

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 THREE MONTHS ENDED 31ST MAY 2016**

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 three months ended 31st May 2016, together with the comparative figures of the previous period as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the three months ended 31st May 2016*

|   | <i>Notes</i> | <b>1.3.2016 to<br/>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | <b>1.3.2015 to<br/>31.5.2015<br/>(Unaudited)<br/>HK\$'000</b> |
|---|--------------|---|---|
| Revenue   | 2            | <b>309,525</b>  | 313,393   |
| Interest income   |              | <b>273,432</b>  | 278,854   |
| Interest expense  |              | <b>(23,688)</b>   | (23,680)  |
| Net interest income   |              | <b>249,744</b>  | 255,174   |
| Other operating income  | 3            | <b>38,671</b>   | 37,500  |
| Other gains and losses  | 4            | <b>(12)</b>   | 84  |
| Operating income  |              | <b>288,403</b>  | 292,758   |
| Operating expenses  | 5            | <b>(137,871)</b>  | (148,396)   |
| Operating profit before impairment allowances                   |              | <b>150,532</b>  | 144,362   |
| Impairment losses and impairment allowances                     |              | <b>(72,582)</b>   | (79,263)  |
| Recoveries of advances and receivables written-off              |              | <b>14,587</b>   | 12,360  |
| Share of results of associates                                  |              | <b>(2,688)</b>  | 572   |
| Profit before tax   |              | <b>89,849</b>   | 78,031  |
| Income tax expense  |              | <b>(16,233)</b>   | (14,211)  |
| Profit for the period   |              | <b>73,616</b>   | 63,820  |
| Profit for the period attributable to:<br>Owners of the Company |              | <b>73,616</b>   | 63,820  |

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

*For the three months ended 31st May 2016*

|   | <b>1.3.2016 to<br/>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | 1.3.2015 to<br>31.5.2015<br>(Unaudited)<br>HK\$'000 |
|---|---|---|
| Profit for the period   | <u>73,616</u>   | <u>63,820</u>                                       |
| <b>Other comprehensive income (expense)</b>   |   |   |
| Items that may be reclassified subsequently to profit or loss:                      |   |   |
| Fair value (loss) gain on available-for-sale investments                            | (1,172)   | 2,575   |
| Exchange difference arising from translation of foreign operations                  | (3,644)   | (1,353)   |
| Net adjustment on cash flow hedges  | <u>9,301</u>  | <u>(2,240)</u>                                      |
| Other comprehensive income (expense) for the period                                 | <u>4,485</u>  | <u>(1,018)</u>                                      |
| Total comprehensive income for the period   | <u>78,101</u>   | <u>62,802</u>                                       |
| Total comprehensive income for the period attributable to:<br>Owners of the Company | <u>78,101</u>   | <u>62,802</u>                                       |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st May 2016

