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AEON CREDIT SERVICE (ASIA) CO., LTD.
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 2018

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 2018, together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31st May 2018

	<i>Notes</i>	1.3.2018 to 31.5.2018 (Unaudited) HK\$'000	1.3.2017 to 31.5.2017 (Unaudited) HK\$'000
Revenue	3	<u>325,828</u>	<u>309,764</u>
Interest income		<u>285,020</u>	270,817
Interest expense		<u>(21,463)</u>	(22,068)
Net interest income		<u>263,557</u>	248,749
Other operating income	4	<u>43,887</u>	40,985
Other gains and losses	5	<u>(184)</u>	(64)
Operating income		<u>307,260</u>	289,670
Operating expenses	6	<u>(136,140)</u>	(133,747)
Operating profit before impairment allowances		<u>171,120</u>	155,923
Impairment losses and impairment allowances		<u>(43,696)</u>	(59,081)
Recoveries of advances and receivables written-off		<u>12,966</u>	12,588
Share of results of associates		<u>437</u>	844
Profit before tax		<u>140,827</u>	110,274
Income tax expense		<u>(21,649)</u>	(18,656)
Profit for the period		<u>119,178</u>	91,618
Profit for the period attributable to: Owners of the Company		<u>119,178</u>	91,618
Earnings per share — Basic		<u>28.46 HK cents</u>	21.88 HK cents

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

For the three months ended 31st May 2018

	1.3.2018 to 31.5.2018 (Unaudited) HK\$'000	1.3.2017 to 31.5.2017 (Unaudited) HK\$'000
Profit for the period	<u>119,178</u>	<u>91,618</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Gain on fair value changes of equity investments designated at fair value through other comprehensive income	337	–
Items that may be reclassified subsequently to profit or loss:		
Gain on fair value changes of available-for-sale investments	–	691
Exchange difference arising from translation of foreign operations	(3,663)	2,498
Net adjustment on cash flow hedges	<u>16,971</u>	<u>(24,832)</u>
Other comprehensive income (expense) for the period	<u>13,645</u>	<u>(21,643)</u>
Total comprehensive income for the period	<u><u>132,823</u></u>	<u><u>69,975</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u><u>132,823</u></u>	<u><u>69,975</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st May 2018

	<i>Notes</i>	31.5.2018 (Unaudited) HK\$'000	28.2.2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		80,559	87,223
Investments in associates		13,855	13,678
Equity investments designated at fair value through other comprehensive income		89,173	–
Available-for-sale investments		–	15,900
Advances and receivables	7	910,930	981,330
Prepayments, deposits and other debtors		28,720	26,559
Derivative financial instruments	12	23,659	18,249
Deferred tax assets		14,350	–
Restricted deposits		38,000	38,000
		1,199,246	1,180,939
Current assets			
Advances and receivables	7	4,000,881	4,202,214
Prepayments, deposits and other debtors		48,869	45,058
Amounts due from fellow subsidiaries		777	146
Amount due from intermediate holding company		13	–
Amount due from an associate		232	350
Restricted deposits		286,712	–
Time deposits		128,672	103,533
Fiduciary bank balances		1,780	248
Bank balances and cash		538,480	660,488
		5,006,416	5,012,037
Current liabilities			
Creditors and accruals		238,843	235,808
Amounts due to fellow subsidiaries		43,588	56,705
Amount due to immediate holding company		28	–
Amount due to intermediate holding company		18	154
Amount due to ultimate holding company		40	33
Amount due to an associate		2,715	2,904
Bank borrowings	10	425,000	345,000
Derivative financial instruments	12	391	1,865
Tax liabilities		30,212	25,772
		740,835	668,241
Net current assets		4,265,581	4,343,796
Total assets less current liabilities		5,464,827	5,524,735

		31.5.2018	28.2.2018
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital		269,477	269,477
Reserves		2,770,846	2,735,564
		<hr/>	<hr/>
Total equity		3,040,323	3,005,041
		<hr/>	<hr/>
Non-current liabilities			
Collateralised debt obligation	<i>11</i>	1,250,000	1,250,000
Bank borrowings	<i>10</i>	1,151,067	1,230,020
Derivative financial instruments	<i>12</i>	23,437	34,819
Deferred tax liabilities		–	4,855
		<hr/>	<hr/>
		2,424,504	2,519,694
		<hr/>	<hr/>
		5,464,827	5,524,735
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31st May 2018

