



**AEON CREDIT SERVICE (ASIA) COMPANY LIMITED**  
**AEON 信貸財務(亞洲)有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock code: 900)



**INTERIM REPORT**  
FOR THE SIX MONTHS ENDED  
31ST AUGUST 2015



The Directors are pleased to announce the unaudited consolidated results of the Group for the six months ended 31st August 2015, together with the comparative figures for the six months ended 20th August 2014 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31st August 2015

	<i>Notes</i>	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Revenue	3	<b>628,960</b>	630,610
Interest income	5	<b>556,674</b>	570,361
Interest expense	6	<b>(47,232)</b>	(46,258)
Net interest income		<b>509,442</b>	524,103
Other operating income	7	<b>78,035</b>	62,388
Other gains and losses	8	<b>(111)</b>	(261)
Operating income		<b>587,366</b>	586,230
Operating expenses	9	<b>(300,717)</b>	(267,472)
Other expenses		<b>(8,158)</b>	–
Operating profit before impairment allowances		<b>278,491</b>	318,758
Impairment losses and impairment allowances		<b>(159,359)</b>	(168,471)
Recoveries of advances and receivables written-off		<b>27,287</b>	26,560
Share of results of associates		<b>468</b>	(9,211)
Profit before tax		<b>146,887</b>	167,636
Income tax expense	10	<b>(27,139)</b>	(32,268)
Profit for the period		<b>119,748</b>	135,368
Profit for the period attributable to: Owners of the Company		<b>119,748</b>	135,368
Earnings per share – Basic	12	<b>28.60 HK cents</b>	32.33 HK cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 31st August 2015*

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Profit for the period	<u>119,748</u>	<u>135,368</u>
<b>Other comprehensive (expense) income</b>		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss) gain on available-for-sale investments	(1,404)	355
Exchange difference arising from translation of foreign operations	(13,559)	(1,567)
Net adjustment on cash flow hedges	<u>17,908</u>	<u>15,638</u>
Other comprehensive income for the period	<u>2,945</u>	<u>14,426</u>
Total comprehensive income for the period	<u><b>122,693</b></u>	<u>149,794</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u><b>122,693</b></u>	<u>149,794</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2015

	Notes	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	139,236	115,245
Investments in associates		43,943	49,647
Available-for-sale investments	14	23,103	24,507
Advances and receivables	15	1,163,866	1,224,888
Prepayments, deposits and other debtors	18	33,347	47,996
Derivative financial instruments	26	674	1,199
Restricted deposits	19	38,000	38,000
		<u>1,442,169</u>	<u>1,501,482</u>
<b>Current assets</b>			
Advances and receivables	15	4,065,185	4,064,751
Prepayments, deposits and other debtors	18	31,416	36,956
Amount due from intermediate holding company		554	298
Amounts due from fellow subsidiaries	24	234	490
Tax recoverable		1,100	874
Restricted deposits	19	45,012	–
Time deposits	20	95,718	113,528
Fiduciary bank balances	21	141	894
Bank balances and cash	22	236,203	232,156
		<u>4,475,563</u>	<u>4,449,947</u>
<b>Current liabilities</b>			
Creditors and accruals	23	266,227	210,200
Amounts due to fellow subsidiaries	24	52,593	48,901
Amount due to immediate holding company		246	6
Amount due to intermediate holding company		18	–
Amount due to ultimate holding company		35	50
Amounts due to associates		1,366	1,577
Bank borrowings	25	340,806	495,500
Bank overdrafts		1,208	1,794
Collateralised debt obligation	29	549,849	549,731
Derivative financial instruments	26	10,166	18,380
Tax liabilities		35,159	13,536
		<u>1,257,673</u>	<u>1,339,675</u>
<b>Net current assets</b>		<u>3,217,890</u>	<u>3,110,272</u>
<b>Total assets less current liabilities</b>		<u>4,660,059</u>	<u>4,611,754</u>
<b>Capital and reserves</b>			
Share capital	27	269,477	269,477
Reserves		2,225,181	2,177,866
<b>Total equity</b>		<u>2,494,658</u>	<u>2,447,343</u>
<b>Non-current liabilities</b>			
Collateralised debt obligation	29	699,687	699,592
Bank borrowings	25	1,337,500	1,332,800
Derivative financial instruments	26	116,620	126,050
Deferred tax liabilities	28	11,594	5,969
		<u>2,165,401</u>	<u>2,164,411</u>
		<u>4,660,059</u>	<u>4,611,754</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 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
Balance at 21.2.2014 (Audited)	41,877	227,330	270	445	(113,110)	18,507	2,170,256	2,345,575
Profit for the period	-	-	-	-	-	-	135,368	135,368
Fair value gain on available-for-sale investments	-	-	-	355	-	-	-	355
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(1,567)	-	(1,567)
Net adjustment on cash flow hedges	-	-	-	-	15,638	-	-	15,638
Total comprehensive income (expense) for the period	-	-	-	355	15,638	(1,567)	135,368	149,794
Transfer upon abolition of par value under the new 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)
	227,600	(227,330)	(270)	355	15,638	(1,567)	59,990	74,416
Balance at 20.8.2014 (Unaudited)	269,477	-	-	800	(97,472)	16,940	2,230,246	2,419,991
Balance at 1.3.2015 (Audited)	269,477	-	-	(1,153)	(136,064)	13,179	2,301,904	2,447,343
Profit for the period	-	-	-	-	-	-	119,748	119,748
Fair value loss on available-for-sale investments	-	-	-	(1,404)	-	-	-	(1,404)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(13,559)	-	(13,559)
Net adjustment on cash flow hedges	-	-	-	-	17,908	-	-	17,908
Total comprehensive (expense) income for the period	-	-	-	(1,404)	17,908	(13,559)	119,748	122,693
Final dividend paid for the period from 21.2.2014 to 28.2.2015	-	-	-	-	-	-	(75,378)	(75,378)
	-	-	-	(1,404)	17,908	(13,559)	44,370	47,315
Balance at 31.8.2015 (Unaudited)	269,477	-	-	(2,557)	(118,156)	(380)	2,346,274	2,494,658