|  |              | 31st May<br>2016<br>(Unaudited)<br>HK\$'000 | 29th February<br>2016<br>(Audited)<br>HK\$'000 |
|--|--------------|---|--|
|  | <i>Notes</i> |   |  |
| <b>Non-current assets</b>                    |              |   |  |
| Property, plant and equipment                |              | 122,727                                     | 123,177  |
| Investments in associates                    |              | 35,603                                      | 39,598   |
| Available-for-sale investments               |              | 20,972                                      | 22,145   |
| Advances and receivables                     | 6            | 1,166,790                                   | 1,186,140                                      |
| Prepayments, deposits and other debtors      |              | 24,768                                      | 30,298   |
| Derivative financial instruments             | 11           | 611   | 1,244  |
| Restricted deposits                          |              | 38,000                                      | 38,000   |
|  |              | <u>1,409,471</u>                            | <u>1,440,602</u>                               |
| <b>Current assets</b>                        |              |   |  |
| Advances and receivables                     | 6            | 4,018,730                                   | 4,059,463                                      |
| Prepayments, deposits and other debtors      |              | 36,138                                      | 34,092   |
| Amount due from immediate holding company    |              | 151   | 6  |
| Amount due from intermediate holding company |              | 513   | 423  |
| Amounts due from fellow subsidiaries         |              | 65  | 5  |
| Amount due from an associate                 |              | 76  | –  |
| Derivative financial instruments             | 11           | –   | 241  |
| Tax recoverable                              |              | 1,465                                       | 1,465  |
| Restricted deposits                          |              | 31,795                                      | –  |
| Time deposits                                |              | 138,342                                     | 98,105   |
| Fiduciary bank balances                      |              | 323   | 238  |
| Bank balances and cash                       |              | 361,776                                     | 306,944  |
|  |              | <u>4,589,374</u>                            | <u>4,500,982</u>                               |
| <b>Current liabilities</b>                   |              |   |  |
| Creditors and accruals                       |              | 265,415                                     | 244,130  |
| Amount due to ultimate holding company       |              | 61  | 52   |
| Amount due to intermediate holding company   |              | 5   | 58   |
| Amounts due to fellow subsidiaries           |              | 41,889                                      | 49,830   |
| Amounts due to associates                    |              | 3,381                                       | 1,358  |
| Bank borrowings                              | 9            | 513,166                                     | 560,786  |
| Collateralised debt obligation               | 10           | 549,830                                     | 549,782  |
| Derivative financial instruments             | 11           | 17,360                                      | 22,364   |
| Tax liabilities                              |              | 9,561                                       | 8,895  |
|  |              | <u>1,400,668</u>                            | <u>1,437,255</u>                               |
| <b>Net current assets</b>                    |              | <u>3,188,706</u>                            | <u>3,063,727</u>                               |
| <b>Total assets less current liabilities</b> |              | <u>4,598,177</u>                            | <u>4,504,329</u>                               |

|                                  |           | <b>31st May<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | 29th February<br>2016<br>(Audited)<br>HK\$'000 |
|----------------------------------|-----------|---|--|
| <b>Capital and reserves</b>      |           |   |  |
| Share capital                    |           | <b>269,477</b>  | 269,477  |
| Reserves                         |           | <b>2,352,196</b>                                      | 2,274,095                                      |
|                                  |           | <hr/>   | <hr/>  |
| <b>Total equity</b>              |           | <b>2,621,673</b>                                      | 2,543,572                                      |
|                                  |           | <hr/>   | <hr/>  |
| <b>Non-current liabilities</b>   |           |   |  |
| Bank borrowings                  | <i>9</i>  | <b>1,165,000</b>                                      | 1,145,000                                      |
| Collateralised debt obligation   | <i>10</i> | <b>700,000</b>  | 700,000  |
| Derivative financial instruments | <i>11</i> | <b>101,677</b>  | 106,214  |
| Deferred tax liabilities         |           | <b>9,827</b>  | 9,543  |
|                                  |           | <hr/>   | <hr/>  |
|                                  |           | <b>1,976,504</b>                                      | 1,960,757                                      |
|                                  |           | <hr/>   | <hr/>  |
|                                  |           | <b>4,598,177</b>                                      | 4,504,329                                      |
|                                  |           | <hr/>   | <hr/>  |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the three months ended 31st May 2016*