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Investment at fair value through other comprehensive income reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2017 (Audited)	269,477	(4,421)	–	(53,651)	(18,489)	2,549,155	2,742,071
Profit for the period	–	–	–	–	–	91,618	91,618
Gain on fair value changes of available-for-sale investments	–	691	–	–	–	–	691
Exchange difference arising from translation of foreign operations	–	–	–	–	2,498	–	2,498
Net adjustment on cash flow hedges	–	–	–	(24,832)	–	–	(24,832)
Total comprehensive income (expense) for the period	–	691	–	(24,832)	2,498	91,618	69,975
At 31st May 2017 (Unaudited)	<u>269,477</u>	<u>(3,730)</u>	<u>–</u>	<u>(78,483)</u>	<u>(15,991)</u>	<u>2,640,773</u>	<u>2,812,046</u>
At 1st March 2018 (Audited)	<u>269,477</u>	–	–	<u>(19,529)</u>	<u>2,296</u>	<u>2,752,797</u>	<u>3,005,041</u>
Transitional adjustments on the initial application of HKFRS 9	–	–	72,934	–	–	(170,475)	(97,541)
Adjusted as at 1st March 2018	269,477	–	72,934	(19,529)	2,296	2,582,322	2,907,500
Profit for the period	–	–	–	–	–	119,178	119,178
Gain on fair value changes of equity investments designated at fair value through other comprehensive income	–	–	337	–	–	–	337
Exchange difference arising from translation of foreign operations	–	–	–	–	(3,663)	–	(3,663)
Net adjustment on cash flow hedges	–	–	–	16,971	–	–	16,971
Total comprehensive income (expense) for the period	–	–	337	16,971	(3,663)	119,178	132,823
At 31st May 2018 (Unaudited)	<u>269,477</u>	<u>–</u>	<u>73,271</u>	<u>(2,558)</u>	<u>(1,367)</u>	<u>2,701,500</u>	<u>3,040,323</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31st May 2018

	1.3.2018 to 31.5.2018 (Unaudited) HK\$'000	1.3.2017 to 31.5.2017 (Unaudited) HK\$'000
Net cash from operating activities	196,341	131,874
Purchase of property, plant and equipment	(1,604)	(2,000)
Deposits paid for acquisition of property, plant and equipment	(3,743)	(2,590)
(Increase) decrease in time deposits with maturity of more than three months	(8,652)	5,708
Net cash (used in) from investing activities	(13,999)	1,118
Placement of restricted deposits	(440,244)	(724,726)
Withdrawal of restricted deposits	153,531	652,626
New bank loans raised	–	50,000
Repayment of bank loans	–	(100,000)
Net cash used in financing activities	(286,713)	(122,100)
Net (decrease) increase in cash and cash equivalents	(104,371)	10,892
Effect of changes in exchange rate	(543)	2,361
Cash and cash equivalents at beginning of the period	721,762	602,090
Cash and cash equivalents at end of the period	616,848	615,343
Being:		
Time deposits with maturity of three months or less	78,368	133,017
Bank balances and cash	538,480	482,326
	616,848	615,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st May 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the year ended 28th February 2018 that is included in the unaudited results for the three months ended 31st May 2018 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 is as follows:

The Company will deliver the financial statements for the year ended 28th February 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong 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 Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) Adoption of HKFRS 9 Financial Instruments

The Group has applied HKFRS 9 initially on 1st March 2018. As permitted by HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening balance of accumulated profits at 1st March 2018.

Key requirements of HKFRS 9 which are relevant to the Group are disclosed under note 2 Application of New and Revised HKFRSs in the Group’s annual financial statements for the year ended 28th February 2018. The impact of the initial application of HKFRS 9 is presented below:

Classification and measurement

Listed equity securities classified as available-for-sale investments carried at fair value under HKAS 39 *Financial Instruments: Recognition and Measurement*, continue to be measured at fair value through other comprehensive income under HKFRS 9, however, the fair value gains or losses accumulated in the investment reserve will no longer be subsequently reclassified to profit or loss under HKFRS 9.

Equity securities classified as available-for-sale investments carried at cost less impairment under HKAS 39, are measured at fair value through other comprehensive income under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses accumulated in the investment at fair value through other comprehensive income reserve, and will no longer be subsequently reclassified to profit or loss under HKFRS 9.