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st August 2015

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
<b>Net cash from operating activities</b>	<b>274,549</b>	249,547
Dividends received	465	228
Purchase of property, plant and equipment	<b>(3,409)</b>	(13,215)
Deposits paid for acquisition of property, plant and equipment	<b>(10,917)</b>	(2,167)
Investment in an associate	–	(39,389)
Increase in time deposits with maturity of more than three months	<b>(15,605)</b>	(46,595)
<b>Net cash used in investing activities</b>	<b>(29,466)</b>	(101,138)
Placement of restricted deposits	<b>(45,012)</b>	(744,880)
Withdrawal of restricted deposits	–	656,541
Dividends paid	<b>(75,378)</b>	(75,378)
New bank loans raised	<b>5,156,806</b>	49,347,400
Repayment of bank loans	<b>(5,306,500)</b>	(49,365,900)
<b>Net cash used in financing activities</b>	<b>(270,084)</b>	(182,217)
<b>Net decrease in cash and cash equivalents</b>	<b>(25,001)</b>	(33,808)
<b>Effect of changes in exchange rate</b>	<b>(2,441)</b>	(3,299)
<b>Cash and cash equivalents at beginning of the period</b>	<b>294,534</b>	511,184
<b>Cash and cash equivalents at end of the period</b>	<b>267,092</b>	474,077
Being:		
Time deposits with maturity of three months or less	<b>32,097</b>	320,322
Bank balances and cash	<b>236,203</b>	157,359
Bank overdrafts	<b>(1,208)</b>	(3,604)
	<b>267,092</b>	474,077

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 31st August 2015*

### **1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules. In preparing the condensed consolidated financial statements, the Group has not taken into account the amendments to Appendix 16 to the Listing Rules issued by the Stock Exchange in early 2015 that are effective for accounting period ending on or after 31st December 2015.

The financial information relating to the period from 21st February 2014 to 28th February 2015 that is included in the half-year interim report 2015 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that period but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the period from 21st February 2014 to 28th February 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

#### **Change of financial year end date**

The financial year 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 condensed consolidated financial statements for the current period cover the six months ended 31st August 2015. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the period from 21st February 2014 to 20th August 2014 and therefore may not be comparable with amounts shown for the current period.

### **2. PRINCIPAL ACCOUNTING POLICIES**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st August 2015 are the same as those followed in the preparation of the Group's annual financial statements for the period from 21st February 2014 to 28th February 2015.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Interest income	<b>556,674</b>	570,361
Fees and commissions	<b>38,157</b>	33,921
Handling and late charges	<b>34,129</b>	26,328
	<b><u>628,960</u></b>	<u>630,610</u>

## 4. 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



#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results

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

##### 1.3.2015 to 31.8.2015 (Unaudited)

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>424,144</b>	<b>188,123</b>	<b>16,645</b>	<b>48</b>	<b>628,960</b>
<b>RESULT</b>					
Segment results	<b>132,316</b>	<b>14,444</b>	<b>2,845</b>	<b>–</b>	<b>149,605</b>
Unallocated operating income					<b>3,850</b>
Unallocated expenses					<b>(7,036)</b>
Share of results of associates					<b>468</b>
Profit before tax					<b>146,887</b>

##### 21.2.2014 to 20.8.2014 (Unaudited)

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>424,796</b>	<b>191,654</b>	<b>14,047</b>	<b>113</b>	<b>630,610</b>
<b>RESULT</b>					
Segment results	<b>152,599</b>	<b>24,875</b>	<b>3,727</b>	<b>54</b>	<b>181,255</b>
Unallocated operating income					<b>2,151</b>
Unallocated expenses					<b>(6,559)</b>
Share of results of associates					<b>(9,211)</b>
Profit before tax					<b>167,636</b>

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

5. INTEREST INCOME

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Advances	553,202	565,668
Impaired advances	1,750	3,450
Time deposits and bank balances	1,722	1,243
	<u>556,674</u>	<u>570,361</u>

6. INTEREST EXPENSE

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	14,472	11,725
Interest on bank borrowings wholly repayable after five years	412	652
Interest on collateralised debt obligation wholly repayable within five years	3,916	3,082
Net interest expense on interest rate swap contracts	28,432	30,799
	<u>47,232</u>	<u>46,258</u>

7. OTHER OPERATING INCOME

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	465	228
Fees and commissions		
Credit card	21,512	19,874
Insurance	16,645	14,047
Handling and late charges	34,129	26,328
Others	5,284	1,911
	<u>78,035</u>	<u>62,388</u>

## 8. OTHER GAINS AND LOSSES

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Exchange (losses) gains		
Exchange losses on hedging instrument released from cash flow hedge reserve	<b>(300)</b>	(200)
Exchange gains on a bank loan	<b>300</b>	200
Other exchange losses, net	<b>(6)</b>	(156)
Hedge ineffectiveness on cash flow hedges	<b>(105)</b>	(105)
	<b>(111)</b>	(261)

## 9. OPERATING EXPENSES

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Depreciation	<b>22,521</b>	21,213
General administrative expenses	<b>80,515</b>	65,943
Marketing and promotion expenses	<b>39,388</b>	35,161
Operating lease rentals in respect of rented premises, advertising space and equipment	<b>36,211</b>	34,193
Other operating expenses	<b>28,049</b>	33,137
Staff costs including Directors' emoluments	<b>94,033</b>	77,825
	<b>300,717</b>	267,472

## 10. INCOME TAX EXPENSE

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Current tax		
– Current period	<b>21,514</b>	31,768
Deferred tax ( <i>note 28</i> )		
– Current period	<b>5,625</b>	500
	<b>27,139</b>	32,268

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits of the China subsidiaries for both periods.

## 11. DIVIDENDS

On 13th July 2015, a dividend of **18.0 HK cents** (six months ended 20th August 2014: 18.0 HK cents) per share amounting to a total of **HK\$75,378,000** (six months ended 20th August 2014: HK\$75,378,000) was paid to shareholders as the final dividend for 2014/15.

In respect of the current interim period, the Directors have declared an interim dividend of **18.0 HK cents** per share amounting to **HK\$75,378,000** payable to the shareholders of the Company whose names appear on the Register of Members on 16th October 2015. The interim dividend will be paid on 27th October 2015. This interim dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

## 12. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the unaudited profit for the period of **HK\$119,748,000** (six months ended 20th August 2014: HK\$135,368,000) and on the number of shares of **418,766,000** (six months ended 20th August 2014: 418,766,000) in issue during the period.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent on computer equipment and leasehold improvements of approximately **HK\$47,190,000** (six months ended 20th August 2014: HK\$17,991,000).

## 14. AVAILABLE-FOR-SALE INVESTMENTS

	<b>31.8.2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2015 (Audited) HK\$'000
Listed equity securities, at fair value		
Hong Kong	<b>13,959</b>	15,363
Unlisted equity securities, at cost	<b>9,144</b>	9,144
	<hr/> <b>23,103</b>	<hr/> 24,507

The investments included above represent investments in both listed and unlisted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of listed equity securities are based on quoted market bid prices. The above unlisted investments represent equity interest in three (28.2.2015: three) private entities incorporated overseas engaged in consumer credit finance services and related business. The unlisted investments are measured at cost less impairment at 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.

