



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 2016



The Directors are pleased to announce the unaudited consolidated results of the Group for the six months ended 31st August 2016, together with the comparative figures for the six months ended 31 August 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31st August 2016

	<i>Notes</i>	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Revenue	3	606,598	628,960
Interest income	5	535,329	556,674
Interest expense	6	(46,949)	(47,232)
Net interest income		488,380	509,442
Other operating income	7	75,664	78,035
Other gains and losses	8	(109)	(111)
Operating income		563,935	587,366
Operating expenses	9	(272,675)	(300,717)
Gain on sale of advances and receivables		21,114	–
Other expenses	9	–	(8,158)
Operating profit before impairment allowances		312,374	278,491
Impairment losses and impairment allowances		(147,819)	(159,359)
Recoveries of advances and receivables written-off		27,082	27,287
Share of results of associates		(6,061)	468
Profit before tax		185,576	146,887
Income tax expense	10	(33,434)	(27,139)
Profit for the period		152,142	119,748
Profit for the period attributable to: Owners of the Company		152,142	119,748
Earnings per share – Basic	12	36.33 HK cents	28.60 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31st August 2016

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Profit for the period	152,142	119,748
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain (loss) on available-for-sale investments	674	(1,404)
Exchange difference arising from translation of foreign operations	(9,186)	(13,559)
Net adjustment on cash flow hedges	(1,311)	17,908
Other comprehensive (expense) income for the period	(9,823)	2,945
Total comprehensive income for the period	142,319	122,693
Total comprehensive income for the period attributable to: Owners of the Company	142,319	122,693

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2016

	Notes	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	13	119,349	123,177
Investments in associates		31,567	39,598
Available-for-sale investments	14	22,819	22,145
Advances and receivables	15	1,103,283	1,186,140
Prepayments, deposits and other debtors	18	13,615	30,298
Derivative financial instruments	26	438	1,244
Restricted deposits	19	38,000	38,000
		1,329,071	1,440,602
Current assets			
Advances and receivables	15	4,032,810	4,059,463
Prepayments, deposits and other debtors	18	74,983	34,092
Amounts due from fellow subsidiaries	24	232	5
Amount due from immediate holding company		137	6
Amount due from intermediate holding company		233	423
Amount due from an associate		132	–
Derivative financial instruments	26	–	241
Tax recoverable		1,465	1,465
Restricted deposits	19	92,284	–
Time deposits	20	134,419	98,105
Fiduciary bank balances	21	47	238
Bank balances and cash	22	329,925	306,944
		4,666,667	4,500,982
Current liabilities			
Creditors and accruals	23	241,768	244,130
Amounts due to fellow subsidiaries	24	50,545	49,830
Amount due to intermediate holding company		205	58
Amount due to ultimate holding company		35	52
Amounts due to associates		3,258	1,358
Bank borrowings	25	607,900	560,786
Collateralised debt obligation	29	549,878	549,782
Derivative financial instruments	26	13,748	22,364
Tax liabilities		27,143	8,895
		1,494,480	1,437,255
Net current assets		3,172,187	3,063,727
Total assets less current liabilities		4,501,258	4,504,329
Capital and reserves			
Share capital	27	269,477	269,477
Reserves		2,341,036	2,274,095
Total equity		2,610,513	2,543,572
Non-current liabilities			
Bank borrowings	25	1,065,000	1,145,000
Collateralised debt obligation	29	700,000	700,000
Derivative financial instruments	26	116,299	106,214
Deferred tax liabilities	28	9,446	9,543
		1,890,745	1,960,757
		4,501,258	4,504,329

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 2016

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Hedging reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
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
At 31.8.2015 (Unaudited)	269,477	(2,557)	(118,156)	(380)	2,346,274	2,494,658
At 1.3.2016 (Audited)	269,477	(3,515)	(121,103)	(2,402)	2,401,115	2,543,572
Profit for the period	–	–	–	–	152,142	152,142
Fair value gain on available-for-sale investments	–	674	–	–	–	674
Exchange difference arising from translation of foreign operations	–	–	–	(9,186)	–	(9,186)
Net adjustment on cash flow hedges	–	–	(1,311)	–	–	(1,311)
Total comprehensive income (expense) for the period	–	674	(1,311)	(9,186)	152,142	142,319
Final dividend paid for the period from 1.3.2015 to 29.2.2016	–	–	–	–	(75,378)	(75,378)
	–	674	(1,311)	(9,186)	76,764	66,941
At 31.8.2016 (Unaudited)	269,477	(2,841)	(122,414)	(11,588)	2,477,879	2,610,513

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st August 2016

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Net cash from operating activities	269,938	274,549
Dividends received	139	465
Purchase of property, plant and equipment	(4,302)	(3,409)
Deposits paid for acquisition of property, plant and equipment	(3,493)	(10,917)
Decrease (increase) in time deposits with maturity of more than three months	13,902	(15,605)
Net cash from (used in) investing activities	6,246	(29,466)
Placement of restricted deposits	(507,790)	(45,012)
Withdrawal of restricted deposits	415,506	–
Dividends paid	(75,378)	(75,378)
New bank loans raised	670,000	5,156,806
Repayment of bank loans	(702,158)	(5,306,500)
Net cash used in financing activities	(199,820)	(270,084)
Net increase (decrease) in cash and cash equivalents	76,364	(25,001)
Effect of changes in exchange rate	(1,850)	(2,441)
Cash and cash equivalents at beginning of the period	349,283	294,534
Cash and cash equivalents at end of the period	423,797	267,092
Being:		
Time deposits with maturity of three months or less	93,872	32,097
Bank balances and cash	329,925	236,203
Bank overdrafts	–	(1,208)
	423,797	267,092

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st August 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The financial information relating to the year ended 29th February 2016 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 29th February 2016 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.

