AEON CREDIT SERVICE

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

ANNUAL REPORT 2018 / 19

Planting Seeds of Growth

We are AEON

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Hideo Tanaka *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Koh Yik Kung
Tomoharu Fukayama

Non-executive Director

Masaaki Mangetsu *(Chairman)*

Independent Non-executive Directors

Lee Ching Ming, Adrian
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
MUFG Bank, Ltd.
Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Hong Kong Branch

REGISTERED OFFICE

20/F, Mira Place Tower A
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

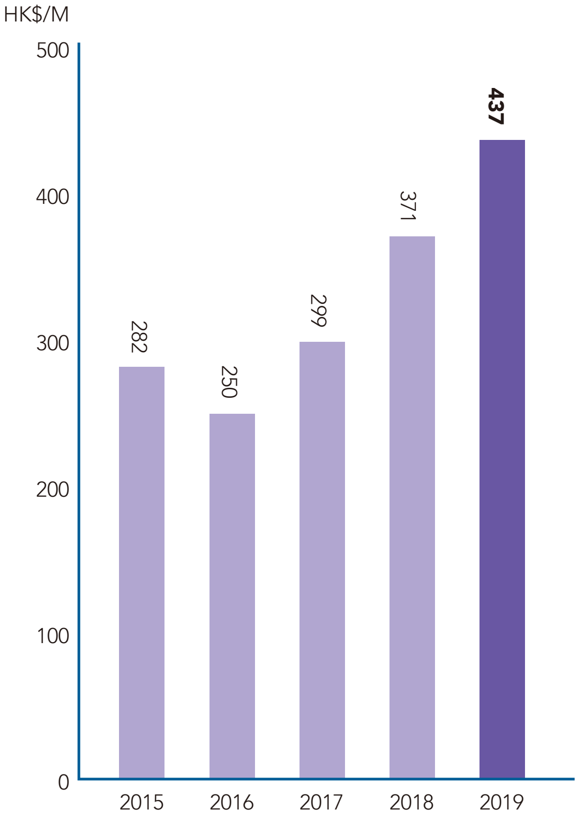
Shareholders' Calendar

27th September 2018	Announcement of interim results for the six months ended 31st August 2018
15th – 16th October 2018	Book closing dates for interim dividend
19th October 2018	Despatch of interim report for the six months ended 31st August 2018
31st October 2018	Payment of interim dividend of 22.0 HK cents per share
24th April 2019	Announcement of final results for the year ended 28th February 2019
14th May 2019	Despatch of annual report for the year ended 28th February 2019
18th – 21st June 2019	Book closing dates for 2019 AGM
21st June 2019	2019 AGM
27th – 28th June 2019	Book closing dates for final dividend
12th July 2019	Payment of final dividend of 22.00 HK cents per share (subject to shareholders' approval at the 2019 AGM)

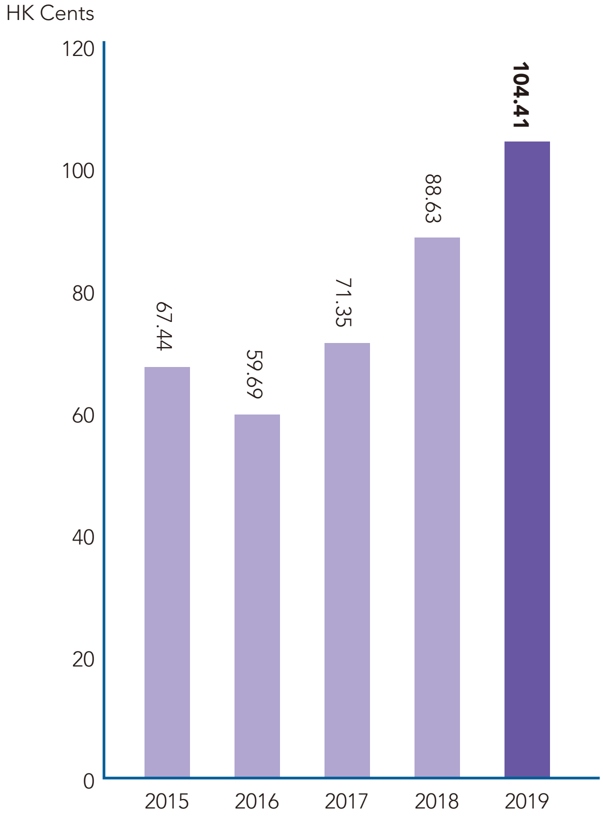
Financial Summary

CONSOLIDATED RESULTS

Profit (note 1)



Earnings per share (note 2)

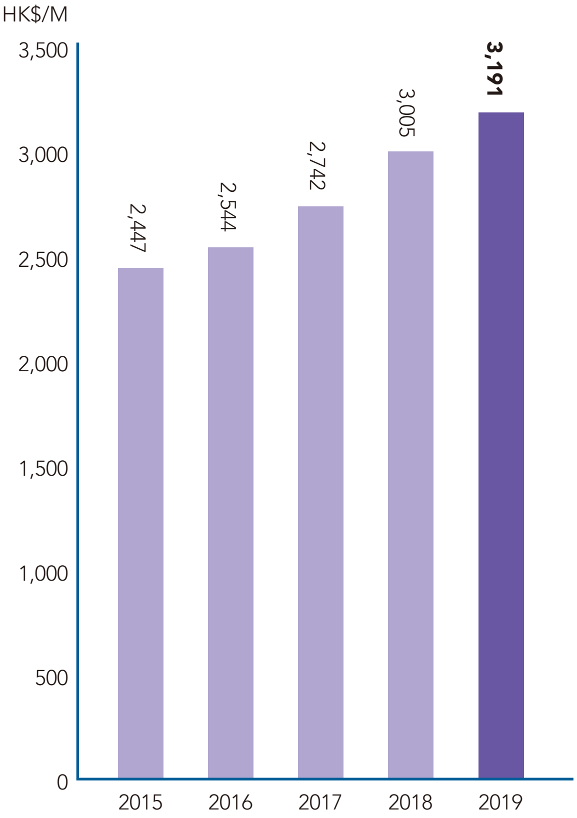


	28.2.2015 *HK$'000*	29.2.2016 *HK$'000*	28.2.2017 *HK$'000*	28.2.2018 *HK$'000*	**28.2.2019** ***HK$'000***
Revenue	1,295,955	1,258,854	1,228,100	1,282,867	**1,322,678**
Profit before tax	346,680	307,355	367,234	447,265	**524,122**
Income tax expense	(64,276)	(57,388)	(68,438)	(76,117)	**(86,868)**
Profit for the year/period	282,404	249,967	298,796	371,148	**437,254**
Earnings per share	67.44 HK cents	59.69 HK cents	71.35 HK cents	88.63 HK cents	**104.41 HK cents**
Dividend per share	36.00 HK cents	36.00 HK cents	38.00 HK cents	42.00 HK cents	**44.00 HK cents**

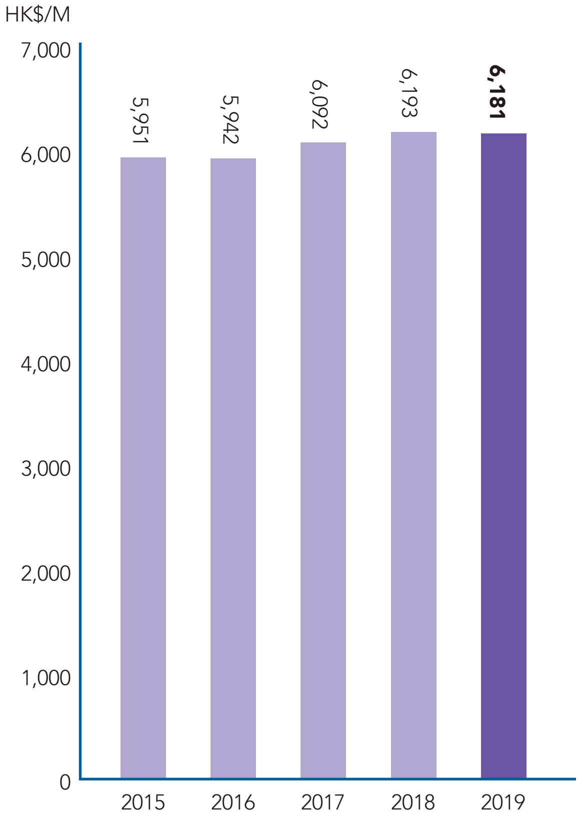
Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

Total equity (note 3)



Total assets (note 4)



	At				
	28.2.2015 *HK$'000*	29.2.2016 *HK$'000*	28.2.2017 *HK$'000*	28.2.2018 *HK$'000*	**28.2.2019** ***HK$'000***
Total assets	5,951,429	5,941,584	6,091,800	6,192,976	**6,180,684**
Total liabilities	(3,504,086)	(3,398,012)	(3,349,729)	(3,187,935)	**(2,990,037)**
Total equity	2,447,343	2,543,572	2,742,071	3,005,041	**3,190,647**

Notes:

1. Represents the consolidated profit for the financial periods from 21st February 2014 to 28th February 2015, from 1st March 2015 to 29th February 2016, from 1st March 2016 to 28th February 2017, from 1st March 2017 to 28th February 2018 and from 1st March 2018 to 28th February 2019.

2. Represents the consolidated earnings per share for the financial periods from 21st February 2014 to 28th February 2015, from 1st March 2015 to 29th February 2016, from 1st March 2016 to 28th February 2017, from 1st March 2017 to 28th February 2018 and from 1st March 2018 to 28th February 2019.

3. Represents the consolidated total equity at 28th February 2015, at 29th February 2016, at 28th February 2017, 2018 and 2019.

4. Represents the consolidated total assets at 28th February 2015, at 29th February 2016, at 28th February 2017, 2018 and 2019.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 28th February 2019, the Group achieved continued revenue growth and showed a strong business performance. The Group put priority on investing in digitalization in response to the fast paced development of financial technology. The Group also adhered to the strategy of improving productivity through digitalization, expanding customer base by tapping into new customer segments, and delivering a premium user experience to our customers. Due to the escalation of the trade war between China and the United States, and coupled with the raising interest rates by the Federal Reserve, uncertainty in the global economic environment continued in the second half of the year. As a result, the local market sentiment became cautious. The Group has been closely monitoring the development and will take precautionary measures accordingly.

OPERATIONAL REVIEW

The Group benefited from an upturn in Hong Kong retail sales in the first half of 2018/19, with card credit purchase sales recording an increase of 3.0% when compared with last year. Although the upturn slowed down in the second half, the unemployment rate in Hong Kong remained low, providing a relatively stable credit operating environment for the Group, which in turn led to a continued improvement in credit quality and lower impairment allowances.

During the year, the Company continued to enhance its card benefits and utilize new technologies to deliver premium service experience to our customers. To improve customers' convenience, several functions have been added to our mobile application, including promotion registration, card and loan applications, bonus point redemption, and digital express cash advance. These additional functions enable customers to enjoy our services without having to approach our branches. To enhance the attractiveness of our bonus point program, customers can now convert their AEON bonus points to Reward-U and Asia Miles.

To enrich our card member benefits, the Group also launched different attractive promotion programs during the year. In the fourth quarter of the year, the Group successfully launched new AEON premium cards that allow customers to enjoy exclusive discounts and premium benefits, including access to lounges in our branches, AEON Stores' outlets and airports.

In order for the Group to compete in the market, it is critical for the Group to replace its existing core system. This year, the Group started a new project to replace and upgrade its card and loan system. Based on current estimates, the project will cost approximately HK$480.0 million, including capital expenditure and on-going maintenance and support charges, over a period of 10 years from the completion of the project, which was re-scheduled to 2021 due to envisaged complexity of the project. The new system would improve operational efficiency, reduce system running costs and enhance its technical capability to cater for new technology, including mobile payment. In addition, the Group also launched a pilot project adopting artificial intelligence in its credit assessment process for card applications with the aim to improve its effectiveness and reliability.

The Group continued to assess the performance of its branch and ATM network to improve efficiency. During the year, the Group reduced the number of branches and ATMs to 19 and 128 respectively. Moreover, to prepare for the smooth transition to the new card and loan system, the Group re-assessed the performance of different card types and terminated certain cards which were less popular amongst our customers, including the American Express card brand.

While Hong Kong business performance remained strong, our China business still faced challenges with bad debts and fraud risk control notwithstanding the tightening up of the credit assessment process. As a result, the microfinance companies in China continued to record a drop in sales in the reporting year. We will continue to focus on cost control to minimize losses. Meanwhile, we do not foresee any material improvement in their operating performance in the coming year.

DIVIDEND

The Group adopts a stable dividend policy, aiming to pay regular dividends with a target annual dividend payout ratio of not less than 30% of the consolidated net profits of the Group attributable to shareholders of the Company for the financial year. When proposing dividend, besides financial performance, the Board will take into consideration shareholders' interests, payout history, general business environment and cash flow requirements.

Given the Group's strong financial position and commitment to create value for our shareholders, the Board has recommended a final dividend of 22.0 HK cents per share, bringing the total dividend for the year ended 28th February 2019 to 44.0 HK cents per share, an increase of 2.0 HK cents per share when compared with the total dividend of 42.0 HK cents for the year ended 28th February 2018. This represents a dividend payout ratio of 42.1%.

FINANCIAL REVIEW

For the year ended 28th February 2019, on an audited basis, profit before tax was HK$524.1 million, an increase of HK$76.8 million when compared with the financial year ended 28th February 2018. After deducting income tax expense of HK$86.9 million, the Group recorded an increase in profit of 17.8%, with profit after tax increasing from HK$371.1 million in the previous financial year to HK$437.3 million in 2018/19. Earnings per share increased from 88.63 HK cents to 104.41 HK cents for the reporting year.

Return on assets was 7.1% in 2018/19, as compared with 6.0% in 2017/18 while return on equity was 13.7% in 2018/19, as compared with 12.3% in 2017/18.

Net debt to equity ratio was 0.7 at 28th February 2019 and 28th February 2018, while total equity to total assets ratio was 51.6% and 48.5% at 28th February 2019 and 28th February 2018 respectively.

Net asset value per share (after final dividend) at 28th February 2019 was HK$7.4, as compared with the net asset value per share (after final dividend) of HK$7.0 at 28th February 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ANALYSIS

Revenue

Revenue for the year was HK$1,322.7 million, an increase of 3.1% or HK$39.8 million when compared with HK$1,282.9 million in the previous financial year.

Net Interest Income

Through the enhancement of card benefits and the launch of different card promotion programs, credit card sales for the year recorded an increase of 1.2% when compared with last year. Together with the effort to increase the portfolio of higher yield products, the Group recorded an increase in interest income of 1.7% or HK$19.3 million, from HK$1,117.6 million in the previous financial year to HK$1,136.9 million in the current year.

By focusing on long-term bank borrowings, the Group's average funding cost maintained at 3.0% for both financial years despite an increase in interest rates in the market. The Group's interest expense recorded a decrease of 4.9% or HK$4.2 million, from HK$86.2 million in the previous financial year to HK$82.1 million in the current year.

Consequently, net interest income of the Group for 2018/19 was HK$1,054.9 million, representing an increase of 2.3% or HK$23.5 million when compared with HK$1,031.3 million of 2017/18.

Operating Income

Following the increase in credit card sales, there was an increase in fees and commissions from credit card business of 17.3% or HK$12.5 million to HK$85.2 million in the current year. With the development of new distribution channels for insurance products, including digital platform, fees and commissions from insurance business recorded an increase of 15.6% or HK$2.4 million to HK$17.4 million in the current year. There was also an increase in handling and late charges of 7.2% or HK$5.6 million to HK$83.1 million in the current year.

In the previous year, there was a HK$12.8 million gain on deregistration of an associate. In the current year, there was no such gain. Other gains and losses recorded a loss of HK$0.8 million in the current year while there was a gain of HK$1.4 million in the previous year.