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 the current period.

## 15. ADVANCES AND RECEIVABLES

	<b>31.8.2015</b> (Unaudited) <i>HK\$'000</i>	28.2.2015 (Audited) <i>HK\$'000</i>
Credit card receivables	<b>3,508,266</b>	3,554,916
Instalment loans receivable	<b>1,738,529</b>	1,772,360
Hire purchase debtors	<b>1,306</b>	1,514
	<b>5,248,101</b>	5,328,790
Accrued interest and other receivables	<b>106,519</b>	109,166
	<b>5,354,620</b>	5,437,956
Impairment allowances ( <i>note 16</i> )		
– individually assessed	<b>(77,098)</b>	(92,403)
– collectively assessed	<b>(48,471)</b>	(55,914)
	<b>(125,569)</b>	(148,317)
	<b>5,229,051</b>	5,289,639
Current portion included under current assets	<b>(4,065,185)</b>	(4,064,751)
	<b>1,163,866</b>	1,224,888

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK\$7,820,000** (28.2.2015: HK\$11,182,000) and **HK\$19,201,000** (28.2.2015: HK\$35,785,000) respectively. The Group holds collateral over these balances. The Directors consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. Other advances and receivables are unsecured. In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated to different departments responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio.

## 15. ADVANCES AND RECEIVABLES (Continued)

### (a) Credit card receivables

The term of 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% (28.2.2015: 26.8% to 43.5%) per annum.

#### *Asset backed financing transaction*

The Group entered into asset backed financing transaction, which is collateralised by the Group's revolving credit card receivables portfolio. At 31st August 2015, the carrying amount of the credit card receivables under this financing transaction was **HK\$1,599,853,000** (28.2.2015: HK\$1,697,384,000). The principal amount of the collateralised debt obligation is **HK\$1,250,000,000** (28.2.2015: HK\$1,250,000,000).

### (b) Instalment loans receivable

Most of the 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 47.4% (28.2.2015: 3.1% to 45.4%) per annum.

### (c) Hire purchase debtors

	Minimum payments		Present value of minimum payments	
	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Amounts receivable under hire purchase contracts:				
Within one year	1,190	1,367	1,162	1,337
In the second to fifth year inclusive	145	178	144	177
	<u>1,335</u>	<u>1,545</u>	<u>1,306</u>	<u>1,514</u>
Unearned finance income	(29)	(31)	-	-
Present value of minimum payments receivable	<u>1,306</u>	<u>1,514</u>	<u>1,306</u>	<u>1,514</u>

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% (28.2.2015: 13.8% to 14.0%) per annum.

## 16. IMPAIRMENT ALLOWANCES

	<b>31.8.2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	28.2.2015 <b>(Audited)</b> <i>HK\$'000</i>	
Analysis by products as:			
Credit card receivables	34,984	48,577	
Instalment loans receivable	89,172	98,116	
Hire purchase debtors	13	23	
Accrued interest and other receivables	1,400	1,601	
	<b>125,569</b>	<b>148,317</b>	
	<b>Individual assessment</b> <i>HK\$'000</i>	<b>Collective assessment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1.3.2015	92,403	55,914	148,317
Impairment losses and impairment allowances	166,802	(7,443)	159,359
Amounts written-off as uncollectable	(182,107)	–	(182,107)
At 31.8.2015	<b>77,098</b>	<b>48,471</b>	<b>125,569</b>
	<b>Individual assessment</b> <i>HK\$'000</i>	<b>Collective assessment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 21.2.2014	81,207	66,153	147,360
Impairment losses and impairment allowances	179,487	(11,016)	168,471
Amounts written-off as uncollectable	(142,726)	–	(142,726)
At 20.8.2014	<b>117,968</b>	<b>55,137</b>	<b>173,105</b>

## 17. OVERDUE ADVANCES AND RECEIVABLES

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

	<b>31.8.2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	%*	28.2.2015 <b>(Audited)</b> <i>HK\$'000</i>	%*
Overdue 1 month but less than 2 months	86,041	1.6	90,731	1.7
Overdue 2 months but less than 3 months	41,776	0.8	44,743	0.8
Overdue 3 months but less than 4 months	26,962	0.5	28,749	0.5
Overdue 4 months or above	75,965	1.4	97,208	1.8
	<b>230,744</b>	<b>4.3</b>	<b>261,431</b>	<b>4.8</b>

\* Percentage of gross advances and receivables

## 18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	<b>31.8.2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2015 <b>(Audited)</b> <b>HK\$'000</b>
Deposits for property, plant and equipment	<b>16,744</b>	39,953
Rental and other deposits	<b>21,022</b>	23,106
Prepaid operating expenses	<b>22,330</b>	14,584
Other debtors	<b>4,667</b>	7,309
	<hr/>	<hr/>
	<b>64,763</b>	84,952
Current portion included under current assets	<b>(31,416)</b>	(36,956)
	<hr/>	<hr/>
Amount due after one year	<b>33,347</b>	47,996
	<hr/>	<hr/>

## 19. RESTRICTED DEPOSITS

The restricted deposits of the Group are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying at fixed rates ranging from 0.09% to 0.19% (six months ended 20th August 2014: 0.15% to 0.18%) per annum during the current interim period. Restricted deposits of **HK\$45,012,000** (28.2.2015: Nil) will mature within one year from 31st August 2015.

## 20. TIME DEPOSITS

HKD and RMB time deposits with maturity of three months or less of the Group carry fixed rates ranging from 0.04% to 2.9% (six months ended 20th August 2014: 0.01% to 2.9%) per annum during the current interim period. At 31st August 2015, the Group has RMB time deposits with maturity of three months or less of **HK\$32,097,000** (28.2.2015: HK\$64,172,000) equivalent.

RMB time deposits with maturity of more than three months of the Group carry fixed rates ranging from 2.0% to 3.0% (six months ended 20th August 2014: 3.1%) per annum during the current interim period. At 31st August 2015, the Group has RMB time deposits with maturity of more than three months of **HK\$63,621,000** (28.2.2015: HK\$49,356,000) equivalent.

