite coming to an end in December, leaves behind remnants of uncertain long term economic impact.

Globally, the accommodative stance of monetary policies is likely to continue, providing a modest growth momentum. Crude oil prices are hovering around 50% below their June 2014 high, but demand is expected to remain subdued, particularly as China attempts to rebalance its economy to take on a more sustainable growth path.

The strengthening of the USD will likely weaken Hong Kong's gross domestic product growth somewhat through lower net exports due to the linked exchange rate between the two currencies. On the other hand, lower import prices may exert downward pressure on headline inflation.

Notwithstanding the external distractions, the Group has delivered yet another year of growth in profitability, which is an acknowledgement of our continued systematic execution of key initiatives both locally and in our microfinance business in China, where our capability continues to grow.

I am confident that our seasoned management team who are focusing on prioritization and delivery of our strategic plan will see the Group reach new heights of success in FY2015 and beyond. The Group's continual growth in credit card business coupled with the contribution from our new revenue source through fee based income delivered satisfactory financial results over the years.

Chairman's Statement

OPERATING AND FINANCIAL RESULTS

For the period ended 28th February 2015, sales volume increased by 4.6% to HK$9,160.9 million. Revenue for the period increased by 11.3% to HK$1,296.0 million. Operating profit before the share of results of associates was HK$355.1 million, compared with HK$277.0 million in FY2013. Net profit for the period was HK$282.4 million, representing 127.2% of the net profit in the preceding year. The Group maintains a stable growth in its core business. In the interests of our customers, partners and shareholders, it is paramount to see this growth continue. For the past several years we have invested around 6.0% of our Group revenue in marketing and branding, and we expect this to continue for the foreseeable future as we focus on further expanding our card business and driving consumer engagement with our comprehensive portfolio of products and services.

A strong and diverse product portfolio and outstanding value are keys to the ongoing growth of our business. The Group continues to focus on the development and enhancement of its online and mobile platforms. Value added services are implemented regularly to drive customer engagement and improve customer satisfaction. Moreover, we expect the efforts of our in-house data mining and analytics will translate into tangible outcomes over the short to medium term.

OUTLOOK

The opportunity that lies ahead of the Group is substantial. The Board in partnership with the executive management team are strongly focused on capturing the largest possible share of the consumer finance markets in Hong Kong and China. By delivering against our strategic plan, we will give ourselves the best possible chance of growing the Group's market share over the medium to long term.

The Group is well-funded and positioned to meet the demand of our customers. We are confident in our business prospects and look forward to a satisfactory performance in FY2015.

ACKNOWLEDGEMENT

On behalf of the Board, I thank the truly excellent management team and all the staff members for delivering a strong operational result for the period ended 28th February 2015. The Group faced external distractions throughout the financial period, but the entire team stayed focused to successfully meet expectations. This year marks the 20th anniversary of our listing on the Hong Kong Stock Exchange, on behalf of the Board, I would also like to thank you, our shareholders, for your support in the past years and look forward to see you at our Annual General Meeting in June 2015.

M. Kosaka

Masanori KOSAKA
Chairman
Hong Kong, 24th April 2015

Managing Director's Operational Review

Fung Kam Shing, Barry
Managing Director

On behalf of the Board, I am pleased to present to you the annual report of the Group for the period ended 28th February 2015.

During the period, despite weakened domestic demand and tourist spending, the Group managed to record 4.6% and 11.3% growth in sales volume and revenue respectively. This is mainly due to effective marketing and efficient operation.

The Group will strive to maintain a high level of customer service satisfaction by focusing on customers' individual needs and situations.

Given the Group's relative strength and commitment to create value for shareholders, the Board has recommended a final dividend of 18.0 HK cents per share, bringing the total dividend for the period ended 28th February 2015 to 36.0 HK cents per share. This represents a dividend payout ratio of 53.4%.

Managing Director's Operational Review

OPERATIONAL REVIEW

Marketing

In FY2014, the Group demonstrated the benefits of adhering to a consistent marketing strategy for a high quality and efficient operation. The focus on long term strategic priorities continued to benefit our customers, staff, and stakeholders. The Group's revenue increased by 11.3% when compared to last year, while the operating expenses increased by 5.0%. This is attributable to the Group's focus on productivity.

Enjoy AEON! Promotion

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

Noah's Ark Promotion

AEON Ocean Park Halloween Joyful Event

Approaching 20th Anniversary Listing Promotion

Soccer Fever Promotion

Watami Scratch Card Promotion

KFC Home Delivery Promotion

Other key marketing promotions in FY2014 included the AEON Noah's Ark Promotion, AEON Ocean Park Halloween Joyful Event, Approaching 20th Anniversary Listing Promotion, Soccer Fever Promotion, Watami Scratch Card Promotion and KFC Home Delivery Promotion. Customers' engagement was overwhelming and results were positive.

In addition to mass promotions, various campaigns and merchant programs were arranged to stimulate sales and drive card acquisition. The Group launched the China Unicom Visa Card in this period. This unique product extends the Group's diverse portfolio to include the mobile-savvy segment. Offers available exclusively

Managing Director's Operational Review

to the China Unicom Visa Card members include 8x AEON bonus points, credit card installment plan, special offers on handsets and subscription plans. The Group will continue to work with its partners to drive customer engagement, develop new revenue models while delivering excellent customer service.

Branch and ATM Network

The Group's network comprises 21 branches and 193 ATMs. By utilizing area-based analysis, assessment is performed on a regular basis to improve service coverage and efficiency, resulting in higher returns per branch location and ATM placement. A prominent ATM placement in FY2014 was installed in the MTR HKU Station.

New Touchscreen ATM

The Group has introduced tablet-based services at selected branches. By employing tablets with custom user interface, branch staff are able to streamline application process while customers are rewarded with an interactive experience. The Group will continue the shift to digital platforms while accommodating the overall market dynamics.

In the past year, the Group organized 13 roadshow recruitment events. A number of the events had unique themes aimed at driving customer engagement. Japanese Summer Festival, Balloon Giveaway and Beverage Promotion represented three of the roadshows that generated vast interests in both new and existing customer segments.

EMV functionalities are now fully implemented across the Group's ATM network. Additional value added services are under development and will further enhance the overall user experience as they become available.

New Services

In FY2014, the Group continued to invest in innovation and product enhancements. The development and enhancement of the acquiring merchant network and co-brand card issuing service have continued to drive the Group's fee-based income while delivering higher values to our partners.

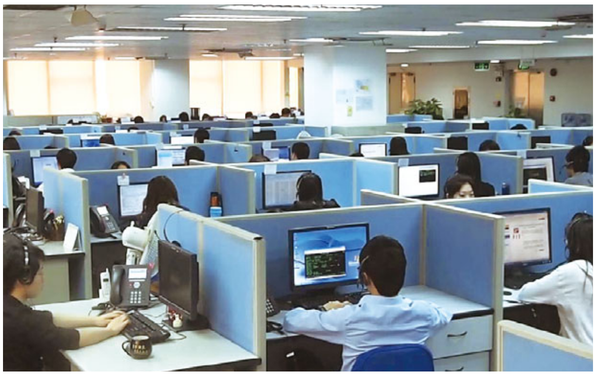
Managing Director's Operational Review

China Business

The combined sales volume and revenue of the three microfinance subsidiaries recorded a healthy growth in the past year. Assessment and expansion into different market sectors are underway.

The Group has allocated additional human resources support to these microfinance subsidiaries by increasing the involvement of its senior management team from Hong Kong. IT and system support will also be effected by means of system development and workflow enhancements. Moreover, the China Business Department of the Company will continue to formulate marketing strategies catered to their respective localities and demographics.

AIS has continued to provide back office and operation support to the Group. To cope with future expansion and to increase competitiveness, AIS has expanded its processing business into Suzhou and Wuhan. The Group will continue to offload back office duties to AIS for better operational efficiency and cost reductions.



AIS Operation Centre

Insurance Business

AEON Brokers has continued to provide tailored-made services to individual and corporate clients. The unique positioning of AEON Brokers is reflected by the extensive range of financial products and services it offers. From life insurance, general insurance to MPF schemes, AEON Brokers is devoted to improve the quality of service through proactive customer engagement and multichannel innovations.

To facilitate business growth, AEON Brokers will focus on utilizing cutting-edge technologies to better leverage shared services. Moreover, the streamlining of operation structures will allow business processes to be handled at a higher level of efficiency.

PROSPECTS

Looking ahead, business and consumer confidence remain fragile. The slowing down of the Chinese economy, the fragile recovery in the US economy, the stagnant European markets and the strengthening of the Hong Kong dollar all have cast shadows on the local economic growth.

Managing Director's Operational Review

Moreover, the strengthening of the USD against major currencies including the RMB, coupled with the weakening of the Euro and Yen made shopping for luxury goods in Hong Kong less appealing to affluent Chinese visitors. This was evident by the slump in retail sales in December 2014 and January 2015.

Nevertheless, the levels of underlying activity continue to lay a robust foundation for the local economy while the incessant low interest rates have been positive for the consumer finance sector. If the stability in global markets continues, increases in consumer spending and demand for credit over the next twelve months are likely.

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

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

SYSTEM DEVELOPMENT

Last year, the Group has started to provide e-statement to customers to reduce paper usage. This year, the Group launched another environmental friendly solution, tablet application platform. The new platform allows our staff to introduce our products to customers through the iPad. Interested customers can apply our product by filling the e-application form on the iPad and their relevant supporting documents can be captured digitally as well. This not only reduces the use of paper for application form and marketing materials, it also reduces the application processing time.

The Group also launched the online credit limit-up which can be completed through our public website. Our card holders can now utilize this e-channel to request for increase of their card credit limit without barrier of time and location as long as they have internet access. Mobile phone and mobile data service have become an integral part of our life. The Group has taken this opportunity to issue the China Unicom Visa Card, our first co-brand card with local mobile phone service provider.

In systems security area, the Group has deployed the web application firewall using the latest industrial standard. This should further protect our systems and data from hacking. In line with various standards such as PCI-DSS, ISO27001, J-SOX and so on, the Group will continue to monitor and enhance the security of its operating systems.

HUMAN RESOURCES

The total number of staff of the Group at 28th February 2015 and 20th February 2014 was 756 and 639 respectively. Out of the total staff, 403 and 400 staff are in Hong Kong at 28th February 2015 and 20th February 2014 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.