Operating income of the Group for 2018/19 was HK$1,244.7 million, representing an increase of 3.4% or HK$40.9 million when compared with HK$1,203.8 million of 2017/18.

Operating Expenses

During the current financial year, the Group prudently utilized marketing and promotion expenses for launching new cards and card benefits to tap into new market segments and to generate new sales and brand building, resulting in an increase in marketing and promotion expenses of 8.5% or HK$6.1 million to HK$77.9 million in the current year. Due to changing technology and environment as well as customer behaviour, the Group has changed its branch strategy from "expansion" to "selection and concentration" where branches should be located in high population and high shopper concentration areas. Accordingly, the Group reduced its physical branches from 22 to 19. As a result, operating lease rentals decreased by HK$5.8 million when compared with the previous year. During the year, the Group started to streamline its existing operations and realign its manpower with actual operational needs resulting in a reduction of staff costs of HK$6.3 million when compared with 2017/18. Following the launch of different digitalization projects, including the revamped mobile application and new mobile tablets for card applications, there was an increase in system running costs. As a result, there was an increase in general administrative expenses and other operating expenses recorded an increase of HK$12.4 million when compared with the previous year.

Overall operating expenses recorded a slight increase of 0.5% or HK$2.7 million from HK$564.9 million in 2017/18 to HK$567.6 million in the current year.

Cost-To-Income Ratio

Through the effective utilization of incremental operating expenses to generate additional operating income, the Group further reduced its cost-to-income ratio from 46.9% in the previous year to 45.6% in the current year.

Impairment Losses and Impairment Allowances

During the year under review, credit quality remained strong, attributable to the low unemployment rate in Hong Kong and the Group's effective asset quality management. There was a decrease of 15.5% or HK$37.5 million in impairment losses and impairment allowances to HK$203.7 million.

This year, the Group adopted HKFRS 9 on the calculation of impairment losses and impairment allowances. The impairment losses and impairment allowances calculated under the previous accounting standard, HKAS 39, had not been restated. If the calculation of impairment losses and impairment allowances in the current year were based on HKAS 39, the amount would have been HK$227.5 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS

The Group's total equity at 28th February 2019 was HK$3,190.6 million, representing a growth of 6.2% or HK$185.6 million, when compared with the balance of HK$3,005.0 million at 28th February 2018.

Total assets at 28th February 2019 were HK$6,180.7 million, as compared with total assets of HK$6,193.0 million at 28th February 2018.

Property, Plant and Equipment

During the year, the Group spent approximately HK$20.9 million on computer equipment and HK$0.8 million on leasehold improvements.

Advances and Receivables

On advances and receivables, due to the Group's prudent asset quality management aiming at controlling asset quality in both Hong Kong and China markets, personal loan receivables decreased by 13.0% from HK$1,375.9 million at 28th February 2018 to HK$1,197.2 million at 28th February 2019.

On the other hand, credit card receivables increased slightly by 0.9%, or HK$34.1 million, from HK$3,808.2 million at 28th February 2018 to HK$3,842.3 million at 28th February 2019 as a result of our initiatives to increase customer base and stimulate card usage.

Following the drop in bankruptcy cases and advances and receivables overdue 4 months or above, impairment allowances decreased by HK$34.5 million, from HK$278.0 million at 1st March 2018 to HK$243.5 million at 28th February 2019.

Indebtedness

At 28th February 2019, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$1,381.5 million, with 24.6% being fixed in interest rates and 75.4% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 39.0% of these indebtedness will mature within one year, 34.9% between one and two years, 25.0% between two and five years and 1.1% over five years.

The average duration of indebtedness was 1.5 years at 28th February 2019, as compared with 2.1 years at 28th February 2018.

SEGMENT INFORMATION

The Group's business comprises three principal operating segments, namely credit card, personal loans and insurance. For the year ended 28th February 2019, credit card operations accounted for 75.6% of the Group's revenue, as compared to 72.1% in the previous financial year. For segment results, credit card operations in 2018/19 accounted for 74.5% of the Group's whole operations, as compared to 81.0% in the previous financial year.

During the year under review, owing to the initiatives to increase customer base and stimulate card usage, the Group recorded an overall increase in card sales of 1.2% when compared with last year. This resulted in an overall increase in credit card receivables balance. Together with the focus on high yield products, revenue from credit card operations in 2018/19 increased by 8.2% or HK$75.5 million from HK$924.7 million in 2017/18 to HK$1,000.2 million in 2018/19. Although the Group had spent more on marketing and promotions to launch new cards and to create new sales channels, through our effective control on operating expenses and coupled with prudent asset quality management to reduce impairment losses and impairment allowances, the results from credit card segment recorded an increase of 8.4% or HK$30.1 million from HK$359.4 million in the previous financial year to HK$389.5 million in 2018/19.

For personal loans, the Group continued to adopt prudent asset quality management aiming at controlling asset quality. This resulted in a slowdown in sales and reduction in the personal loan receivables balance. As a result, revenue from personal loans operations decreased by 11.1% or HK$38.1 million from HK$342.9 million in 2017/18 to HK$304.8 million in 2018/19. However, with the improvement in impairment losses and impairment allowances of 48.6% or HK$52.1 million and disciplined control on operational costs, the segment results for the year from personal loans operations recorded an increase of HK$43.6 million from HK$77.0 million in 2017/18 to HK$120.6 million in the current financial year.

For insurance intermediary business, the Group introduced a new online sales channel for individual customers. Together with existing sales channels, the Group managed to increase the number of in-force insurance policies. Revenue from insurance operations increased to HK$17.6 million from HK$15.2 million in the previous year, representing an increase of 15.8%. The segment results for the current financial year from insurance operations increased by 78.9% or HK$5.6 million from HK$7.1 million in the previous financial year to HK$12.7 million for the year ended 28th February 2019.

In relation to the financial information by geographical locations, revenue from Hong Kong operations recorded an increase of 5.1% or HK$62.7 million, from HK$1,225.2 million in 2017/18 to HK$1,287.9 million in 2018/19, mainly attributable to the increase in credit card sales and growth in credit card advances and receivables. Together with effective cost control and prudent asset quality management, the segment results of Hong Kong operations recorded an increase of 17.9% or HK$81.9 million from HK$456.8 million in 2017/18 to HK$538.7 million in 2018/19.

For China operations, the microfinance subsidiaries still faced difficulties with bad debts and fraud risk control. As a result, sales in these subsidiaries continued to contract in the reporting year as they continue to focus on cost control to minimize losses. Revenue from China operations recorded a decrease of HK$22.9 million, from HK$57.7 million in 2017/18 to HK$34.8 million in 2018/19. Overall segment results of our China operations showed an increase of loss of 18.8% or HK$2.5 million from a loss of HK$13.3 million in 2017/18 to a loss of HK$15.8 million in 2018/19.

FUNDING AND CAPITAL RISK MANAGEMENT

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 28th February 2019, 54.8% of its funding was derived from total equity, 23.7% from direct borrowings from financial institutions and 21.5% from structured finance.

The net asset of the Group at 28th February 2019 was HK$3,190.6 million, as compared with HK$3,005.0 million at 28th February 2018. Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

The Group's principal operations are transacted and recorded in HKD and therefore its core assets are not subject to any exposure on exchange rate fluctuation. During the year 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 28th February 2019, capital commitments entered into were mainly related to the purchase of property, plant and equipment. The Group also had HK$78.5 million of other contractual commitments as of 28th February 2019, primarily related to the card and loan system replacement project.

PROSPECTS

Due to the ongoing trade war between China and the United States, uncertainties will continue to affect market sentiments. Nevertheless, the unemployment rate will hopefully stay at a low level with a slight Gross Domestic Product growth expected. The Group will remain vigilant in monitoring changing market conditions and react appropriately.

It is expected that competition in the market will intensify with the increasing popularity of e-money and mobile payment usage. The Group will continue to enhance product benefits and service efficiency to provide premium user experience to our customers so as to expand our customer base and to boost our sales volume.

In order to respond to market changes, the Group will put more resources on digitalization. The Group's investment in digitalization will simplify operations and improve our ability to respond to changes.

The project to replace the Group's card and loan system is ongoing with the soft-launch of acquiring phase in May 2019 and the revision of issuing phase schedule to 2021. Depreciation and ongoing maintenance and support charges will be incurred over a period of 10 years upon launching of the acquiring phase and the issuing phase respectively. The Group will further enhance its mobile application for further customer convenience.

The pilot project to adopt artificial intelligence for credit assessment was started in 2018/19 and is still in progress. Going forward, the Group is preparing for the evaluation stage to assess on the effectiveness in making credit assessment more reliable.

Furthermore, to improve the data analysis capability, the Group has set up a team for data analysis in the fourth quarter of 2018/19. The team is expected to come up with its own data analysis methodologies to better enhance the Group's marketing and credit assessment capabilities.

The sales promotions launched in 2018/19 have been popular with our customers. The Company will launch similar promotions to build up its Japanese brand image.

The Group will continue to focus on long-term bank borrowings as its funding strategy and use derivative financial instruments to tackle any increase in market interest rates.

As the Group is still working on a viable business strategy for our China business, the microfinance subsidiaries in China will meanwhile continue to focus on improving asset quality and streamlining their operations. The Group will reassess their future business prospects and consider different operating options. Meanwhile, we are expecting the microfinance companies to continue to underperform in the coming year.

The Group has a unique and strong position in the Hong Kong market in which it operates, and the Board remains confident about future growth prospects. We are well-funded and look forward to a satisfactory performance in 2019/20.

IT DEVELOPMENT

During the year under review, the Group continuously enhanced its mobile application to provide brand new digital experiences to customers such as e-tickets functions and online cash advance functions. The Group will continue to enhance the mobile application function on a regular basis.

By the end of the third quarter of 2018/19, the contactless function was introduced into most credit cards issued by the Group, which brought further convenience to customers. Also, AEON premium cards development was completed successfully and the new card was launched successfully in the fourth quarter of the year.

During the year, the Group also enhanced its bonus points program and provided convenience and options for customers to convert their bonus points to mileage programs.

In 2018/19, to improve productivity and efficiency in IT operations, the Group also implemented IT batch automation project and on-us transactions automation project.

The new project to replace and upgrade the card and loan system is one of the Group's key projects. To be able to respond effectively to rapid market changes, the Group is making efforts for successful completion of the project.

For secured and stable operations, the Group is continuously improving its server and network infrastructure.

HUMAN RESOURCES

The total number of staff of the Group at 28th February 2019 and 28th February 2018 was 455 (Hong Kong: 334; PRC: 121) and 575 (Hong Kong: 357; PRC: 218) respectively. Employees are remunerated according to the job nature and market trends, with annual increment to reward and motivate individual performance based on their competency. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Group.

The Group also provides a wide range of different in-house training programs and external training sponsorships for its employees. The in-house training programs include the yearly general training on AEON Code of Conduct, which reconfirms the necessity of corporate ethics to create a shared set of values among employees. The training programs aim to enhance employees' professional knowledge and skills for providing customers with quality service.

BUSINESS MODEL AND STRATEGY

The Group has a mission to excel in customer service with the concept of "Customer First" whilst maintaining long-term profitability and assets growth with the adoption of flexible business model and strategy and prudential risk and capital management framework.

It is the Group's strategy to ride on credit cards to recruit new members and cross-sell other consumer finance products and services to these new members. The Group continues to benefit from the strong connections with affiliated merchants. By using the merchants' networks as card acquisition base and cross-selling channels, the Group continues to explore fee based income business opportunities.

Customer Base

The customer base of the Group is widely diversified. Around 60% of the customers are in the age range of 40 to 60. To expand our customer profile to young generation and male segments, the Group launched a character card in last financial year. Meanwhile, female cardholders represent 70% of our card portfolio at 28th February 2019.

Convenient Service

Following the revamp of the Group's mobile application in the previous year, new functions were introduced this year to deliver more convenient, better and faster services to our customers.

For ease of payment, the Group continues to maintain multiple settlement channels, including convenience stores networks, phone banking, internet banking, and JETCO ATMs in Hong Kong for customers to settle their payment.

Quality of Service

The Group obtained ISO 27001 certification for Information Security Management System, ISO 9001 certification for Quality Management System, ISO 10002 certification for Customer Satisfaction – Complaints Management System and ISO 14001 certification for Environmental Management System. These certifications help ensure that the highest level of quality service is being provided to customers.

Hideo Tanaka
Managing Director

Hong Kong, 24th April 2019

Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Objectives

The Company is a subsidiary of AFS and a member of the AEON Group and recognizes the importance of transparency and integrity as a key factor of corporate sustainability. This third Environmental, Social and Governance ("ESG") report intends to give an updated insight into the approach adopted and actions taken by the Company with regard to its operations and sustainability that have implications for the Group that should be of interest to stakeholders.

Reporting Scope, Period and Approach

The content of this report was defined after taking into account the materiality of sustainability issues arising from the Group's operations. As a substantial part of the income of the Group comes from the Company's operations in Hong Kong, this report mainly highlights the ESG performance of the Hong Kong head office and branches for the period from 1st March 2018 to 28th February 2019. This reporting timeframe is consistent with the Company's financial year ended 28th February 2019.

Consistent methodologies have been adopted to allow for a fair comparison over time and to provide a balanced picture of our ESG performance.

Reporting Principles

The Company expects to disclose its progress with regard to ESG issues annually, and this report has been prepared in accordance with the requirements as set out in the ESG Reporting Guide in Appendix 27 of the Listing Rules.

MANAGEMENT APPROACH TO CORPORATE SUSTAINABILITY

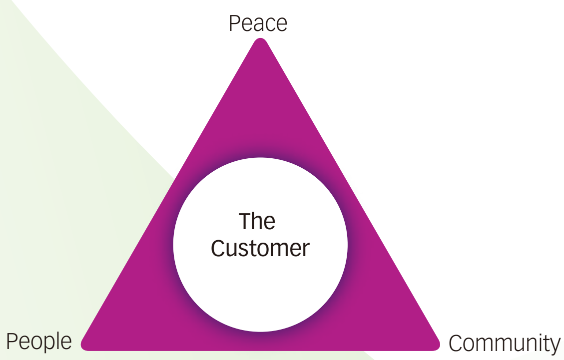
Everything we do, we do for our customers!

As a member of the AEON Group, the Company has inherited the AEON DNA as manifested in management philosophy. Together with our Board and other staff members of all departments and functions, we strive to provide the best support to customers' lifestyles and enable them to maximize future opportunities primarily through effective use of credit.

Corporate Governance from ESG Perspective

AEON Code of Conduct of AEON Japan reflects our commitment to guide and direct the future course of the Group. Every member of the AEON family of companies has taken on the challenge of promoting business innovation under the guiding principle that "everything we do, we do for our customers".

AEON's Basic Principles



The word "AEON" means "Eternity" in Latin and our basic principles have illustrated our eternal mission to benefit our customers, and our operations are thus CUSTOMER-focused to the highest degree:

Peace — Our operations are dedicated to the pursuit of peace through prosperity.

People — We respect human dignity and value personal relationships.

Community — We are rooted in local community life and dedicated to making a continuing contribution to the community.

AEON Code of Conduct charts the course for our future and helps us interpret our basic principles to know what actions we may need to take for the benefit of our "customers of the era ahead."

Determined to be a socially responsible entity which actively promotes environmental protection and makes social contribution, the Company is committed to both providing quality service and preserving the environment for the benefit and further development of our community. We aim to do everything within our power to promote and apply our AEON Code of Conduct into practice in our daily operations. It is our hope that all our stakeholders will join us in sharing this sense of purpose, thereby developing stronger bonds of trust amongst all of us.

Stakeholder Engagement

We value the importance of engaging with stakeholders in identifying material sustainability issues of relevance and importance, formulating business decisions, managing business operations, enhancing efficiency and identifying new business opportunities and the needs for community investment. We seek to develop long-term constructive relationships with our key stakeholders and engage with them through various formal and informal communication channels as well as independent and internal stakeholder exercises.