|  | Share<br>capital<br><i>HK\$'000</i> | Investment<br>revaluation<br>reserve<br><i>HK\$'000</i> | Hedging<br>reserve<br><i>HK\$'000</i> | Translation<br>reserve<br><i>HK\$'000</i> | Accumulated<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------------------|---|---------------------------------------|---|---|--------------------------|
| At 1st March 2015 (Audited)  | 269,477                             | (1,153)   | (136,064)                             | 13,179                                    | 2,301,904                                 | 2,447,343                |
| Profit for the period  | -                                   | -   | -                                     | -   | 63,820                                    | 63,820                   |
| Fair value gain on available-for-sale investments                  | -                                   | 2,575   | -                                     | -   | -   | 2,575                    |
| Exchange difference arising from translation of foreign operations | -                                   | -   | -                                     | (1,353)                                   | -   | (1,353)                  |
| Net adjustment on cash flow hedges                                 | -                                   | -   | (2,240)                               | -   | -   | (2,240)                  |
| Total comprehensive income (expense) for the period                | -                                   | 2,575   | (2,240)                               | (1,353)                                   | 63,820                                    | 62,802                   |
| At 31st May 2015 (Unaudited)                                       | <u>269,477</u>                      | <u>1,422</u>  | <u>(138,304)</u>                      | <u>11,826</u>                             | <u>2,365,724</u>                          | <u>2,510,145</u>         |
| At 1st March 2016 (Audited)  | <u>269,477</u>                      | <u>(3,515)</u>  | <u>(121,103)</u>                      | <u>(2,402)</u>                            | <u>2,401,115</u>                          | <u>2,543,572</u>         |
| Profit for the period  | -                                   | -   | -                                     | -   | 73,616                                    | 73,616                   |
| Fair value loss on available-for-sale investments                  | -                                   | (1,172)   | -                                     | -   | -   | (1,172)                  |
| Exchange difference arising from translation of foreign operations | -                                   | -   | -                                     | (3,644)                                   | -   | (3,644)                  |
| Net adjustment on cash flow hedges                                 | -                                   | -   | 9,301                                 | -   | -   | 9,301                    |
| Total comprehensive (expense) income for the period                | -                                   | (1,172)   | 9,301                                 | (3,644)                                   | 73,616                                    | 78,101                   |
| At 31st May 2016 (Unaudited)                                       | <u>269,477</u>                      | <u>(4,687)</u>  | <u>(111,802)</u>                      | <u>(6,046)</u>                            | <u>2,474,731</u>                          | <u>2,621,673</u>         |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31st May 2016

|  | <b>1.3.2016 to<br/>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | 1.3.2015 to<br>31.5.2015<br>(Unaudited)<br>HK\$'000 |
|--|---|---|
| <b>Net cash generated from operating activities</b>                          | <b>159,081</b>  | 130,567   |
| Purchase of property, plant and equipment                                    | (2,037)   | (1,522)   |
| Deposits paid for acquisition of property, plant and equipment               | (1,577)   | (8,227)   |
| Decrease (increase) in time deposits with maturity of more than three months | <b>14,148</b>   | (13,144)  |
| <b>Net cash generated from (used in) investing activities</b>                | <b>10,534</b>   | (22,893)  |
| Placement of restricted deposits   | (168,399)   | (146,220)   |
| Withdrawal of restricted deposits  | <b>136,604</b>  | 146,220   |
| New bank loans raised  | <b>359,000</b>  | 1,974,000   |
| Repayment of bank loans  | (386,115)   | (2,123,000)   |
| <b>Net cash used in financing activities</b>                                 | <b>(58,910)</b>   | (149,000)   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                  | <b>110,705</b>  | (41,326)  |
| <b>Effect of changes in exchange rate</b>                                    | <b>(1,131)</b>  | 3,179   |
| <b>Cash and cash equivalents at beginning of the period</b>                  | <b>349,283</b>  | 294,534   |
| <b>Cash and cash equivalents at end of the period</b>                        | <b>458,857</b>  | 256,387   |
| Being:   |   |   |
| Time deposits with maturity of three months or less                          | <b>97,081</b>   | 81,602  |
| Bank balances and cash   | <b>361,776</b>  | 181,589   |
| Bank overdrafts  | –   | (6,804)   |
|  | <b>458,857</b>  | 256,387   |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st May 2016

### 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 year ended 29th February 2016.

The financial information relating to the year ended 29th February 2016 that is included in the unaudited results for the three months ended 31st May 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated 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 will deliver the consolidated financial statements for the year ended 29th February 2016 to the Registrar of Companies in due course 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 consolidated 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.