In-house Training Program

The Group also provides in-house training programs and external training sponsorships to strengthen its human resources.

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

CORPORATE SOCIAL RESPONSIBILITY

The Company's efforts and contributions to the local community have been recognized as this is the eighth 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. The Group has continued to adopt the philosophy of the three key words, "peace", "people" and "community".

Not only do we strive hard to provide a satisfactory return to our shareholders, the Group also takes pride in making charitable contributions to the local community.

Managing Director's Operational Review

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 eleventh year as a participant in this meaningful activity.

Hong Kong Tree Planting Day

Moreover, the Group has continued to sponsor charitable projects. The project sponsored during the period was "UNICEF Young Envoys Programme 2014".

UNICEF Young Envoys Programme 2014

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.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to acknowledge the exemplary hard work carried out with commitment and passion at every level within the Group, especially 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 long term growth and expansion in both Hong Kong and China. Moreover, I would like to wholeheartedly thank our customers, business partners, and shareholders for their long-standing trust in and support for the Group.

Fung Kam Shing, Barry
Managing Director

Hong Kong, 24th April 2015

Management Discussion and Analysis

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

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

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

KEY FINANCIAL HIGHLIGHTS

For the financial period from 21st February 2014 to 28th February 2015, on an audited basis, profit before tax was HK$346.7 million, an increase of 26.3% or HK$72.2 million when compared with the financial year from 21st February 2013 to 20th February 2014. After deducting income tax expense of HK$64.3 million, the Group recorded a profit increase of 27.2% or HK$60.5 million, with profit for the reporting period increased from HK$221.9 million in the previous financial year to HK$282.4 million. Earnings per share increased by 27.2% from 53.00 HK cents to 67.44 HK cents for the reporting period.

Revenue for the period was HK$1,296.0 million, an increase of HK$131.3 million when compared with HK$1,164.7 million in 2013/14.

Operating income was HK$1,206.1 million, as compared with HK$1,074.3 million in 2013/14. Operating expenses increased by 5.0% from HK$530.1 million to HK$556.8 million. At the operating level before impairment losses and impairment allowances, the Group recorded an increase in operating profit by 19.3% or HK$105.2 million from HK$544.1 million in 2013/14 to HK$649.3 million.

The Group's impairment losses and impairment allowances recorded an increase of 10.8% or HK$34.0 million from HK$314.7 million in the previous year to HK$348.7 million. Recoveries of advances and receivables written-off recorded an increase of 14.7% or HK$7.0 million from HK$47.6 million in 2013/14 to HK$54.6 million for the period.

Gross advance recorded a slight increase during this financial period. Including accrued interest and other receivables, gross advances and receivables at 28th February 2015 was HK$5,438.0 million, as compared to HK$5,415.0 million at 20th February 2014.

Net asset value per share (after final dividend), compared with the net asset value per share at 20th February 2014, has increased from HK$5.4 to HK$5.7.

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 financial period amounted to 36.0 HK cents per share, representing a dividend payout ratio of 53.4%.

CONSOLIDATED PROFIT OR LOSS ANALYSIS

Operating Income

With the launch of a series of effective marketing programs, the Group recorded a double-digit growth in revenue from card credit purchase and card cash advance in this financial period.

The Group recorded interest income of HK$1,154.2 million for the financial period from 21st February 2014 to 28th February 2015, an increase of HK$120.4 million when compared with last financial year. Total interest expense for the period was HK$98.1 million, an increase of 2.5% or HK$2.4 million when compared with last year, with average funding cost being 2.9% as compared with 3.0% in the previous year. Net interest income of the Group recorded an increase of HK$118.0 million to HK$1,056.2 million from HK$938.2 million in 2013/14. The increase in fees and commissions and handling and late charges had resulted in the increase in other operating income by 9.9% from HK$136.9 million in 2013/14 to HK$150.4 million in this financial period.

Operating Expenses

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

Impairment Losses and Impairment Allowances

During the period under review, the increase in bankruptcy petitions coupled with additional provision for impairment allowances on the advances by microfinance subsidiaries had resulted in an increase in impairment losses and impairment allowances by 10.8% or HK$34.0 million from HK$314.7 million in 2013/14 to HK$348.7 million.

Recoveries of advances and receivables written-off was HK$54.6 million, representing an increase of 14.7% or HK$7.0 million when compared with HK$47.6 million in 2013/14.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total equity at 28th February 2015 was HK$2,447.3 million, representing a growth of 4.3% or HK$101.8 million, when compared with the balance at 20th February 2014.

Advances and Receivables

Despite the competitive consumer lending market, the Group recorded an increase in card cash advance and credit purchase receivables as a result of successful marketing programs. Overall credit card receivables recorded an increase of HK$34.1 million from HK$3,520.8 million at 20th February 2014 to HK$3,554.9 million at 28th February 2015.

The growth on local personal loan sales slowed down due to keen competition. Instalment loans receivable at 28th February 2015 was HK$1,772.4 million, a decrease of HK$3.4 million when compared with the balance at 20th February 2014. As card instalment plan was commonly accepted in the market, hire purchase debtors recorded a further drop from HK$2.5 million at 20th February 2014 to HK$1.5 million at 28th February 2015. Gross advances at 28th February 2015 were HK$5,328.8 million, as compared with HK$5,299.1 million at 20th February 2014. Together with accrued interest and other receivables, gross advances and receivables increased by HK$23.0 million, from HK$5,415.0 million at 20th February 2014 to HK$5,438.0 million at 28th February 2015.

Impairment losses and impairment allowances for the financial period increased by 10.8% or HK$34.0 million from HK$314.7 million in 2013/14 to HK$348.7 million, with impairment allowances representing 2.8% of gross advances and receivables.

Collateralised Debt Obligation

The Company raised HK$1,250.0 million through collateralised debt obligation financing transaction (the "Transaction") as long-term funding. The Transaction consists of three tranches – Tranche A, Tranche B and Tranche C. Amount under Tranche A and Tranche B is HK$550.0 million each and the amount for Tranche C is HK$150.0 million. Pursuant to the Transaction, the Company transferred credit card receivables to a trust established solely for this financing purpose. According to HKAS 39, both assets transferred and debt issued under this Transaction have not been derecognised and remained in the Group's consolidated financial statements.

The collateralised debt obligation amounted to HK$1,249.3 million at 28th February 2015. This was secured by credit card receivables of HK$1,697.4 million and restricted cash of HK$38.0 million.

FUNDING AND CAPITAL MANAGEMENT

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

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

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

The Group continued to maintain a strong financial position. The net debt to equity ratio at the period/year end was as follows:

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

The net asset of the Group at 28th February 2015 was HK$2,447.3 million, as compared with HK$2,345.6 million at 20th February 2014.

The Group's principal operations were transacted and recorded in HKD and therefore its core assets did not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings.

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.

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 increase the absolute dividend amount to 36.0 HK cents per share for the financial period from 21st February 2014 to 28th February 2015, with a pay-out ratio of 53.4%.

SEGMENT INFORMATION

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

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

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

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

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

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 members. The Group continues to benefit from the strong connections with affiliated merchants in launching new co-branded cards. By using the merchants' networks as card acquisition base and cross-selling channels, the Group has also successfully expanded its loan and insurance businesses. In addition, the Group will continue to explore other fee based income business opportunities. In this period, the Group invested in innovation within the business, including the launch of the tablet application platform, web-based credit limit up service and mobile loan application. The Group will continue to work with its partners to drive customer engagement, develop new revenue models while delivering excellent customer service.

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 period were mainly related to merchants in the retail and catering industries. Meanwhile, female cardholders represent 70% of our card portfolio at 28th February 2015.

Convenient Service

The Group maintained its instant card application processing services during the period so as to enable new customers 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 193 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.

Board of Directors

DIRECTORS

Mr. Masanori KOSAKA, aged 58, was appointed as the Chairman and a Non-executive Director of the Company on 18th June 2013. He was the Managing Director of the Company from June 2002 to June 2011. He is a director of AEON Micro Finance (Shenyang) Co., Ltd., a subsidiary of the Company. He is currently 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. FUNG Kam Shing, *Barry*, aged 52, was appointed as an Executive Director and the Managing Director of the Company on 14th June 2006 and 17th June 2011 respectively. He is also a director of the Company's subsidiaries in China. He joined the Company in May 2002. He holds a Bachelor's degree in Business Administration from Yokohama National University. He is also a Chartered Financial Analyst. Prior to joining the Company, he worked for a number of major international banks in Hong Kong, Singapore and Japan.

Ms. KOH Yik Kung, aged 59, was appointed as an Executive Director of the Company 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 comprising the Legal & Compliance Department and the Human Resources & Administration Department. 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.

Mr. Tomoyuki KAWAHARA, aged 54, was appointed as an Executive Director of the Company on 17th June 2014. He was an Executive Director of the Company from June 2006 to June 2013. He joined the Company in September 2000. He is currently in charge of the Marketing Division of the Company. He holds a Bachelor's degree in Business Administration from Hokkaido University.

Mr. FONG Chung Leung, *Gerald*, aged 51, was appointed as an Executive Director of the Company on 17th June 2014. He was an Executive Director of the Company from June 1999 to November 2000. He was also a director of AEON Financial Service (Hong Kong) Co., Limited and AEON Credit Guarantee (China) Co., Ltd. He was formerly with the Company from May 1991 to November 2000 and rejoined the Company in January 2004. He is currently in charge of the Internal Operations Division and the Systems Division of the Company. He holds a Bachelor's degree in Social Science in Economics and a Master's degree in Business Administration from Chinese University of Hong Kong and a Master's degree in Science in Information Systems from Hong Kong Polytechnic University.

Board of Directors

Mr. LAI Yuk Kwong, aged 52, was an Executive Director of the Company from 16th June 1999 to 20th July 2012 and re-designated as a Non-executive Director of the Company on 21st July 2012. He was the Deputy Managing Director of the Company from 14th June 2006 to 17th June 2011. He is currently the Deputy Managing Director of AEON Financial Service (Hong Kong) Co., Limited, the Company's immediate holding company. 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.

Mr. IP Yuk Keung, aged 63, was appointed as an Independent Non-executive Director of the Company 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 a Council and Court Member and an Adjunct Professor of Lingnan University, a Member of International Advisory Board of College of Business and an Adjunct Professor at City University of Hong Kong, a Member of the International Advisory Committee and an Adjunct Scholar 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 Board of Governor 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.

