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

UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30TH NOVEMBER 2015

The board (the “Board”) of directors (the “Directors”) of AEON Credit Service (Asia) Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months from 1st March 2015 to 30th November 2015, together with comparative figures of the period from 21st February 2014 to 20th November 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30th November 2015

	<i>Notes</i>	1.3.2015 to 30.11.2015 (Unaudited) HK\$'000	21.2.2014 to 20.11.2014 (Unaudited) HK\$'000
Revenue	2	941,296	951,140
Interest income		832,166	854,327
Interest expense		(70,880)	(71,676)
Net interest income		761,286	782,651
Other operating income	3	115,278	101,620
Other gains and losses	4	(204)	(284)
Operating income		876,360	883,987
Operating expenses	5	(455,584)	(403,861)
Other expenses		(8,158)	–
Operating profit before impairment allowances		412,618	480,126
Impairment losses and impairment allowances		(232,440)	(259,272)
Recoveries of advances and receivables written-off		42,894	40,534
Share of results of associates		(2,524)	(9,173)
Profit before tax		220,548	252,215
Income tax expense		(41,526)	(47,509)
Profit for the period		179,022	204,706
Profit for the period attributable to: Owners of the Company		179,022	204,706

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30th November 2015

	1.3.2015 to 30.11.2015 (Unaudited) HK\$'000	21.2.2014 to 20.11.2014 (Unaudited) HK\$'000
Profit for the period	<u>179,022</u>	<u>204,706</u>
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on available-for-sale investments	(1,866)	(89)
Exchange difference arising from translation of foreign operations	(13,205)	(117)
Net adjustment on cash flow hedges	<u>15,220</u>	<u>(26,220)</u>
Other comprehensive income (expense) for the period	<u>149</u>	<u>(26,426)</u>
Total comprehensive income for the period	<u>179,171</u>	<u>178,280</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>179,171</u>	<u>178,280</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th November 2015

		30.11.2015 (Unaudited) <i>HK\$'000</i>	28.2.2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		131,446	115,245
Investments in associates		40,994	49,647
Available-for-sale investments		22,642	24,507
Advances and receivables	6	1,154,698	1,224,888
Prepayments, deposits and other debtors		29,783	47,996
Derivative financial instruments	11	765	1,199
Restricted deposits		38,000	38,000
		1,418,328	1,501,482
Current assets			
Advances and receivables	6	4,054,090	4,064,751
Prepayments, deposits and other debtors		30,550	36,956
Amount due from immediate holding company		26	–
Amount due from intermediate holding company		350	298
Amounts due from fellow subsidiaries		89	490
Amount due from an associate		80	–
Tax recoverable		1,050	874
Restricted deposits		111,098	–
Time deposits		94,978	113,528
Fiduciary bank balances		228	894
Bank balances and cash		245,311	232,156
		4,537,850	4,449,947
Current liabilities			
Creditors and accruals		278,862	210,200
Amounts due to fellow subsidiaries		65,296	48,901
Amount due to immediate holding company		16	6
Amount due to intermediate holding company		486	–
Amount due to ultimate holding company		43	50
Amounts due to associates		1,409	1,577
Bank borrowings	9	639,179	495,500
Bank overdrafts		–	1,794
Collateralised debt obligation	10	549,908	549,731
Derivative financial instruments	11	14,849	18,380
Tax liabilities		50,796	13,536
		1,600,844	1,339,675

		30.11.2015	28.2.2015
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Net current assets		2,937,006	3,110,272
Total assets less current liabilities		4,355,334	4,611,754
Capital and reserves			
Share capital		269,477	269,477
Reserves		2,206,281	2,177,866
Total equity		2,475,758	2,447,343
Non-current liabilities			
Collateralised debt obligation	<i>10</i>	699,735	699,592
Bank borrowings	<i>9</i>	1,055,000	1,332,800
Derivative financial instruments	<i>11</i>	114,547	126,050
Deferred tax liabilities		10,294	5,969
		1,879,576	2,164,411
		4,355,334	4,611,754