The adjustment on the fair value relating to these equity securities recognised in the opening balance of investment at fair value through other comprehensive income reserve at 1st March 2018 amounted to HK\$72,934,000.

Impairment

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

The general impairment approach of HKFRS 9 to recognising impairment is based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument.

Stage 1 covers instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk. Stage 2 covers financial instruments that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. Stage 3 covers financial assets that have objective evidence of impairment at the reporting date. 12-month expected credit losses are recognized in stage 1, while lifetime expected credit losses are recognised in stages 2 and 3.

In general, the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. Such additional impairment recognised under expected credit loss model increased the impairment allowances by HK\$189,130,000 and the deferred tax assets by HK\$18,655,000 respectively at 1st March 2018. As a result, the adjustment (net of deferred tax) on the opening accumulated profits at 1st March 2018 amounted to HK\$170,475,000.

3. REVENUE

	1.3.2018 to 31.5.2018 (Unaudited) HK\$'000	1.3.2017 to 31.5.2017 (Unaudited) HK\$'000
Interest income	285,020	270,817
Fees and commissions	20,995	17,933
Handling and late charges	19,813	21,014
	<u>325,828</u>	<u>309,764</u>

4. OTHER OPERATING INCOME

	1.3.2018 to 31.5.2018 (Unaudited) HK\$'000	1.3.2017 to 31.5.2017 (Unaudited) HK\$'000
Fees and commissions		
Credit card	16,376	13,250
Insurance	4,619	4,683
Handling and late charges	19,813	21,014
Others	3,079	2,038
	<u>43,887</u>	<u>40,985</u>

5. OTHER GAINS AND LOSSES

	1.3.2018 to 31.5.2018 (Unaudited) HK\$'000	1.3.2017 to 31.5.2017 (Unaudited) HK\$'000
Exchange (loss) gain		
Exchange loss on hedging instruments released from cash flow hedge reserve	(950)	(1,600)
Exchange gain on a bank loan	950	1,600
Other exchange (losses) gains, net	(30)	47
Hedge ineffectiveness on cash flow hedges	(33)	(33)
Losses on disposal of property, plant and equipment	(121)	(78)
	<u>(184)</u>	<u>(64)</u>

6. OPERATING EXPENSES

	1.3.2018 to 31.5.2018 (Unaudited) HK\$'000	1.3.2017 to 31.5.2017 (Unaudited) HK\$'000
Depreciation	10,172	10,617
General administrative expenses	40,710	39,762
Marketing and promotion expenses	11,752	13,194
Minimum operating lease rentals in respect of rented premises, advertising space and equipment	18,750	18,511
Other operating expenses	13,806	11,651
Staff costs including Directors' emoluments	40,950	40,012
	<u>136,140</u>	<u>133,747</u>

7. ADVANCES AND RECEIVABLES

	31.5.2018 (Unaudited) HK\$'000	28.2.2018 (Audited) HK\$'000
Credit card receivables	3,782,837	3,808,249
Instalment loans receivable	1,307,098	1,375,933
	5,089,935	5,184,182
Accrued interest and other receivables	84,172	88,266
	5,174,107	5,272,448
Gross advances and receivables	5,174,107	5,272,448
Impairment allowances (<i>note 8</i>)	(262,296)	(88,904)
	4,911,811	5,183,544
Current portion included under current assets	(4,000,881)	(4,202,214)
	910,930	981,330
Amount due after one year	910,930	981,330

8. IMPAIRMENT ALLOWANCES

	31.5.2018 (Unaudited) HK\$'000	28.2.2018 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	118,275	38,785
Instalment loan receivables	138,426	48,128
Accrued interest and other receivables	5,595	1,991
	262,296	88,904

<u>Expected Credit Loss Model under HKFRS 9</u>	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2018	115,555	51,856	110,623	278,034
Impairment losses and impairment allowances	(3,262)	(8,217)	55,175	43,696
Amounts written-off as uncollectable	–	–	(59,258)	(59,258)
Exchange realignment	–	–	(176)	(176)
	112,293	43,639	106,364	262,296
At 31st May 2018	112,293	43,639	106,364	262,296