Board of Directors

Mr. WONG Hin Wing, aged 52, was appointed as an Independent Non-executive Director of the Company 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 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. He is also a Council Member of the Chinese University of Hong Kong, a Member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a Member of the Nursing Council of Hong Kong. He has been the Chief Executive Officer and responsible officer of Legend Capital Partners, Inc., a licensed corporation under the Securities and Futures Ordinance 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 31 years of experience in accounting, finance, investment management and advisory.

Prof. TONG Jun, aged 52, was appointed as an Independent Non-executive Director of the Company 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 and Deputy Head of the Institute for Japanese Studies in Southeast China at Sun Yat-sen 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 period ended 28th February 2015, except for the deviations from code provisions A.4.1 and A.4.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of 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 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 period 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 commercial strategy; oversight of operations ensuring competent and prudent management, sound planning, an adequate system of internal control, adequate accounting records and compliance with 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 nine members, consisting of four Executive Directors, two Non-executive Directors 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 22 to 24 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 Directors bring a wide range of 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 fourteen 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 enquiries.

Corporate Governance Report

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.

The Company has arranged appropriate liability insurance to indemnify the Directors in respect of legal action against them.

Attendance at Board Meetings

During the period, nine 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:	
Fung Kam Shing, Barry *(Managing Director)*	9/9
Koh Yik Kung	9/9
Tomoyuki Kawahara*	7/7
Fong Chung Leung, Gerald*	7/7
Non-executive Directors:	
Masanori Kosaka *(Chairman)*	9/9
Lai Yuk Kwong	9/9
Tomoko Misaki[Δ]	2/2
Independent Non-executive Directors:	
Ip Yuk Keung	9/9
Wong Hin Wing	9/9
Tong Jun	9/9

* *appointed on 17th June 2014*
Δ *resigned on 17th June 2014*

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 period, the Company organized two formal training sessions on connected transactions, the Companies Ordinance and company performance evaluation, and AEON Code of Conduct respectively for 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 period under review.

During the period ended 28th February 2015, the Directors received trainings on the following areas:

Directors	Corporate Governance	Legal & Regulatory Development	Financial/ Management/ Business Skills & Knowledge
Executive Directors			
Fung Kam Shing, Barry	✓	✓	✓
Koh Yik Kung	✓	✓	✓
Tomoyuki Kawahara	✓	✓	✓
Fong Chung Leung, Gerald	✓	✓	✓
Non-executive Directors			
Masanori Kosaka	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
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. Fung Kam Shing, Barry. 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.

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 period ended 28th February 2015 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 2014 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 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 senior management. 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 and senior management 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 period ended 28th February 2015 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. Two 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, and overseeing the Group's financial reporting system and internal control procedures. 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 period ended 28th February 2015, 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 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; and
- Reviewed the Company's 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

INTERNAL CONTROL

The Board and senior management are responsible for establishing, maintaining and operating a sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The system is 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 and achievement of the Group's objectives.

The Board, through the Audit Committee, assesses the effectiveness of the Group's internal control system, which covers all material controls, including financial, operational and compliance controls as well as risk management functions, on an annual basis. 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.

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. In addition, ongoing trainings on risk management and internal controls are provided to relevant employees.

The key processes that have been established in ensuring the adequacy and integrity of the system of internal controls include the following:

- Management-level Risk Management Committee and sub-committees comprising Executive Directors and members of senior management have been established to manage operational risk, credit risk and market risk.

- Policies and guidelines for operational risk management and credit risk management have been established.

- Each division has to follow the policies and guidelines to conduct risk assessment and control in their areas and report any incidents to the Risk Management Committee.

- Regular monthly and ad hoc Risk Management Committee meetings are held to ensure risk mitigation is in place.

- Risk management and internal control findings 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 overseeing the effectiveness of the implementation of risk management framework.

- The Risk Management Committee will present risk reports to the Audit Committee on quarterly basis.

The Company's Audit and Assurance Division monitors the Group's internal governance and strives to provide objective assurance to the Board that a sound internal control system is 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 internal control procedures for key operating areas have been evaluated and tested for effectiveness. Such annual review and testings will also consider the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

During the period under review, no major issue but areas for improvement have been identified by internal and external auditors and appropriate measures taken. The Board is of the view that the system of internal controls in place for the period and up to the date of issuance of the annual report is sound and is sufficient to safeguard the interests of the shareholders, the customers, the employees and of the Group's assets.

ACCOUNTABILITY AND AUDIT

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 period ended 28th February 2015, 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 the 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 48 to 49 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.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the Company's external auditor at the 2014 AGM until the conclusion of the 2015 AGM.

During the period under review, a remuneration of HK$3.1 million was paid or payable to Deloitte Touche Tohmatsu for the provision of audit services to the Group. 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	74
Agreed upon procedures	994
J-SOX annual compliance review	650
Total	1,718

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 period under review, the Company Secretary has taken over 15 hours of relevant professional training to update her skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the period ended 28th February 2015, 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 twenty 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 2014 AGM was held on Tuesday, 17th June 2014. The notice of the 2014 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than twenty clear business days before the 2014 AGM. All Board members together with the key executives and the external auditor attended the 2014 AGM. The Company Secretary explained the poll voting procedures at the 2014 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2014 AGM. All the resolutions at the 2014 AGM were dealt with by poll. The poll results of the 2014 AGM are available on the Company's website and the Stock Exchange's website.

The attendance records of the Directors at the 2014 AGM are set out below:

Directors	Attendance
Executive Directors:	
Fung Kam Shing, Barry *(Managing Director)*	1/1
Koh Yik Kung	1/1
Tomoyuki Kawahara*	0/0
Fong Chung Leung*	0/0
Non-executive Directors:	
Masanori Kosaka *(Chairman)*	1/1
Lai Yuk Kwong	1/1
Tomoko Misaki[Δ]	1/1
Independent Non-executive Directors:	
Ip Yuk Keung	1/1
Wong Hin Wing	1/1
Tong Jun	1/1

* *appointed on 17th June 2014*
Δ *resigned on 17th June 2014*

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 28th February 2015 was HK$2,453.97 million (issued share capital: 418,765,600 shares at closing market price: HK$5.86 per share).

The 2015 AGM will be held at Function Room, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 26th June 2015 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, Tsim Sha Tsui, 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 period from 21st February 2014 to 28th February 2015.

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.

NET DEBT TO EQUITY RATIO

At 28th February 2015, the net debt to equity ratio was 1.1 (2014: 1.2).

RESULTS AND APPROPRIATIONS

The results of the Group for the period from 21st February 2014 to 28th February 2015 are set out in the consolidated statement of profit or loss on page 50.

An interim dividend of 18.0 HK cents (2014: interim dividend of 17.0 HK cents) per share amounting to HK$75,378,000 (2014: HK$71,190,000) was paid to the shareholders during the period. The Directors now recommend the payment of a final dividend of 18.0 HK cents (2014: 18.0 HK cents) per share to the shareholders on the register of members on 6th July 2015 amounting to HK$75,378,000 (2014: HK$75,378,000), and the retention of the remaining profit of HK$207,026,000 for the period from 21st February 2014 to 28th February 2015.

MAJOR CUSTOMERS

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

PROPERTY, PLANT AND EQUIPMENT

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

Details of the movements during the period in the property, plant and equipment of the Group and the Company are set out in note 16 to the consolidated financial statements.

Directors' Report

DIRECTORS

The Directors during the period from 21st February 2014 to 28th February 2015 and up to the date of this report were:

Executive Directors:

Fung Kam Shing, Barry *(Managing Director)*	
Koh Yik Kung	
Tomoyuki Kawahara	(Appointed on 17th June 2014)
Fong Chung Leung, Gerald	(Appointed on 17th June 2014)

Non-executive Directors:

Masanori Kosaka *(Chairman)*	
Lai Yuk Kwong	
Tomoko Misaki	(Resigned on 17th June 2014)

Independent Non-executive Directors:

Ip Yuk Keung
Wong Hin Wing
Tong Jun

In accordance with Article 102 of the Articles, all Directors shall retire at the 2015 AGM and shall be eligible for re-election. Save and except for Fung Kam Shing, Barry, Tomoyuki Kawahara and Fong Chung Leung, Gerald, all existing Directors will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2015 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

At 28th February 2015, 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
Fong Chung Leung, Gerald	15,000	0.01

(b) AFS – intermediate holding company of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Masanori Kosaka	9,596	0.01

(c) AEON Thailand – a fellow subsidiary of the Company

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

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 28th February 2015.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period 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 28th February 2015, 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
DJE Investment S.A. *(Note 4)*	33,488,000	8.00
Aberdeen Asset Management Plc and its Associates	32,340,000	7.72

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 41.57% 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).

(4) DJE Investment S.A. was a company 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

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 28th February 2015.

CONNECTED TRANSACTIONS

During the period, 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 and receivable by the Company from AEON Stores for the period from 21st February 2014 to 14th April 2014 under the previous agreement was HK$1,707,000 and from 15th April 2014 to 28th February 2015 under the renewal agreement was HK$12,823,000, of which HK$6,687,000 is classified as interest income under HKAS 39. The total commission amount under the previous agreement and the renewal agreement did not exceed the respective caps of HK$2,323,000 and HK$18,208,000 as disclosed in the Company's announcements dated 15th April 2011 and 16th April 2014 respectively.

(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 and payable by the Company to AEON Stores for the period from 21st February 2014 to 28th February 2015 was HK$10,020,000.

    On 31st October 2013, the Company entered into a licence agreement with AEON Stores for the leasing of shop no. G5-16, G/F, AEON Whampoa Store, Sites 5 & 6 Whampoa Garden, Hung Hom, Kowloon, Hong Kong for a term of one year from 1st November 2013 to 31st October 2014 at a monthly licence fee of HK$121,380 and management fee of HK$8,160. The aggregate sum of the licence fee and management fee for the period from 21st February 2014 to 31st October 2014 amounted to HK$1,073,000, which did not exceed the cap of HK$1,150,000 as disclosed in the Company's announcement dated 31st October 2013.

CONNECTED TRANSACTIONS (Cont'd)

(b) (Cont'd)

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 21st February 2014 to 28th February 2015 amounted to HK$2,439,000, which did not exceed the cap of HK$2,600,000 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 21st February 2014 to 28th February 2015 amounted to HK$1,343,000, which did not exceed the cap of HK$1,500,000 as disclosed in the Company's announcements 14th January 2014.