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 six months ended 31st August 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 29th February 2016.

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 HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Interest income	535,329	556,674
Fees and commissions	33,203	38,157
Handling and late charges	38,066	34,129
	<u>606,598</u>	<u>628,960</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

Segment revenue and results

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

1.3.2016 to 31.8.2016 (Unaudited)

	Credit card HK\$'000	Instalment loan HK\$'000	Insurance HK\$'000	Hire purchase HK\$'000	Consolidated HK\$'000
REVENUE	<u>412,768</u>	<u>182,697</u>	<u>11,123</u>	<u>10</u>	<u>606,598</u>
RESULT					
Segment results	<u>162,073</u>	<u>34,407</u>	<u>2,876</u>	<u>–</u>	<u>199,356</u>
Unallocated operating income					3,234
Unallocated expenses					(10,953)
Share of results of associates					(6,061)
Profit before tax					<u>185,576</u>

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

1.3.2015 to 31.8.2015 (Unaudited)

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

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

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Advances	532,175	553,202
Impaired advances	1,512	1,750
Time deposits, restricted deposits and bank balances	1,642	1,722
	535,329	556,674

6. INTEREST EXPENSE

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts	15,693	14,884
Interest on collateralised debt obligation	4,004	3,916
Net interest expense on interest rate swap contracts	27,252	28,432
	46,949	47,232

7. OTHER OPERATING INCOME

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	139	465
Fees and commissions		
Credit card	22,148	21,512
Insurance	11,055	16,645
Handling and late charges	38,066	34,129
Others	4,256	5,284
	<hr/>	<hr/>
	75,664	78,035
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8. OTHER GAINS AND LOSSES

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Exchange (loss) gain		
Exchange loss on hedging instrument released from cash flow hedge reserve	(850)	(300)
Exchange gain on a bank loan	850	300
Other exchange losses, net	–	(6)
Hedge ineffectiveness on cash flow hedges	(105)	(105)
Losses on disposal of property, plant and equipment	(4)	–
	<hr/>	<hr/>
	(109)	(111)
	<hr/>	<hr/>

9. OPERATING EXPENSES / OTHER EXPENSES

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Operating expenses		
Depreciation	22,854	22,521
General administrative expenses	82,919	80,515
Marketing and promotion expenses	27,289	39,388
Operating lease rentals in respect of rented premises, advertising space and equipment	36,166	36,211
Other operating expenses	22,750	28,049
Staff costs including Directors' emoluments	80,697	94,033
	272,675	300,717

Other expenses

The Group invested in the establishment of prepaid card business. However, due to the uncertainty and various other considerations surrounding the proposed regulatory regime for stored-value facilities, this project had been suspended and all incurred expenses of HK\$8,158,000 were written off during the six months ended 31st August 2015 and included under other expenses.

10. INCOME TAX EXPENSE

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Current tax		
– Current period	33,531	21,514
Deferred tax (<i>Note 28</i>)		
– Current period	(97)	5,625
	33,434	27,139

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 2016, a dividend of **18.0 HK cents** (six months ended 31st August 2015: 18.0 HK cents) per share amounting to a total of **HK\$75,378,000** (six months ended 31st August 2015: HK\$75,378,000) was paid to shareholders as the final dividend for 2015/16.

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 18th October 2016. The interim dividend will be paid on 31st October 2016. 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\$152,142,000** (six months ended 31st August 2015: HK\$119,748,000) and on the number of shares of **418,766,000** (six months ended 31st August 2015: 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\$19,125,000** (six months ended 31st August 2015: HK\$47,190,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Listed equity securities, at fair value		
Hong Kong	13,675	13,001
Unlisted equity securities, at cost	9,144	9,144
	<hr/> 22,819 <hr/>	<hr/> 22,145 <hr/>

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 (29.2.2016: three) private entities incorporated overseas engaged in consumer credit finance services and related business. The unlisted investments are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

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

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Credit card receivables	3,584,247	3,577,431
Instalment loan receivables	1,613,035	1,697,234
Hire purchase debtors	225	749
	<hr/>	<hr/>
	5,197,507	5,275,414
Accrued interest and other receivables	89,145	106,515
	<hr/>	<hr/>
Gross advances and receivables	5,286,652	5,381,929
Impairment allowances (<i>Note 16</i>)		
– individually assessed	(106,542)	(90,723)
– collectively assessed	(44,017)	(45,603)
	<hr/>	<hr/>
	(150,559)	(136,326)
	<hr/>	<hr/>
	5,136,093	5,245,603
Current portion included under current assets	(4,032,810)	(4,059,463)
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Amount due after one year	1,103,283	1,186,140
	<hr/>	<hr/>

Included in the advances and receivables are secured credit card receivables and instalment loan receivables of **HK\$nil** (29.2.2016: HK\$5,444,000) and **HK\$nil** (29.2.2016: HK\$12,570,000) 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 credit card instalment plans entered with customers ranges from 3 months to 4 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (29.2.2016: 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 2016, the carrying amount of the credit card receivables under this financing transaction was **HK\$1,567,362,000** (29.2.2016: HK\$1,670,046,000). The principal amount of the collateralised debt obligation is **HK\$1,250,000,000** (29.2.2016: HK\$1,250,000,000).