## 21. 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.



## 22. 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:

	<b>HKD</b> <i>HK\$'000</i>	<b>RMB</b> <i>HK\$'000</i>	<b>USD</b> <i>HK\$'000</i>	<b>JPY</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>31.8.2015 (Unaudited)</b>					
Bank balances and cash	<u>217,517</u>	<u>18,396</u>	<u>284</u>	<u>6</u>	<u>236,203</u>
<b>28.2.2015 (Audited)</b>					
Bank balances and cash	<u>213,980</u>	<u>17,777</u>	<u>393</u>	<u>6</u>	<u>232,156</u>

## 23. CREDITORS AND ACCRUALS

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

	<b>31.8.2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	28.2.2015 <b>(Audited)</b> <i>HK\$'000</i>
Current	<b>95,823</b>	84,235
Over 1 month but less than 3 months	<b>3,490</b>	3,976
Over 3 months	<b>3,686</b>	5,235
	<u><b>102,999</b></u>	<u>93,446</u>

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK\$11,116,000** (28.2.2015: HK\$8,162,000).

## 24. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand except **HK\$48,049,000** (28.2.2015: HK\$43,047,000) which is trade-related.

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

	<b>31.8.2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	28.2.2015 <b>(Audited)</b> <i>HK\$'000</i>
Current	<u><b>48,049</b></u>	<u>43,047</u>

## 25. BANK BORROWINGS

	<b>31.8.2015</b> <b>(Unaudited)</b> <i>HK\$'000</i>	28.2.2015 (Audited) <i>HK\$'000</i>
Bank loans, unsecured	<b>1,678,306</b>	1,828,300
Carrying amount repayable ( <i>Note</i> )		
Within one year	<b>340,806</b>	495,500
Between one and two years	<b>607,500</b>	527,800
Between two and five years	<b>645,000</b>	680,000
Over five years	<b>85,000</b>	125,000
	<b>1,678,306</b>	1,828,300
Amount repayable within one year included under current liabilities	<b>(340,806)</b>	(495,500)
Amount repayable after one year	<b>1,337,500</b>	1,332,800

*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 bank borrowings are denominated in the following currencies:

	<b>HKD</b> <i>HK\$'000</i>	<b>USD</b> <i>HK\$'000</i>	<b>RMB</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>31.8.2015 (Unaudited)</b>				
Bank loans	<b>1,274,000</b>	<b>387,500</b>	<b>16,806</b>	<b>1,678,306</b>
<b>28.2.2015 (Audited)</b>				
Bank loans	1,440,500	387,800	–	1,828,300

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

At 31st August 2015, the Group has available unutilised overdrafts and non-committed short term bank loan facilities of **HK\$710,620,000** (28.2.2015: HK\$650,620,000) and **HK\$597,132,000** (28.2.2015: HK\$526,310,000) respectively.

## 26. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2015 (Unaudited)		28.2.2015 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	87	126,071	166	143,640
Cross-currency interest rate swap	–	715	–	790
Interest rate caps	587	–	1,033	–
	<u>674</u>	<u>126,786</u>	<u>1,199</u>	<u>144,430</u>
Current portion	–	(10,166)	–	(18,380)
Non-current portion	<u>674</u>	<u>116,620</u>	<u>1,199</u>	<u>126,050</u>

All derivative financial instruments entered by the Group that remain outstanding at 31st August 2015 and 28th February 2015 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings and collateralised debt obligation, the designated hedged items.

### Cash flow hedges:

#### *Interest rate swaps*

The Group uses interest rate swaps to minimise its exposure to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of **HK\$970,000,000** (28.2.2015: HK\$1,048,000,000) from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of **HK\$970,000,000** (28.2.2015: HK\$1,048,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.2% to 3.4% (28.2.2015: 1.0% to 3.9%) per annum and floating interest receipts quarterly ranging from 0.42% plus HIBOR to 0.85% plus HIBOR (28.2.2015: 0.35% plus HIBOR to 0.85% plus HIBOR) per annum for periods up until April 2020 (28.2.2015: until April 2020).

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

In September 2014, the Group 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. The interest rate swaps have fixed interest payments monthly at fixed interest rates ranging from 3.5% to 3.8% (28.2.2015: 3.5% to 3.8%) per annum and floating interest receipts monthly at 0.4% plus HIBOR (28.2.2015: 0.4% plus HIBOR) per annum for periods up until August 2019 (28.2.2015: until August 2019) respectively.

## 26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Cash flow hedges: (Continued)

#### Interest rate swaps (Continued)

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\$17,979,000** (six months ended 20th August 2014: HK\$15,551,000) 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 uses cross-currency interest rate swap designated as highly effective hedging instrument to minimise its exposure 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 with notional amount of **USD50,000,000** (28.2.2015: USD50,000,000) (equivalent to HK\$388,750,000 at the date of inception of the bank borrowing) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.78 (28.2.2015: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (28.2.2015: 3.28%) per annum and floating interest receipts quarterly in USD at 0.70% plus LIBOR (28.2.2015: 0.70% plus LIBOR) per annum for periods up until September 2016 (28.2.2015: until September 2016).

The cross-currency interest rate swap and the corresponding bank borrowing have the same terms and the Directors consider that the cross-currency interest rate swap is highly effective hedging instrument.

During the period, net adjustment on the above-mentioned cash flow hedges amounted to **HK\$375,000** (six months ended 20th August 2014: HK\$87,000) and is included in other comprehensive income.

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

#### Interest rate caps

The Group entered into interest rate caps to minimise its exposures to interest rate changes of its collateralised debt obligation transaction during the amortisation periods. 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 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\$446,000** (six months ended 20th August 2014: Nil) and is included in other comprehensive income.

## 27. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised		
At 1st March 2015 and 31st August 2015	<i>Note</i>	<i>Note</i>
	<hr/>	<hr/>
Issued and fully paid		
At 1st March 2015 and 31st August 2015		
– Ordinary shares with no par value	<b>418,766,000</b>	<b>269,477</b>
	<hr/>	<hr/>

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

## 28. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during each of the two periods ended 31st August 2015 and 20th August 2014:

	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2015	<b>15,308</b>	<b>(9,339)</b>	<b>5,969</b>
Charge to profit or loss for the period	<b>4,220</b>	<b>1,405</b>	<b>5,625</b>
	<hr/>	<hr/>	<hr/>
At 31st August 2015	<b>19,528</b>	<b>(7,934)</b>	<b>11,594</b>
	<hr/>	<hr/>	<hr/>
	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21st February 2014	15,100	(10,300)	4,800
(Credit) charge to profit or loss for the period	(1,200)	1,700	500
	<hr/>	<hr/>	<hr/>
At 20th August 2014	<b>13,900</b>	<b>(8,600)</b>	<b>5,300</b>
	<hr/>	<hr/>	<hr/>