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

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 estimated amount of service fees payable to AIS would exceed the relevant original annual caps as disclosed in the Company's announcement dated 20th February 2013. The Company therefore revised the original annual caps, details of which were disclosed in the Company's announcement dated 16th February 2015.

The total amount of service fees paid and payable by the Company to AIS for the period from 21st February 2014 to 28th February 2015 amounted to HK$44,425,000, which did not exceed the revised cap of HK$45,000,000 as disclosed in the Company's announcement dated 16th February 2015.

CONNECTED TRANSACTIONS (Cont'd)

(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 and payable by the Company to ACSS for the period from 21st February 2014 to 28th February 2015 amounted to HK$12,203,000, which did not exceed the cap of HK$12,470,000 as disclosed in the Company's announcement dated 30th October 2013.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a), (b), (c) and (d) 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.

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 46 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 28th February 2015, 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 period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DONATIONS

During the period, the Group made charitable and other donations amounting to HK$445,000.

EMOLUMENT POLICY

The emoluments of the Directors of the Company 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 45 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the period from 21st February 2014 to 28th February 2015.

AUDITOR

A resolution will be submitted to the 2015 AGM to reappoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fung Kam Shing, Barry
Managing Director

Hong Kong, 24th April 2015

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 50 to 146, which comprise the consolidated and company statements of financial position as at 28th February 2015, 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 period from 21st February 2014 to 28th February 2015, 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 (Cap. 622), 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 80 of Schedule 11 to 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 state of affairs of the Company and of the Group as at 28th February 2015, and of the Group's profit and cash flows for the period from 21st February 2014 to 28th February 2015 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 24th April 2015

Consolidated Statement of Profit or Loss

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

	NOTES	21.2.2014 to 28.2.2015 HK$'000	21.2.2013 to 20.2.2014 HK$'000
Revenue	5	**1,295,955**	1,164,653
Interest income	7	**1,154,223**	1,033,863
Interest expense	8	**(98,064)**	(95,665)
Net interest income		**1,056,159**	938,198
Other operating income	9	**150,371**	136,862
Other gains and losses	10	**(404)**	(794)
Operating income		**1,206,126**	1,074,266
Operating expenses	11	**(556,838)**	(530,126)
Operating profit before impairment allowances		**649,288**	544,140
Impairment losses and impairment allowances		**(348,736)**	(314,723)
Recoveries of advances and receivables written-off		**54,555**	47,581
Share of results of associates	18	**(8,427)**	(2,508)
Profit before tax		**346,680**	274,490
Income tax expense	13	**(64,276)**	(52,542)
Profit for the period/year		**282,404**	221,948
Profit for the period/year attributable to:			
Owners of the Company		**282,404**	221,948
Earnings per share – Basic	15	**67.44 HK cents**	53.00 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

Consolidated Statement of Financial Position

At 28th February 2015

	NOTES	28.2.2015 HK$'000	20.2.2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**115,245**	111,368
Investments in associates	18	**49,647**	15,162
Available-for-sale investments	19	**24,507**	26,105
Advances and receivables	20	**1,224,888**	1,292,429
Prepayments, deposits and other debtors	24	**47,996**	44,183
Derivative financial instruments	35	**1,199**	1,025
Restricted deposits	25	**38,000**	68,000
		1,501,482	1,558,272
Current assets			
Advances and receivables	20	**4,064,751**	3,975,192
Prepayments, deposits and other debtors	24	**36,956**	39,718
Amount due from immediate holding company	32	**–**	1,395
Amount due from intermediate holding company	32	**298**	–
Amounts due from fellow subsidiaries	31	**490**	73
Tax recoverable		**874**	–
Time deposits	26	**113,528**	361,660
Fiduciary bank balances	27	**894**	3,074
Bank balances and cash	28	**232,156**	158,394
		4,449,947	4,539,506
Current liabilities			
Creditors and accruals	29	**210,200**	170,094
Amounts due to fellow subsidiaries	31	**48,901**	59,854
Amount due to immediate holding company	32	**6**	–
Amount due to ultimate holding company	32	**50**	49
Amount due to an associate	33	**1,577**	1,434
Bank borrowings	34	**495,500**	797,500
Bank overdrafts		**1,794**	5,025
Collateralised debt obligation	39	**549,731**	–
Derivative financial instruments	35	**18,380**	1,740
Tax liabilities		**13,536**	6,473
		1,339,675	1,042,169
Net current assets		**3,110,272**	3,497,337
Total assets less current liabilities		**4,611,754**	5,055,609

Consolidated Statement of Financial Position

At 28th February 2015

	NOTES	**28.2.2015** HK$'000	20.2.2014 HK$'000
Capital and reserves			
Share capital	37	**269,477**	41,877
Reserves	38	**2,177,866**	2,303,698
Total equity		**2,447,343**	2,345,575
Non-current liabilities			
Collateralised debt obligation	39	**699,592**	1,098,887
Bank borrowings	34	**1,332,800**	1,487,750
Derivative financial instruments	35	**126,050**	118,597
Deferred tax liabilities	36	**5,969**	4,800
		2,164,411	2,710,034
		4,611,754	5,055,609

The consolidated financial statements on pages 50 to 146 were approved and authorised for issue by the Board on 24th April 2015 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Statement of Financial Position

At 28th February 2015

	NOTES	28.2.2015 HK$'000	20.2.2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**107,346**	102,240
Investments in subsidiaries	17	**372,989**	310,899
Investments in associates	18	**49,647**	15,162
Available-for-sale investments	19	**24,507**	26,105
Advances and receivables	20	**1,224,888**	1,282,884
Prepayments, deposits and other debtors	24	**47,714**	42,589
Derivative financial instruments	35	**1,199**	1,025
Restricted deposits	25	**38,000**	68,000
		1,866,290	1,848,904
Current assets			
Advances and receivables	20	**3,931,636**	3,881,230
Prepayments, deposits and other debtors	24	**21,973**	20,922
Amount due from a subsidiary	30	**–**	166
Amount due from a fellow subsidiary	31	**461**	–
Amount due from immediate holding company	32	**–**	1,360
Amount due from intermediate holding company	32	**285**	–
Time deposits	26	**–**	256,593
Bank balances and cash	28	**160,573**	74,423
		4,114,928	4,234,694
Current liabilities			
Creditors and accruals	29	**200,032**	154,728
Amounts due to fellow subsidiaries	31	**47,745**	58,183
Amount due to immediate holding company	32	**5**	–
Amount due to ultimate holding company	32	**50**	49
Amount due to an associate	33	**1,444**	1,434
Bank borrowings	34	**495,500**	797,500
Bank overdrafts		**1,794**	5,025
Collateralised debt obligation	39	**549,731**	–
Derivative financial instruments	35	**18,380**	1,740
Tax liabilities		**13,536**	5,596
		1,328,217	1,024,255
Net current assets		**2,786,711**	3,210,439
Total assets less current liabilities		**4,653,001**	5,059,343

Statement of Financial Position

At 28th February 2015

	NOTES	28.2.2015 HK$'000	20.2.2014 HK$'000
Capital and reserves			
Share capital	*37*	**269,477**	41,877
Reserves	*38*	**2,219,113**	2,307,432
Total equity		**2,488,590**	2,349,309
Non-current liabilities			
Collateralised debt obligation	*39*	**699,592**	1,098,887
Bank borrowings	*34*	**1,332,800**	1,487,750
Derivative financial instruments	*35*	**126,050**	118,597
Deferred tax liabilities	*36*	**5,969**	4,800
		2,164,411	2,710,034
		4,653,001	5,059,343

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

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

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

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

Consolidated Statement of Cash Flows

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

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

Consolidated Statement of Cash Flows

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

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

1. GENERAL

The Company is a public limited 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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group and the Company have applied the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current period.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Cont'd)**

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

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

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

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

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

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 9 Financial Instruments (Cont'd)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HKFRS 15 Revenue from Contracts with Customers (Cont'd)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of preparation

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 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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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 period 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.

Profit or loss and each component 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

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 earned.

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).

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 statements 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 items of assets less their residual value over their estimated useful lives, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

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 subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

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. Where the financial statements of an associate used in applying the equity method prepared are of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 and the Company 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 and the Company'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 and the Company's net investment outstanding in respect of the contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group and the Company 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 exchange prevailing on the dates of the transactions. At the end of each 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 purpose of presenting 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.

Current tax

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

Deferred tax

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 (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group and the Company are 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 rates (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 and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

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

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 and 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 day 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Financial assets* (Cont'd)**

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 fair value through profit or loss ("FVTPL"). The Group designated listed and unlisted equity securities as available-for-sale investments on initial recognition of those items.

Equity securities held by the Group and the Company 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 loss on financial assets below).

Available-for-sale financial assets

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company'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 loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Financial assets* (Cont'd)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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, fellow subsidiaries and a subsidiary, 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 loss on 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.

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 where 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Financial assets* (Cont'd)**

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

For certain categories of financial assets, such as advances and receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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, as well as 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Financial assets* (Cont'd)**

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

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. When advances and receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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 directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

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 proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments **(Cont'd)**

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities including bank borrowings, bank overdrafts, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, immediate 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 of initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the 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 case 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 and the Company designate certain derivatives as hedges of its exposure against foreign exchange and interest rate movements (cash flow hedges).

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and 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 and the Company document whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values of 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 in profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when the Group and the Company revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when if 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 and the Company derecognise 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 and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue 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 and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses – non-financial assets

At the end of each 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. Where 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.

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

Impairment losses – non-financial assets (Cont'd)

Recoverable amount is the higher of fair value less costs to sell 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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 20 and 21.