(b) Instalment loan receivables

Most of the instalment loan receivables entered with customers ranges from 6 months to 4 years and are denominated in HKD. The instalment loan receivables carry effective interest ranging from 3.1% to 46.9% (29.2.2016: 3.1% to 47.4%) per annum.

(c) Hire purchase debtors

	Minimum payments		Present value of minimum payments	
	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Amounts receivable under hire purchase contracts:				
Within one year	226	723	225	710
In the second to fifth year inclusive	—	39	—	39
	<u>226</u>	<u>762</u>	<u>225</u>	<u>749</u>
Unearned finance income	(1)	(13)	—	—
	<u>(1)</u>	<u>(13)</u>	<u>—</u>	<u>—</u>
Present value of minimum payments receivable	<u>225</u>	<u>749</u>	<u>225</u>	<u>749</u>

The term of hire purchase contracts entered with customers ranges from 6 months to 1.5 years.

16. IMPAIRMENT ALLOWANCES

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000	
Analysis by products as:			
Credit card receivables	34,754	34,235	
Instalment loan receivables	113,247	100,643	
Hire purchase debtors	2	6	
Accrued interest and other receivables	2,556	1,442	
	150,559	136,326	
	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
At 1.3.2016	90,723	45,603	136,326
Impairment losses and impairment allowances	149,405	(1,586)	147,819
Amounts written-off as uncollectable	(132,131)	–	(132,131)
Exchange realignment	(1,455)	–	(1,455)
At 31.8.2016	106,542	44,017	150,559
	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	166,802	(7,443)	159,359
Amounts written-off as uncollectable	(180,937)	–	(180,937)
Exchange realignment	(1,170)	–	(1,170)
At 31.8.2015	77,098	48,471	125,569

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:

	31.8.2016 (Unaudited) HK\$'000	%*	29.2.2016 (Audited) HK\$'000	%*
Overdue 1 month but less than 2 months	71,875	1.4	89,934	1.7
Overdue 2 months but less than 3 months	43,959	0.8	45,420	0.8
Overdue 3 months but less than 4 months	30,100	0.6	27,229	0.5
Overdue 4 months or above	106,820	2.0	89,738	1.7
	252,754	4.8	252,321	4.7

* Percentage of gross advances and receivables

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Deposits for property, plant and equipment	4,008	15,338
Rental and other deposits	21,879	19,664
Prepaid operating expenses	22,169	23,198
Other debtors	40,542	6,190
	<hr/>	<hr/>
	88,598	64,390
Current portion included under current assets	(74,983)	(34,092)
	<hr/>	<hr/>
Amount due after one year	13,615	30,298
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19. RESTRICTED DEPOSITS

The restricted deposits are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying at fixed rates ranging from 0.08% to 0.33% (six months ended 31st August 2015: 0.09% to 0.19%) per annum during the current interim period. Restricted deposits of **HK\$92,284,000** (29.2.2016: HK\$nil) will mature within one year from 31st August 2016.

20. TIME DEPOSITS

RMB time deposits with maturity of three months or less carry fixed rates ranging from 1.3% to 1.8% (six months ended 31st August 2015: 0.04% to 2.9%) per annum during the current interim period. At 31st August 2016, the Group has RMB time deposits with maturity of three months or less of **HKD93,872,000** (29.2.2016: HKD42,339,000) equivalent.

RMB time deposits with maturity of more than three months carry fixed rates ranging from 1.6% to 2.0% (six months ended 31st August 2015: 2.0% to 3.0%) per annum during the current interim period. At 31st August 2016, the Group has RMB time deposits with maturity of more than three months of **HKD40,547,000** (29.2.2016: HKD55,766,000) equivalent.

21. FIDUCIARY BANK BALANCES

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

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:

	HKD HK\$'000	RMB HK\$'000	USD HK\$'000	Total HK\$'000
31.8.2016 (Unaudited)				
Bank balances and cash	314,059	15,679	187	329,925
29.2.2016 (Audited)				
Bank balances and cash	284,508	21,950	486	306,944

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:

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Current	78,937	68,355
Over 1 month but less than 3 months	1,742	1,877
Over 3 months	3,236	5,895
	83,915	76,127

Included in creditors and accruals is deferred revenue in relation to customer loyalty programmes of **HK\$11,282,000** (29.2.2016: HK\$8,143,000).

24. AMOUNTS DUE FROM / TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand except for **HK\$40,183,000** (29.2.2016: HK\$42,220,000) 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:

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Current	40,183	42,220

25. BANK BORROWINGS

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Bank loans, unsecured	1,672,900	1,705,786
Carrying amount repayable (<i>Note</i>)		
Within one year	607,900	560,786
Between one and two years	55,000	190,000
Between two and five years	965,000	870,000
Over five years	45,000	85,000
	1,672,900	1,705,786
Amount repayable within one year included under current liabilities	(607,900)	(560,786)
Amount repayable after one year	1,065,000	1,145,000

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

The carrying amounts of the bank borrowings are denominated in the following currencies:

	HKD HK\$'000	USD HK\$'000	RMB HK\$'000	Total HK\$'000
31.8.2016 (Unaudited)				
Bank loans	1,285,000	387,900	–	1,672,900
29.2.2016 (Audited)				
Bank loans	1,285,950	387,800	32,036	1,705,786

HKD bank loans of **HK\$210,000,000** (29.2.2016: HK\$240,000,000) are arranged at fixed interest rates ranging from 1.4% to 3.5% (29.2.2016: 1.4% to 3.1%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates from 0.60% plus HIBOR to 0.85% plus HIBOR (29.2.2016: 0.42% plus HIBOR to 0.85% plus HIBOR) per annum and the USD borrowing is arranged at floating interest rate at 0.70% plus LIBOR (29.2.2016: 0.70% plus LIBOR) per annum, thus exposing the Group to cash flow interest rate risk. At 29th February 2016, the RMB borrowings were arranged at floating interest rates at 85% of PBOC per annum.