## 29. COLLATERALISED DEBT OBLIGATION

- (a) The Company entered into a HK\$1,250,000,000 collateralised debt obligation financing transaction (the “Transaction”). The Transaction consists of three tranches – Tranche A, Tranche B and Tranche C. The amount under Tranche A and Tranche B is HK\$550,000,000 each while the amount under Tranche C is HK\$150,000,000. The revolving periods for Tranche A, Tranche B and Tranche C will end in January 2016, January 2017 and July 2020 respectively. The three tranches are arranged at floating interest rates from 0.35% plus HIBOR per annum to 0.55% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Three corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are arranged to swap these three tranches from floating rates to fixed rates from 3.2% to 3.9% per annum.
- (b) In September 2014, the Company extended the revolving periods of Tranche A and Tranche B by entering into two new tranches – New Tranche A and New Tranche B. The amount under New Tranche A and New Tranche B is HK\$550,000,000 each. 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 two tranches under New Tranche A and New Tranche B are arranged at floating interest rates of 0.40% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Two corresponding new interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are arranged to swap these two new tranches from floating rates to fixed rates at 3.5% to 3.8% per annum. The effective interest rate after taking into account the executed interest rate swaps was 3.7% (six months ended 20th August 2014: 3.8%) per annum during the period.
- (c) Pursuant to the Transaction, 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 condensed consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group’s condensed consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

## 30. OPERATING LEASE COMMITMENTS

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

	<b>31.8.2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2015 (Audited) HK\$'000
Within one year	<b>53,237</b>	46,202
In the second to fifth year inclusive	<b>47,410</b>	34,983
	<b>100,647</b>	81,185

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

### 31. CAPITAL COMMITMENTS

	<b>31.8.2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2015 (Audited) HK\$'000
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	<b>14,413</b>	19,562

### 32. PLEDGE OF ASSETS

At 31st August 2015, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,599,853,000** and **HK\$83,012,000** respectively (28.2.2015: HK\$1,697,384,000 and HK\$38,000,000 (see notes 15(a) and 19)).

### 33. RELATED PARTY TRANSACTIONS

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

	(Unaudited)							
	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associates	
	1.3.2015	21.2.2014	1.3.2015	21.2.2014	1.3.2015	21.2.2014	1.3.2015	21.2.2014
	to	to	to	to	to	to	to	to
31.8.2015	20.8.2014	31.8.2015	20.8.2014	31.8.2015	20.8.2014	31.8.2015	20.8.2014	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Interest income received	<b>3,083</b>	3,264	-	-	-	-	-	-
Commission received	<b>3,679</b>	3,403	-	-	-	-	-	-
Dividends received	<b>465</b>	228	-	-	-	-	-	-
Service fees received	-	-	<b>1,644</b>	251	-	-	-	-
Licence fees paid	<b>4,759</b>	4,865	-	-	<b>18</b>	18	<b>432</b>	366
Service fees paid	-	-	<b>2,692</b>	-	-	-	<b>22,659</b>	21,316
Development fee paid <i>(Note)</i>	<b>4,700</b>	4,252	-	-	-	-	-	-

*Note:* For the computer system development fees paid during the period, **HK\$769,000** (six months ended 20th August 2014: HK\$606,000) is recognised as administrative expenses, **HK\$2,170,000** (six months ended 20th August 2014: HK\$2,691,000) was paid and capitalised under property, plant and equipment and **HK\$1,761,000** is included in prepayments, deposits and other debtors (six months ended 20th August 2014: HK\$955,000).

### 33. RELATED PARTY TRANSACTIONS (Continued)

#### Compensation of key management personnel

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

	<b>1.3.2015 to 31.8.2015 (Unaudited) HK\$'000</b>	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Short-term benefits	<b>4,806</b>	2,996
Post-employment benefits	<b>32</b>	21
	<b><u>4,838</u></b>	<b><u>3,017</u></b>

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

### 34. PARTICULARS OF SUBSIDIARIES AND A MASTER TRUST OF THE COMPANY

#### (a) Subsidiary

Name of subsidiaries	Place of Incorporation/ registration and operation	Share capital/paid-up capital		Proportion of ownership interest directly held by the Company		Principal activities
		31st	28th	31st	28th	
		August	February	August	February	
		2015	2015	2015	2015	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	
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	RMB100,000,000	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

#### (b) Master trust

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. At 31st August 2015, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.



### 35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### Fair value measurements recognised in the condensed consolidated statement of financial position

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

- 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. as prices) or indirectly (i.e. derived from prices); and
- 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 data (unobservable inputs).

	31.8.2015 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets at FVTPL</b>				
Derivative financial assets	–	674	–	674
<b>Available-for-sale financial assets</b>				
Listed equity securities	13,959	–	–	13,959
<b>Total</b>	<b>13,959</b>	<b>674</b>	<b>–</b>	<b>14,633</b>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	–	126,786	–	126,786
		28.2.2015 (Audited)		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets at FVTPL</b>				
Derivative financial assets	–	1,199	–	1,199
<b>Available-for-sale financial assets</b>				
Listed equity securities	15,362	–	–	15,362
<b>Total</b>	<b>15,362</b>	<b>1,199</b>	<b>–</b>	<b>16,561</b>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	–	144,430	–	144,430

### 35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value measurements recognised in the condensed consolidated statement of financial position (Continued)

There were no transfers between Levels 1 and 2 during the six-month period ended 31st August 2015.

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 condensed consolidated financial statements approximate to their fair values:

	31.8.2015 (Unaudited)		28.2.2015 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Bank borrowings	<b>1,678,306</b>	<b>1,750,928</b>	1,828,300	1,809,480

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

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

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on 16th October 2015 on which date no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 15th October 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Financial Review*

For the six months ended 31st August 2015, the Group recorded a profit attributable to owners of HK\$119.7 million, representing a decrease of 11.5% or HK\$15.7 million when compared to HK\$135.4 million for the six months ended 20th August 2014. The Group's basic earnings per share decreased from 32.33 HK cents per share in 2014/15 to 28.60 HK cents per share.

During the period under review, the Group continued to focus on asset quality management and credit control by extending credit prudently. This led to a slow down on the growth of advances and receivables. As a result, the Group recorded a decrease in interest income from HK\$570.4 million in 2014/15 to HK\$556.7 million. Although there was a reduction in the total indebtedness, the average funding cost increased from 2.8% in the previous period to 3.1% in the first half of this year. As a result, interest expense increased by HK\$0.9 million to HK\$47.2 million when compared with HK\$46.3 million in the previous period. Net interest income of the Group recorded a decrease of HK\$14.7 million to HK\$509.4 million from HK\$524.1 million in 2014/15. Following the enhancement in sales procedures in insurance business last year, there was an increase in fees and commissions from insurance operation. Together with the increase in handling and late charges, other operating income increased by HK\$15.6 million from HK\$62.4 million in 2014/15 to HK\$78.0 million for the first six months in 2015/16.