5. REVENUE

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

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

Segment revenue and results

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

21.2.2014 to 28.2.2015

	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**

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

21.2.2013 to 20.2.2014

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

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 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

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

At 20.2.2014

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	4,075,201	1,916,819	61,895	2,596	6,056,511
Investments in associates					15,162
Available-for-sale investments					26,105
Consolidated total assets					6,097,778
LIABILITIES					
Segment liabilities	3,173,575	557,623	8,385	1,347	3,740,930
Unallocated liabilities					11,273
Consolidated total liabilities					3,752,203

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 current and deferred tax liabilities.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

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

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)**

21.2.2013 to 20.2.2014

	Credit card HK\$'000	Instalment loan HK\$'000	Insurance HK\$'000	Hire purchase HK\$'000	Consolidated HK\$'000
Additions to non-current assets *(Note)*	53,282	14,682	424	–	68,388
Depreciation	25,868	14,267	530	–	40,665
Impairment losses and impairment allowances	147,778	166,921	–	24	314,723
Net losses on disposal of property, plant and equipment	394	167	–	–	561
Recoveries of advances and receivables written-off	(36,435)	(10,931)	–	(215)	(47,581)

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 period from 21st February 2014 to 28th February 2015 and 21st February 2013 to 20th February 2014, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

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

8. INTEREST EXPENSE

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

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

9. OTHER OPERATING INCOME

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

10. OTHER GAINS AND LOSSES

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

11. OPERATING EXPENSES

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

Operating lease rentals in respect of Directors' and staff quarters of **HK$1,675,000** (21.2.2013 to 20.2.2014: HK$1,151,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (21.2.2013 to 20.2.2014: twelve) Directors were as follows:

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
Masanori Kosaka	–	–	–	–	–
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
Tomoko Misaki *(Note b)* (21.2.2014–17.6.2014)	–	193	–	4	197
Lai Yuk Kwong	–	–	–	–	–
Ip Yuk Keung	270	–	–	–	270
Wong Hin Wing	270	–	–	–	270
Tong Jun	270	–	–	–	270
	810	5,040	430	64	6,344

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

(a) Directors' emoluments (Cont'd)

21.2.2013 to 20.2.2014

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
Masanori Kosaka (18.6.2013–20.2.2014)	–	–	–	–	–
Masao Mizuno (21.2.2013–18.6.2013)	–	–	–	–	–
Fung Kam Shing, Barry	–	1,357	500	15	1,872
Koh Yik Kung	–	1,721	100	15	1,836
Tomoko Misaki *(Note b)* (18.6.2013–20.2.2014)	–	484	–	10	494
Tomoyuki Kawahara (21.2.2013–18.6.2013)	–	328	–	5	333
Chan Fung Kuen, Dorothy (21.2.2013–31.1.2014)	–	849	120	14	983
Lai Yuk Kwong	–	–	–	–	–
Ip Yuk Keung (19.9.2013–20.2.2014)	113	–	–	–	113
Hui Ching Shan (21.2.2013–19.9.2013)	152	–	–	–	152
Wong Hin Wing	265	–	–	–	265
Tong Jun	265	–	–	–	265
	795	4,739	720	59	6,313

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$42,000** (21.2.2013 to 20.2.2014: HK$104,000) are included under salaries and other benefits.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (21.2.2013 to 20.2.2014: four) were Directors, one of whom with emoluments of **HK$755,000** as disclosed above was newly appointed during the period (21.2.2013 to 20.2.2014: two of the Directors with emoluments of HK$1,316,000 resigned during the year). The emoluments of the other two (21.2.2013 to 20.2.2014: two) Directors are disclosed above. The emoluments of the remaining two (21.2.2013 to 20.2.2014: one) individuals and the newly appointed Director (21.2.2013 to 20.2.2014: two resigned Directors) were as follows:

	21.2.2014 to 28.2.2015 HK$'000	21.2.2013 to 20.2.2014 HK$'000
Salaries and other benefits	**2,314**	2,643
Discretionary bonus	**243**	448
Mandatory provident fund contributions	**22**	43
	2,579	3,134

Their emoluments were within the following bands:

	No. of employees	
	21.2.2014 to 28.2.2015	**21.2.2013 to 20.2.2014**
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
	3	3

13. INCOME TAX EXPENSE

	21.2.2014 to 28.2.2015 HK$'000	21.2.2013 to 20.2.2014 HK$'000
Current tax:		
– Current period/year	**63,063**	50,942
– Under(over)provision in respect of prior years	**44**	(800)
	63,107	50,142
Deferred tax *(Note 36)*		
– Current period/year	**1,169**	2,400
	64,276	52,542

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

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

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

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

14. DIVIDENDS

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

The Directors have recommended the payment of a final dividend of 18.0 HK cents per share. Subject to the approval of the shareholders at the 2015 AGM, the final dividend will be paid on 13th July 2015 to shareholders whose names appear on the register of members of the Company on 6th July 2015. This dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE – BASIC

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

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
THE GROUP					
COST					
At 21.2.2013	16,486	14,335	377,220	226	408,267
Additions	5,931	3,895	45,965	–	55,791
Disposals/write-off	(254)	–	(41,024)	–	(41,278)
Exchange realignment	68	17	101	–	186
At 20.2.2014	**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**
DEPRECIATION					
At 21.2.2013	9,657	13,114	288,640	214	311,625
Provided for the year	4,861	524	35,268	12	40,665
Eliminated on disposals/write-off	(87)	–	(40,620)	–	(40,707)
Exchange realignment	9	3	3	–	15
At 20.2.2014	**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**
CARRYING VALUES					
At 28.2.2015	**7,281**	**3,878**	**104,086**	**–**	**115,245**
At 20.2.2014	7,791	4,606	98,971	–	111,368

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

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY					
COST					
At 21.2.2013	16,047	14,140	373,624	226	404,037
Additions	2,302	3,232	41,827	–	47,361
Disposals/write-off	–	–	(41,024)	–	(41,024)
At 20.2.2014	**18,349**	**17,372**	**374,427**	**226**	**410,374**
Additions	**4,258**	**524**	**40,184**	**–**	**44,966**
Disposals/write-off	**(311)**	**(6,917)**	**(90,521)**	**–**	**(97,749)**
At 28.2.2015	**22,296**	**10,979**	**324,090**	**226**	**357,591**
DEPRECIATION					
At 21.2.2013	9,566	13,079	286,984	214	309,843
Provided for the year	4,369	410	34,120	12	38,911
Eliminated on disposals/write-off	–	–	(40,620)	–	(40,620)
At 20.2.2014	**13,935**	**13,489**	**280,484**	**226**	**308,134**
Provided for the period	**3,869**	**1,295**	**34,696**	**–**	**39,860**
Eliminated on disposals/write-off	**(311)**	**(6,917)**	**(90,521)**	**–**	**(97,749)**
At 28.2.2015	**17,493**	**7,867**	**224,659**	**226**	**250,245**
CARRYING VALUES					
At 28.2.2015	**4,803**	**3,112**	**99,431**	**–**	**107,346**
At 20.2.2014	4,414	3,883	93,943	–	102,240

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 SUBSIDIARIES

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Cost of unlisted investments in subsidiaries	**372,989**	310,899

At 28th February 2015 and 20th February 2014, the Company had interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration and operation	Share capital/ paid-up capital 2015	2014	Proportion of ownership interest directly held by the Company 2015	2014	Principal activities
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	**RMB100,000,000**	RMB50,000,000	**100%**	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd.	China	**RMB100,000,000**	RMB100,000,000	**100%**	100%	Microfinance business
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage services

18. INVESTMENTS IN ASSOCIATES

	THE GROUP AND THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Cost of unlisted investments in associates	**79,335**	39,946
Exchange difference arising from translation	**13,182**	9,659
Share of post-acquisition results	**(42,870)**	(34,443)
	49,647	15,162

At 28th February 2015 and 20th February 2014, the Group and the Company 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 2015	2014	Proportion of board member representative 2015	2014	Principal activities
AEON Credit Guarantee (China) Co., Ltd.	China	**50%**	50%	**33.3%**	42.9%	Credit guarantee business
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**40.0%**	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.

The financial year end date for both associates is 31st December. During the year ended 20th February 2014, for the purpose of applying the equity method of accounting, the financial statements of both associates for the year ended 31st December had been used as the Group considered that it was impracticable for both associates to prepare a separate set of financial statements as of 20th February. The Directors considered that there was no significant transaction between the financial year end date of the associates and 20th February 2014. Accordingly, no adjustment was made. For the period ended 28th February 2015, both associates prepare separate set of financial statements as of 28th February for the purpose of applying the equity method of accounting.

The above associates are also fellow subsidiaries of the Group and the Company.

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.

18. INVESTMENTS IN ASSOCIATES (Cont'd)

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.

	21.2.2014 to 28.2.2015 HK$'000	21.2.2013 to 20.2.2014 HK$'000
Loss and other comprehensive expense for the period/year	**(8,427)**	(2,508)
The unrecognised share of loss of ACG for the period/year	**–**	(4,128)

	28.2.2015 HK$'000	20.2.2014 HK$'000
Cumulative share of loss of ACG	**(57,727)**	(46,975)

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	28.2.2015 HK$'000	20.2.2014 HK$'000
Listed equity securities, at fair value		
Hong Kong	**15,363**	16,961
Unlisted equity securities, at cost	**9,144**	9,144
	24,507	26,105

The investments included above represent investments in both listed and unlisted equity securities that offer the Group and the Company 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 (20.2.2014: three) private entities incorporated overseas engaged in consumer credit finance services and related business. The unlisted investments are measured at cost less impairment at each reporting date 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.

19. 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 period and the year.

20. ADVANCES AND RECEIVABLES

	THE GROUP	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Credit card receivables	**3,554,916**	3,520,833
Instalment loans receivable	**1,772,360**	1,775,736
Hire purchase debtors	**1,514**	2,545
	5,328,790	5,299,114
Accrued interest and other receivables	**109,166**	115,867
Gross advances and receivables	**5,437,956**	5,414,981
Impairment allowances *(Note 21)*		
– individually assessed	**(92,403)**	(81,207)
– collectively assessed	**(55,914)**	(66,153)
	(148,317)	(147,360)
	5,289,639	5,267,621
Current portion included under current assets	**(4,064,751)**	(3,975,192)
Amount due after one year	**1,224,888**	1,292,429

20. ADVANCES AND RECEIVABLES (Cont'd)

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Credit card receivables	**3,554,916**	3,520,833
Instalment loans receivable	**1,611,218**	1,657,958
Hire purchase debtors	**1,514**	2,545
	5,167,648	5,181,336
Accrued interest and other receivables	**107,431**	114,718
Gross advances and receivables	**5,275,079**	5,296,054
Impairment allowances *(Note 21)*		
– individually assessed	**(63,184)**	(69,577)
– collectively assessed	**(55,371)**	(62,363)
	(118,555)	(131,940)
	5,156,524	5,164,114
Current portion included under current assets	**(3,931,636)**	(3,881,230)
Amount due after one year	**1,224,888**	1,282,884

Included in the advances and receivables of the Group and the Company, there are secured credit card receivables and instalment loans receivable of **HK$11,182,000** (20.2.2014: HK$29,700,000) and **HK$35,785,000** (20.2.2014: HK$47,191,000) respectively. The Group and the Company hold 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 of the Group and the Company are disclosed in note 41(b).