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th November 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	-	-	-	-	-	-	204,706	204,706
Fair value loss on available-for-sale investments	-	-	-	(89)	-	-	-	(89)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(117)	-	(117)
Net adjustment on cash flow hedges	-	-	-	-	(26,220)	-	-	(26,220)
Total comprehensive (expense) income for the period	-	-	-	(89)	(26,220)	(117)	204,706	178,280
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)	(89)	(26,220)	(117)	53,950	27,524
Balance at 20.11.2014 (Unaudited)	269,477	-	-	356	(139,330)	18,390	2,224,206	2,373,099
Balance at 1.3.2015 (Audited)	269,477	-	-	(1,153)	(136,064)	13,179	2,301,904	2,447,343
Profit for the period	-	-	-	-	-	-	179,022	179,022
Fair value loss on available-for-sale investments	-	-	-	(1,866)	-	-	-	(1,866)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(13,205)	-	(13,205)
Net adjustment on cash flow hedges	-	-	-	-	15,220	-	-	15,220
Total comprehensive (expense) income for the period	-	-	-	(1,866)	15,220	(13,205)	179,022	179,171
Final dividend paid for the period from 21.2.2014 to 28.2.2015	-	-	-	-	-	-	(75,378)	(75,378)
Interim dividend paid for the year from 1.3.2015 to 29.2.2016	-	-	-	-	-	-	(75,378)	(75,378)
	-	-	-	(1,866)	15,220	(13,205)	28,266	28,415
Balance at 30.11.2015 (Unaudited)	269,477	-	-	(3,019)	(120,844)	(26)	2,330,170	2,475,758

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30th November 2015

	1.3.2015 to 30.11.2015 (Unaudited) HK\$'000	21.2.2014 to 20.11.2014 (Unaudited) HK\$'000
Net cash from operating activities	409,145	346,909
Dividends received	705	727
Purchase of property, plant and equipment	(2,082)	(15,234)
Deposits paid for acquisition of property, plant and equipment	(11,999)	(4,554)
Investment in an associate	–	(39,389)
Increase in time deposits with maturity of more than three months	(18,072)	(8,816)
Net cash used in investing activities	(31,448)	(67,266)
Placement of restricted deposits	(712,531)	(1,124,329)
Withdrawal of restricted deposits	601,433	1,082,496
Dividends paid	(150,756)	(150,756)
New collateralised debt obligation raised	–	150,000
New bank loans raised	6,386,346	61,582,900
Repayment of bank loans	(6,520,217)	(62,062,400)
Net cash used in financing activities	(395,725)	(522,089)
Net decrease in cash and cash equivalents	(18,028)	(242,446)
Effect of changes in exchange rate	(2,306)	(2,065)
Cash and cash equivalents at beginning of the period	294,534	511,184
Cash and cash equivalents at end of the period	274,200	266,673
Being:		
Time deposits with maturity of three months or less	28,889	111,408
Bank balances and cash	245,311	156,680
Bank overdrafts	–	(1,415)
	274,200	266,673

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th November 2015

1. BASIS OF PREPARATION

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the period from 21st February 2014 to 28th February 2015.

The financial information relating to the period from 21st February 2014 to 28th February 2015 that is included in the unaudited results for the nine months ended 30th November 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 Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (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, AEON Financial Service (Hong Kong) Co., Limited. Accordingly, the condensed consolidated financial statements for the current period cover the nine months from 1st March 2015 to 30th November 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 November 2014 and therefore may not be comparable with amounts shown for the current period.

2. REVENUE

	1.3.2015 to 30.11.2015 (Unaudited) HK\$'000	21.2.2014 to 20.11.2014 (Unaudited) HK\$'000
Interest income	832,166	854,327
Fees and commissions	58,489	53,366
Handling and late charges	50,641	43,447
	<hr/> 941,296 <hr/>	<hr/> 951,140 <hr/>

3. OTHER OPERATING INCOME

	1.3.2015 to 30.11.2015 (Unaudited) HK\$'000	21.2.2014 to 20.11.2014 (Unaudited) HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	645	727
Unlisted equity securities	60	–
Fees and commissions		
Credit card	34,662	31,660
Insurance	23,827	21,706
Handling and late charges	50,641	43,447
Others	5,443	4,080
	115,278	101,620

4. OTHER GAINS AND LOSSES

	1.3.2015 to 30.11.2015 (Unaudited) HK\$'000	21.2.2014 to 20.11.2014 (Unaudited) HK\$'000
Exchange (losses) gains		
Exchange losses on hedging instruments released from cash flow hedge reserve	(250)	–
Exchange gains on a bank loan	250	–
Other exchange losses, net	(46)	(126)
Hedge ineffectiveness on cash flow hedges	(158)	(158)
	(204)	(284)