At 31st August 2016, the Group has available unutilised overdrafts and non-committed short term bank loan facilities of **HK\$711,620,000** (29.2.2016: HK\$705,620,000) and **HK\$674,875,000** (29.2.2016: HK\$645,109,000) respectively.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2016 (Unaudited)		29.2.2016 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	–	129,138	57	128,578
Cross-currency interest rate swap	–	909	241	–
Interest rate caps	438	–	1,187	–
	<u>438</u>	<u>130,047</u>	<u>1,485</u>	<u>128,578</u>
Current portion	–	(13,748)	(241)	(22,364)
	<u>–</u>	<u>(13,748)</u>	<u>(241)</u>	<u>(22,364)</u>
Non-current portion	438	116,299	1,244	106,214
	<u>438</u>	<u>116,299</u>	<u>1,244</u>	<u>106,214</u>

All derivative financial instruments entered by the Group that remain outstanding at 31st August 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 by swapping certain HKD floating-rate bank borrowings with aggregate principal of **HK\$1,075,000,000** (29.2.2016: HK\$1,065,000,000) from floating rates to fixed rates. The interest rate swaps with aggregate notional amount of **HK\$1,075,000,000** (29.2.2016: HK\$1,065,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.8% to 3.5% (29.2.2016: 1.8% to 3.5%) per annum and floating interest receipts quarterly ranging from 0.35% plus HIBOR to 0.85% plus HIBOR (29.2.2016: 0.35% plus HIBOR to 0.85% plus HIBOR) per annum for periods up until March 2022 (29.2.2016: until August 2021).

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** (29.2.2016: 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** (29.2.2016: 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% (29.2.2016: 3.2% to 3.9%) per annum and floating interest receipts monthly from 0.35% plus HIBOR to 0.55% plus HIBOR (29.2.2016: 0.35% plus HIBOR to 0.55% plus HIBOR) per annum for periods up until February 2016, February 2017 and July 2020 (29.2.2016: until February 2016, February 2017 and July 2020) respectively.

In addition, the Group entered into another two new interest rate swaps with notional amounts of HK\$550,000,000 each to extend the maturity dates of above-mentioned two interest rate swaps to 2019. One of the new interest rate swaps started from February 2016 while the other started from February 2017 and both end in August 2019. The interest rate swaps have fixed interest payments monthly at fixed interest rates ranging from 3.5% to 3.8% (29.2.2016: 3.5% to 3.8%) per annum and floating interest receipts monthly at 0.4% plus HIBOR (29.2.2016: 0.4% plus HIBOR) per annum for periods up until August 2019 (29.2.2016: 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\$262,000** (six months ended 31st August 2015: HK\$17,979,000) 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 exposures to foreign currency and cash flow interest rate risk of its USD bank borrowing by swapping the floating-rate USD bank borrowing to fixed-rate HKD bank borrowing.

The cross-currency interest rate swap with notional amount of **USD50,000,000** (29.2.2016: 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 (29.2.2016: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (29.2.2016: 3.28%) per annum and floating interest receipts quarterly in USD at 0.70% plus LIBOR (29.2.2016: 0.70% plus LIBOR) per annum for periods up until September 2016 (29.2.2016: 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\$300,000** (six months ended 31st August 2015: HK\$375,000) and is included in other comprehensive income.

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

Interest rate caps

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

During the period, net adjustment on the above-mentioned interest rate caps amounted to **HK\$749,000** (six months ended 31st August 2015: HK\$446,000) and is included in other comprehensive income.

27. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Issued and fully paid		
At 1st March 2016 and 31st August 2016		
– Ordinary shares with no par value	418,766,000	269,477

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 2016 and 31st August 2015:

	Accelerated tax depreciation HK\$'000	Impairment allowances HK\$'000	Total HK\$'000
At 1.3.2016	17,068	(7,525)	9,543
(Credit) charge to profit or loss for the period	(359)	262	(97)
At 31.8.2016	16,709	(7,263)	9,446
	Accelerated tax depreciation HK\$'000	Impairment allowances HK\$'000	Total HK\$'000
At 1.3.2015	15,308	(9,339)	5,969
Charge to profit or loss for the period	4,220	1,405	5,625
At 31.8.2015	19,528	(7,934)	11,594