<u>Incurred Credit Loss Model under HKAS 39</u>	Individual assessment <i>HK\$'000</i>	Collective assessment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2017	58,146	42,927	101,073
Impairment losses and impairment allowances	63,835	(4,754)	59,081
Amounts written-off as uncollectable	(66,236)	–	(66,236)
Exchange realignment	60	–	60
	<u>55,805</u>	<u>38,173</u>	<u>93,978</u>
At 31st May 2017	<u>55,805</u>	<u>38,173</u>	<u>93,978</u>

9. 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:

	31.5.2018 (Unaudited) <i>HK\$'000</i>		28.2.2018 (Audited) <i>HK\$'000</i>	
		%*		%*
Overdue 1 month but less than 2 months	68,478	1.3	91,926	1.7
Overdue 2 months but less than 3 months	44,935	0.9	45,406	0.9
Overdue 3 months but less than 4 months	24,390	0.5	28,745	0.6
Overdue 4 months or above	57,338	1.1	54,588	1.0
	<u>195,141</u>	<u>3.8</u>	<u>220,665</u>	<u>4.2</u>

* *Percentage of gross advances and receivables*

10. BANK BORROWINGS

	31.5.2018 (Unaudited) <i>HK\$'000</i>	28.2.2018 (Audited) <i>HK\$'000</i>
Bank loans, unsecured	<u>1,576,067</u>	<u>1,575,020</u>
Carrying amount repayable (<i>Note</i>)		
Within one year	425,000	345,000
Within a period of more than one year but not exceeding two years	190,000	175,000
Within a period of more than two years but not exceeding five years	871,067	965,020
Over five years	90,000	90,000
	<u>1,576,067</u>	<u>1,575,020</u>
Amount repayable within one year included under current liabilities	<u>(425,000)</u>	<u>(345,000)</u>
Amount repayable after one year	<u>1,151,067</u>	<u>1,230,020</u>

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

11. COLLATERALISED DEBT OBLIGATION

	31.5.2018 (Unaudited) <i>HK\$'000</i>	28.2.2018 (Audited) <i>HK\$'000</i>
Tranche A	550,000	550,000
Tranche B	550,000	550,000
Tranche C	150,000	150,000
	<hr/>	<hr/>
Amount repayable after one year	1,250,000	1,250,000
	<hr/> <hr/>	<hr/> <hr/>

12. DERIVATIVE FINANCIAL INSTRUMENTS

	31.5.2018 (Unaudited)		28.2.2018 (Audited)	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	4,663	23,828	2,473	36,684
Cross-currency interest rate swaps	18,995	–	15,770	–
Interest rate caps	1	–	6	–
	<hr/>	<hr/>	<hr/>	<hr/>
	23,659	23,828	18,249	36,684
Current portion	<hr/> –	<hr/> (391)	<hr/> –	<hr/> (1,865)
Non-current portion	<hr/> 23,659	<hr/> 23,437	<hr/> 18,249	<hr/> 34,819
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All derivative financial instruments entered by the Group that remain outstanding at 31st May 2018 and 28th February 2018 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.

13. PLEDGE OF ASSETS

At 31st May 2018, the collateralised debt obligation was secured by credit card receivables and restricted deposits of HK\$1,608,851,000 and HK\$324,712,000 respectively (28th February 2018: HK\$1,660,345,000 and HK\$38,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

1. For the three months ended 31st May 2018, the Group recorded a profit attributable to owners of HK\$119.2 million, representing an increase of 30.1% or HK\$27.6 million when compared to HK\$91.6 million for the three months ended 31st May 2017. The Group's basic earnings per share increased from 21.88 HK cents to 28.46 HK cents when compared with the previous period.
2. The economic environment in Hong Kong continued to improve in the first quarter of this financial year, with the unemployment rate recorded a new low level of 2.8% and the steady rebound in retail sales. The Group utilised different marketing initiatives to seek new customer base and to stimulate growth in its credit card usage, with credit card sales recording an increase of 5.6% when compared with the previous period. Together with the continuous effort to increase the portfolio of higher yield products, the Group recorded an increase in interest income of 5.2% or HK\$14.2 million from HK\$270.8 million in the previous period to HK\$285.0 million in the current period.
3. Interest expense of the Group in the first three months of this financial year was HK\$21.5 million, a slight decrease when compared to HK\$22.1 million in the previous corresponding period.
4. Consequently, net interest income of the Group in the first three months of 2018/19 amounted to HK\$263.6 million, representing an increase of 6.0% or HK\$14.8 million when compared with HK\$248.7 million in the previous corresponding period.
5. Following an increase in credit card sales, there was an increase in fees and commissions from credit card business by 23.6% or HK\$3.1 million to HK\$16.4 million in the current period. As there was a continued improvement in asset quality, handling and late charges recorded a drop of 5.7% to HK\$19.8 million in the current period. Fees and commissions from insurance business slightly decreased by HK\$0.1 million to HK\$4.6 million in the current period. The Group has been actively sourcing new products and channels for its insurance agency business and will launch travel insurance through digital platform in the first half of this year. The Group recorded an overall increase in other operating income of HK\$2.9 million from HK\$41.0 million in the first three months of 2017/18 to HK\$43.9 million for the three months ended 31st May 2018.
6. The operating income of the Group for the first three months of this financial year was HK\$307.3 million, representing an increase of 6.1% or HK\$17.6 million when compared with HK\$289.7 million in the previous corresponding period.