The launch of a series of marketing activities to expand card acquisition and stimulate card activation had resulted in the increase in credit purchase sales. At the same time, there was a corresponding increase in the marketing and promotion expenses. Following the hiring of more staff in China for business expansion, there was a corresponding increase in staff costs. The running costs of microfinance subsidiaries in China also contributed to an increase in the overall operating expenses. As a result, operating expenses increased by 12.4% from HK\$267.5 million in 2014/15 to HK\$300.7 million for the first six months in 2015/16.

During the period under review, the Company invested in the establishment of prepaid card business. However, due to the uncertainty and various other considerations surrounding the proposed regulatory regime for stored-value facilities, this project has been suspended, resulting in the recording of all incurred expenses. This one-time expenditure contributed to an increase in other expenses. With the restructuring of the business model of our associates, the Group shared HK\$0.5 million profit of these associates during the first half of this financial year compared to HK\$9.2 million loss of these associates for the first half of last financial year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### *Financial Review (Continued)*

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$278.5 million for the six months ended 31st August 2015, representing a decrease of 12.6% from HK\$318.8 million for the first half of last financial year. During the period under review, the Group lent conservatively and strived to continually maintain its asset quality. With prompt collection actions and exercise of cautious approval process, there were continued improvements in the collection ratios when compared with the previous period. The Group recorded a decrease of 5.4% or HK\$9.1 million from HK\$168.5 million in 2014/15 to HK\$159.4 million on the impairment losses and impairment allowances. Recoveries of advances and receivables written-off amounted to HK\$27.3 million, representing an increase of HK\$0.7 million when compared with HK\$26.6 million in 2014/15.

The Group recorded a decrease in its receivables by HK\$80.7 million to HK\$5,248.1 million, as compared to HK\$5,328.8 million at 28th February 2015. Impairment allowances amounted to HK\$125.6 million at 31st August 2015, as compared with HK\$148.3 million at 28th February 2015. Total equity was strengthened by 1.9% to HK\$2,494.7 million at 31st August 2015 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after interim dividend) was HK\$5.8 as at 31st August 2015, as compared with the net asset value per share of HK\$5.7 as at 28th February 2015.

### *Business Review*

As a leading credit card issuer with a strong branch, ATM, customer and merchant network, the Company strives to sustain its competitive advantage while continuing to deliver value to its customers through its comprehensive and diversified portfolio of consumer finance products and services. Despite volatile domestic demand and uncertainties clouding other economies, the Group's total sales still grew by 8% when compared to the same period last year.

Growth in credit purchase and personal loan sales increased by 14% and 11% respectively when compared with the same period last year. Cash advance sales saw year-on-year decline of 8% due to intensifying competition among market players in light of incessant low interest rates.

During the period under review, the Group focused on driving new card acquisitions and improving the overall user experience by enhancing and adding value to our products. By popular demand, we increased the number of overseas spending promotions and offered extra bonus points for credit purchases made abroad. Exclusive AEON card promotions continued to present our customers with a unique and rewarding shopping experience. Despite fierce competition from other credit card issuers, the Group managed to register a stable growth of new card customers. The number of cards issued increased by 3.8% year-on-year in the first half of 2015, slightly down from 4.5% in the same period last year.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### ***Business Review*** *(Continued)*

The Group's branches and frontline channels contributed the bulk of all new card acquisitions while web and telemarketing channels provided customers with alternative methods of card application.

The year 2015 marks the Company's 20th Listing Anniversary on the Stock Exchange. A series of uniquely themed sales and card acquisitions events have been launched to celebrate this milestone with its customers. By these campaigns, brand awareness and customer engagement are expected to be raised among all new, existing and potential customers.

The Group's co-branded card portfolio welcomed the addition of the DR-MAX Titanium MasterCard. The partnership with DR-MAX, one of the largest providers of English learning services and materials in Hong Kong, extends the benefits of flexible instalment plans to customers who are interested in the full English learning experience.

In-house credit purchase and instalment sales attributed to AEON Stores edged up 4% year-on-year for the period under review. The Group's partnership with AEON Stores has created a unique opportunity in an otherwise saturated retail segment. The Group has continued to utilize and leverage group synergies through increased collaboration to drive desired results.

To further facilitate better understanding of customers' needs and expectations, the Company's Facebook fan page was launched in April 2015. It not only increases exposure to potential customers and builds brand loyalty, but also allows the Group to reach out to the community, further drive engagement and improve customer experience.

### ***Prospects***

The slowdown in external demand continues to cloud Hong Kong's economic performance. The Mainland economy is showing some weakness and European Union member countries continue to struggle for recovery in the first half of 2015. Similarly, the strong US dollar is also holding back recovery in the United States. The negative contribution of external demand is expected to weigh down the local GDP growth in the second half of 2015.

While Hong Kong is not isolated from economic factors outside the region, the market in which the Group operates is well-positioned to withstand the challenges. The low unemployment rate and a robust consumer finance sector are all contributing to an economy that remains the envy of most developed markets. With continuous government measures and contained import prices owing to the strong dollar, inflationary pressure is expected to ease further in the near term.

Inbound tourism growth is expected to be restrained due to the strong Hong Kong dollar and a more restrictive visa policy implemented earlier this year targeted at Mainland visitors. The slower growth in tourist arrivals and weaker tourist spending attribute to a meagre retail sales growth forecast of only 0.9% for the third quarter. The Group is closely monitoring the ever-changing market conditions and making necessary adjustments to its business strategy to better suit the needs of a dynamic market.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *Prospects (Continued)*

The Group's ongoing focus on long term strategic priorities will centre on people, technology, compliance and productivity. The Group's vision is to excel at securing the financial well-being of people and communities. Promotional planning is carried out with our customers interest in mind at all times. Research through customer feedback and surveys allows us to obtain relevant indicators to wider views of consumer behaviour and market shifts.

The quality of our branch services is assessed regularly. We aim to reduce the number of queues or lines by understanding and measuring the balance between customer service and resource utilization. Effective management and techniques, such as balancing customer demand and branch capacity, would significantly reduce or eliminate the time it takes for counter service or credit card issuing.

The Group's focus on mass promotions will continue to drive sales. Special events such as the AEON Ocean Park Halloween Joyful Event continue to receive overwhelming positive responses from the public.

The Group will continue to invest in technology to streamline business processes and maximize cost savings. Whereas meeting in-house productivity goals is imperative, complete customer satisfaction is equally vital. Implementations and enhancements are continuously made across the Group's digital platforms to simplify business processes and improve the overall user experience.

We believe the commitment to service excellence is paramount and customer satisfaction is the cornerstone of business success and sustainable growth. Therefore, the Group will continue to leverage analytics to promote the discoverability and selection of products to ensure we meet our customers' needs and interests. And at the same time, understand what resonates with our customers and where we can improve, ultimately delivering innovative ideas and capturing revenue opportunities.