29. COLLATERALISED DEBT OBLIGATION

- (a) The Group entered into a HK\$1,250,000,000 collateralised debt obligation financing transaction (the “Transaction”). The Transaction consists of three tranches – Tranche A, Tranche B and Tranche C. The revolving period for Tranche A ended in January 2016 while the revolving periods for Tranche B and Tranche C will end in January 2017 and July 2020 respectively. The three tranches are arranged at floating interest rates from 0.35% plus HIBOR per annum to 0.55% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Three corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, are arranged to swap these three tranches from floating rates to fixed rates from 3.2% to 3.9% per annum.
- (b) In September 2014, the Group extended the revolving periods of Tranche A and Tranche B by entering into two new tranches – New Tranche A and New Tranche B. The revolving period for New Tranche A started from February 2016 while the revolving period for New Tranche B will start from February 2017 and both will end in August 2019. The two tranches under New Tranche A and New Tranche B are arranged at floating interest rates of 0.40% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Two corresponding new interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, are arranged to swap these two new tranches from floating rates to fixed rates at 3.5% to 3.8% per annum. The effective interest rate after taking into account the executed interest rate swaps was 3.6% (six months ended 31st August 2015: 3.7%) per annum during the period.
- (c) Pursuant to the Transaction, the Group transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the “Trust”) established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Group is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10, the Trust is controlled by the Group and the results thereof are consolidated by the Group in its condensed consolidated financial statements. According to HKAS 39 *Financial Instruments: Recognition and Measurement*, 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:

	31.8.2016	29.2.2016
	(Unaudited)	(Audited)
	HK\$’000	HK\$’000
Within one year	54,012	54,185
In the second to fifth year inclusive	19,834	28,768
	73,846	82,953

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

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	<u>12,610</u>	<u>11,533</u>

32. PLEDGE OF ASSETS

At 31st August 2016, the collateralised debt obligation was secured by credit card receivables and restricted deposits of **HK\$1,567,362,000** and **HK\$130,284,000** respectively (29.2.2016: HK\$1,670,046,000 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	
	1.3.2016 to 31.8.2016 HK\$'000	1.3.2015 to 31.8.2015 HK\$'000	1.3.2016 to 31.8.2016 HK\$'000	1.3.2015 to 31.8.2015 HK\$'000	1.3.2016 to 31.8.2016 HK\$'000	1.3.2015 to 31.8.2015 HK\$'000	1.3.2016 to 31.8.2016 HK\$'000	1.3.2015 to 31.8.2015 HK\$'000
Interest income received	<u>3,086</u>	3,083	—	—	—	—	—	—
Commission received	<u>3,156</u>	3,679	—	—	—	—	—	—
Dividends received	<u>139</u>	465	—	—	—	—	—	—
Service fees received	—	—	<u>1,279</u>	1,644	—	—	—	—
Licence fees paid	<u>4,315</u>	4,759	—	—	<u>18</u>	18	<u>423</u>	432
Service fees paid	—	—	<u>5,749</u>	2,692	—	—	<u>19,786</u>	22,659
Development fee paid (Note)	<u>6,060</u>	4,700	—	—	—	—	—	—

Note: For the computer system development fees paid during the period, **HK\$5,895,000** (six months ended 31st August 2015: HK\$769,000) is recognised as administrative expenses, **HK\$165,000** (six months ended 31st August 2015: HK\$2,170,000) is capitalised under property, plant and equipment and **HK\$Nil** is included in prepayments, deposits and other debtors (six months ended 31st August 2015: HK\$1,761,000).

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:

	1.3.2016 to 31.8.2016 (Unaudited) HK\$'000	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000
Short-term benefits	4,424	4,806
Post-employment benefits	18	32
	4,442	4,838

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
		31.8.2016	29.2.2016	31.8.2016	29.2.2016	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	
AEON Insurance Brokers (HK) Limited	Hong Kong	HK\$1,000,000	HK\$1,000,000	100%	100%	Insurance brokerage services
AEON Micro Finance (Shenyang) Co., Ltd	China	HK\$124,221,000	HK\$124,221,000	100%	100%	Microfinance business
AEON Micro Finance (Tianjin) Co., Ltd	China	RMB100,000,000	RMB100,000,000	100%	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd	China	RMB150,000,000	RMB100,000,000	100%	100%	Microfinance business

(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 2016, 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).

	31.8.2016 (Unaudited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss ("FVTPL")				
Derivative financial assets	–	438	–	438
Available-for-sale financial assets				
Listed equity securities	13,675	–	–	13,675
Total	13,675	438	–	14,113
Financial liabilities at FVTPL				
Derivative financial liabilities	–	130,047	–	130,047
	29.2.2016 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
Derivative financial assets	–	1,485	–	1,485
Available-for-sale financial assets				
Listed equity securities	13,001	–	–	13,001
Total	13,001	1,485	–	14,486
Financial liabilities at FVTPL				
Derivative financial liabilities	–	128,578	–	128,578

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 in the current period.

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

	31.8.2016 (Unaudited)		29.2.2016 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings	1,672,900	1,684,728	1,705,786	1,713,664

The fair value of listed equity securities is determined with reference to quoted market bid price from 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 18th October 2016 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 17th October 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 31st August 2016, the Group recorded a profit attributable to owners of HK\$152.1 million, representing an increase of 27% or HK\$32.4 million when compared to HK\$119.7 million for the six months ended 31st August 2015. The Group's basic earnings per share increased from 28.60 HK cents per share in 2015/16 to 36.33 HK cents per share in 2016/17.

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 slowdown on the growth of advances and receivables. As a result, the Group recorded a decrease in interest income of 3.8% or HK\$21.3 million, from HK\$556.7 million in the previous period to HK\$535.3 million in the current period. With a stable funding environment, the average funding cost remained stable at 3.1% in both periods. Consequently, net interest income of the Group for the first six months in 2016/17 was HK\$488.4 million, representing a decrease of 4.1% or HK\$21.1 million when compared with the first six months in 2015/16.