7. During the period under review, the Group effectively controlled marketing and promotion expenses for generating new sales and brand building, resulting in a slight drop of HK\$1.4 million in those expenses when compared with the previous period. Following the launch of different digitalization projects, including the revamped mobile application and new mobile tablets for card applications, the overall system running costs increased. As a result, other operating expenses increased by HK\$2.2 million when compared with 2017/18. Accordingly, overall operating expenses recorded an increase of HK\$2.4 million from HK\$133.7 million in the last period to HK\$136.1 million in the current period. Cost-to-income ratio reduced from 46.2% in the first three months of 2017/18 to 44.3% in the first three months of this year.
8. At the operating level before impairment allowances, the Group recorded an operating profit of HK\$171.1 million for the three months ended 31st May 2018, representing an increase of 9.7% from HK\$155.9 million in the corresponding period of 2017.
9. The Group's continued focus on asset quality management, coupled with the low unemployment rate in Hong Kong, had resulted in a steady improvement in the asset quality of advances and receivables, with a reduction in the amounts written-off as uncollectable by HK\$6.9 million from HK\$66.2 million in the last period to HK\$59.3 million in the current period. Together with the adoption of HKFRS 9 from 1st March 2018, impairment losses and impairment allowances recorded a drop of 26.0% or HK\$15.4 million from HK\$59.1 million in 2017/18 to HK\$43.7 million for the three months ended 31st May 2018.
10. For China operations, in view of the increasing control on personal data usage and the lack of credit information on users of internet financing, our microfinance subsidiaries in China slowed down their sales activities in the first quarter and reviewed their credit assessment process with the aim to improving asset quality. Operating results of the microfinance subsidiaries for the three months ended 31st May 2018 recorded a loss of HK\$2.1 million, as compared with HK\$3.3 million loss in the first quarter of 2017/18. The Group will closely monitor the business operations of its subsidiaries and the regulatory changes in China to adjust their operating model when necessary.
11. The Group's gross advances and receivables at 31st May 2018 amounted to HK\$5,174.1 million, as compared with HK\$5,272.4 million at 28th February 2018.
12. At 31st May 2018, 51.9% of the Group's funding was derived from total equity, 26.8% from bank borrowings and 21.3% from structured finance. Including the collateralised debt obligation, 15.0% of these borrowings will mature within one year, 45.7% between one and two years, 36.1% between two and five years and 3.2% over five years.

13. In the first quarter, the Group started its new card and loan system replacement project which is expected to complete by early 2020. The new system would improve operation efficiency and reduce system running costs. In addition, the Group has also launched a pilot project to adopt artificial intelligence in its credit assessment process for card applications with the aim to improve its effectiveness.
14. Following the adoption of HKFRS 9 on impairment, the Company will continue to focus on credit purchase sales to control credit risk. In addition, the Company will also evaluate and enhance its credit assessment and collection processes to reduce delinquent receivables and maximize revenue.

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

By order of the Board
Hideo Tanaka
Managing Director

Hong Kong, 21st June 2018

As at the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Ms. Koh Yik Kung, Mr. Tomoharu Fukayama and Mr. Toru Hosokawa as Executive Directors; Mr. Masaaki Mangetsu (Chairman) as Non-executive Director; and Mr. Lee Ching Ming, Adrian, Mr. Wong Hin Wing and Mr. Kenji Hayashi as Independent Non-executive Directors.