5. OPERATING EXPENSES

	1.3.2015 to 30.11.2015 (Unaudited) HK\$'000	21.2.2014 to 20.11.2014 (Unaudited) HK\$'000
Depreciation	35,078	31,368
General administrative expenses	126,507	100,249
Marketing and promotion expenses	57,911	52,294
Operating lease rentals in respect of rented premises, advertising space and equipment	54,248	52,628
Other operating expenses	44,154	49,411
Staff costs including Directors' emoluments	137,686	117,911
	455,584	403,861

6. ADVANCES AND RECEIVABLES

	30.11.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Credit card receivables	3,518,466	3,554,916
Instalment loans receivable	1,713,679	1,772,360
Hire purchase debtors	1,141	1,514
	5,233,286	5,328,790
Accrued interest and other receivables	107,189	109,166
	5,340,475	5,437,956
Gross advances and receivables		
Impairment allowances (<i>note 7</i>)		
– individually assessed	(83,803)	(92,403)
– collectively assessed	(47,884)	(55,914)
	(131,687)	(148,317)
	5,208,788	5,289,639
Current portion included under current assets	(4,054,090)	(4,064,751)
	1,154,698	1,224,888

7. IMPAIRMENT ALLOWANCES

	30.11.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	35,376	48,577
Instalment loans receivable	94,789	98,116
Hire purchase debtors	12	23
Accrued interest and other receivables	1,510	1,601
	131,687	148,317

	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
At 1.3.2015	92,403	55,914	148,317
Impairment losses and impairment allowances	240,470	(8,030)	232,440
Amounts written-off as uncollectable	(249,070)	–	(249,070)
	83,803	47,884	131,687
At 30.11.2015	83,803	47,884	131,687
	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	268,371	(9,099)	259,272
Amounts written-off as uncollectable	(233,468)	–	(233,468)
At 20.11.2014	116,110	57,054	173,164

8. OVERDUE ADVANCES AND RECEIVABLES

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

	30.11.2015 (Unaudited) HK\$'000	%*	28.2.2015 (Audited) HK\$'000	%*
Overdue 1 month but less than 2 months	81,568	1.5	90,731	1.7
Overdue 2 months but less than 3 months	44,892	0.8	44,743	0.8
Overdue 3 months but less than 4 months	28,482	0.5	28,749	0.5
Overdue 4 months or above	82,546	1.6	97,208	1.8
	237,488	4.4	261,431	4.8

* Percentage of gross advances and receivables

9. BANK BORROWINGS

	30.11.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Bank loans, unsecured	1,694,179	1,828,300
Carrying amount repayable (<i>Note</i>)		
Within one year	639,179	495,500
Between one and two years	220,000	527,800
Between two and five years	750,000	680,000
Over five years	85,000	125,000
Amount repayable within one year included under current liabilities	1,694,179 (639,179)	1,828,300 (495,500)
Amount repayable after one year	1,055,000	1,332,800

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

10. COLLATERALISED DEBT OBLIGATION

	30.11.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Collateralised debt obligation	1,250,000	1,250,000
Less: upfront cost	(357)	(677)
	<u>1,249,643</u>	<u>1,249,323</u>
Carrying amount repayable		
Within one year	549,908	549,731
Between one and five years	699,735	549,592
Over five years	–	150,000
	<u>1,249,643</u>	<u>1,249,323</u>
Amount repayable within one year included under current liabilities	(549,908)	(549,731)
Amount repayable after one year	<u>699,735</u>	<u>699,592</u>

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30.11.2015 (Unaudited)		28.2.2015 (Audited)	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	–	128,004	166	143,640
Cross-currency interest rate swap	–	1,392	–	790
Interest rate caps	765	–	1,033	–
	<u>765</u>	<u>129,396</u>	<u>1,199</u>	<u>144,430</u>
Current portion	–	(14,849)	–	(18,380)
Non-current portion	<u>765</u>	<u>114,547</u>	<u>1,199</u>	<u>126,050</u>

All derivative financial instruments entered by the Group that remain outstanding at 30th November 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 exposures to cash flow changes of its floating-rate bank borrowings and collateralised debt obligation by swapping certain Hong Kong Dollar (“HKD”) floating-rate bank borrowings and collateralised debt obligation from floating rates to fixed rates. The interest rate swaps, the corresponding bank borrowings and the collateralised debt obligation have similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

Cross-currency interest rate swap

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

Interest rate caps

The Group uses interest rate caps to minimize its exposures to interest rate changes of its collateralised debt obligation transaction during the amortisation periods. The interest rates will be capped at the minimum of 10% or 1-month HIBOR.