The fraud alerts on bogus phone calls in Hong Kong has a negative effect on telemarketing sales. As a result, the insurance commission decreased by 33.6% or HK\$5.6 million to HK\$11.1 million in the current period. Notwithstanding the increase in handling and late charges, the overall other operating income still decreased by HK\$2.4 million from HK\$78.0 million in 2015/16 to HK\$75.7 million for the first six months in 2016/17.

During the first half of 2016/17, the Group exercised tight control on marketing and promotion expenses. Following the review of manpower requirement and the necessary adjustment made in the second half of last financial year, staff costs decreased by HK\$13.3 million when compared with the previous period. This led to an overall decrease in operating expenses by 9.3% from HK\$300.7 million from the last period to HK\$272.7 million in the current period.

In order to avoid any adverse impact on the value of the collateral arising from economic uncertainty and to improve the efficiency of the credit management manpower, the Group has sold all secured receivables and certain written-off portfolio in the current period and recorded a gain on sale of advances and receivables of HK\$21.1 million in the current period. This one-time income contributed to an increase in the net profit for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$312.4 million for the six months ended 31st August 2016, representing an increase of 12.2% from HK\$278.5 million for the first half of last financial year. During the period under review, the Group's cautious credit judgment and asset quality management has resulted in a decrease in impairment losses and impairment allowances of 7.2% or HK\$11.5 million from HK\$159.4 million in 2015/16 to HK\$147.8 million. Recoveries of advances and receivables written-off amounted to HK\$27.1 million, representing a decrease of HK\$0.2 million when compared with HK\$27.3 million in 2015/16.

The Group recorded a decrease in its receivables by HK\$77.9 million to HK\$5,197.5 million as at August 2016, when compared to HK\$5,275.4 million as at 29th February 2016. Impairment allowances amounted to HK\$150.6 million as at 31st August 2016, when compared with HK\$136.3 million as at 29th February 2016. Total equity was strengthened by 2.6% to HK\$2,610.5 million as at 31st August 2016 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after interim dividend) was HK\$6.1 as at 31st August 2016, when compared with the net asset value per share (after final dividend) of HK\$5.9 as at 29th February 2016.

Business Review

The first half of 2016 proved to be a challenging one globally. The slowdown in inbound tourism from the Mainland and sluggish local consumption have constrained Hong Kong's retail sales while financial market volatility, RMB depreciation and Fed rate normalization have further weakened consumer confidence.

Against this challenging backdrop, the Group's total sales for the six months ended 31st August 2016 were 100% when compared to the same period last year. During this period, the Group continued to drive new card acquisitions by keeping pace with the changing behaviour and card usage preferences of our customers as an increasing number of them are embracing the transition to online shopping, particularly in the travel, clothing and department store sectors. The Group capitalized on this trend by promoting our products through digital marketing and social media such as Facebook. Additionally, having possession of a diverse portfolio across credit card and loan products allowed the Group to leverage flexibility and present a unified image and brand confidence to customers across all platforms.

Despite strong market competitions, the Group continued to promote its competitive edge and focused on value-added enhancements such as 4X bonus points, and a frequent flyer mileage program for both new and existing customers. As a result, the number of cards issued increased by a respectable 9%, up from 4% in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

The Group's credit purchase and card cash advance sales increased by 1% and 5% respectively when compared to the same period last year. Personal loan sales declined 9% due to a more prudent lending approach aimed at improving asset quality.

During the period under review, the Group launched an assortment of promotions catered to drive sales and customer engagement. AEON Private Sale and Thanksgiving Day Sale were held in collaboration with AEON Stores to deliver a unique and rewarding shopping experience to our customers. The Hung Fook Tong herbal products spending reward, KFC combo set promotion, Circle K stamp promotion and Royal Caribbean cruise promotion were welcomed by customers and furthered the Group's market penetration of new customer segments.

In-house credit purchase and card instalment sales attributed to AEON Stores declined 14% in the first half of 2016/17, compared to a 4% growth in the same period in 2015. The negative impact on sales was mainly attributable to the partial closure of two prominent stores due to renovation. Nevertheless, the partnership with AEON Stores represents a unique opportunity in the market and the Group will continue to utilize and leverage this synergy to drive results.

The drop in in-house sales was offset by an upsurge in overseas spending, which increased by 26% over the same period in 2015. As no transaction fees are imposed by the Company on foreign currency transactions, an emphasis was put on this benefit in conjunction with exclusive card incentives of the AEON Card JAL MasterCard when driving the overseas sales segment.

By implementing cost-reduction initiatives and adopting a prudent lending policy, the Group's microfinance business in China continued to show improvement in its overall performance. The three microfinance companies will continue to explore and cultivate new revenue streams by identifying the best options for the business.

Furthermore, the Group continued to invest heavily in its products, technologies and the development of its network. The newly renovated Kornhill Branch will allow our frontline staff to promote a highly efficient face-to-face engagement with visitors and at the same time, paving the way for the digitalization of business operation and e-marketing. Digital is an integral part of the Group's strategy as technology and mobility are changing the way our customers access information, choose products and obtain services.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects

Brexit and the geopolitical tensions in Europe and the Middle East will continue to cause global economic uncertainty. In Mainland China, despite the current economic slowdown and domestic rebalancing, the economic prospect is still promising. The strong central government is believed to have committed itself to promote a gradual and sustainable economic growth.