(a) Credit card receivables

The term of credit card instalment plans entered with customers ranges from 3 months to 4 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (20.2.2014: 26.8% to 43.5%) per annum.

20. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables (Cont'd)

Asset backed financing transaction

The Company entered into asset backed financing transaction, which is collateralised by the Company'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 Company 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 Company as the Company 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 39).

The Group and the Company are restricted to sell, pledge, assign or transfer any of the transferred receivables and related deposits to any person other than the bank. As at 28th February 2015, the principal amount of the collateralised debt obligation is **HK$1,250,000,000** (20.2.2014: HK$1,100,000,000).

The financial assets being transferred but not derecognised are carried at amortised cost in the Company's statement of financial position and the amounts are set out below.

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Carrying amount and fair value of:		
Credit card receivables	**1,697,384**	1,858,759
Restricted deposits	**38,000**	68,000
Time deposits	**–**	256,593
Collateralised debt obligation	**(1,249,323)**	(1,098,887)
	486,061	1,084,465

20. ADVANCES AND RECEIVABLES (Cont'd)

(b) Instalment loans receivable

Most of the term of instalment loans receivable entered with customers ranges from 6 months to 5 years and are denominated in HKD. The instalment loans receivable carry effective interest ranging from 3.1% to 45.4% (20.2.2014: 3.2% to 46.9%) per annum.

(c) Hire purchase debtors

	THE GROUP AND THE COMPANY			
	Minimum payments		**Present value of minimum payments**	
	28.2.2015	20.2.2014	**28.2.2015**	20.2.2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**1,367**	2,379	**1,337**	2,325
In the second to fifth year inclusive	**178**	223	**177**	220
	1,545	2,602	**1,514**	2,545
Unearned finance income	**(31)**	(57)	**–**	–
Present value of minimum payments receivable	**1,514**	2,545	**1,514**	2,545

The term of hire purchase contracts entered with customers ranges from 6 months to 3 years. All hire purchase agreements are denominated in HKD. The hire purchase debtors carry effective interest ranging from 13.8% to 14.0% (20.2.2014: 13.2% to 14.1%) per annum.

21. IMPAIRMENT ALLOWANCES

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

	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	**(347,779)**	**–**	**(347,779)**
At 28.2.2015	**92,403**	**55,914**	**148,317**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21.2.2013	56,365	70,471	126,836
Impairment losses and impairment allowances	319,041	(4,318)	314,723
Amounts written-off as uncollectable	(294,199)	–	(294,199)
At 20.2.2014	81,207	66,153	147,360

21. IMPAIRMENT ALLOWANCES (Cont'd)

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**48,577**	61,084
Instalment loans receivable	**68,354**	68,638
Hire purchase debtors	**23**	57
Accrued interest and other receivables	**1,601**	2,161
	118,555	131,940

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
At 21.2.2014	**69,577**	**62,363**	**131,940**
Impairment losses and impairment allowances	**340,602**	**(6,992)**	**333,610**
Amounts written-off as uncollectable	**(346,995)**	**–**	**(346,995)**
At 28.2.2015	**63,184**	**55,371**	**118,555**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21.2.2013	56,017	70,471	126,488
Impairment losses and impairment allowances	307,933	(8,108)	299,825
Amounts written-off as uncollectable	(294,373)	–	(294,373)
At 20.2.2014	69,577	62,363	131,940

22. 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:

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

	THE COMPANY			
	28.2.2015		20.2.2014	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**86,615**	**1.7**	139,060	2.6
Overdue 2 months but less than 3 months	**42,113**	**0.8**	43,937	0.8
Overdue 3 months but less than 4 months	**26,374**	**0.5**	28,491	0.5
Overdue 4 months or above	**70,364**	**1.3**	72,754	1.5
	225,466	**4.3**	284,242	5.4

* *Percentage of gross advances and receivables*

23. IMPAIRED ADVANCES

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

	THE GROUP	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**94,976**	87,150
– Current	**–**	37
Impairment allowances under individual assessment	**(92,403)**	(81,207)
Net impaired advances	**2,573**	5,980
Gross impaired advances as a percentage of gross advances	**1.8%**	1.6%

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**65,757**	75,520
– Current	**–**	37
Impairment allowances under individual assessment	**(63,184)**	(69,577)
Net impaired advances	**2,573**	5,980
Gross impaired advances as a percentage of gross advances	**1.3%**	1.5%

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	THE GROUP		THE COMPANY	
	28.2.2015	20.2.2014	**28.2.2015**	20.2.2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for property, plant and equipment	**39,953**	31,150	**39,953**	30,582
Rental and other deposits	**23,106**	22,543	**17,851**	16,881
Prepaid operating expenses	**14,584**	22,022	**10,681**	15,223
Other debtors	**7,309**	8,186	**1,202**	825
	84,952	83,901	**69,687**	63,511
Current portion included under current assets	**(36,956)**	(39,718)	**(21,973)**	(20,922)
Amount due after one year	**47,996**	44,183	**47,714**	42,589

25. RESTRICTED DEPOSITS

The restricted deposits of the Group and the Company are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying fixed rates ranging from 0.15% to 0.21% (21.2.2013 to 20.2.2014: 0.14% to 0.19%) per annum during the period.

26. TIME DEPOSITS

Time deposits with maturity of three months or less of the Group and the Company carry fixed rates ranging from 0.01% to 3.08% (21.2.2013 to 20.2.2014: 0.02% to 2.86%) per annum during the period.

Time deposits with maturity of more than three months of the Group carry fixed rates ranging from 3.05% to 3.08% (21.2.2013 to 20.2.2014: 0.25% to 3.05%) per annum during the period.

26. TIME DEPOSITS (Cont'd)

THE GROUP	HKD HK$'000	RMB HK$'000	Total HK$'000
28.2.2015			
Time deposits with maturity of three months or less	**–**	**64,172**	**64,172**
Time deposits with maturity of more than three months	**–**	**49,356**	**49,356**
Time deposits	**–**	**113,528**	**113,528**
20.2.2014			
Time deposits with maturity of three months or less	256,693	101,122	357,815
Time deposits with maturity of more than three months	–	3,845	3,845
Time deposits	256,693	104,967	361,660

THE COMPANY	HKD HK$'000	RMB HK$'000	Total HK$'000
20.2.2014			
Time deposits with maturity of three months or less	256,593	–	256,593

27. FIDUCIARY BANK BALANCES

The fiduciary bank balances of the Group 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.

28. 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:

THE GROUP

	HKD HK$'000	RMB HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
28.2.2015					
Bank balances and cash	**213,980**	**17,777**	**393**	**6**	**232,156**
20.2.2014					
Bank balances and cash	124,185	34,026	176	7	158,394

THE COMPANY

	HKD HK$'000	RMB HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
28.2.2015					
Bank balances and cash	**158,626**	**1,548**	**393**	**6**	**160,573**
20.2.2014					
Bank balances and cash	72,823	1,417	176	7	74,423

29. CREDITORS AND ACCRUALS

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

	THE GROUP	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Current	**84,235**	53,842
Over 1 month but less than 3 months	**3,976**	4,169
Over 3 months	**5,235**	5,770
	93,446	63,781

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Current	**81,406**	51,822
Over 1 month but less than 3 months	**3,752**	2,838
Over 3 months	**5,127**	3,734
	90,285	58,394

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

30. AMOUNT DUE FROM A SUBSIDIARY

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

31. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand except for **HK$43,047,000** (20.2.2014: HK$57,212,000) 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/year is as follows:

	THE GROUP AND THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Current	**43,047**	46,276
Over 1 month but less than 3 months	**–**	10,936
	43,047	57,212

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

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

33. AMOUNT DUE TO AN ASSOCIATE

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

34. BANK BORROWINGS

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

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

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

	HKD	**USD**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
28.2.2015			
Bank loans	**1,440,500**	**387,800**	**1,828,300**
20.2.2014			
Bank loans	1,897,500	387,750	2,285,250

34. BANK BORROWINGS (Cont'd)

HKD bank loans of **HK$300,000,000** (20.2.2014: HK$320,000,000) are arranged at fixed interest rates ranging from 1.2% to 3.4% (20.2.2014: 1.2% to 3.4%) per annum and expose the Group and the Company to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates ranging from 0.40% plus HIBOR to 0.85% plus HIBOR (20.2.2014: 0.42% plus HIBOR to 0.85% plus HIBOR) per annum while the USD borrowings are arranged at floating interest rates at 0.70% plus LIBOR (20.2.2014: 0.70% plus LIBOR) per annum, thus exposing the Group and the Company to cash flow interest rate risk.

At 28th February 2015, both the Group and the Company have available unutilised overdrafts of **HK$650,620,000** (20.2.2014: HK$516,120,000).

At 28th February 2015, the Group and the Company have available unutilised non-committed short term bank loan facilities of **HK$526,310,000** and **HK$495,462,000** (20.2.2014: HK$208,200,000 and HK$176,162,000) respectively.

35. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges:

Interest rate swaps

The Group and the Company use 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$1,048,000,000** (20.2.2014: HK$1,015,000,000) from floating rates to fixed rates. The interest rate swaps of the Group and the Company with aggregate notional amount of **HK$1,048,000,000** (20.2.2014: HK$1,015,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.0% to 3.9% (20.2.2014: 1.3% to 3.6%) per annum and floating interest receipts quarterly ranging from 0.35% plus HIBOR to 0.85% plus HIBOR (20.2.2014: 0.42% plus HIBOR to 0.85% plus HIBOR) per annum for periods up until April 2020 (20.2.2014: until April 2020).

At 28th February 2015 and 20th February 2014, besides bank borrowings, the Group and the Company 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** (20.2.2014: HK$550,000,000) each were entered by the Group and the Company to swap its **HK$1,100,000,000** (20.2.2014: HK$1,100,000,000) 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 3.7% to 3.9% (20.2.2014: 3.7% to 3.9%) per annum and floating interest receipts monthly from 0.35% plus HIBOR (20.2.2014: 0.35% plus HIBOR) per annum for periods up until February 2016 and February 2017 (20.2.2014: until February 2016 and February 2017) respectively.