### 2. REVENUE

|                           | <b>1.3.2016 to<br/>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | 1.3.2015 to<br>31.5.2015<br>(Unaudited)<br>HK\$'000 |
|---------------------------|---|---|
| Interest income           | 273,432   | 278,854   |
| Fees and commissions      | 16,932  | 18,716  |
| Handling and late charges | 19,161  | 15,823  |
|                           | <u>309,525</u>  | <u>313,393</u>                                      |

### 3. OTHER OPERATING INCOME

|                           | <b>1.3.2016 to<br/>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | 1.3.2015 to<br>31.5.2015<br>(Unaudited)<br>HK\$'000 |
|---------------------------|---|---|
| Fees and commissions      |   |   |
| Credit card               | 10,659  | 10,816  |
| Insurance                 | 6,273   | 7,900   |
| Handling and late charges | 19,161  | 15,823  |
| Others                    | 2,578   | 2,961   |
|                           | <u>38,671</u>   | <u>37,500</u>                                       |

#### 4. OTHER GAINS AND LOSSES

|  | <b>1.3.2016 to<br/>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | 1.3.2015 to<br>31.5.2015<br>(Unaudited)<br>HK\$'000 |
|--|---|---|
| Exchange (loss) gain   |   |   |
| Exchange loss on hedging instrument released from<br>cash flow hedge reserve | (300)   | (100)   |
| Exchange gain on a bank loan   | 300   | 100   |
| Other exchange gains, net  | 45  | 137   |
| Hedge ineffectiveness on cash flow hedges                                    | (53)  | (53)  |
| Losses on disposal of property, plant and equipment                          | (4)   | –   |
|  | <u>(12)</u>   | <u>84</u>   |

#### 5. OPERATING EXPENSES

|   | <b>1.3.2016 to<br/>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | 1.3.2015 to<br>31.5.2015<br>(Unaudited)<br>HK\$'000 |
|---|---|---|
| Depreciation  | 11,458  | 10,566  |
| General administrative expenses   | 41,574  | 36,172  |
| Marketing and promotion expenses  | 13,636  | 19,505  |
| Operating lease rentals in respect of rented premises,<br>advertising space and equipment | 17,905  | 18,159  |
| Other operating expenses  | 11,130  | 16,602  |
| Staff costs including Directors' emoluments   | 42,168  | 47,392  |
|   | <u>137,871</u>  | <u>148,396</u>                                      |

#### 6. ADVANCES AND RECEIVABLES

|   | <b>31.5.2016<br/>(Unaudited)<br/>HK\$'000</b> | 29.2.2016<br>(Audited)<br>HK\$'000     |
|---|---|--|
| Credit card receivables                       | 3,553,190                                     | 3,577,431                              |
| Instalment loans receivable                   | 1,673,807                                     | 1,697,234                              |
| Hire purchase debtors                         | 443   | 749                                    |
|   | <u>5,227,440</u>                              | <u>5,275,414</u>                       |
| Accrued interest and other receivables        | 101,786                                       | 106,515                                |
| Gross advances and receivables                | 5,329,226                                     | 5,381,929                              |
| Impairment allowances ( <i>Note 7</i> )       |   |  |
| – individually assessed                       | (99,446)                                      | (90,723)                               |
| – collectively assessed                       | (44,260)                                      | (45,603)                               |
|   | <u>(143,706)</u>                              | <u>(136,326)</u>                       |
| Current portion included under current assets | <u>5,185,520</u><br><u>(4,018,730)</u>        | <u>5,245,603</u><br><u>(4,059,463)</u> |
| Amount due after one year                     | <u>1,166,790</u>                              | <u>1,186,140</u>                       |