We keep stakeholders informed of our business activities through our annual and interim reports, press releases, announcements and circulars and utilize e-communications that are easily accessible through the Internet. We regularly review and relay stakeholder feedback to relevant departments for corresponding follow-up actions.

OUR KEY STAKEHOLDERS AND COMMUNICATION CHANNELS

Stakeholder	Major Concerns	Primary Communications Channels
Customers	• Business Procedures • Information Security • Product/Service Quality	• Surveys • Loyalty events • Interaction at branch level • Newsletters and leaflets • Monthly statement inserts • Company website • Year-round publicity & donation campaigns • Customer service hotline • Social media: Facebook fan page • AEON HK Mobile App
Employees	• Salary and Welfare • Training and Development • Health and Safety	• Employee surveys • Newsletters and intranet communications • Meetings with employees • Orientation and exit interviews • Performance appraisal
Investors	• Corporate Operations • Economic Performance • Information Disclosure	• Annual general meetings and investors' briefings • Interim and annual reports • Announcements, circulars and other corporate communications
Suppliers and other Business Partners	• Brand Development • Integrity and Sustainability	• Ongoing audits • Best practice adoption • Corporate events • Mass communications
Community Partners	• Resolving Social Issues • Philanthropy	• Community programmes • Volunteer service programmes • Year-round green partnership programmes
Government & Regulators	• Legal and Regulatory Compliance • Employment Protection • Business Ethics	• Correspondence • On-site inspection • Compliance reporting • Enquiries and clarifications
Industry Associations	• Industry Development	• Regular meetings and correspondence

AEON recognizes that our people, business partners, community partners and other stakeholders are keys to our sustainability. We strive to achieve corporate sustainability through providing quality products and services to our customers, engaging with our people, collaborating with business partners and supporting our community.

For this report, we have conducted an engagement exercise with selected employees through interview and sharing sessions. Essential feedback collected in this exercise is briefly summarized as follows:

- Enhancements in annual leave policy and group medical insurance coverage help assure a good work-life balance and support health and wellness;
- Digitalisation and workflow automation can eliminate unnecessary business process and improve efficiency;
- Implementation of new performance appraisal and self-assessment system, consisting of assessments on employees' competency and target accomplishment help ensure a fair, transparent and impartial mechanism to assess and determine employees' performance;
- Comprehensive training programs (including refresher trainings and other compliance-related trainings) have been widely recognized, as they can strengthen understanding of the AEON Code of Conduct and laws and regulations as applicable to the Company.

Awards and other Recognitions

ISO 9001 - QMS / FS 513193

ISO 9001 standard for Quality Management System

This is awarded for implementing the best practices according to the ISO 9001 Standard for continuous improvement in customer service quality.

Scope of certification: Head Office and branches since 2007

ISO 14001 - EMS 538444

ISO 14001 certification for implementation of Environmental Management System

This is awarded for implementation of energy-efficient methods in operational processes such as reduction in paper and electricity.

Scope of certification: Head Office and branches since 2009

ISO 27001 - ISMS / IS 500955

ISO 27001 Certification for Information Security Management System

This is awarded to the IT division of the Company for implementation of the most stringent computer security policies and procedures for

- protection of customers' personal data;
- maintenance of confidentiality and integrity of customer data;
- availability of service to the satisfaction of customers.

Scope of certification: IT Division since 2006

Customer Satisfaction
ISO 10002 / CMS 513194

ISO 10002:2004 Certification for "Customer satisfaction — Complaints Management System"

This is awarded to the Company for its complaint management system.

Scope of certification: Departments that handle complaints since 2007

Named Caring Company for 12 consecutive years – Hong Kong Council of Social Services

Manpower Developers of Employees Retraining Board – Manpower Developer Award Scheme

COMMITMENT TO OUR CUSTOMERS

AEON's never-ending mission is to make a positive contribution to customers' lifestyles.

Being one of the Hong Kong's leading credit card issuers and consumer finance service providers, we are committed to providing an exceptional customer experience and a consistently high standard of service to our customers in the hope of building long-lasting relations. Customer focus is a core value of AEON and we always put our customers as the top priority. Not only do we keep our promises to our customers and always act with integrity, we also offer our customers quality services at reasonable prices.

To earn and maintain the confidence and trust of our customers, we strive to uphold our professional quality services for our customers.

(Source: The AEON Code of Conduct)

Quality Services for Customers and Responsible Marketing and Business Practice

Since 2007, the Company has been certified to ISO 9001 standard for Quality Management System, which is conducive to the provision of efficient services and improvement of our customer satisfaction through establishment and continuous maintenance of a quality management system.

Responsible departments of the Company are from time to time updated on the latest legal and regulatory changes relevant to the Company's businesses and operations. Advertisements and business practices of the Company are internally reviewed from time to time to ensure that they are not in breach of applicable laws or regulations, including but not limited to the Money Lenders Ordinance, Trade Descriptions Ordinance, Competition Ordinance, Personal Data (Privacy) Ordinance and Insurance Ordinance.

In compliance with the latest requirements from the Registrar of Money Lenders concerning anti-money laundering and counter-terrorist financing, we have made extensive revision to our Guide on Prevention of Money Laundering and Terrorist Financing, with training provided to our staff members on such requirements.

Listening to Our Customers

We serve our customers through our 19 branch offices, 128 ATMs, customer service hotline, online enquiry forms and other channels. It is vital for us to manage and respond to customer feedback professionally and in a timely manner. We have developed Complaints Management System under ISO 10002 standard since 2007, and corresponding complaint handling flows have been constructed and further improved upon from then onwards for various settings (Branches or Customer Service Hotlines) and levels (from level 1 to level 5).

Types of Complaint	2017/18	2018/19
Service/product promotion	6	4
Service/product delivery	48	35

Protecting Customer Privacy

We have Personal Data Protection Policy and Data Security Guidelines in place to ensure that, among others, personal data and privacy of our customers are protected. We have designated the Head of the Risk Management Department to serve as our Data Protection Manager.

Each year, our staff members receive relevant training on personal data protection.

In addition to the internal measures, we have implemented a number of preventive measures to protect the personal data of our customers. For example, 3D secure for online transaction authentication has now been extended to cover all credit cards that we are issuing.

We have met the standard required for ISO 27001 Certification for Information Security Management System since 2006.

In 2018/19, the Company did not receive any complaints related to loss of customer data.

For the year ended 28th February 2019, the Company is not aware of any breach of laws or regulations relating to its products, services, operations, sales and promotions or other business practices.

COMMITMENT TO OUR PEOPLE

Together with AEON People

You are AEON.

When you deal with our business partners, you demonstrate to them through your sincere attitude and actions the "AEON like" spirit — something that cannot be imitated by other companies. This spirit should guide the attitude you project as you meet with other members of the community.

When you are assisting your customers, and when you spend time with your co-workers, you actions — even those that seem casual and inconspicuous — will accumulate to build the AEON Culture.

(Source: The AEON Code of Conduct)

We regard our staff as our most valuable asset and we place significant emphasis on human capital. The total number of staff of the Group as at 28th February 2018 and 28th February 2019 was 575 and 455 respectively, of which 62% to 73% of them are stationed in Hong Kong.

Year	2017/18	2018/19
No. of Staff	575	455
No. of Staff Stationed in HK	357 (62%)	334 (73%)
Sex Distribution in HK		
— Male (M)	162	168
— Female (F)	195	166
Term of Employment in HK		
— Full Time	330	307
— Contract	27	27
Categories of Employees in HK		
— Senior Management	13	11
— Middle Manager	107	113
— Junior/Frontline Staff	237	210

Year	2017/18	2018/19
Age Groups in HK		
— ≤17	–	–
— 18-25	59	46
— 26-35	109	97
— 36-45	108	109
— 46-55	53	53
— ≥56	28	29
Total Turnover Rate in HK	30%	36%
— by Gender		
— — Male	13%	11%
— — Female	17%	25%
— by Age Group		
— — 18≤25	11%	12%
— — 26-35	10%	13%
— — 36-45	5%	6%
— — 46-55	3%	3%
— — ≥56	2%	2%

We have been regularly reviewing our Employee Handbook (with the latest version released in March 2016 as its 21st edition). This Handbook provides detailed information to our employees about our employment policy, welfare and benefits, leave and rest days, conduct and discipline, occupational health and safety policy, personal data (privacy) policy, equal opportunity policy and guidelines related to gifts, entertainment, prevention of bribery/anti-corruption as well as conflict of interests. All the employees are provided with a copy of the Employee Handbook upon joining the Company and they are regularly informed of any revisions and updates. They are aware of the measures to prevent and identify instances of bribery/corruption, money laundering activities as well as the whistleblowing channels for reporting inappropriate conduct and other irregularities through training on the Company's relevant policies and guidelines.

All aspects of the Company's human resource policies and practices are determined and implemented in a manner strictly in compliance with all applicable laws and regulations.

Staff Remuneration and Benefits

Competitive staff benefits are keys to building an efficient work force that help deliver a high standard of service to customers. Our employees are remunerated according to the job nature, market trends and individual performance. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance as well as our financial performance. Refined appraisal and self-assessment systems have been implemented to better identify human resources need and to support our human resources development.

Training and Development

Summer Internship Presentation & Graduation Ceremony

In our effort to ensure consistent delivery of a high standard of service from our employees, we have formulated our Staff Training and Development Policy in 2008 which had been revised to the current 5th version in 2011. This Policy is reviewed regularly to meet the changing training needs across frontline and backend departments and set out the approach to provide vital support to our executives along their career path.

We advocate cooperation and enable our employees to develop their full potential and contribute their diverse range of skills and experiences. Adequate training programmes are offered to assist their personal and professional growth. In addition, optimizing synergy among departments has always been management's focus as an efficient way to enhance staff productivity and operational efficiency.

Internship program was first launched in July and August 2016 to give tertiary students or recent graduates a taster what a working life can be like in the financial service industry. In an attempt to bring in and develop talented graduates with exceptional technical skills and forward-thinking ideas for the future management of the Company, the graduate trainee program was first launched in July 2017. Throughout this two-year program, trainees undergo practical training through on-the-job rotation assignments. Both programs continued in 2018.

Year	2017/18	2018/19
Types of Employee Training		
— Major Categories	11	12
— No. of Training Programs	37	17
— No. of Training Sessions	140	153
— Total Training Hours	558	985
— Total Number of Attendees	1,905	1,501
Gender of Employees		
— Male — Attendance/Percentage	810/43%	773/51%
— Female — Attendance/Percentage	1,095/57%	728/49%
Training Hours for Employee Categories/Percentage		
— Frontline and Junior Staff	2,868/48%	1,341/47%
— Middle Management	909/15%	647/22%
— Senior Management	194/4%	310/11%
— Directors	414/7%*	435/15%*
— Non-specific Target Groups	1,557/26%	133/5%

* included internal and external training

In order to meet the ever-changing financial market and external environment, we have strengthened our training programmes in 2018/19 in order to enhance our capacity for ongoing development, as well as to accommodate and better support the continuing business growth. Additional and tailor-made training programmes have been provided to support the operation of various departments and employees at different developmental stages.

For the year ended 28th February 2019, we organised workshops and launched online training to further familiarise our employees with AEON Code of Conduct and help internalise the guiding principles.

Occupational Health and Safety

The Company endeavours to provide a safe and healthy working environment and we have issued Occupational Safety and Health Guidelines for the benefit of every employee. As most of the employees are office-based workers spending long hours at their workstations, we have offered training on health and safety awareness in an office setting. We have also conducted spot checks on workstations arrangement to review the placement of monitor, keyboard and chair, in an attempt to prevent work-related injuries.

Occupational Health and Safety	2017/18	2018/19
No. of work-related fatalities	0	0
Rate of work-related fatalities	0	0
Lost days due to work injury/cases	3 days/2 cases	0

Diversity, Inclusion and Equal Opportunities

AEON upholds the principles of diversity, inclusive work environment and equal employment opportunities to eliminate discrimination, harassment and vilification on the grounds of age, sex, marital status, disability, family status, race, colour, descent, national or ethnic origins, or religion. We are committed to providing equal opportunities among all employees in adopting an open and fair attitude when evaluating employees' performance in connection with all employment matters such as promotion, transfer, salary adjustment, training, dismissal and redundancy.

We provide training and other awareness-raising activities to promote respectful behaviour and tolerant attitudes among staff, and have a formal complaint procedure for any employee who feels that they have been subject to discrimination, harassment and vilification.

Employee Engagement

In order to build a harmonic workplace, we encourage regular communication between staff at all levels. Employees are regularly updated on the development of the Company and the wider AEON group through diversified channels activities such as annual dinner to boost office morale.

We conduct regular employee surveys on topics such as career aspiration and training needs to provide information for the Company to make better development plans.

All employees who resign are asked to participate in an exit interview for the Company to find out more about their reasons for leaving. The Company may take appropriate action in case of identification of any significant emerging trend.

For the year ended 28th February 2019, the Company is not aware of any breach of laws or regulations relating to employment, occupational health and safety, labour standard or anti-corruption.

COMMITMENT TO OUR COMMUNITY

(Source: The AEON Code of Conduct)

AEON aims to set an example as a good corporate citizen, working together with the community for its growth and the improvement of quality of life.

The Company not only strives to provide a satisfactory return to our shareholders, but also takes pride in making charitable contributions to the local community.

We recognise the importance of local communities to the continued success and growth of our business. We believe in working closely with local community partners to enhance the positive impacts we can make to the development of the Hong Kong community.

Volunteering

Tree Planting Day 2018

Under our adopted philosophy of "peace", "people" and "community", we have been organising and lining up our employees as well as their family members for volunteering opportunities. We have been contributing to the conservation of our environment through our 14th participation in Hong Kong Tree Planting Day to fulfill our mission of "Planting Seeds of Growth". 36 employees together with their family members have joined us for the year 2018. This activity helps reduction of carbon emissions. It also raises our awareness about climate change and the importance of conserving our environment with concerted efforts.

Giving

During the year, we have donated in total HK$1,190,000 to support educational projects through our AEON Scholarship. We believe our financial support to outstanding students can help nurture the future leaders for the community.

This year, we have supported a total of 70 students from the following universities:

Universities in Mainland China

Beijing International Studies University
Nankai University
Peking University
Shenzhen University
Sun Yat-Sen University
Tsinghua University

University in Hong Kong

Lingnan University

An agreement was entered into between The Hong Kong University of Science and Technology and us earlier this year for our future provision of financial support to its students through scholarship award.

Community Partnership

AEON believes that partnership with community organisations can create synergy and produce knock-on effects in creating a more caring community. In recent years we have developed local partnership in Hong Kong to help people in need.

One of the major partnership programmes is "UNICEF Young Envoys Programme". Through our continuous sole sponsorship, Hong Kong Committee for UNICEF continues to provide a valuable opportunity for local youngsters to explore global and local issues in relation to children's rights to survival, protection, development and participation. The participating youngsters can go through a comprehensive training and participatory journey including Leadership Training Camp, workshops, school project, social service project, community project and field trip visit. We believe that our sponsorship can widen the horizon and provide the future leaders with an opportunity for holistic development through this well-developed youth programme.

UNICEF Young Envoys Programme 2018

In addition to driving our support to some meaningful programmes, the Company also encourages our customers to support community development through their credit card bonus point donation. 153 credit card holders have channeled their HK$24,700 worth of donation via this bonus point scheme to support the conservation work of the World Wide Fund-Hong Kong.

The Company's efforts and contributions to the local community have been recognized as one of the "Caring Companies" for the 12 consecutive years by the Hong Kong Council of Social Service. This endorsement reflects our unfailing contribution and supports to various community programmes on environmental protection, education and cultural exchange.

COMMITMENT TO OUR ENVIRONMENT

- AEON will implement all possible measures to use environmentally friendly materials in its operations. AEON is committed to reduce air pollution and aims to conserve resources and energy such as electricity, gas etc. by using these resources efficiently. AEON will comply with applicable laws and regulations of the HKSAR government regarding environmental protection.
- AEON will establish environmental goals and targets, which will be reviewed periodically to continually advance and improve its efforts towards environmental protection.
- AEON will encourage and support environmental protection activities, reforestation and other related social programmes.
- All employees are made aware of this Policy through educational and training programmes.