12. PLEDGE OF ASSETS

At 30th November 2015, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,547,608,000** and **HK\$149,098,000** respectively (28.2.2015: HK\$1,697,384,000 and HK\$38,000,000).

FINANCIAL REVIEW

1. The unaudited consolidated results included the financial statements of the following subsidiaries:
 - AEON Insurance Brokers (HK) Limited
 - AEON Micro Finance (Shenyang) Co., Ltd.
 - AEON Micro Finance (Tianjin) Co., Ltd.
 - AEON Micro Finance (Shenzhen) Co., Ltd.and associates:
 - AEON Information Service (Shenzhen) Co., Ltd.
 - AEON Credit Guarantee (China) Co., Ltd.
2. During the period under review, the Group continued to focus on asset quality management and credit control. This led to a slowdown in the growth of advances and receivables. As a result, interest income of the Group for the nine months from 1st March 2015 to 30th November 2015 was HK\$832.2 million, a decrease of 2.6% when compared with HK\$854.3 million for the nine months from 21st February 2014 to 20th November 2014.
3. Interest expense of the Group in the first nine months of this financial year was HK\$70.9 million, a slight decrease when compared with HK\$71.7 million in the previous corresponding period.
4. Net interest income of the Group for nine months ended 30th November 2015 recorded a decrease of HK\$21.4 million to HK\$761.3 million from HK\$782.7 million when compared to previous corresponding period.
5. Income from handling and late charges mainly contributed to the increase in other operating income. Together with the increase in fees and commissions from credit card and insurance businesses, other operating income increased by HK\$13.7 million from HK\$101.6 million in the first nine months of 2014/15 to HK\$115.3 million for the corresponding period in 2015/16.
6. To celebrate the Company's 20th anniversary of listing on the Stock Exchange, the Company launched various uniquely themed marketing activities on top of those recurring promotion programs to expand card acquisition and stimulate card activation. In addition, the Company also launched two new co-branded cards, DR-MAX Titanium MasterCard and JAL MasterCard. This accounted for the increase in marketing and promotion expenses. With the increase in human resources expenses, there was a corresponding increase in staff costs. The running costs of microfinance subsidiaries in China also contributed to an increase in the operating expenses. As a result, operating expenses increased by 12.8% from HK\$403.9 million in the first nine months of 2014/15 to HK\$455.6 million for the corresponding period in 2015/16.

7. 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 was recorded under other expenses.
8. At the operating level before impairment allowances, the Group recorded an operating profit of HK\$412.6 million for the nine months ended 30th November 2015, representing a decrease of 14.1% from HK\$480.1 million in the previous corresponding period.
9. Percentage of overdue advance and receivables over gross advances and receivables reduced from 4.8% at 28th February 2015 to 4.4% at 30th November 2015. The Group's asset quality has continually improved resulting in a decrease in impairment losses and impairment allowances of 10.3% or HK\$26.9 million from HK\$259.3 million in the first nine months of 2014/15 to HK\$232.4 million for the corresponding period in 2015/16. Recoveries of advances and receivables written-off were HK\$42.9 million in the first nine months of 2015/16, an increase of HK\$2.4 million when compared with HK\$40.5 million for the corresponding period in 2014/15.
10. For the nine months ended 30th November 2015, the Group recorded a net profit of HK\$179.0 million, as compared with HK\$204.7 million for the first nine months of 2014/15.
11. Gross advances decreased by HK\$95.5 million to HK\$5,233.3 million at 30th November 2015, as compared to HK\$5,328.8 million at 28th February 2015.
12. Restricted deposits were related to the arrangement under the collateralised debt obligation.
13. The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 30th November 2015, 45.7% of the Group's funding was derived from total equity, 31.3% from bank borrowings and 23.0% from structured finance. Including the collateralised debt obligation, 40.4% of the indebtedness will mature within one year, 26.1% between one and two years, 30.6% between two and five years and 2.9% over five years.
14. The Company has 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.

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 will end in August 2019.

Please note that the quarterly results of the Group presented herein have not been audited or reviewed by the Company's auditors. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Hideo Tanaka
Managing Director

Hong Kong, 24th December 2015

As at the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Mr. Lai Yuk Kwong, Ms. Koh Yik Kung, and Mr. Kiyoshi Wada as Executive Directors; Mr. Masanori Kosaka (Chairman) as Non-executive Director; and Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun as Independent Non-executive Directors.