## 7. IMPAIRMENT ALLOWANCES

|  | <b>31.5.2016</b><br><b>(Unaudited)</b><br><i>HK\$'000</i> | 29.2.2016<br><b>(Audited)</b><br><i>HK\$'000</i> |                                 |
|--|---|--|---------------------------------|
| Analysis by products as:                           |   |  |                                 |
| Credit card receivables                            | <b>33,011</b>   | 34,235   |                                 |
| Instalment loans receivable                        | <b>108,148</b>  | 100,643  |                                 |
| Hire purchase debtors                              | <b>4</b>  | 6  |                                 |
| Accrued interest and other receivables             | <b>2,543</b>  | 1,442  |                                 |
|  | <b>143,706</b>  | 136,326  |                                 |
|  | <b>Individual assessment</b><br><i>HK\$'000</i>           | <b>Collective assessment</b><br><i>HK\$'000</i>  | <b>Total</b><br><i>HK\$'000</i> |
| <b>At 1.3.2016</b>                                 | <b>90,723</b>   | <b>45,603</b>                                    | <b>136,326</b>                  |
| <b>Impairment losses and impairment allowances</b> | <b>73,925</b>   | <b>(1,343)</b>                                   | <b>72,582</b>                   |
| <b>Amounts written-off as uncollectable</b>        | <b>(64,787)</b>   | <b>–</b>   | <b>(64,787)</b>                 |
| <b>Exchange realignment</b>                        | <b>(415)</b>  | <b>–</b>   | <b>(415)</b>                    |
| <b>At 31.5.2016</b>                                | <b>99,446</b>   | <b>44,260</b>                                    | <b>143,706</b>                  |
|  | <b>Individual assessment</b><br><i>HK\$'000</i>           | <b>Collective assessment</b><br><i>HK\$'000</i>  | <b>Total</b><br><i>HK\$'000</i> |
| At 1.3.2015  | 92,403  | 55,914   | 148,317                         |
| Impairment losses and impairment allowances        | 83,347  | (4,084)  | 79,263                          |
| Amounts written-off as uncollectable               | (86,213)  | –  | (86,213)                        |
| Exchange realignment                               | 378   | –  | 378                             |
| <b>At 31.5.2015</b>                                | <b>89,915</b>   | <b>51,830</b>                                    | <b>141,745</b>                  |

## 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:

|   | <b>31.5.2016</b><br><b>(Unaudited)</b><br><i>HK\$'000</i> | %*         | 29.2.2016<br><b>(Audited)</b><br><i>HK\$'000</i> | %*  |
|---|---|------------|--|-----|
| Overdue 1 month but less than 2 months  | <b>79,279</b>   | <b>1.5</b> | 89,934   | 1.7 |
| Overdue 2 months but less than 3 months | <b>41,686</b>   | <b>0.8</b> | 45,420   | 0.8 |
| Overdue 3 months but less than 4 months | <b>30,022</b>   | <b>0.6</b> | 27,229   | 0.5 |
| Overdue 4 months or above               | <b>99,033</b>   | <b>1.8</b> | 89,738   | 1.7 |
|   | <b>250,020</b>  | <b>4.7</b> | 252,321  | 4.7 |

\* Percentage of gross advances and receivables

## 9. BANK BORROWINGS

|   | <b>31.5.2016</b><br><b>(Unaudited)</b><br><i>HK\$'000</i> | 29.2.2016<br>(Audited)<br><i>HK\$'000</i> |
|---|---|---|
| Bank loans, unsecured   | <b>1,678,166</b>  | <b>1,705,786</b>                          |
| Carrying amount repayable ( <i>Note</i> )                           |   |   |
| Within one year   | <b>513,166</b>  | 560,786                                   |
| Between one and two years   | <b>140,000</b>  | 190,000                                   |
| Between two and five years  | <b>940,000</b>  | 870,000                                   |
| Over five years   | <b>85,000</b>   | 85,000                                    |
|   | <b>1,678,166</b>  | 1,705,786                                 |
| Amount repayable within one year included under current liabilities | <b>(513,166)</b>  | (560,786)                                 |
| Amount repayable after one year                                     | <b>1,165,000</b>  | 1,145,000                                 |

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

## 10. COLLATERALISED DEBT OBLIGATION

|   | <b>31.5.2016</b><br><b>(Unaudited)</b><br><i>HK\$'000</i> | 29.2.2016<br>(Audited)<br><i>HK\$'000</i> |
|---|---|---|
| Tranche A   | <b>550,000</b>  | 550,000                                   |
| Tranche B   | <b>550,000</b>  | 550,000                                   |
| Tranche C   | <b>150,000</b>  | 150,000                                   |
|   | <b>1,250,000</b>  | 1,250,000                                 |
| Less: Upfront cost  | <b>(170)</b>  | (218)                                     |
|   | <b>1,249,830</b>  | 1,249,782                                 |
| Amount repayable within one year included under current liabilities | <b>(549,830)</b>  | (549,782)                                 |
| Amount repayable after one year                                     | <b>700,000</b>  | 700,000                                   |