AEON Environmental Policy

The Company is committed to support good environmental standards and to ensure implementation of environmentally friendly measures. Apart from the ISO 14001 Certification on Environmental Management System, Environmental Instruction, EMS Manual and Environmental Procedure Manual are regularly reviewed and updated with our relevant employees to facilitate regular environmental aspect evaluation at both head office and branch levels.

Save as disclosed in this report, the Company is not aware of any significant impact of its activities on the environment and natural resources. Due to the nature of our industry and operational practices, intensity pertaining to the consumption of energy or other resources or to emissions is not regarded as relevant or material performance indicator.

Energy Consumption

We are committed to reducing energy consumption across our head office and branches. Knowing that our operations at various premises consume a significant amount of energy, we have introduced a number of measures to reduce our energy consumption. In addition to replacing the old facilities with energy-efficient equipment, we have encouraged our employees to join us in building a greener office, such as turning off all of the electrical appliances after office hours or when not in use or setting them to energy-saving mode.

Electricity use on our premises is the single largest contributor to our greenhouse gas footprint. Our major electricity consumption for Hong Kong operations have been summarized in the following table. Our ATMs have extended our service network to support the service needs of our territory-wide customers. We have estimated the electricity consumption incurred from 128 ATMs (of which 8 ATMs are located in our branches) accordingly.

Year	2017/18	2018/19
Office Areas	467,538	415,315
ATMs	203,396	158,299
Total Electricity Consumption/kWh	670,934	573,614

As our estimated electricity consumption amongst our ATMs remains rather stable, the drop of electricity consumption in 2018/19 by 97,320 kWh was mainly caused by our continuing effective implementation of energy saving policies and concerted efforts from our employees. The approximately 14.5% decrease in electricity consumption in office and branches may help reduce any adverse impacts on climate change.

Greenhouse Gas Emissions

Other than electricity consumption, transportation contributed to the greenhouse emissions to the environment attributable to the Company. Our use of vehicles for local commutation and flight to overseas destinations for business trips had led to both direct and indirect greenhouse gas emissions through burning of fuels:

Major Sources of Greenhouse Gas Emissions/tonne CO_2-e*	2017/18	2018/19
Vehicle	6.151	5.810
Electricity consumption	369.985	314.984
Staff travel by air flights	21.326	23.812
Total greenhouse gas emissions from material sources	397.462	344.606
Less: tree planting	(1.334)	(5.686)
Net greenhouse gas emissions from material sources	396.128	338.92

* *Calculated in accordance with "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" issued by The University of Hong Kong and City University of Hong Kong. Other reference: "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by EPD and EMSD of the Government of the HKSAR.*

Consumption of Other Resources

It is inevitable that significant amount of paper has to be consumed in our daily operation. Even though no packaging material is used for our finished products, we need to use paper for purposes ranging from forms, customer communication, legal documents, internal documentation and record keeping. We have made use of information technology to reduce our paper consumption and safeguard our required documentation process. Our paper reduction approaches involve the analysis of our workflows for reducing or eliminating paper and opting for paper from alternative or sustainable sources where possible.

Since 2011, we have introduced green statement to all our customers and replaced these printed documents with PDF files. We have gained much support from customers as 27.06% of them have opted for electronic statements instead. We shall continue to promote this greener practice with our customers in the years ahead.

Our office paper consumption for daily operation in 2018/19 was 0.252 tonnes, which was 24.7% lower than the consumption rate in 2017/18. We have been encouraging all employees to reduce paper consumption for the sake of protecting the environment.

Because of the nature of our industry, the volume of waste water is materially the same as the amount of water consumed. There is no issue in sourcing water or any significant potential to achieve tangible improvement in water efficiency in light of our current consumption solely for non-productive purposes. All waste water goes to the government sewage system. From our record, water consumed is approximately 6,640 litres for the year ended 28th February 2019, compared with approximately 7,340 litres for the year ended 28th February 2018.

Recycling

As part of our endeavour to reduce pollution caused by landfills, we have recycling facilities in place to collect wastes and encourage separation of wastes at sources at our head office. No hazardous waste of any material amount is generated from our business operations. Total non-hazardous waste produced in 2018/19 was 6.61 tonnes.

We have been recycling a total of 1.622 tonnes of plastic bottles and paper collected from employees in last year, compared with 0.408 tonnes for the year ended 28th February 2018.

For the year ended 28th February 2019, the Company is not aware of any breach of laws or regulations relating to environmental protection.

Board of Directors

DIRECTORS

Mr. Masaaki Mangetsu, aged 61, was appointed as a Non-executive Director and the Chairman on 23rd June 2017. He is currently the Managing Director in charge of the global business strategy of AEON Financial Service Co., Ltd., a listed public company. He is also a Director of AEON Credit Service Co., Ltd. He joined AEON Co., Ltd., a listed public company, in March 1981 after he graduated from Keio University with a Bachelor's degree in Law. He worked for AEON Co., Ltd. for 28 years before he joined AEON Retail Co., Ltd. in April 2009 and then AEON (China) Co., Ltd. in March 2012. He was the Chief Operating Officer in charge of the general merchandise stores business of AEON (China) Co., Ltd. prior to joining AEON Financial Service Co., Ltd. in April 2014 as the Head of the Marketing Department. He has over 30 years of experience in sales and marketing.

Mr. Hideo Tanaka, aged 48, was appointed as an Executive Director and the Managing Director on 26th June 2015. He is also a Director of AEON Insurance Brokers (HK) Ltd., a subsidiary of the Company. He was previously with the Company from April 1997 to March 1999 and rejoined the Company in June 2015. He joined AEON Financial Service Co., Ltd., a listed public company, in April 1995 and has worked for AEON financial group in Japan, Hong Kong, Malaysia and Vietnam. He was the General Director of ACS Trading Vietnam Co., Ltd. from May 2008 to May 2015. He has over 20 years of experience in the consumer finance industry. He holds a Bachelor's degree in Commerce from Waseda University.

Mr. Lai Yuk Kwong, aged 56, was appointed as an Executive Director and the Deputy Managing Director on 23rd June 2017. He is in charge of the Corporate Management Division of the Company. He is also the Managing Director of AEON Insurance Brokers (HK) Ltd., a subsidiary of the Company. He was a member of the Board from June 1999 to June 2016 and the Deputy Managing Director of AEON Financial Service (Hong Kong) Co., Ltd. from July 2012 to June 2015. After he retired from the Board in June 2016, he served as an advisor of the Company. He joined the Company in July 1996. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants.

Ms. Koh Yik Kung, aged 63, was appointed as an Executive Director on 21st June 2001. She is also the Company Secretary and the General Counsel. She is in charge of the Legal and Compliance Division of the Company. She was formerly with the Company from August 1992 to June 1994 and rejoined the Company in November 1998. She holds a Bachelor's degree in Law from the London South Bank University. She is a barrister.

Mr. Tomoharu Fukayama, aged 45, was appointed as an Executive Director on 24th June 2016. He joined the Company in April 2015. He is in charge of the Marketing, Sales and Operations Division of the Company. He joined AEON Financial Service Co., Ltd., a public listed company, in March 1997 after he graduated from Waseda University with a Bachelor's degree in Literature. He was transferred to AEON Co., Ltd., a public listed company, in March 2010. He has over 15 years of experience in the consumer finance industry.

Board of Directors

Mr. Lee Ching Ming, Adrian, aged 67, was appointed as an Independent Non-executive Director on 1st October 2016. He was the Chief Executive Officer and an Executive Director of Eagle Asset Management (CP) Limited, the manager of Champion REIT from 2008 till he retired on 30th June 2016. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over 43 years. Mr. Lee held senior management positions for more than 22 years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management of marketing, leasing and sale activities, banking relationships, corporate communications and investor relations, as well as the management of Champion REIT. Mr. Lee also had over two decades of corporate real estate lending and advisory experience with a multinational banking institution. Mr. Lee was a Non-executive Director of Cinderalla Media Group Limited, a listed public company, from June 2002 to September 2015. Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Sciences degree.

Mr. WONG Hin Wing, aged 56 was appointed as an Independent Non-executive Director on 13th October 2004. He holds a Master's degree in Executive Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is an Independent Non-executive Director of Dongjiang Environmental Company Limited (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange), CRCC High-Tech Equipment Corporation Limited (a public company with H shares listed on the Stock Exchange), Inner Mongolia Yitai Coal Co., Ltd. (a public company with B shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Wine's Link International Holdings Limited (a public company listed on the Stock Exchange) and Jiangxi Bank Co., Ltd (a public company with H shares listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal, a member of the Nursing Council of Hong Kong and a member of the Construction Industry Council. He is the Managing Director and has been a responsible officer of Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the SFO since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as Chief Financial Officer for seven years. He has 35 years of experience in accounting, finance, investment management and advisory.

Mr. Kenji Hayashi, aged 68, was appointed as an Independent Non-executive Director on 24 June 2016. He is an Outside Director of AEON Credit Service Co., Ltd. and Optical Comb, Inc. and an Independent Director of AEON Thana Sinsap (Thailand) Public Company Limited, a listed public company. He is a founder and member of Institute of Corporate Governance, Japan. He was formerly the President and Representative Director of Plusum Co., Ltd., the President of Fisco Financial College and the President and CEO of Sigma Base Capital Corporation. He had held senior positions in Nippon Credit Bank Ltd., Deutsche Bank, Deutsche Securities Inc. and Westdeutsche Landesbank. He holds a Bachelor's degree in German Language from Tokyo University of Foreign Studies.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, employees and other stakeholders. The Company has complied with the code provisions of the CG Code throughout the year ended 28th February 2019, 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 the executive, non-executive and independent non-executive, are subject to retirement at each annual general meeting of the Company in accordance with the Articles.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for securities transactions by 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 year under review.

BOARD OF DIRECTORS

Role of the Board

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. The Board has a formal schedule of matters reserved for its approval. Matters reserved for the Board's consideration and decision include:

- long-term objectives and strategy;
- risk management and internal control systems;
- annual budgets and business plans;
- capital management;
- annual, interim and quarterly financial reporting;
- declaration of dividends;
- Board membership; and
- corporate governance matters.

Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Company. Daily operations and administration are delegated to the management.

Composition

As at the date of this report, the Board comprises eight members, consisting of four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise) and that the number of independent non-executive directors must be at least one-third (1/3) of the board of directors. The name and biographical details of each Director are set out on pages 25 to 26 of this annual report.

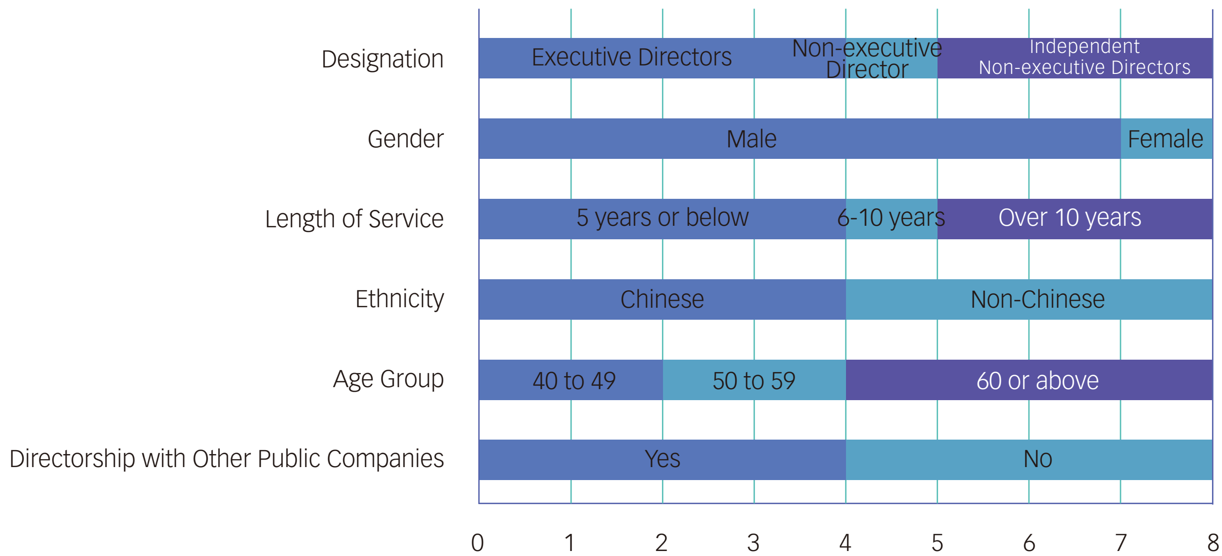
Independent Non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the role and function of the Directors is maintained on the Company's website and the Stock Exchange's website.

Members of the Board come from diverse backgrounds and have a diverse range of business, financial services, banking and professional expertise and experience. The Board possesses relevant experience, competencies and personal qualities to discharge its responsibilities adequately and effectively.

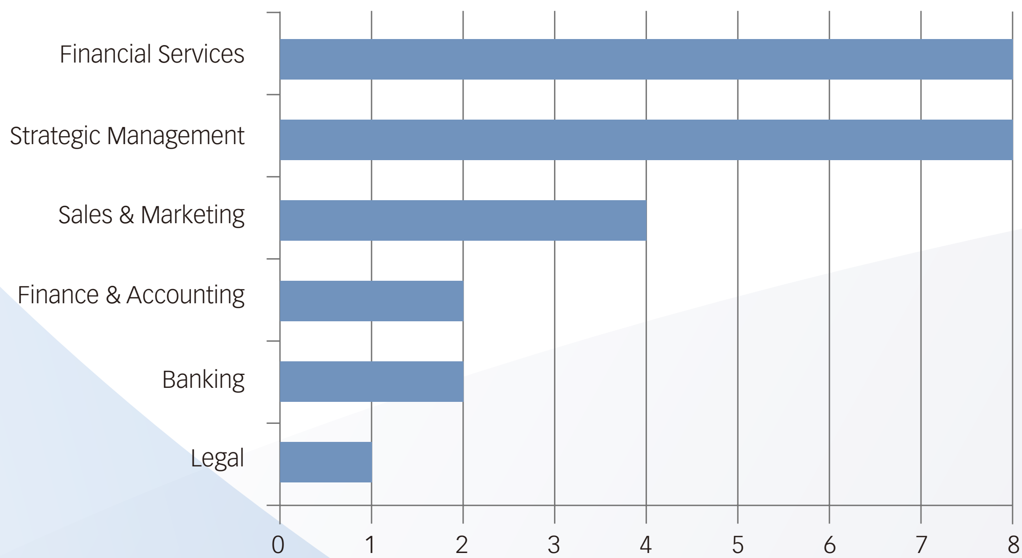
The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognizes the benefits of having a diverse Board and believes that Board diversity is an essential element in maintaining an effective Board. The Company endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of its business. Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefit of diversity on the Board including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Nomination Committee will give adequate consideration to these measureable objectives when making recommendations of candidates for appointment to the Board.

The following charts show the diversity profile of the Board as of the date of this report:

Board Composition



Experience or Expertise



There is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Independence of Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee reviews and assesses the independence of the three Independent Non-executive Directors on an annual basis.

Board Process

Board meetings are held on a monthly basis and scheduled at least three months in advance. The date of the next Board meeting is fixed at the close of each Board meeting. At least 14 days' notice is given to all Directors before each Board meeting and all Directors are given an opportunity to include matters for discussion in the agenda. The agenda and accompanying Board papers are sent to all Directors at least three days in advance of every Board meeting to facilitate informed discussion and decision-making. Management provides appropriate and sufficient information to the Board and its committees in a timely manner to enable them to make informed decisions. Members of the senior management may be invited to attend Board meetings to make presentations or answer the Board's and individual Directors' enquiries.