In September 2014, the Group and the Company entered into another two new interest rate swaps with notional amounts of **HK$550,000,000** each to extend the collateralised debt obligation transaction to 2019. The two new interest rate swaps will start from February 2016 and February 2017 respectively and both end in August 2019. Besides, the Group and the Company secured an additional tranche of **HK$150,000,000** for its collateralised debt obligation transaction with the revolving period ending in July 2020. A corresponding interest rate swap with notional amount of **HK$150,000,000** (20.2.2014: Nil) was entered by the Group and the Company to swap its **HK$150,000,000** (20.2.2014: Nil) floating-rate financing facility from floating rate to fixed rate. It has started since October 2014 and will end in July 2020. The interest rate swaps have fixed interest payments monthly at fixed interest rates ranging from 3.2% to 3.8% (20.2.2014: Nil) per annum and floating interest receipts monthly from 0.40% plus HIBOR to 0.55% plus HIBOR (20.2.2014: Nil) per annum for periods up until August 2019 and July 2020 (20.2.2014: None) respectively.

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate swaps (Cont'd)

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 period, net adjustment on the above-mentioned cash flow hedges amounted to **HK$24,450,000** (21.2.2013 to 20.2.2014: HK$53,778,000) 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.

Cross-currency interest rate swap

The Group and the Company use 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 of the Group and the Company with notional amount of **USD50,000,000** (20.2.2014: 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 (20.2.2014: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (20.2.2014: 3.28%) per annum and floating interest receipts quarterly in USD at 0.70% plus LIBOR (20.2.2014: 0.70% plus LIBOR) per annum for periods up until September 2016 (20.2.2014: 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 period, net adjustment on the above-mentioned cash flow hedges amounted to **HK$463,000** (21.2.2013 to 20.2.2014: HK$909,000) 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.

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate caps

In September 2014, the Group and the Company entered into interest rate caps to minimise its exposures to interest rate changes of its collateralised debt obligation transaction during the amortisation periods. The amortisation periods for the **HK$1,100,000,000** collateralised debt obligation financing transaction will start from August 2019 and end in August 2020. The amortisation period for the additional tranche of **HK$150,000,000** for the collateralised debt obligation transaction 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 period, net adjustment on the above-mentioned interest rate caps amounted to **HK$1,033,000** (21.2.2013 to 20.2.2014: Nil) and is included in other comprehensive income.

36. DEFERRED TAX LIABILITIES

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

	THE GROUP AND THE COMPANY		
	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 21.2.2013	14,000	(11,600)	2,400
Charge to profit or loss for the year	1,100	1,300	2,400
At 20.2.2014	**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**

At the end of the reporting period, the Group had unused tax losses of **HK$89,847,000** (20.2.2014: HK$55,730,000) 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 will expire in 2016 to 2019 (20.2.2014: in 2016 to 2018).

37. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares	**Share capital HK$'000**
Authorised		
At 21.2.2013, 20.2.2014 and 21.2.2014		
– Ordinary shares of HK$0.1 each	1,000,000,000	100,000
At 28.2.2015	Note	Note
Issued and fully paid		
At 21.2.2013, 20.2.2014 and 21.2.2014		
– Ordinary shares of HK$0.1 each	418,766,000	41,877
At 28.2.2015		
– 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 new Hong Kong Companies Ordinance on 3rd March 2014.

38. RESERVES

The reserves of the Group and the Company available for distribution to shareholders at 28th February 2015 amounted to **HK$2,301,904,000** and **HK$2,343,149,000** respectively (20.2.2014: HK$2,170,256,000 and HK$2,182,851,000 respectively), representing the accumulated profits.

39. COLLATERALISED DEBT OBLIGATION

a) At 20th February 2014, the Company had a **HK$1,100,000,000** collateralised debt obligation financing transaction (the "Existing Transaction"). The Existing Transaction consists of two tranches – Tranche A and Tranche B. The amount under Tranche A and Tranche B is **HK$550,000,000** each. The revolving periods for Tranche A and Tranche B will end in January 2016 and January 2017 respectively. The two tranches are arranged at floating interest rates of 0.35% plus HIBOR per annum, thus exposing the Group and the Company to cash flow interest rate risk. Two corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are arranged to swap these two tranches from floating rates to fixed rates.

b) In September 2014, the Company extended the revolving periods of Tranche A and Tranche B and secured an additional tranche of **HK$150,000,000** to the Existing Transaction (the "New Transaction"). The New Transaction consists of three tranches – New Tranche A, New Tranche B and Tranche C. The amount under New Tranche A and New Tranche B is **HK$550,000,000** each and the amount under Tranche C is **HK$150,000,000**. The total amount of the collateralised debt obligation financing transaction at 28th February 2015 was **HK$1,250,000,000**. The revolving periods for New Tranche A and New Tranche B will start from February 2016 and February 2017 respectively and both end in August 2019. The revolving period for Tranche C started from October 2014 and will end in July 2020. The two tranches under New Tranche A and New Tranche B are arranged at floating interest rates of 0.40% plus HIBOR per annum and the tranche under Tranche C is arranged at floating interest rate of 0.55% plus HIBOR per annum, thus exposing the Group and the Company to cash flow interest rate risk. Including the two corresponding interest rate swaps under the Existing Transaction, five corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are executed to swap these five tranches from floating rates to fixed rates at 3.2% to 3.9% per annum respectively. The effective interest rate after taking into account the executed interest rate swaps was 3.7% per annum for the period from 21st February 2014 to 28th February 2015 (3.8% per annum for the year from 21st February 2013 to 20th February 2014).

39. COLLATERALISED DEBT OBLIGATION (Cont'd)

c) Pursuant to the Existing Transaction and the New Transaction (collectively the "Transactions"), the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10, the Trust is controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transactions have not been derecognised and remained in the Group's and the Company's financial statements. The Transactions are backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

40. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that:

- the Group and the Company 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 and the Company consist of debt (which includes bank borrowings and collateralised debt obligation), net of cash and cash equivalents and equity attributable to shareholders of the Group and the Company, comprising share capital and reserves.

40. CAPITAL RISK MANAGEMENT (Cont'd)

Net debt to equity ratio

The Group's and the Company'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.

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

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

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Debt *(Note a)*	**3,077,623**	3,384,137
Cash and cash equivalents	**(158,779)**	(325,991)
Net debt	**2,918,844**	3,058,146
Equity *(Note b)*	**2,488,590**	2,349,309
Net debt to equity ratio	**1.2**	1.3

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 34 and 39 respectively.

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

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**24,507**	26,105
Loans and receivables (excluding hire purchase debtors)	**5,680,771**	5,865,854
Derivative instruments in designated hedge accounting relationships	**1,199**	1,025
Financial liabilities		
Amortised cost	**3,226,828**	3,517,675
Derivative instruments in designated hedge accounting relationships	**144,430**	120,337

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**24,507**	26,105
Loans and receivables (excluding hire purchase debtors)	**5,355,502**	5,562,932
Derivative instruments in designated hedge accounting relationships	**1,199**	1,025
Financial liabilities		
Amortised cost	**3,222,378**	3,510,615
Derivative instruments in designated hedge accounting relationships	**144,430**	120,337

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

The Group's and the Company'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, fellow subsidiaries and a subsidiary, 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, 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 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 and the Company seek 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 Company'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 and the Company do not enter into or trade derivative financial instruments for speculative purposes.

Market risk

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

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

Market risk exposures are measured using sensitivity analysis.

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

***Market risk* (Cont'd)**

(i) Foreign currency risk management

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

As at 28th February 2015, the Group's and the Company's foreign currency risk exposure primarily relates to its USD denominated bank borrowing. The total carrying amount of USD bank borrowing was **HK$387,800,000** (20.2.2014: HK$387,750,000). To minimise the foreign currency risk in relation to the USD bank borrowing, the Group and the Company have been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Besides, the Group and the Company have made RMB deposit so as to minimise the foreign currency risk in relation to the RMB bank borrowings. Hence, the net foreign currency risk after taking the derivative financial instruments as well as the RMB deposits into consideration is not material to the Group and the Company. In this regard, no sensitivity analysis is presented.

(ii) Interest rate risk management

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 and the Company'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 and the Company are disclosed in notes 20, 34 and 39.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk **(Cont'd)**

(ii) Interest rate risk management (Cont'd)

The Group's and the Company'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 34).

The Group and the Company monitor 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 and the Company have 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 higher and all other variables were held constant, the Group's and the Company's:

- profit for the period ended 28th February 2015 would decrease by **HK$1,215,000** (21.2.2013 to 20.2.2014: decrease by HK$4,697,000); and

- other comprehensive income would increase by **HK$95,194,000** (21.2.2013 to 20.2.2014: increase by HK$70,166,000) 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

***Market risk* (Cont'd)**

(ii) Interest rate risk management (Cont'd)

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 period.

(iii) Other price risks

The Group and the Company are exposed to equity price risk through its available-for-sale investments. The Group's and the Company'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% higher/lower:

- other comprehensive income would increase/decrease by **HK$1,536,000** (21.2.2013 to 20.2.2014: increase/decrease by HK$1,696,000) 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 and the Company's sensitivity to equity prices have not changed significantly from prior year.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management

The Group's and the Company's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations at 28th February 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and the Company's statements of financial position. The Group's and the Company's credit risk are primarily attributable to its advances and receivables. In order to minimise the credit risk, the Group and the Company have 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 and the Company's credit policies and oversees the credit quality of the Group's and the Company'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 and the Company's credit risk are 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 and the Company's maximum exposures to credit risk relating to credit related commitments unrecorded in the consolidated statement of financial position is **HK$37,268,502,000** (20.2.2014: HK$36,283,014,000).

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

The Group's and the Company'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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk management **(Cont'd)**

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.

Credit quality

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

	THE GROUP	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Neither past due nor individually impaired	**5,176,525**	5,112,294
Past due but not individually impaired	**166,455**	215,500
Individually impaired	**94,976**	87,187
	5,437,956	5,414,981
Less: impairment allowances *(Note 21)*	**(148,317)**	(147,360)
	5,289,639	5,267,621

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Neither past due nor individually impaired	**5,049,614**	5,011,775
Past due but not individually impaired	**159,708**	208,722
Individually impaired	**65,757**	75,557
	5,275,079	5,296,054
Less: impairment allowances *(Note 21)*	**(118,555)**	(131,940)
	5,156,524	5,164,114

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality (Cont'd)

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

Included in collectively assessed impairment allowances, there is **HK$13,483,000** (20.2.2014: HK$13,720,000) in relation to collective impairment in advances and receivables that were not past due at the end of the reporting period.