The Group will strive to grow the customer base amid fierce market competitions, and at the same time reduce the number of attritions through a series of specific campaigns. We intend to balance our customer base with more male and young customers.

A diverse mix of products is scheduled for the second half of the year. Two co-branded credit cards catered to distinct consumer segments will be unveiled. The AEON Card JAL MasterCard in collaboration with Japan Airlines, targeted at frequent flyers will be launched in September 2015. This card will offer cardholders a great opportunity to earn mileage points every time the customer flies or makes a purchase. The other card, which is expected to be launched later this year, will open up a new, health-conscious segment.

The implementation of LiveChat is scheduled for October 2015. LiveChat is a convenient tool for instant communication with the Company. According to Forrester Research, businesses with LiveChat on their websites have consistently demonstrated the capability to reduce service costs and increase sales.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Prospects (Continued)

For China business, although the microfinance subsidiaries are still operating at a loss, sales and revenues are seeing upward movements. These subsidiaries will continue to focus on personal loan sales and improve operational efficiency. Reductions in net loss can be expected. The Tianjin explosion in August 2015 has had no material impact on the Group's China business.

The primary objective of the Group is to enhance long-term total return for our shareholders. To achieve this objective, the Group will continue to drive long-term sustainable growth by strengthening its portfolio while capitalizing on new business opportunities and exercising cost-cutting measures. The Group will continue to focus on innovation while building on existing initiatives. The Group is confident in its business prospects and is looking forward to an overall satisfactory performance for the year 2015/16.

### SEGMENT INFORMATION

The Group's business comprises four operating segments, namely credit card, instalment loans, insurance and hire purchase. In the first half of both 2014/15 & 2015/16, credit card operation accounted for 67.4% of the Group's revenue. For segment result, credit card operation accounted for 88.4% of the Group's whole operations in 2015/16, as compared to 84.2% in 2014/15.

Although there was a sluggish growth on card cash advance portfolio, it was compensated by the increase in card credit purchase sales and income generated from handling and late charges. Revenue from credit card operation in 2015/16 was similar to last year level at HK\$424.1 million. With the increase in marketing and promotion expenses and one-time expenditure on prepaid card business, the segment result for the period from credit card operation recorded a decrease of HK\$20.3 million from HK\$152.6 million in 2014/15 to HK\$132.3 million in 2015/16.

The instalment loan business in China recorded a healthy growth. However, it was offset by the slow pace of the loan business in Hong Kong. Revenue from instalment loan operation decreased by 1.8% or HK\$3.6 million from HK\$191.7 million in 2014/15 to HK\$188.1 million in 2015/16. Due to the hiring of more manpower in China for business expansion coupled with the running costs, segment result for the period from instalment loan operation recorded a decrease of HK\$10.5 million from HK\$24.9 million in 2014/15 to HK\$14.4 million in 2015/16.

Revenue from insurance operation recorded an increase of HK\$2.6 million from HK\$14.0 million in 2014/15 to HK\$16.6 million in 2015/16 following the enhancement in the sale procedures. After taking into account the increase in operating expenses, the segment result for the period from insurance operation decreased from HK\$3.7 million in 2014/15 to HK\$2.8 million in 2015/16.

Due to the continuous shift of usage to card instalment plan, revenue from hire purchase operation accounted for an insignificant portion of the Group's revenue and segment result.

## FUNDING AND CAPITAL MANAGEMENT

The Group manages its capital to ensure that:

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

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

### *Net debt to equity ratio*

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

	<b>31.8.2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2015 (Audited) HK\$'000
Debt ( <i>note a</i> )	<b>2,927,842</b>	3,077,623
Cash and cash equivalents	<b>(267,092)</b>	(294,534)
Net debt	<b>2,660,750</b>	2,783,089
Equity ( <i>note b</i> )	<b>2,494,658</b>	2,447,343
Net debt to equity ratio	<b>1.1</b>	1.1

#### *Notes:*

- (a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 25 and 29 respectively.
- (b) Equity includes all capital and reserves of the Group.

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 31st August 2015, 46.0% of its funding was derived from total equity, 31.0% from bank borrowings and 23.0% from structured finance.



## **FUNDING AND CAPITAL MANAGEMENT** *(Continued)*

### ***Net debt to equity ratio*** *(Continued)*

The principal source of internally generated capital was from accumulated profits. At 31st August 2015, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$1,678.3 million, with 37.4% being fixed in interest rates and 58.8% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 3.8% being renewed overnight and floating rates. Including the collateralised debt obligation, 30.5% of these indebtedness will mature within one year, 39.5% between one and two years, 27.1% between two and five years and 2.9% over five years. The duration of indebtedness was around 1.9 years.

The Group's bank borrowings and collateralised debt obligation were denominated in Hong Kong Dollars, except for a syndicated term loan of USD50.0 million which was hedged by cross-currency interest rate swap, coupled with short term loans of RMB14.0 million.

The net asset of the Group at 31st August 2015 was HK\$2,494.7 million, as compared with HK\$2,447.3 million at 28th February 2015. Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

The Group's principal operations were transacted and recorded in HKD and thereby 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. At 31st August 2015, capital commitments entered were mainly related to the purchase of property, plant and equipment.

### **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 31st August 2015, the circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continued to exist.

## MANAGEMENT OF RISKS

The Group has established policies, procedures and controls for measuring, monitoring and controlling market, credit, liquidity and capital risks, which are reviewed regularly by the Group's management. The internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures.

The Group's major financial instruments include available-for-sale investments, advances and receivables, other debtors, amounts due from intermediate holding company, fellow subsidiaries, restricted deposits, time deposits, fiduciary bank balances, bank balances and cash and derivative financial assets, bank borrowings, bank overdrafts, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, immediate holding company, intermediate holding company, ultimate holding company, associates and derivative financial liabilities.

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

### *Market risk*

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

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

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

### *Foreign currency risk management*

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

The Group's foreign currency risk exposure primarily relates to its USD denominated bank borrowings. To minimise the foreign currency risk in relation to the USD bank borrowings, the Group has 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. Hence, the net foreign currency risk after taking derivative financial instruments into consideration is not material to the Group.

## **MANAGEMENT OF RISKS** *(Continued)*

### **Market risk** *(Continued)*

#### *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 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 Group's cash flow interest rate risk relates primarily to floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed rate.