Minutes of the Board and committee meetings record in sufficient detail of matters and concerns discussed are kept by the Company Secretary and open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of Board and committee meetings are sent to Directors for their comments and records within a reasonable time after each meeting.

Under the Articles, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement or other proposal in which he/she or any of his/her associates is/are materially interested.

Appropriate liability insurance is in place to indemnify the Directors in respect of legal action against them.

Attendance at Board Meetings

During the year, the Board held 12 meetings and important matters discussed included:

- review of business strategies;
- review of financial and business performance;
- approval of the annual budget and business plan;
- approval of the quarterly, half-yearly and annual results;
- approval of the annual and interim reports;
- approval of proposals for final and interim dividends;
- review of Risk Management Committee reports;
- review of Compliance Committee reports;
- review of internal audit reports;
- approval of the reappointment of external auditor;
- recommendation on the re-election of Directors;
- approval of the Directors' fees of the Independent Non-executive Directors;
- approval of continuing connected transactions;
- review of the methodology and approach for the implementation of HKFRS 9 and its financial impact;
- approval of the revised Terms of Reference of the Audit Committee and the Nomination Committee;
- approval of the revised Board Diversity Policy and Corporate Governance Policy; and
- approval of the Dividend Policy and the Nomination Policy.

The attendance record of each Director at the Board meetings is set out below:

Directors	Attendance/ No. of Meetings
Executive Directors:	
Hideo Tanaka *(Managing Director)*	12/12
Lai Yuk Kwong *(Deputy Managing Director)*	12/12
Koh Yik Kung	12/12
Tomoharu Fukayama	12/12
Toru Hosokawa*	11/11
Non-executive Director:	
Masaaki Mangetsu *(Chairman)*	12/12
Independent Non-executive Directors:	
Lee Ching Ming, Adrian	10/12
Wong Hin Wing	12/12
Kenji Hayashi	12/12

* Resigned on 31st January 2019

Directors' Training

Every newly appointed Director will receive an induction package including key legal requirements, the Articles and the Company's relevant policies and guidelines, as well as a briefing given by an external lawyer on the general and specific duties of director under legal and regulatory requirements. Executive Directors and senior management will meet with the new Directors to provide them with more detailed knowledge of the Company's business and operations. The Company Secretary continuously updates Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company conducted the annual AEON Code of Conduct training for the first time by e-learning and all staff including the Executive Directors had to complete the training and pass the quiz. In addition, in-house compliance training covering the topics of directors' duties and liabilities and bribery and corruption was also arranged for the Executive Directors. All Directors participated in continuous professional development training by attending seminars/conferences/forums relevant to the Company's business or their duties. The Company Secretary also forwarded to all Directors a series of directors' training webcasts and e-training for listed companies' directors launched by the Stock Exchange. All Directors had provided the Company Secretary with their training records for the year under review.

During the year ended 28th February 2019, the Directors received training on the following key areas:

Directors	Corporate Governance	Legal/ Regulatory Updates	Business/ Financial/ Management
Executive Directors			
Hideo Tanaka	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
Koh Yik Kung	✓	✓	✓
Tomoharu Fukayama	✓	✓	✓
Non-executive Director			
Masaaki Mangetsu	✓	✓	✓
Independent Non-executive Directors			
Lee Ching Ming, Adrian	✓	✓	✓
Wong Hin Wing	✓	✓	✓
Kenji Hayashi	✓	✓	✓

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Masaaki Mangetsu and the Managing Director is Mr. Hideo Tanaka. The respective roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual. The division of responsibilities between the Chairman and the Managing Director have been clearly established and set out in writing.

The Chairman is responsible for the leadership and effective running of the Board. The Managing Director is responsible for the day-to-day management of the Company.

During the year, the Chairman, who is a Non-executive Director, held a meeting with the Independent Non-executive Directors without the presence of other Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has a formal procedure for the appointment of new Directors. A proposal for the appointment of a new Director will be first reviewed by the Nomination Committee taking into consideration the Company's Nomination Policy and Board Diversity Policy. Upon recommendation by the Nomination Committee, the Board will make the final decision.

The Board may at any time appoint any person as a Director either to fill a vacancy or as an addition to the existing Board. Newly appointed Directors hold office until the next following annual general meeting of the Company and are eligible for re-election. All Directors retire at each annual general meeting of the Company and are eligible for re-election.

A letter of appointment setting out the terms and conditions of appointment is provided to each Director. None of the Directors has a service contract with the Group.

BOARD COMMITTEES

The Board has three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. All the Board committees are empowered by the Board under their own respective terms of reference, which have been posted on the Company's website and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is chaired by Mr. Lee Ching Ming, Adrian. The other members are Mr. Masaaki Mangetsu, Mr. Wong Hin Wing and Mr. Kenji Hayashi. Members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee meets at least twice a year.

The duties of the Audit Committee include:

- monitoring the effectiveness of external audit and overseeing the appointment, remuneration and terms of engagement of the Company's external auditor as well as its independence;
- reviewing and monitoring the integrity of the Company's financial information and overseeing the financial reporting system;
- overseeing the Company's internal audit, risk management and internal control systems as well as arrangements for concerns raised by staff on financial reporting, internal control and other matters; and
- undertaking corporate governance functions delegated by the Board.

The Audit Committee will also discuss matters raised by the external auditor to ensure that appropriate recommendations are implemented.

During the year, the external auditor held two meetings with the members of the Audit Committee in the absence of the Executive Directors.

The Audit Committee held four meetings for the year ended 28th February 2019, and three meetings were attended by the external auditor. The major work performed by the Audit Committee in 2018 was as follows:

- met with the external auditor to discuss the general scope of their audit work;
- reviewed the external auditor's management letter and management's response;
- reviewed the management representation letter;
- reviewed the effectiveness of risk management and internal control systems;
- Reviewed the internal audit reports;
- reviewed and approved the annual internal audit plan;
- reviewed and approved the engagement and remuneration of external auditor for providing audit and non-audit services;
- reviewed the independence and objectivity of external auditor;
- met with the external auditor to discuss issues arising from the audit of annual accounts and review of interim accounts;
- reviewed the quarterly, half-yearly and annual results;
- reviewed the annual report and accounts and half-year interim report;
- recommended to the Board the reappointment of external auditor;
- reviewed the continuing connected transactions;
- reviewed the training and continuous professional development of the Directors;
- reviewed the Terms of Reference of the Audit Committee;
- reviewed the Company's Corporate Governance Policy; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The attendance record of each member at the Audit Committee meetings is set out below:

Members	Attendance/ No. of Meetings
Lee Ching Ming, Adrian *(Chairman)*	3/4
Masaaki Mangetsu	4/4
Wong Hin Wing	4/4
Kenji Hayashi	4/4

Nomination Committee

The Nomination Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Masaaki Mangetsu. The other members are Mr. Lee Ching Ming, Adrian, Mr. Wong Hin Wing and Mr. Kenji Hayashi.

The duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board;
- reviewing the Nomination Policy;
- identifying and nominating qualified individuals for appointment to the Board;
- reviewing the Board Diversity Policy;
- assessing the independence of Independent Non-executive Directors;
- making recommendations to the Board on the appointment and reappointment of Directors; and
- reviewing the time commitment required from Directors to perform their responsibilities.

The Nomination Committee has adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria for the selection, appointment and reappointment of Directors. The selection criteria that the Nomination Committee has to consider in evaluating and selecting a candidate for directorship include the following:

- character and integrity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committees of the Company;
- diversity including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
- such other relevant factors that the Committee may consider appropriate.

The Nomination Committee has the discretion to nominate any person as it considers appropriate.

The procedures for the appointment and reappointment of a Director are summarized as follows:

- selection of potential new candidates from amongst the senior management or external candidates referred by any Director and external recruitment agent;
- evaluation of the candidate based on the selection criteria as set out in the Nomination Policy and a range of diversity perspectives as set out in the Board Diversity Policy;
- in the case of nomination of an Independent Non-executive Director, assessing the candidate's independence under the Listing Rules;
- making recommendation for the Board's consideration and approval;
- appointment as Director by the Board;
- in the case of reappointment of a retiring Director, reviewing the candidate's performance and making recommendation to the Board for consideration and recommendation to shareholders for re-election at general meeting; and
- reappointment as Director by shareholders.

The Nomination Committee held two meetings for the year ended 28th February 2019 and the major work performed by the Nomination Committee in 2018 was as follows:

- reviewed the structure, size and composition of the Board;
- assessed the independence of Independent Non-executive Directors;
- reviewed the time commitment of Directors for performing their responsibilities;
- made recommendation to the Board on the re-election of Directors at the 2018 AGM;
- reviewed the Terms of Reference of the Nomination Committee;
- reviewed the Board Diversity Policy; and
- recommended to the Board the adoption of the Nomination Policy.

The attendance record of each member at the Nomination Committee meetings is set out below:

Members	Attendance/ No. of Meetings
Masaaki Mangetsu *(Chairman)*	2/2
Lee Ching Ming, Adrian	1/2
Wong Hin Wing	2/2
Kenji Hayashi	2/2

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lee Ching Ming, Adrian. The other members are Mr. Masaaki Mangetsu, Mr. Wong Hin Wing and Mr. Kenji Hayashi.

The duties of the Remuneration Committee include determining the remuneration packages of individual Executive Directors and making recommendations to the Board on the fees of the Independent Non-executive Directors.

The Company's remuneration policy aims to provide a fair and competitive remuneration package to attract, retain and motivate high calibre executives. The level of remuneration and fees payable to members of the Board is determined with reference to the Group's operating results, individual performance and responsibilities and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 12 to the financial statements.

The Remuneration Committee held one meeting for the year ended 28th February 2019, in which it approved the salaries and discretionary bonuses of the Executive Directors and made recommendation to the Board on the Directors' fees for the Independent Non-executive Directors.

The attendance record of each member at the Remuneration Committee meeting is set out below:

Members	Attendance/ No. of Meeting
Lee Ching Ming, Adrian *(Chairman)*	1/1
Masaaki Mangetsu	1/1
Wong Hin Wing	1/1
Kenji Hayashi	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, assesses the effectiveness of the Group's risk management and internal control systems, which covers all material controls, including financial, operational and compliance controls, on an annual basis, and also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Significant issues in the management letters from both internal and external auditors will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time.

Each division across the Company embraces the Company's Enterprise Risk Management (the "ERM") framework for their process management in day-to-day business activities. The ERM framework includes strategic, credit, operational (administrative, system, human resources, tangible, reputation, personal data protection and business continuity), market, liquidity, compliance, legal and regulatory risks. There are risk management policies, regulations and guidelines issued for operating units to identify, access, manage, and control risks across the Company. Exposure to these risks is continuously monitored by the Board through the management-level Risk Management Committee comprising the Executive Directors and members of senior management on an on-going basis.

The internal control system of the Group includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The internal control system has been designed to safeguard the Group's assets against unauthorized use or disposition; to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standards.

The key processes that have been established under the risk management and internal control systems include the following:

- Three lines of defence model is set up as per the Enterprise Risk Management Policy:
  - 1st line of defence consists of all operating units;
  - 2nd line of defence consists of the Risk Management Department and the Legal, Compliance and Secretarial Department; and
  - 3rd line of defence consists of internal audit which provides independent assurance on the effectiveness of our risk management and internal control systems.
- Each division has to follow the relevant policies, regulations and guidelines to conduct risk assessment in their areas and report any incidents to the Risk Management Committee.
- The Risk Management Department will monitor the key risk indicators and risk events occurred to ensure effective controls are in place in operating units.
- The Legal, Compliance and Secretarial Department will monitor compliance and regulatory requirements to ensure adherence by operating units.
- Members of the Risk Management Committee consist of the Executive Directors, Heads of Divisions and Head of Risk Management Department. The Head of Internal Audit Department and relevant Department Heads are regularly invited to attend the monthly meetings of the Risk Management Committee.
- Significant risk events, material losses and internal control weaknesses are reported at the Risk Management Committee meetings.
- Members of the Risk Management Committee are responsible for ensuring the effectiveness of implementations and adequacy of the ERM framework and ensuring significant risks are mitigated with preventive measures.
- Risk management reports and details of incidents are reported to the Board on a monthly basis and reviewed by the Audit Committee on a quarterly basis.
- On-going trainings on risk management and internal control are provided to the relevant employees.

During the year under review, no major internal control weaknesses were identified, but several areas for improvement were recommended by the internal and external auditors, as well as the Risk Management Committee, and appropriate improvement actions were taken. The Board considered that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining a high standard of probity, openness, and accountability. A Whistleblowing Policy is in place to create a system for the employees and other stakeholders of the Company to raise concerns, in confidence, about possible improprieties. A designated email account and a dedicated hotline have been set up for this purpose. The identity of each whistleblower and all information provided in connection with a whistleblowing report will be treated with the strictest confidence.

Continuous Disclosure Policy

A Continuous Disclosure Policy is in place to ensure potential inside information as defined in the SFO is identified and confidentiality of such information is maintained until timely and appropriate disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Roles and responsibilities of the divisions/departments of the Company in identifying and escalating any potential inside information within the Company;
- Procedures for determining the necessity, means and/or extent of disclosure of such information; and
- Designation of persons to act as spokespersons to speak on behalf of the Company and to respond to external enquiries.

Internal Audit

The Company's Internal Audit Department monitors the Group's internal governance and provides independent and objective assurance to the Board that adequate and effective risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards by performing periodic checking. The Head of the Internal Audit Department reports directly to the Managing Director and the Audit Committee. The annual internal audit plan, which is prepared based on risk assessment methodology, is approved by the Audit Committee.

The Internal Audit Department conducts audits on financial, operational and compliance controls of the Group on a regular basis. A summary of key audit findings (if any) and recommendations for improvement is reported monthly to the Board and reviewed quarterly by the Audit Committee. Management team is responsible for ensuring that any control deficiencies highlighted in internal audit reports are rectified within a reasonable time. In addition, J-SOX audit is performed yearly by the internal and external auditors where risk management and internal control systems and procedures for key operating areas are evaluated and tested for adequacy and effectiveness.

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Management provides the Board with sufficient explanation and information to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. Directors are also provided with monthly updates on the Group's performance to assist them to discharge their duties.

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 28th February 2019, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. A statement by the external auditor of the Company about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 47 to 51 of this annual report.

The Group has announced its annual, interim and quarterly results within three months, two months and 45 days respectively after the end of the relevant year or period, as laid down in the Listing Rules.

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu has been reappointed as the Company's external auditor at the 2018 AGM until the conclusion of the 2019 AGM.

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process in accordance with applicable standards. Deloitte Touche Tohmatsu has confirmed its independence and objectivity and its compliance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. To ensure the external auditor's independence, all audit and permitted non-audit services to be undertaken by Deloitte Touche Tohmatsu have to be approved by the Audit Committee. The Company has a policy in place which sets out the permissible types of non-audit services that may be provided by the external auditor.

During the year under review, the fees paid or payable to Deloitte Touche Tohmatsu for the provision of audit services amounted to HK$3.2 million. In addition, the following fees were paid or payable to Deloitte Touche Tohmatsu for the provision of non-audit related services to the Group:

Services rendered	Fees *HK$'000*
Taxation compliance	72
Preparation of reply in response to tax enquiry letter from the Inland Revenue Department	30
Interim review	150
Agreed upon procedures	150
J-SOX annual compliance review	590
Total	992

COMPANY SECRETARY

The Company Secretary's role is to support the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on governance matters and facilitating induction and professional development of Directors. The Company Secretary is an employee of the Company and reports to the Chairman and the Managing Director. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is delegated with the responsibility for drawing up the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda and that all applicable rules and regulations are followed. All Directors may ask for matters to be included in the agenda for regular board meetings by request to the Company Secretary. For the year under review, the Company Secretary has taken over 15 hours of relevant professional training to update her skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the year ended 28th February 2019, there was no change in the Company's constitutional documents. A copy of the latest consolidated version of the Articles is posted on the Company's and the Stock Exchange's respective websites.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with shareholders and investors. The Company establishes various communication channels with its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, announcements, circulars, the Company's website and meetings with investors and analysts.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Board welcomes shareholders to express their opinions at the annual general meeting. Directors, senior management and external auditor attend the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors. The notice of the meeting, the annual report and the circular containing information on the proposed resolutions are sent to shareholders at least 20 clear business days before the meeting. Voting at the annual general meeting is by way of a poll. Details of the poll voting procedures are explained to shareholders at the annual general meeting to ensure that shareholders are familiar with such procedures. The results of the poll are published on the Company's website and the Stock Exchange's website.