The Hong Kong economy will likely be restrained by the low global growth environment, sluggish trade and tourism performance. The correction of residential properties is likely to affect domestic demand and private consumption. However, the low interest rate environment and steady labour market should provide some buffer to the potential impact on local consumption and business sentiment.

The Group has scheduled a diverse mix of products and services for launch in the second half of the year. The upcoming Jet Payment service will bring more convenience to our customers by offering payment functionalities at Jetco ATMs. Moreover, instant card issuance capability at branches will expand to include VISA, MasterCard and JCB alongside UnionPay, which has been available since 2012.

The Group will further enhance promotion activities across its entire product line to drive customer engagement and brand loyalty. The popular AEON Card JAL MasterCard will receive unique perks and enhancements catered to its cardholders to further stimulate usage.

The Group will further invest in the redesign and renovation across its entire branch network. The newly completed renovation of the Kornhill and Whampoa Branches demonstrates the Group's commitment to an efficient and customer friendly business environment.

Furthermore, 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 improvements are continuously carried out across the Group's different platforms to simplify business processes as well as improve the overall user experience and operational efficiency.

The Group will continue to focus on enhancing the value of our existing customers and capitalizing on new business opportunities. The Group aims to strike a balance between the interests of our customers, our shareholders and the communities in which we serve when formulating our business strategies.

For the second half of 2016/17, the Group remains committed to creating value for our shareholders and strengthening our market position to ensure that we preserve our lead in terms of market share and profitability. The Group is confident in its business prospects and is looking forward to an overall satisfactory performance for the year 2016/17.

SEGMENT INFORMATION

The Group's business comprises four operating segments, namely credit card, instalment loan, insurance and hire purchase. In the first half of 2016/17, credit card operation accounted for 68.0% of the Group's revenue, as compared to 67.4% in the previous period. For segment result, credit card operation accounted for 81.3% of the Group's whole operations as compared to 88.4% in the previous period, while instalment loan operation accounted for 17.3% of the Group's segment result as compared to 9.7% in the previous period.

In the first half of 2016/17, the Group recorded an increase in card credit purchase sales. The increase was offset by the sluggish growth on card cash advance portfolio. As a result, revenue from credit card operation in 2016/17 decreased by 2.7% or HK\$11.4 million from HK\$424.1 million in 2015/16 to HK\$412.8 million in 2016/17. With the decrease in marketing and promotion expenses, staff costs and other operating expenses, together with the one-time revenue from the sale of advances and receivables of certain credit card portfolio, the segment result for the period from credit card operation recorded an increase of HK\$29.8 million from HK\$132.3 million in 2015/16 to HK\$162.1 million in 2016/17.

Under the uncertain economic environment, the Group's prudent lending approach in both Hong Kong and China aiming at improving asset quality had resulted in a slowdown of instalment loan business. As a result, revenue from instalment loan operation decreased by 2.9% or HK\$5.4 million from HK\$188.1 million in 2015/16 to HK\$182.7 million in 2016/17. Following the implementation of cost-reduction initiatives by the microfinance subsidiaries in China and the decrease in their running costs, coupled with the one-time revenue from the sale of advances and receivables of certain instalment loan portfolio, segment result for the period from instalment loan operation recorded an increase of HK\$20.0 million from HK\$14.4 million in 2015/16 to HK\$34.4 million in 2016/17.

Revenue from insurance operation recorded a decrease of HK\$5.5 million from HK\$16.6 million in 2015/16 to HK\$11.1 million in 2016/17 due to the negative effect of fraud alerts on bogus phone calls on telemarketing sales. After taking into account the decrease in operating expenses, the segment result for the period from insurance operation increased by HK\$0.1 million from HK\$2.8 million in 2015/16 to HK\$2.9 million in 2016/17.

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).

FUNDING AND CAPITAL MANAGEMENT (Continued)

Net debt to equity ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

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

	31.8.2016 (Unaudited) HK\$'000	29.2.2016 (Audited) HK\$'000
Debt (note a)	2,922,778	2,955,568
Cash and cash equivalents	(423,797)	(349,283)
Net debt	2,498,981	2,606,285
Equity (note b)	2,610,513	2,543,572
Net debt to equity ratio	1.0	1.0

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 2016, 47.2% of its funding was derived from total equity, 30.2% from bank borrowings and 22.6% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 31st August 2016, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$1,672.9 million, with 12.6% being fixed in interest rates and 87.4% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 39.6% of these indebtedness will mature within one year, 1.9% between one and two years, 57.0% between two and five years and 1.5% over five years. The duration of indebtedness was around 2.2 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.

The net asset of the Group at 31st August 2016 was HK\$2,610.5 million, as compared with HK\$2,543.6 million at 29th February 2016. 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.

FUNDING AND CAPITAL MANAGEMENT *(Continued)*

Net debt to equity ratio *(Continued)*

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 2016, 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 and was repaid on 20th September 2016.

On 9th September 2016, the Company entered into a new syndicated term loan agreement for a USD50,000,000 term loan facility (the "New Facility"). The New Facility was drawn down on 20th September 2016 and the repayment date is 20th September 2021.

Under the New 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 this event occurs, the New Facility may become immediately due and payable on demand. At 31st August 2016, the circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continued to exist, and the disclosure herein is accordingly made in compliance with the relevant disclosure requirements under the Listing Rules.

MANAGEMENT OF RISKS

The Group has established policies, procedures and controls for measuring, monitoring and controlling market, credit, liquidity, capital and operational 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, 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, ultimate holding company and an associate 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.