The Group monitors the interest rate exposure, through assessing the interest rate gap of its interest bearing financial assets and financial liabilities. To minimise the cash flow interest rate gap, the Group has been using interest rate swaps to convert a proportion of its variable rate debts to fixed rate. The critical terms of these interest rate swaps are similar to those of hedged borrowings. To minimise the exposures to interest rate changes of its collateralised debt obligation transaction during the amortisation periods, the Group has entered into interest rate caps to cap the interest rates.

#### *Other price risks*

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

### **Credit risk**

The Group's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations at 31st August 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the condensed consolidated statement of financial position. The Group's credit risk is primarily attributable to its advances and receivables.

In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated to different departments responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

## **MANAGEMENT OF RISKS** *(Continued)*

### ***Credit risk*** *(Continued)*

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

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

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

### ***Liquidity risk***

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

### ***Capital risk***

The Group's policy is to maintain a strong capital base to support the development of the Group's business. During the period under review, the Group relied principally on internally generated capital as well as structured finance and bank borrowings for the working capital. The funding position is monitored and reviewed regularly to ensure it is within internally established limits and at reasonable costs.

## **HUMAN RESOURCES**

The total number of staff of the Group at 31st August 2015 and 28th February 2015 was 719 and 756 respectively. The Group continues to recognize and reward its staff in the manner similar to that disclosed in its 2014/15 Annual Report.

## DIRECTORS' INTERESTS IN SHARES

At 31st August 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

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

### (b) AFS – intermediate holding company of the Company

<b>Directors</b>	<b>Number of shares held under personal interests</b>	<b>Percentage of the issued share capital of AFS</b>
Masanori Kosaka	9,596	0.01
Hideo Tanaka	732	0.01

### (c) AEON Japan – ultimate holding company of the Company

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

### (d) AEON Thailand – a fellow subsidiary of the Company

<b>Directors</b>	<b>Number of shares held under personal interests</b>	<b>Percentage of the issued share capital of AEON Thailand</b>
Masanori Kosaka	100,000	0.04
Hideo Tanaka	28,600	0.01

## DIRECTORS' INTERESTS IN SHARES (Continued)

### (e) AEON Malaysia – a fellow subsidiary of the Company

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

Other than the holdings disclosed above, none of the Directors nor their associates, had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st August 2015.

## SUBSTANTIAL SHAREHOLDERS

At 31st August 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
Aberdeen Asset Management Plc and its Associates	32,340,000	7.72
DJE Investment S.A. (Note 4)	24,985,000	5.97

### 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 43.19% 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 100% controlled by DJE Kapital AG which in turn was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st August 2015.

## **REVIEW OF UNAUDITED FINANCIAL INFORMATION**

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 31st August 2015. In addition, the condensed consolidated financial statements for the six months ended 31st August 2015 have been reviewed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and an unqualified review report is issued.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the CG Code throughout the six months ended 31st August 2015, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

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

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

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

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

## CHANGES IN INFORMATION OF DIRECTORS

The changes in the information of Directors since the publication of the 2014/15 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

### **Biographical Details of Directors**

#### ***Mr. Masanori Kosaka***

- Stepped down as the managing director of AFS (HK) on 27th June 2015 and remained as its director.

#### ***Mr. Fung Kam Shing, Barry***

- Retired as an Executive Director and the Managing Director on 26th June 2015.

#### ***Mr. Tomoyuki Kawahara***

- Retired as an Executive Director on 26th June 2015.

#### ***Mr. Fong Chung Leung, Gerald***

- Retired as an Executive Director on 26th June 2015.

#### ***Mr. Hideo Tanaka***

- Appointed as an Executive Director and the Managing Director on 26th June 2015.

#### ***Mr. Lai Yuk Kwong***

- Re-designated as an Executive Director on 26th June 2015.
- Resigned as a director and the deputy managing director of AFS (HK) on 27th June 2015.

#### ***Mr. Kiyoshi Wada***

- Appointed as an Executive Director on 26th June 2015.

#### ***Mr. Wong Hin Wing***

- Advancement to fellowship of the Institute of Chartered Accountants in England and Wales on 1st March 2015.
- Expiration of the term of office as a Council Member of the Chinese University of Hong Kong on 12th July 2015.



## **CHANGES IN INFORMATION OF DIRECTORS** *(Continued)*

### **Directors' Emoluments**

- Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun each would receive a Director's fee of HK\$284,000 per annum with effect from 1st March 2015.
- The annual base salary of Mr. Hideo Tanaka, Mr. Lai Yuk Kwong, and Mr. Kiyoshi Wada is HK\$1,080,000, HK\$1,656,000, and HK\$1,032,000 respectively with effect from 26th June 2015.
- Ms. Koh Yik Kung received a discretionary bonus of HK\$110,000 in June 2015 and her annual base salary is HK\$1,788,000 with effect from 21st June 2015.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

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

During the period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board  
**HIDEO TANAKA**  
*Managing Director*

Hong Kong, 25th September 2015

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

### **Introduction**

We have reviewed the condensed 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 1 to 25, which comprise the condensed consolidated statement of financial position as of 31st August 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

25th September 2015

## **CORPORATE INFORMATION**

### **Board of Directors**

#### *Executive Directors*

Hideo Tanaka (*Managing Director*)

Lai Yuk Kwong

Koh Yik Kung

Kiyoshi Wada

#### *Non-executive Director*

Masanori Kosaka (*Chairman*)

#### *Independent Non-executive Directors*

Ip Yuk Keung

Wong Hin Wing

Tong Jun

### **Company Secretary**

Koh Yik Kung

### **Auditor**

Deloitte Touche Tohmatsu

*Certified Public Accountants*

### **Share Registrar**

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### **Major Bankers**

Mizuho Bank, Ltd.

Hong Kong Branch

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Hong Kong Branch

Sumitomo Mitsui Banking Corporation

Hong Kong Branch

Citibank, N.A.

Hong Kong Branch

### **Registered Office**

20/F, Miramar Tower

132 Nathan Road

Tsimshatsui

Kowloon

Hong Kong

### **Internet Address**

Website address : <http://www.aeon.com.hk>

E-mail address : [info@aeon.com.hk](mailto:info@aeon.com.hk)

### **Stock Code**

900

## **GLOSSARY**

AEON Japan	AEON Co., Ltd.
AEON Malaysia	AEON Credit Service (M) Berhad
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
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)
Director(s)	the director(s) of the Company
FVTPL	Fair value through profit or loss
Group	the Company and its subsidiaries
HKD or HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HIBOR	Hong Kong Interbank Offered Rate
HKAS	Hong Kong Accounting Standards
HKAS 34	Hong Kong Accounting Standard 34 "Interim Financial Reporting"
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC

**GLOSSARY** *(Continued)*

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
PBOC	People's Bank of China Prescribed Rate
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