The Company's 2018 AGM was held on Thursday, 21st June 2018. The notice of the 2018 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than 20 clear business days before the 2018 AGM. All Board members together with the key executives and the external auditor attended the 2018 AGM. The Company Secretary explained the poll voting procedures at the 2018 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2018 AGM. All the resolutions at the 2018 AGM were dealt with by poll. The poll results of the 2018 AGM are available on the Company's website and the Stock Exchange's website.

The attendance record of each Director at the 2018 AGM is set out below:

Directors	**Attendance/ No. of Meeting**
Executive Directors:	
Hideo Tanaka *(Managing Director)*	1/1
Lai Yuk Kwong *(Deputy Managing Director)*	1/1
Koh Yik Kung	1/1
Tomoharu Fukayama	1/1
Toru Hosokawa*	1/1
Non-executive Director:	
Masaaki Mangetsu *(Chairman)*	1/1
Independent Non-executive Directors:	
Lee Ching Ming, Adrian	1/1
Wong Hin Wing	1/1
Kenji Hayashi	1/1

* Resigned on 31st January 2019

The management personnel responsible for investor relations holds regular meetings with equity research analysts, fund managers and institutional shareholders and investors. In addition, press conferences and investors' and analysts' presentations are held after the interim and final results announcements.

The market capitalization of the Company as at 28th February 2019 was HK$3,053 million (issued share capital: 418,766,000 shares at closing market price: HK$7.29 per share).

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float during the year and up to the date of this report as required by the Listing Rules.

The 2019 AGM will be held at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 21st June 2019 at 10:00 a.m.

SHAREHOLDERS' RIGHTS

Calling a general meeting of the Company

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having the right to vote at general meetings may request the Directors to call a general meeting of the Company. The requisition, duly signed by the shareholder(s) concerned, must clearly state the objects of the meeting and must be deposited at the registered office of the Company for the attention of the Company Secretary. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 566 to 568 of the Companies Ordinance once a valid requisition is received.

Putting forward proposals at a general meeting of the Company

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have the right to vote or at least 50 shareholders who have a relevant right to vote may by requisition in writing to the Company either put forward a proposal at a general meeting or circulate to other shareholders a written statement with respect to matter to be dealt with at a general meeting. The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 581 to 583 of the Companies Ordinance once valid documents are received.

Proposing a candidate for election as a Director at an annual general meeting of the Company ("AGM")

Pursuant to Article 88 of the Articles, if a shareholder of the Company intends to propose a person other than a Director for election as a Director at an AGM, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the despatch of the AGM notice and ending no later than seven days prior to the date of the AGM. Detailed procedures can be found in the document titled "Procedures for Election of Directors by Shareholders" which is available on the Company's website.

Enquiries to the Board

Enquiries may be put forward to the Board through the Company Secretary at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 28th February 2019.

PRINCIPAL ACTIVITIES

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing, insurance agency and brokerage business and microfinance business.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, description of possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis on pages 6 to 13 of the annual report. Also, the financial risk management objective and policies of the Group can be found in note 39 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group Financial Highlights on pages 4 to 5 of the annual report, in the Management Discussion and Analysis on pages 6 to 13 of the annual report and in note 6 to the consolidated financial statements.

Discussion on the Company's policies and practices on different aspects of corporate sustainability, its relationships with key stakeholders as well as compliance with relevant laws and regulations which are of material impact, are covered in the Environmental, Social and Governance Report on pages 14 to 24.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 28th February 2019.

NET DEBT TO EQUITY RATIO

At 28th February 2019, the net debt to equity ratio was 0.7 (2018: 0.7), with the basis on which it is computed as set out in note 38 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company amounted to HK$2,817,144,000 at 28th February 2019 (2018: HK$$2,897,722,000).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28th February 2019 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 52 to 132.

An interim dividend of 22.0 HK cents (2018: interim dividend of 20.0 HK cents) per share amounting to HK$92,128,000 (2018: HK$83,753,000) was paid to the shareholders during the year. The Directors have recommended the payment of a final dividend of 22.0 HK cents (2018: 22.0 HK cents) per share in respect of the current year to the shareholders on the register of members on 28th June 2019 amounting to HK$92,128,000 (2018: HK$92,128,000).

MAJOR CUSTOMERS

During the year, the aggregate amount of revenue attributable to the Group's five largest customers accounted for less than 30% of the Group's total revenue.

DIRECTORS OF THE COMPANY

The Directors during the year ended 28th February 2019 and up to the date of this report were:

Executive Directors:

Hideo Tanaka *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Koh Yik Kung
Tomoharu Fukayama
Toru Hosokawa (Resigned on 31st January 2019)

Non-executive Director:

Masaaki Mangetsu *(Chairman)*

Independent Non-executive Directors:

Lee Ching Ming, Adrian
Wong Hin Wing
Kenji Hayashi

In accordance with Article 102 of the Articles, all Directors shall retire at the 2019 AGM and shall be eligible for re-election. With the exception of Mr. Tomoharu Fukayama who will not stand for re-election, the other seven retiring Directors will offer themselves for re-election at the 2019 AGM.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the board of directors of the subsidiaries of the Company during the year and up to the date of this report are as follows:

AEON Insurance Brokers (HK) Limited

Lai Yuk Kwong
Hideo Tanaka
Senichi Takemura

AEON Micro Finance (Shenyang) Co., Ltd.

Tomoyuki Kawahara	(Appointed on 30th May 2018)
Motoo Tamada	
Toru Narita	(Appointed on 30th May 2018)
Yasunori Narabayashi	(Resigned on 30th May 2018)
Atsushi Azuma	(Resigned on 30th May 2018)

AEON Micro Finance (Tianjin) Co., Ltd.

Motoo Tamada	
Hideki Nagashima	(Appointed on 30th May 2018)
Koji Teramoto	(Appointed on 30th May 2018)
Yasunori Narabayashi	(Resigned on 30th May 2018)
Atsushi Azuma	(Resigned on 30th May 2018)

AEON Micro Finance (Shenzhen) Co., Ltd.

Motoo Tamada	(Appointed on 30th May 2018)
Koji Teramoto	
Terunori Yamamoto	
Daisuke Takenaka	(Appointed on 30th May 2018)
Yasunori Narabayashi	(Resigned on 30th May 2018)

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2019 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 28th February 2019, the interests of the Directors and their associates in the shares and underlying 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) Long positions in the shares of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Hideo Tanaka	28,600	0.01
Tomoharu Fukayama	10,000	0.01

(b) Long positions in the shares of AFS – intermediate holding company of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Masaaki Mangetsu	3,746	0.01
Hideo Tanaka	861	0.01
Tomoharu Fukayama	4,531	0.01

(c) Long positions in the shares of AEON Japan – ultimate holding company of Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Japan
Masaaki Mangetsu	1,591	0.01

(d) Long positions in the shares of ACS Malaysia – a fellow subsidiary of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of ACS 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 positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 28th February 2019.

STATUS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 28th February 2019, 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 in the issued share capital of the Company:

Long positions in the shares of the Company

Name	Nature of interest	Number of shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	Beneficial owner/Interest of a controlled corporation	281,138,000	67.13
AFS *(Note 2)*	Interest of a controlled corporation	221,364,000	52.86
AFS (HK) *(Note 3)*	Beneficial owner	221,364,000	52.86
FMR LLC	Interests of controlled corporations	33,508,000	8.00
Fidelity Puritan Trust	Beneficial owner	21,810,000	5.21

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 44.86% of the issued share capital of AFS, the holding company of AFS (HK) and 60.59% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 221,364,000 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 221,364,000 shares owned by AFS (HK).

3. Out of 221,364,000 shares, 213,114,000 shares were held by AFS (HK), 7,700,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited and 550,000 shares were held by Tokai Tokyo Securities (Asia) Limited respectively, as nominees 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 share capital of the Company at 28th February 2019.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions which were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(a) Pursuant to a renewal master agreement dated 13th April 2017 entered into between the Company and AEON Stores, the Company would receive commission from this fellow subsidiary in respect of purchases made by customers using credit purchase facilities, card instalment facilities, and payment solutions provided by the Company.

The total amount of commission received and receivable by the Company from AEON Stores for the year ended 28th February 2019 amounted to HK$12,481,000 of which HK$5,181,000 is classified as interest income under HKFRS 9. The commission amount did not exceed the cap of HK$22,000,000 as disclosed in the Company's announcement dated 13th April 2017.

(b) Pursuant to a master agreement-gift certificate dated 1st March 2016 entered into between the Company and AEON Stores, the Company may from time to time place purchase orders with AEON Stores for cash certificates issued by AEON Stores.

The total amount of consideration paid by the Company to AEON Stores for the year ended 28th February 2019 amounted to HK$8,847,000, which did not exceed the cap of HK$12,200,000 as disclosed in the Company's announcement dated 1st March 2016.

(c) Pursuant to a master service agreement dated 1st March 2016 entered into between the Company and AIS, the Group would pay service fees to AIS for the provision of business process outsourcing services.

The total amount of service fees paid and payable by the Group to AIS for the year ended 28th February 2019 was HK$29,944,000, which did not exceed the cap of HK$63,510,000 as disclosed in the Company's announcement dated 1st March 2016.

(d) Pursuant to a master service agreement dated 31st October 2016 entered into between the Company and ACSS, the Company would pay service fees to ACSS for the provision of IT-related services.

The total amount of service fees paid and payable by the Company to ACSS for the year ended 28th February 2019 amounted to HK$6,377,000, which did not exceed the cap of HK$12,000,000 as disclosed in the Company's announcement dated 31st October 2016.

(e) Pursuant to a business advisory service agreement dated 1st March 2018 entered into between the Company and AFS (HK), the Company would pay an advisory fee to AFS (HK) for the provision of consultation and advisory services.

The total amount of advisory fee paid and payable by the Company to AFS (HK) for the year ended 28th February 2019 amounted to HK$14,299,000, which did not exceed the cap of HK$14,900,000 as disclosed in the Company's announcement dated 1st March 2018.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a) to (e) above and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The related party transactions as disclosed in note 45 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

LOAN FACILITY WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the Directors reported below the loan facility which exists during the year and includes a condition relating to specific performance of the controlling shareholder of the Company.

On 9th September 2016, the Company obtained a term loan of USD50,000,000 (the "Facility") from a syndicate of banks, with the repayment date on 20th September 2021.

Under the Facility, the Company has given an undertaking to the lenders that the Company would continue to be a consolidated subsidiary of AFS, which is a controlling shareholder of the Company currently holding approximately 52.86% of the issued share capital of the Company. A breach of the above undertaking will constitute an event of default. If the event occurs, the Facility may become due and payable on demand.

During the year of review, no repayment was made under the Facility.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in the execution of his duties or otherwise in relation thereto. A directors and officers liability insurance has been arranged to indemnify the Directors.

EQUITY-LINKED AGREEMENTS

For the year ended 28th February 2019, the Company has not entered into any equity-linked agreements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or its subsidiaries of the Company's listed securities.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$1,625,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements for the year ended 28th February 2019 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the 2019 AGM to reappoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Hideo Tanaka
Managing Director

Hong Kong, 24th April 2019

Independent Auditor's Report

Deloitte. 德勤

To the Members of AEON Credit Service (Asia) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the 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 52 to 132, which comprise the consolidated statement of financial position as at 28th February 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28th February 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of advances and receivables	
We identified impairment assessment of advances and receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with management's estimation in measuring the expected credit loss ("ECL") under ECL model as stipulated in HKFRS 9 "Financial Instruments" ("HKFRS 9"). As explained in note 19 to the consolidated financial statements, advances and receivables are unsecured and amounted to approximately HK$4,883,887,000 as at 28th February 2019, representing approximately 79% of the Group's total assets. As explained in note 2.2 to the consolidated financial statements, in the current year, the Group adopted HKFRS 9 and recognised an additional impairment loss of HK$189,130,000 as at 1st March 2018 in accordance with the transitional provisions of HKFRS 9. As explained in note 20 to the consolidated financial statements, the balance of impairment allowances is approximately HK$243,493,000 as at 28th February 2019, of which approximately HK$203,717,000 has been charged to the consolidated statement of profit or loss during the year ended 28th February 2019. As set out in note 4 to the consolidated financial statements, the measurement of ECL requires estimation of the amount and timing of future cash flows and the assessment of significant increase in credit risk. The estimations and assumptions applied in the ECL model include (i) the selection of inputs which the entity used in the ECL model including loss given default and possibility of default; (ii) the portfolio segmentation of financial assets based on risk characteristics of the customers; (iii) and the selection of forward-looking information. The Group applies the general impairment approach of HKFRS 9 for advances and receivables based on a three-stage process to recognise impairment. The ECL on advances and receivables is assessed individually and/or collectively using a provision matrix based on internal credit rating.	Our procedures in relation to impairment assessment of the advances and receivables included: – Obtaining an understanding of the Group's credit loss policy and methodology for impairment assessment in relation to the application of ECL model under HKFRS 9 including the formulation of the model and inputs used in the ECL model; – Understanding and evaluating the management's judgement in determining significant increase in credit risk and the staging criteria based on the internal credit rating which reflect the shared credit risk characteristics; – Engaging our internal modelling specialist to assess the reasonableness and appropriateness of the Group's methodology of ECL model, including the model design and calculation and model inputs in compliance with HKFRS 9; – Engaging our internal information technology specialist to test relevant automated controls related to delinquency system used in the ECL calculation; and – Testing the completeness and accuracy of a selection of input data used in the ECL model.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group. In addition, due to the significant volume of transactions and heavy reliance on the information technology systems, minor errors could, in aggregate, have a material impact to the consolidated financial statements that could be subject to manipulation. An analysis of the Group's revenue for the year is set out in note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: — Understanding the revenue business process of the Group; — Evaluating and testing the operating effectiveness of key controls on the recognition of interest income; — Testing automated controls related to the calculation of interest income and the completeness and accuracy of information capture; and — Using regression analysis techniques based on historical data on advances and receivables and interest income to test interest income.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24th April 2019

Consolidated Statement of Profit or Loss

For the year ended 28th February 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	**1,322,678**	1,282,867
Interest income	7	**1,136,919**	1,117,570
Interest expense	8	**(82,067)**	(86,249)
Net interest income		**1,054,852**	1,031,321
Fees and commissions		**102,614**	87,722
Handling and late charges		**83,145**	77,575
Other income	9	**4,940**	5,765
Other gains and losses	10	**(813)**	1,441
Operating income		**1,244,738**	1,203,824
Operating expenses	11	**(567,569)**	(564,923)
Operating profit before impairment losses and impairment allowances		**677,169**	638,901
Impairment losses and impairment allowances		**(203,717)**	(241,217)
Recoveries of advances and receivables written-off		**48,133**	48,402
Share of results of an associate	17	**2,537**	1,179
Profit before tax		**524,122**	447,265
Income tax expense	13	**(86,868)**	(76,117)
Profit for the year		**437,254**	371,148
Profit for the year attributable to:			
Owners of the Company		**437,254**	371,148
Earnings per share – Basic	15	**104.41 HK cents**	88.63 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 28th February 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**437,254**	371,148
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain on equity instruments at fair value through other comprehensive income	**29,867**	–
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on an available-for-sale investment	**–**	(3,500)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on an available-for-sale investment	**–**	7,921
Exchange difference arising from translation of foreign operations	**(15,509)**	26,193
Translation reserve reclassified to profit or loss upon deregistration of an associate	**–**	(5,408)
Net adjustment on cash flow hedges	**15,791**	34,122
Other comprehensive income for the year	**30,149**	59,328
Total comprehensive income for the year	**467,403**	430,476
Total comprehensive income for the year attributable to:		
Owners of the Company	**467,403**	430,476