MANAGEMENT OF RISKS *(Continued)*

The Group's operational risk covers processing risk, human risk, system risk, tangible risk and reputational risk. There are risk management policies, regulations and guidelines approved by the management and the Board for adherence by all business units in the Group. The major risk control tool kits are key risk indicators and key performance indicators that are set up for critical business processes. The management manages and monitors these indicators to ensure effective risk management and internal controls are in place in the operating units.

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 exchange 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.

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.

MANAGEMENT OF RISKS *(Continued)*

Market risk *(Continued)*

Interest rate risk management (Continued)

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 2016 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 different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

MANAGEMENT OF RISKS *(Continued)*

Credit risk *(Continued)*

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.

Operational risk

Operational risk is the risk event loss resulting from operation incidents, accidents and rumours. The Group's policy is to implement operational risk management framework across the Group. It provides risk management and internal control systems for risk identification, assessment, mitigation and prevention. The primary responsibility of each division head and branch manager is to manage inherent risks within the tolerance levels that are within the risk appetite approved by the Board. The key inherent risks are processing, data security, compliance and financial crime. All business units set up procedures and key risk indicators and key performance indicators to ensure operation continuity capacity, high quality of customer service and effective risk control through proactive management, operational excellence and alignment with best market practices. Management manages significant risks and ensures mitigating risks are prioritized and control adequately.

HUMAN RESOURCES

The total number of staff of the Group at 31st August 2016 and 29th February 2016 was 566 and 622 respectively. The Group continues to recognize and reward its staff similar to that disclosed in its 2015/16 Annual Report.

DIRECTORS' INTERESTS IN SHARES

At 31st August 2016, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) The Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Hideo Tanaka	28,600	0.01

(b) AFS – intermediate holding company of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Hideo Tanaka	759	0.01
Tomoharu Fukayama	3,839	0.01
Toru Hosokawa	600	0.01

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

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

(d) 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 2016.

SUBSTANTIAL SHAREHOLDERS

At 31st August 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company:

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

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 43.18% of the issued share capital of AFS, the holding company of AFS (HK) and 71.64% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 220,814,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.
2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 220,814,000 shares owned by AFS (HK).
3. Out of 220,814,000 shares, 213,114,000 shares were held by AFS (HK) and 7,700,000 shares were held by The Hongkong and Shanghai Banking Corporation Limited, as a nominee on behalf of AFS (HK).

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st August 2016.

REVIEW OF UNAUDITED FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 31st August 2016. In addition, the condensed consolidated financial statements for the six months ended 31st August 2016 have been reviewed by our 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 2016, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of 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 of the Company. 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 2015/16 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Biographical Details of Directors

Mr. Masanori Kosaka

- Retired as a Non-executive Director on 24th June 2016.

Mr. Lai Yuk Kwong

- Retired as an Executive Director on 24th June 2016.

Prof. Tong Jun

- Retired as an Independent Non-executive Director on 24th June 2016.

Mr. Takamitsu Moriyama

- Appointed as a Non-executive Director, the Chairman of the Board and the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee on 24th June 2016.

Mr. Tomoharu Fukayama

- Appointed as an Executive Director on 24th June 2016.

Mr. Toru Hosokawa

- Appointed as an Executive Director on 24th June 2016.

Mr. Kenji Hayashi

- Appointed as an Independent Non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 24th June 2016.

Mr. Ip Yuk Keung

- Appointed as Vice Chairman of World Green Organisation on 30th August 2016.
- Ceased to be a Member of the Legal Aid Services Council upon expiration of his term of office on 31st August 2016.

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

Directors' Emoluments

- Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Mr. Kenji Hayashi each would receive a Director's fee of HK\$300,000 per annum with effect from 1st July 2016.
- The annual base salary of Mr. Hideo Tanaka has been revised to HK\$1,200,000 with effect from 21st June 2016.
- Mr. Hideo Tanaka, Mr. Kiyoshi Wada and Ms. Koh Yik Kung received a discretionary bonus of HK\$180,000, HK\$173,000 and HK\$82,000 respectively in June 2016.

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 any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
HIDEO TANAKA
Managing Director

Hong Kong, 30th September 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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 2016 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

30th September 2016

CORPORATE INFORMATION

Board of Directors

Executive Directors

Hideo Tanaka (*Managing Director*)

Koh Yik Kung

Kiyoshi Wada

Tomoharu Fukayama

Toru Hosokawa

Non-executive Director

Takamitsu Moriyama (*Chairman*)

Independent Non-executive Directors

Ip Yuk Keung

Wong Hin Wing

Kenji Hayashi

Company Secretary

Koh Yik Kung

Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Share Registrar

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Major Bankers

Mizuho Bank, Ltd.

Hong Kong Branch

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Hong Kong Branch

Sumitomo Mitsui Banking Corporation

Hong Kong Branch

Registered Office

20/F, Miramar Tower

132 Nathan Road

Tsimshatsui

Kowloon

Hong Kong

Internet Address

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

E-mail address : info@aeon.com.hk

Stock Code

900

GLOSSARY

ACG	AEON Credit Guarantee (China) Co., Ltd.
AEON Brokers	AEON Insurance Brokers (HK) Limited
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 or PRC	the People's Republic of China
Company	AEON Credit Service (Asia) Company Limited
Companies Ordinance	Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Director(s)	the director(s) of the Company
EIT Law	the Law of China on Enterprise Income Tax
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 Standard
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