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

|                                   | 31.5.2016<br>(Unaudited) |                         | 29.2.2016<br>(Audited) |                         |
|-----------------------------------|--------------------------|-------------------------|------------------------|-------------------------|
|                                   | Assets<br>HK\$'000       | Liabilities<br>HK\$'000 | Assets<br>HK\$'000     | Liabilities<br>HK\$'000 |
| Interest rate swaps               | 17                       | 118,630                 | 57                     | 128,578                 |
| Cross-currency interest rate swap | –                        | 407                     | 241                    | –                       |
| Interest rate caps                | 594                      | –                       | 1,187                  | –                       |
|                                   | <u>611</u>               | <u>119,037</u>          | <u>1,485</u>           | <u>128,578</u>          |
| Current portion                   | –                        | (17,360)                | (241)                  | (22,364)                |
| Non-current portion               | <u>611</u>               | <u>101,677</u>          | <u>1,244</u>           | <u>106,214</u>          |

All derivative financial instruments entered by the Group that remain outstanding at 31st May 2016 and 29th February 2016 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 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 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 instruments.

#### *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.

## 12. PLEDGE OF ASSETS

At 31st May 2016, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,611,380,000** and **HK\$69,795,000** (29.2.2016: HK\$1,670,046,000 and HK\$38,000,000) respectively.

## FINANCIAL REVIEW

1. Under the uncertain economic environment, the Group continued to exercise cautious approach on credit approval and focus on asset quality management. This led to a slow down on the growth of advances and receivables. As a result, the Group recorded a decrease in interest income of 1.9% or HK\$5.4 million, from HK\$278.9 million in previous period to HK\$273.4 million in current period. With a stable funding environment, interest expense of the Group in the first three months of this year and previous year maintained at HK\$23.7 million. As a result, net interest income of the Group for the first quarter of 2016/17 was HK\$249.7 million, representing a decrease of 2.1% or HK\$5.4 million from HK\$255.2 million in 2015/16.
2. During the first quarter of 2016/17, the Group exercised tight control on marketing and promotion expenses. As the Group has revisited the manpower requirement and made the necessary adjustment in the second half of last financial year, staff costs decreased by HK\$5.2 million when compared with previous period. This led to an overall decrease in operating expenses by 7.1% from HK\$148.4 million in 2015/16 to HK\$137.9 million for the first three months of 2016/17.
3. At the operating level before impairment allowances, the Group recorded an operating profit of HK\$150.5 million for the three months ended 31st May 2016, representing an increase of 4.3% from HK\$144.4 million in the previous period.
4. The Group's continued prudent management on credit risk exposure, coupled with low unemployment rate in Hong Kong, had resulted in a decrease in impairment losses and impairment allowances of 8.4% from HK\$79.3 million in 2015/16 to HK\$72.6 million for the first three months of 2016/17.
5. The Group shared HK\$2.7 million losses of its associates during the first quarter of this financial year due to the restructuring of operating model. This was compensated by a better business performance of our microfinance subsidiaries in China. As a result, overall financial performance of the Group in China maintained at similar level as last year.
6. For the three months ended 31st May 2016, the Group recorded a net profit of HK\$73.6 million, representing an increase of 15.3% when compared with the first quarter of last year.
7. The Group's gross advances and receivables at 31st May 2016 was HK\$5,329.2 million, representing a decrease of 1%, when compared with the balance at 29th February 2016.
8. At 31st May 2016, 47.3% of the Group's funding was derived from total equity, 30.2% from bank borrowings and 22.5% from structured finance.
9. Including the collateralised debt obligation, 36.3% of these borrowings will mature within one year, 4.8% between one and two years, 56.0% between two and five years and 2.9% over five years.

Please note that the quarterly results of the Group presented herein have not been audited or reviewed by the Company's auditor. 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 June 2016

*At the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Ms. Koh Yik Kung, Mr. Kiyoshi Wada, Mr. Tomoharu Fukayama and Mr. Toru Hosokawa as Executive Directors; Mr. Takamitsu Moriyama (Chairman) as Non-executive Director; and Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Mr. Kenji Hayashi as Independent Non-executive Directors.*