Consolidated Statement of Financial Position

At 28th February 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	**70,365**	87,223
Investment in an associate	17	**15,449**	13,678
Equity instruments at fair value through other comprehensive income	18	**118,701**	–
Available-for-sale investments	18	**–**	15,900
Advances and receivables	19	**862,105**	981,330
Prepayments, deposits and other debtors	22	**60,040**	26,559
Derivative financial instruments	33	**15,469**	18,249
Deferred tax assets	34	**16,698**	–
Restricted deposits	23	**38,000**	38,000
		1,196,827	1,180,939
Current assets			
Advances and receivables	19	**4,021,782**	4,202,214
Prepayments, deposits and other debtors	22	**47,456**	45,058
Amounts due from fellow subsidiaries	29	**160**	146
Amount due from immediate holding company	30	**283**	–
Amount due from an associate	31	**39**	350
Derivative financial instruments	33	**17**	–
Restricted deposits	23	**381,466**	–
Time deposits	24	**152,536**	103,533
Fiduciary bank balances	25	**35**	248
Bank balances and cash	26	**380,083**	660,488
		4,983,857	5,012,037
Current liabilities			
Creditors and accruals	27	**255,943**	235,808
Contract liabilities	28	**9,486**	–
Amounts due to fellow subsidiaries	29	**42,920**	56,705
Amount due to intermediate holding company	30	**–**	154
Amount due to ultimate holding company	30	**28**	33
Amount due to an associate	31	**2,027**	2,904
Bank borrowings	32	**325,000**	345,000
Collateralised debt obligation	37	**701,600**	–
Derivative financial instruments	33	**11,069**	1,865
Tax liabilities		**33,515**	25,772
		1,381,588	668,241
Net current assets		**3,602,269**	4,343,796
Total assets less current liabilities		**4,799,096**	5,524,735

Consolidated Statement of Financial Position

	NOTES	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	35	**269,477**	269,477
Reserves	36	**2,921,170**	2,735,564
Total equity		**3,190,647**	3,005,041
Non-current liabilities			
Bank borrowings	32	**1,056,483**	1,230,020
Collateralised debt obligation	37	**548,400**	1,250,000
Derivative financial instruments	33	**3,566**	34,819
Deferred tax liabilities	34	**–**	4,855
		1,608,449	2,519,694
		4,799,096	5,524,735

The consolidated financial statements on pages 52 to 132 were approved and authorised for issue by the Board on 24th April 2019 and are signed on its behalf by:

HIDEO TANAKA
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 28th February 2019

	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 1st March 2017	269,477	(4,421)	(53,651)	(18,489)	2,549,155	2,742,071
Profit for the year	–	–	–	–	371,148	371,148
Fair value loss on an available-for-sale investment	–	(3,500)	–	–	–	(3,500)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on an available-for-sale investment	–	7,921	–	–	–	7,921
Exchange difference arising from translation of foreign operations	–	–	–	26,193	–	26,193
Translation reserve reclassified to profit or loss upon deregistration of an associate	–	–	–	(5,408)	–	(5,408)
Net adjustment on cash flow hedges	–	–	34,122	–	–	34,122
Total comprehensive income for the year	–	4,421	34,122	20,785	371,148	430,476
Final dividend paid for 2016/17	–	–	–	–	(83,753)	(83,753)
Interim dividend paid for 2017/18	–	–	–	–	(83,753)	(83,753)
	–	4,421	34,122	20,785	203,642	262,970
At 28th February 2018	**269,477**	**–**	**(19,529)**	**2,296**	**2,752,797**	**3,005,041**
Adjustments (see note 2)	**–**	**63,175**	**–**	**–**	**(160,716)**	**(97,541)**
Adjusted at 1st March 2018	**269,477**	**63,175**	**(19,529)**	**2,296**	**2,592,081**	**2,907,500**
Profit for the year	**–**	**–**	**–**	**–**	**437,254**	**437,254**
Fair value gain on equity instruments at fair value through other comprehensive income	**–**	**29,867**	**–**	**–**	**–**	**29,867**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**(15,509)**	**–**	**(15,509)**
Net adjustment on cash flow hedges	**–**	**–**	**15,791**	**–**	**–**	**15,791**
Total comprehensive income (expense) for the year	**–**	**29,867**	**15,791**	**(15,509)**	**437,254**	**467,403**
Final dividend paid for 2017/18	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2018/19	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	–	**29,867**	**15,791**	**(15,509)**	**252,998**	**283,147**
At 28th February 2019	**269,477**	**93,042**	**(3,738)**	**(13,213)**	**2,845,079**	**3,190,647**

Consolidated Statement of Cash Flows

For the year ended 28th February 2019

	2019 **HK$'000**	2018 HK$'000
Operating activities		
Profit before tax	**524,122**	447,265
Adjustments for:		
Amortisation of upfront cost of borrowings	**388**	389
Depreciation	**37,569**	41,588
Dividends received from financial instruments	**(894)**	(796)
Gain on deregistration of an associate	**–**	(12,801)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**203,717**	241,217
Impairment loss on available-for-sale investments	**–**	9,759
Interest expense	**81,679**	86,249
Interest income	**(1,136,919)**	(1,117,570)
Losses on disposal of property, plant and equipment	**512**	1,710
Share of results of an associate	**(2,537)**	(1,179)
Operating cash flows before movements in working capital	**(292,363)**	(304,169)
Increase in advances and receivables	**(102,171)**	(339,228)
Increase in prepayments, deposits and other debtors	**(3,679)**	(5,833)
(Increase) decrease in amounts due from fellow subsidiaries	**(14)**	1,035
(Increase) decrease in amount due from immediate holding company	**(283)**	7
Decrease in amount due from intermediate holding company	**–**	191
Decrease (increase) in amount due from an associate	**311**	(277)
Decrease (increase) in fiduciary bank balances	**213**	(171)
Increase in creditors and accruals	**33,948**	1,235
Increase in contract liabilities	**425**	–
(Decrease) increase in amounts due to fellow subsidiaries	**(13,785)**	7,245
Decrease in amount due to intermediate holding company	**(154)**	(48)
Decrease in amount due to ultimate holding company	**(5)**	(2)
Decrease in amount due to an associate	**(877)**	(191)
Cash used in operations	**(378,434)**	(640,206)
Tax paid	**(82,023)**	(83,825)
Interest paid	**(83,118)**	(86,158)
Interest received	**1,137,860**	1,115,581
Net cash from operating activities	**594,285**	305,392

Consolidated Statement of Cash Flows

	2019 **HK$'000**	2018 HK$'000
Investing activities		
Dividends received	**894**	796
Proceeds from deregistration of an associate	**–**	6,747
Proceeds from disposal of property, plant and equipment	**4**	–
Purchase of property, plant and equipment	**(14,564)**	(6,557)
Deposits paid for acquisition of property, plant and equipment	**(45,303)**	(17,785)
Placement of time deposits with maturity of more than three months	**(56,323)**	(44,790)
Release of time deposits with maturity of more than three months	**42,259**	40,102
Net cash used in investing activities	**(73,033)**	(21,487)
Financing activities		
Placement of restricted deposits	**(2,378,616)**	(1,810,742)
Withdrawal of restricted deposits	**1,997,150**	1,955,958
Dividends paid	**(184,256)**	(167,506)
New bank loans raised	**150,000**	90,000
Repayment of bank loans	**(345,000)**	(240,000)
Net cash used in financing activities	**(760,722)**	(172,290)
Net (decrease) increase in cash and cash equivalents	**(239,470)**	111,615
Effect of changes in exchange rate	**(3,736)**	8,057
Cash and cash equivalents at beginning of the year	**721,762**	602,090
Cash and cash equivalents at end of the year	**478,556**	721,762
Being:		
Time deposits with maturity of three months or less	**98,473**	61,274
Bank balances and cash	**380,083**	660,488
	478,556	721,762

Notes to the Consolidated Financial Statements

For the year ended 28th February 2019

1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on the Stock Exchange. Its immediate holding company is AFS (HK), incorporated in Hong Kong and its ultimate holding company is AEON Japan, incorporated in Japan and listed on the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing, insurance agency and brokerage business and microfinance business.

The consolidated financial statements are presented in HKD, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1st March 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1st March 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.1 HKFRS 15 Revenue from Contracts with Customers (Cont'd)

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Interest income (under HKFRS 9 *Financial Instruments*)
- Fees and commissions
- Handling and late charges

Information about the Group's accounting policies and performance obligations resulting from application of HKFRS 15 are disclosed in notes 3 and 5 respectively.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no material impact on the Group's accumulated profits at 1st March 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st March 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 28th February 2018 *HK$'000*	Reclassification *HK$'000*	Carrying amounts under HKFRS 15 at 1st March 2018 *HK$'000*
Current liabilities			
Creditors and accruals	235,808	(9,061)	226,747
Contract liabilities	–	9,061	9,061

Note: At the date of initial application, included in creditors and accruals was deferred revenue in relation to customer loyalty programmes of HK$9,061,000. This balance was reclassified to contract liabilities upon application of HKFRS 15.

The application of HKFRS 15 has no material impact on the amounts recognised in the Group's consolidated statement of profit or loss for the current year. The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position at 28th February 2019 and its consolidated statement of cash flows for the year ended 28th February 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.1 HKFRS 15 Revenue from Contracts with Customers (Cont'd)

Summary of effects arising from initial application of HKFRS 15 (Cont'd)

Impact on the consolidated statement of financial position

	As reported 2019 *HK$'000*	Reclassification *HK$'000*	Amounts without application of HKFRS 15 2019 *HK$'000*
Current liabilities			
Creditors and accruals	255,943	9,486	265,429
Contract liabilities	9,486	(9,486)	–

Impact on the consolidated statement of cash flows

	As reported 2019 *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 2019 *HK$'000*
OPERATING ACTIVITIES			
Increase in creditors and accruals	33,948	425	34,373
Increase in contract liabilities	425	(425)	–

Note: Deferred revenue in relation to customer loyalty programmes of HK$9,486,000 was previously included in creditors and accruals. Upon the application of HKFRS 15, these deferred revenue were reclassified to contract liabilities.

2.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1st March 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1st March 2018. The difference between carrying amounts at 28th February 2018 and the carrying amounts at 1st March 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.2 HKFRS 9 Financial Instruments and the related amendments (Cont'd)

In addition, the Group applied the hedge accounting prospectively.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1st March 2018.

	NOTES	Available-for-sale investments *HK$'000*	Equity instruments at fair value through other comprehensive income *HK$'000*	Advances and receivables *HK$'000*	Deferred tax (liabilities) assets *HK$'000*	Investment revaluation reserve *HK$'000*	Accumulated profits *HK$'000*
Closing balance at 28th February 2018 — HKAS 39		15,900	–	5,183,544	(4,855)	–	(2,752,797)
Effect arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale investments	*(a)*	(15,900)	15,900	–	–	7,921	(7,921)
Remeasurement							
Impairment under ECL model	*(b)*	–	–	(189,130)	18,655	–	170,475
From cost less impairment to fair value	*(a)*	–	72,934	–	–	(71,096)	(1,838)
Opening balance at 1st March 2018		–	88,834	4,994,414	13,800	(63,175)	(2,592,081)

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.2 HKFRS 9 Financial Instruments and the related amendments (Cont'd)

Summary of effects arising from initial application of HKFRS 9 (Cont'd)

(a) Available-for-sale investments

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as available-for-sale, of which HK$7,305,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$15,900,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, (of which HK$7,305,000 relating to those unquoted equity investments previously carried at cost less impairment) were adjusted to equity instruments at FVTOCI and investment revaluation reserve at 1st March 2018. Remeasurement from cost less impairment to fair value of HK$72,934,000 relating to unquoted equity investments was adjusted at 1st March 2018. In addition, impairment losses previously recognised of HK$9,759,000 (of which HK$1,838,000 relating to those unquoted equity investments previously carried at cost less impairment) were transferred from accumulated profits to investment revaluation reserve at 1st March 2018.

(b) Impairment under ECL model

The Group applies the general impairment approach of HKFRS 9 for advances and receivables to recognise impairment 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 including those considered to be low credit risk instruments. 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 ECL ("12m ECL") is recognised in Stage 1, while lifetime expected credit losses are recognised in Stages 2 and 3.

In general, the application of the ECL model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's advances and receivables. Such additional impairment recognised under ECL 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) to the opening accumulated profits at 1st March 2018 amounted to HK$170,475,000.

Loss allowances involved for other financial assets at amortised cost mainly comprise other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances were immaterial and no additional impairment was recognised.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.2 HKFRS 9 Financial Instruments and the related amendments (Cont'd)

Summary of effects arising from initial application of HKFRS 9 (Cont'd)

(b) Impairment under ECL model (Cont'd)

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) at 28th February 2018 to the new impairment allowance measured in accordance with HKFRS 9 (under ECL model) at 1st March 2018:

	Impairment allowance under HKAS 39 *HK$'000*	Effect of adoption of HKFRS 9 *HK$'000*	Impairment allowance under HKFRS 9 *HK$'000*
Advances and receivables	88,904	189,130	278,034

(c) Hedge accounting

The Group applies the hedge accounting requirements of HKFRS 9 prospectively. At the date of the initial application, hedging relationships that qualified for hedge accounting in accordance with HKAS 39 are regarded as continuing hedging relationship if all qualifying criteria under HKFRS 9 are met, after taking into account any rebalancing of the hedging relationship on transition. Consistent with prior periods, the Group has continued to designate all derivatives as hedging instruments for cash flow hedges. As such, the adoption of the hedge accounting requirements of HKFRS 9 had not resulted in adjustments to comparative figures.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	28th February 2018 (audited) *HK$'000*	HKFRS 9 *HK$'000*	HKFRS 15 *HK$'000*	1st March 2018 (restated) *HK$'000*
Non-current assets				
Available-for-sale investments	15,900	(15,900)	–	–
Equity instruments at FVTOCI	–	88,834	–	88,834
Advances and receivables	981,330	(35,805)	–	945,525
Deferred tax assets	–	13,800	–	13,800
Others with no adjustments	183,709	–	–	183,709
	1,180,939	50,929	–	1,231,868
Current assets				
Advances and receivables	4,202,214	(153,325)	–	4,048,889
Others with no adjustments	809,823	–	–	809,823
	5,012,037	(153,325)	–	4,858,712
Current liabilities				
Creditors and accruals	235,808	–	(9,061)	226,747
Contract liabilities	–	–	9,061	9,061
Others with no adjustments	432,433	–	–	432,433
	668,241	–	–	668,241
Net current assets	4,343,796	(153,325)	–	4,190,471
Total assets less current liabilities	5,524,735	(102,396)	–	5,422,339
Capital and reserves				
Reserves	2,735,564	(97,541)	–	2,638,023
Others with no adjustments	269,477	–	–	269,477
	3,005,041	(97,541)	–	2,907,500
Non-current liabilities				
Deferred tax liabilities	4,855	(4,855)	–	–
Others with no adjustments	2,514,839	–	–	2,514,839
	2,519,694	(4,855)	–	2,514,839
	5,524,735	(102,396)	–	5,422,339

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1st January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020
5 Effective for annual periods beginning on or after 1st January 2020

Except for the new HKFRS mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

HKFRS 16 Leases (Cont'd)

Furthermore, extensive disclosures are required by HKFRS 16.

At 28th February 2019, the Group has non-cancellable operating lease commitments of HK$69,580,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$17,530,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and has not applied this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the investment in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (award credits for customers under customer loyalty programmes), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Cont'd)

Variable consideration

For contracts that contain variable consideration (award credits for customers under customer loyalty programmes), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group is a principal except for the Group acts as an agent in placing the insurable risks of their clients with insurers.