(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:

	THE GROUP 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

41. 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)

	THE GROUP 20.2.2014			
	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	57,903	81,306	10	139,219
Over 2 months but less than 3 months	16,100	29,426	57	45,583
Over 3 months but less than 4 months	12,351	17,326	10	29,687
Over 4 months or above	224	787	–	1,011
	86,578	128,845	77	215,500
Less: collectively impaired	(24,338)	(28,066)	(29)	(52,433)
	62,240	100,779	48	163,067

	THE COMPANY 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**	**56,093**	**–**	**85,210**
Over 2 months but less than 3 months	**13,353**	**28,580**	**12**	**41,945**
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	**107,688**	**12**	**159,708**
Less: collectively impaired	**(16,832)**	**(25,050)**	**(6)**	**(41,888)**
	35,176	**82,638**	**6**	**117,820**

41. 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)

	THE COMPANY 20.2.2014			
	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	57,903	78,359	10	136,272
Over 2 months but less than 3 months	16,100	27,308	57	43,465
Over 3 months but less than 4 months	12,351	15,613	10	27,974
Over 4 months or above	224	787	–	1,011
	86,578	122,067	77	208,722
Less: collectively impaired	(24,338)	(25,423)	(29)	(49,790)
	62,240	96,644	48	158,932

(iii) Advances and receivables individually impaired

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

	THE GROUP			
	Credit card HK$'000	**Instalment loan HK$'000**	**Hire purchase HK$'000**	**Total HK$'000**
28.2.2015				
Individually impaired	**27,768**	**67,202**	**6**	**94,976**
20.2.2014				
Individually impaired	33,196	53,976	15	87,187

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

(iii) Advances and receivables individually impaired (Cont'd)

	THE COMPANY			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
28.2.2015				
Individually impaired	**27,768**	**37,984**	**6**	**65,758**
20.2.2014				
Individually impaired	33,196	42,346	15	75,557

Impairment allowances of **HK$92,403,000** (20.2.2014: HK$81,207,000) have been provided *(Note 21)*.

Liquidity risk management

The Group and the Company have 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 and the Company manage 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 and the Company'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 and the Company are entitled and intend 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

***Liquidity risk management* (Cont'd)**

THE GROUP
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 GROUP
20.2.2014

	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	3,454	6,907	31,082	1,159,164	–	1,200,607
Bank borrowings						
– fixed rate	654	1,426	36,329	296,667	–	335,076
– variable rate	585,551	46,361	172,185	837,949	442,185	2,084,231
Bank overdrafts	5,025	–	–	–	–	5,025
Other financial liabilities	123,618	4,895	–	–	–	128,513
Total undiscounted financial liabilities	718,302	59,589	239,596	2,293,780	442,185	3,753,452
Credit related commitment	36,283,014	–	–	–	–	36,283,014

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk management **(Cont'd)**

THE COMPANY 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	139,190	3,771	–	–	–	142,961
Total undiscounted financial liabilities	393,855	48,129	831,892	1,685,092	461,705	3,420,673
Credit related commitment	37,268,502	–	–	–	–	37,268,502

THE COMPANY 20.2.2014

	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	3,454	6,907	31,082	1,159,164	–	1,200,607
Bank borrowings						
– fixed rate	654	1,426	36,329	296,667	–	335,076
– variable rate	585,551	46,361	172,185	837,949	442,185	2,084,231
Bank overdrafts	5,025	–	–	–	–	5,025
Other financial liabilities	117,674	3,779	–	–	–	121,453
Total undiscounted financial liabilities	712,358	58,473	239,596	2,293,780	442,185	3,746,392
Credit related commitment	36,283,014	–	–	–	–	36,283,014

41. FINANCIAL INSTRUMENTS (Cont'd)

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

***Liquidity risk management* (Cont'd)**

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 and the Company'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 and the Company'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.

	THE GROUP AND THE COMPANY 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)**

	THE GROUP AND THE COMPANY 20.2.2014				
	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	(16,227)	(49,060)	(105,219)	(7,899)	(178,405)

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements

Fair value measurements recognised in the statements of financial position

Some of the Group's and the Company'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.

- 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).

	THE GROUP AND THE COMPANY 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

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements (Cont'd)

	THE GROUP AND THE COMPANY			
	20.2.2014			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	1,025	–	1,025
Available-for-sale financial assets				
Listed equity securities	16,961	–	–	16,961
Total	16,961	1,025	–	17,986
Financial liabilities at FVTPL				
Derivative financial liabilities	–	120,337	–	120,337

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 and the Company's financial statements approximate to their fair values:

	THE GROUP AND THE COMPANY			
	28.2.2015		20.2.2014	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**1,828,300**	**1,809,480**	2,285,250	2,298,485

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

The fair value of interest rate swaps and cross-currency interest rate swaps 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 swaps), which is observable at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

The Group and the Company have entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the statements 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 and the Company currently have no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group and the Company have no other financial assets and financial liabilities which are offset in the Group's and the Company's statements of financial position or are subject to similar netting arrangements.

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

	THE GROUP AND THE COMPANY		
	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**
28.2.2015			
Derivative financial instruments	**1,199**	**–**	**1,199**
20.2.2014			
Derivative financial instruments	1,025	–	1,025

41. 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

	THE GROUP AND THE COMPANY		
	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
28.2.2015			
Counterparty A	**166**	**(166)**	**–**
Counterparty B	**1,033**	**(1,033)**	**–**
Total	**1,199**	**(1,199)**	**–**
20.2.2014			
Counterparty A	365	(365)	–
Counterparty B	660	(660)	–
Total	1,025	(1,025)	–

41. 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

	THE GROUP AND THE COMPANY		
	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**
28.2.2015			
Derivative financial instruments	**(144,430)**	**–**	**(144,430)**
20.2.2014			
Derivative financial instruments	(120,337)	–	(120,337)

41. 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

	THE GROUP AND THE COMPANY		
	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
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)**
20.2.2014			
Counterparty A	(27,128)	365	(26,763)
Counterparty B	(93,209)	660	(92,549)
Total	(120,337)	1,025	(119,312)

42. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Within one year	**46,202**	56,679
In the second to fifth year inclusive	**34,983**	47,777
	81,185	104,456

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Within one year	**43,718**	50,495
In the second to fifth year inclusive	**34,893**	46,100
	78,611	96,595

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.

43. CAPITAL COMMITMENTS

	THE GROUP	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**19,562**	9,807

	THE COMPANY	
	28.2.2015	20.2.2014
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Purchase of property, plant and equipment	**19,562**	9,239

44. PLEDGE OF ASSETS

At 28th February 2015, the collateralised debt obligation of the Group and the Company was secured by credit card receivables and restricted deposits of **HK$1,697,384,000** and **HK$38,000,000.00** respectively (20.2.2014: HK$1,858,759,000 and HK$68,000,000) (see notes 20 and 25).

45. 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 (20.2.2014: HK$15,000) 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$4,005,000** (21.2.2013 to 20.2.2014: HK$3,776,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting period. At 28th February 2015, contributions of the Group and the Company amounting to **HK$687,000** and **HK$625,000** respectively (20.2.2014: HK$602,000 and HK$551,000) 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.

46. RELATED PARTY TRANSACTIONS

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

	Fellow subsidiaries		Immediate holding company		Intermediate holding company		Ultimate holding company		Associates	
	21.2.2014 to 28.2.2015 HK$'000	21.2.2013 to 20.2.2014 HK$'000	**21.2.2014 to 28.2.2015 HK$'000**	21.2.2013 to 20.2.2014 HK$'000	**21.2.2014 to 28.2.2015 HK$'000**	21.2.2013 to 20.2.2014 HK$'000	**21.2.2014 to 28.2.2015 HK$'000**	21.2.2013 to 20.2.2014 HK$'000	**21.2.2014 to 28.2.2015 HK$'000**	21.2.2013 to 20.2.2014 HK$'000
Interest income received	**6,687**	6,088	**–**	–	**–**	–	**–**	–	**–**	–
Commission received	**7,843**	7,658	**–**	–	**–**	–	**–**	–	**–**	–
Dividends received	**727**	171	**–**	–	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**1,466**	694	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**–**	–	**–**	200
Licence fees paid	**10,358**	9,617	**–**	–	**–**	15	**35**	35	**717**	921
Service fees paid	**–**	143	**–**	–	**–**	16	**–**	–	**44,425**	40,676
Development fees paid *(Note)*	**12,204**	7,661	**–**	–	**–**	–	**–**	–	**–**	–

Note: For the computer system development fees paid during the period, **HK$1,307,000** (21.2.2013 to 20.2.2014: HK$1,156,000) is recognised as administrative expenses, **HK$10,897,000** (21.2.2013 to 20.2.2014: HK$5,960,000) is capitalised under property, plant and equipment and **Nil** (21.2.2013 to 20.2.2014: HK$545,000) is included in prepayments, deposits and other debtors.

46. RELATED PARTY TRANSACTIONS (Cont'd)

Compensation of key management personnel

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

	21.2.2014 to 28.2.2015 HK$'000	21.2.2013 to 20.2.2014 HK$'000
Short-term benefits	**5,831**	7,537
Post-employment benefits	**70**	88
	5,901	7,625

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

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 28th February 2015, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

Glossary

2014 AGM	the annual general meeting of the Company held on 17th June 2014
2015 AGM	the annual general meeting of the Company to be held on 26th June 2015
ACG	AEON Credit Guarantee (China) Co., Ltd.
ACSS	AEON Credit Service Systems (Philippines) Inc.
AEON Brokers	AEON Insurance Brokers (HK) Limited
AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AEON Thailand	AEON Thana Sinsap (Thailand) Public Company 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, 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

Glossary

Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
HIBOR	Hong Kong Interbank Offered Rate
Hong Kong	Hong Kong Special Administrative Region of the PRC
JPY	Japanese Yen, the lawful currency of Japan
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by 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 China Unicom Visa Card Launch
AEON 中國聯通 Visa 卡發行

Soccer Fever Promotion
足球狂熱推廣

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

Watami Scratch Card Promotion
居食屋「和民」擦擦卡推廣

KFC Special Menu Set Promotion
KFC 精選套餐優惠