Revenue recognition (prior to 1st March 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Commission income, handling and late charges are recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (prior to 1st March 2018) (Cont'd)

Credit card transactions that result in award credits (often called "bonus points") for customers, under the Group's customer loyalty programmes, are accounted for a separately identifiable component and the fair value of the commission received or receivable is allocated between the credit card transactions and the award credits granted. The commission allocated to the award credits is measured by reference to their fair value of the awards for which they could be redeemed. Such commission is not recognised as revenue at the time of the initial credit card transactions – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Annual fee is recognised on a time proportion basis.

Dividend income from investments is recognised when the rights to receive payment have been established.

Insurance brokerage income and agency fee received or receivable is recognised as revenue when the underlying transaction has been completed.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's investment in an associate.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generated unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generated unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value, except for debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1st March 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including advances and receivables, other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances) and unused credit card limit. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for debtors and amounts due from related parties which are trade-related arising from contracts with customers which are initially measured in accordance with HKFRS 15. The ECL on these assets are assessed individually and/or collectively using a provision matrix based on past due analysis.

The Group applies the general impairment approach of HKFRS 9 for other financial assets and unused credit card limit to recognise impairment based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument. The ECL on these assets is assessed individually and/or collectively using a provision matrix with appropriate groupings.

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. 12m ECL is recognised in Stage 1, while lifetime expected credit losses are recognised in Stages 2 and 3.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Cont'd)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; or
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For unused credit card limit, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of an unused credit card limit, the Group considers changes in the risk of a default occurring on the advance to which an unused credit card limit relates.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Cont'd)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of advances and receivables, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For unused credit card limit, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the unused credit card limit utilises the limit, and the cash flows that the Group expects to receive if the limit is utilised. The estimate is consistent with the Group's expectations of drawdowns of the unused credit card limit, i.e. the expected portions of the unused credit card limit that will be drawn down within 12 months of the reporting date when estimating 12m ECL, and the expected portion of unused credit card limit that will be drawn down over the expected life of the unused credit card limit when estimating lifetime ECL. The ECL is measured over the period the Group is exposed to the credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments; and
- Past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of advances and receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1st March 2018)

Financial assets are classified into one of the two categories, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated listed and unlisted equity securities as available-for-sale investments on initial recognition of those items.

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including advances and receivables, other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1st March 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (before application of HKFRS 9 on 1st March 2018) (Cont'd)

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as advances and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

Individual impairment allowances are assessed by a discounted cash flow method for loans and receivables that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

On collective impairment, individually insignificant loans and receivables or loans and receivables where no impairment has been identified individually are assessed on a portfolio basis. Evaluation is made by reference to the credit risk characteristics that are indicative of borrowers' ability to pay all amounts in accordance with the contractual terms. Expected future cash flows of loans and receivables that are assessed collectively for impairment are estimated on the basis of prior loan loss experience.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Changes in the carrying amount of the allowance account are recognised in profit or loss. When advances and receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

On derecognition of an available-for-sale financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL, except for derivative financial instruments under cash flow hedges.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, intermediate holding company, ultimate holding company and an associate, are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness (under HKFRS 9 since 1st March 2018)

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Assessment of hedging relationship and effectiveness (before application of HKFRS 9 on 1st March 2018)

A hedge is regarded as highly effective only if both of the following conditions are met:

- at the inception and in subsequent periods, the hedge is expected to be highly effective; and
- the actual results of the hedge are within a range of 80% to 125%.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Hedge accounting (Cont'd)

Discontinuation of hedge accounting (under HKFRS 9 since 1st March 2018)

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship). Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Discontinuation of hedge accounting (before application of HKFRS 9 on 1st March 2018)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Insurance intermediary assets and liabilities

The Group acts as an agent in placing the insurable risks of their clients with insurers and, as such, generally is not liable as principal for amounts arising from such transactions. Other than the receivable for commissions earned on the transaction which is recognised within commission receivables, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time the amount is recognised in fiduciary bank balances and a corresponding deposit liability is established in favour of the insurer or the policyholder and recognised on the consolidated statement of financial position as a financial liability. Fiduciary cash arising from insurance broking deposits is settled over a short term and do not yield any interest for the insurer or the policyholder. Discounting is omitted given the effect of discounting is immaterial. The Group is entitled to retain the interest income on any cash balances arising from these transactions.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme in China are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment assessment of advances and receivables

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated loss on advances and receivables. The measurement of impairment losses under HKFRS 9 requires management's estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

In determining impairment allowances, management applied the ECL model with a number of estimations and assumptions including:

- The selection of inputs which the entity used in the ECL model including loss given default and possibility of default;
- The portfolio segmentation of financial assets based on risk characteristics of the customers; and
- The selection of forward-looking information.

The management regularly review the estimation and assumptions used in the ECL calculation to reduce any differences between loss estimates and actual loss experience.

The impairment allowance is sensitive to changes in estimates. Details of advances and receivables and the impairment allowances are disclosed in notes 19 to 21.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information is as follows:

	2019 HK$'000	2018 HK$'000
Interest income (under HKFRS 9)	**1,136,919**	1,117,570
Fees and commissions		
– Credit card	**85,176**	72,637
– Insurance	**17,438**	15,085
Handling and late charges	**83,145**	77,575
	1,322,678	1,282,867

For the year ended 28th February 2019

	Credit card HK$'000	**Personal loans HK$'000**	**Insurance HK$'000**	**Total HK$'000**
Interest income (under HKFRS 9)	**844,740**	**292,000**	**179**	**1,136,919**
Fees and commissions	**85,176**	**–**	**17,438**	**102,614**
Handling and late charges	**70,322**	**12,823**	**–**	**83,145**
Segment revenue	**1,000,238**	**304,823**	**17,617**	**1,322,678**

(ii) Performance obligations for contracts with customers

Fees and commission

The Group receive fees and commission from credit card transactions. Revenue is recognised at a point in time when the Group has satisfied its performance obligation in providing the promised services to the customer (i.e. completion of the transactions), and are recognised based on contractual rates agreed with customers.

The Group also grants award credits for cardholders under the Group's customer loyalty scheme. Revenue is recognised when control of the goods has been transferred, being at the point the cardholders purchases the goods using the award credits or expiry of the points.

The Group acts as an agent in placing the insurable risks of their clients with insurers and receives the commission income from these transactions. Revenue is recognised at a point in time when the Group has an unconditional right to receive the commission income from the insurance company (i.e. execution of insurance contracts).

Handling and late charges

The Group receive handling and late charges from credit card and personal loan transactions. Revenue is recognised at a point in time when the Group has unconditional right to receive the income from the customers based on the contractual rates agreed with customers (i.e. completion of transactions).

5. REVENUE (Cont'd)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 28th February 2019 and the expected timing of recognising revenue are as follows:

	Customer loyalty programmes *HK$'000*
Within one year	2,031
More than one year but not more than two years	7,455
	9,486

The customer loyalty programmes have expiration ranged from 1 to 2 years and can be redeemed anytime at cardholders' discretion. The amounts disclosed above represent the Group's expectation on the timing of redemption made by the cardholders.

6. 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
Personal loans	—	Provide personal loan financing to individuals
Insurance	—	Provide insurance agency and brokerage services

The accounting policies of operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before tax earned by each segment without allocation of certain other operating income (including dividend income and gain on deregistration of an associate), unallocated head office expenses (including impairment loss on available-for-sale investments) and share of results of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources amongst segments:

- all assets are allocated to operating and reportable segments other than investment in an associate and equity instruments at FVTOCI/available-for-sale investments, and deferred tax assets.
- all liabilities are allocated to operating and reportable segments other than tax liabilities and deferred tax liabilities.

6. SEGMENT INFORMATION (Cont'd)

Services from which operating and reportable segments derive their revenues (Cont'd)

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

For the year ended 28th February 2019

	Credit card *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
REVENUE	**1,000,238**	**304,823**	**17,617**	**1,322,678**
RESULT				
Segment results	**389,500**	**120,639**	**12,735**	**522,874**
Unallocated operating income				**3,606**
Unallocated expenses				**(4,895)**
Share of results of an associate				**2,537**
Profit before tax				**524,122**

For the year ended 28th February 2018

	Credit card *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
REVENUE	924,697	342,930	15,240	1,282,867
RESULT				
Segment results	359,376	77,024	7,082	443,482
Unallocated operating income				17,443
Unallocated expenses				(14,839)
Share of results of an associate				1,179
Profit before tax				447,265

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

At 28th February 2019

	Credit card *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**4,631,874**	**1,377,220**	**20,742**	**6,029,836**
Unallocated assets				**150,848**
Consolidated total assets				**6,180,684**
LIABILITIES				
Segment liabilities	**2,578,148**	**376,416**	**1,958**	**2,956,522**
Unallocated liabilities				**33,515**
Consolidated total liabilities				**2,990,037**

At 28th February 2018

	Credit card *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	4,470,847	1,673,028	19,523	6,163,398
Unallocated assets				29,578
Consolidated total assets				6,192,976
LIABILITIES				
Segment liabilities	2,672,406	482,586	2,316	3,157,308
Unallocated liabilities				30,627
Consolidated total liabilities				3,187,935

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure of segment results or segment assets:

2019

	Credit card *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
Additions to non-current assets *(Note)*	**49,608**	**4,370**	**–**	**53,978**
Depreciation	**26,385**	**11,051**	**133**	**37,569**
Impairment losses and impairment allowances	**148,713**	**55,004**	**–**	**203,717**
Recoveries of advances and receivables written-off	**(30,668)**	**(17,465)**	**–**	**(48,133)**

2018

	Credit card *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
Additions to non-current assets *(Note)*	24,419	7,090	620	32,129
Depreciation	29,071	12,460	57	41,588
Impairment losses and impairment allowances	134,141	107,076	–	241,217
Recoveries of advances and receivables written-off	(31,578)	(16,824)	–	(48,402)

Note: Non-current assets exclude investment in an associate, financial assets and derivative financial instruments.

6. SEGMENT INFORMATION (Cont'd)

Geographical information

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

For the year ended 28th February 2019

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	**1,287,927**	**34,751**	**1,322,678**
RESULT			
Segment results	**538,671**	**(15,797)**	**522,874**
Unallocated operating income			**3,606**
Unallocated expenses			**(4,895)**
Share of results of an associate			**2,537**
Profit before tax			**524,122**

For the year ended 28th February 2018

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	1,225,198	57,669	1,282,867
RESULT			
Segment results	456,805	(13,323)	443,482
Unallocated operating income			17,443
Unallocated expenses			(14,839)
Share of results of an associate			1,179
Profit before tax			447,265

Most of the Group's non-current assets (excluding financial assets) are located in Hong Kong. Accordingly, no geographical analysis is presented.

Information about major customers

During the years ended 28th February 2019 and 28th February 2018, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

	2019 **HK$'000**	2018 HK$'000
Non-credit impaired advances	**1,126,783**	1,107,523
Credit impaired advances	**5,282**	6,403
Time deposits, restricted deposits and bank balances	**4,854**	3,644
	1,136,919	1,117,570

8. INTEREST EXPENSE

	2019 **HK$'000**	2018 HK$'000
Interest on bank borrowings	**35,291**	30,004
Interest on collateralised debt obligation	**21,327**	12,879
Net interest expense on interest rate swap contracts	**25,449**	43,366
	82,067	86,249

Amortisation of upfront cost of HK$388,000 (2018: HK$389,000) is included in the interest expense on borrowings.

9. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Dividends received from financial instruments		
– Listed equity securities	**781**	710
– Unlisted equity securities	**113**	86
Others	**4,046**	4,969
	4,940	5,765

10. OTHER GAINS AND LOSSES

	2019 **HK$'000**	2018 HK$'000
Exchange gain (loss)		
– Exchange gain on hedging instrument released from cash flow hedge reserve	**1,075**	3,350
– Exchange loss on a bank loan	**(1,075)**	(3,350)
Other exchange (losses) gains, net	**(170)**	240
Hedge ineffectiveness on cash flow hedges	**(131)**	(131)
Losses on disposal of property, plant and equipment	**(512)**	(1,710)
Impairment loss on available-for-sale investments	**–**	(9,759)
Gain on deregistration of an associate	**–**	12,801
	(813)	1,441

11. OPERATING EXPENSES

	2019 **HK$'000**	2018 HK$'000
Auditor's remuneration	**3,201**	2,945
Depreciation	**37,569**	41,588
General administrative expenses	**162,834**	159,521
Marketing and promotion expenses	**77,949**	71,854
Minimum operating lease rentals in respect of rented premises, advertising space and equipment	**71,255**	77,044
Other operating expenses	**58,807**	49,696
Staff costs including Directors' emoluments	**155,954**	162,275
	567,569	564,923

Operating lease rentals in respect of Directors' and staff quarters of **HK$1,854,000** (2018: HK$2,768,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2018: eleven) Directors were as follows:

2019

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus *(Note a)* HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Executive Directors					
Hideo Tanaka *(Note b)*	–	1,832	503	–	2,335
Lai Yuk Kwong	–	1,657	374	18	2,049
Koh Yik Kung	–	1,801	138	18	1,957
Tomoharu Fukayama *(Note b)*	–	1,465	370	–	1,835
Toru Hosokawa *(Note b)* (1.3.2018–31.1.2019)	–	1,527	459	–	1,986
Sub-total	–	8,282	1,844	36	10,162
The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.					
Non-executive Director					
Masaaki Mangetsu	–	–	–	–	–
The non-executive director's emoluments shown above were for his services as director of the Company and the Group.					
Independent Non-executive Directors					
Lee Ching Ming, Adrian	316	–	–	–	316
Wong Hin Wing	316	–	–	–	316
Kenji Hayashi	316	–	–	–	316
Sub-total	948	–	–	–	948
The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.					
Total					11,110

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

2018

Name of Directors	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *(Note a)* *HK$'000*	Mandatory provident fund contributions *HK$'000*	Total *HK$'000*
Executive Directors					
Hideo Tanaka *(Note b)*	–	1,868	522	–	2,390
Koh Yik Kung	–	1,788	77	18	1,883
Kiyoshi Wada *(Note b)* (1.3.2017–23.6.2017)	–	463	233	–	696
Tomoharu Fukayama *(Note b)*	–	1,453	166	–	1,619
Toru Hosokawa *(Note b)*	–	1,548	233	–	1,781
Lai Yuk Kwong (23.6.2017–28.2.2018)	–	1,144	80	12	1,236
Sub-total	–	8,264	1,311	30	9,605

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

Non-executive Directors					
Masaaki Mangetsu (23.6.2017–28.2.2018)	–	–	–	–	–
Takamitsu Moriyama (1.3.2017–23.6.2017)	–	–	–	–	–

The non-executive director's emoluments shown above were for his services as director of the Company and the Group.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

2018

Name of Directors	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *(Note a)* *HK$'000*	Mandatory provident fund contributions *HK$'000*	Total *HK$'000*
Independent Non-executive Directors					
Lee Ching Ming, Adrian	306	–	–	–	306
Wong Hin Wing	306	–	–	–	306
Kenji Hayashi	306	–	–	–	306
Sub-total	918	–	–	–	918

The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.

Total	10,523

Notes:

(a) The discretionary bonus is determined by the Remuneration Committee of the Company with reference to the financial performance of the Group and the performance of the individual Director.

(b) Operating lease rentals in respect of Directors' accommodations of **HK$1,452,000** (2018: HK$1,586,000) are included under salaries and other benefits.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2018: four) were Directors, details of their emoluments were set out as above. The emoluments of the remaining one (2018: one) individual were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Salaries and other benefits	**1,668**	1,634
Discretionary bonus	**270**	128
Mandatory provident fund contributions	**18**	18
	1,956	1,780

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments (Cont'd)

Their emoluments were within the following bands:

	No. of employees	
	2019	2018
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	1	1

13. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax		
— Current year	**91,513**	79,046
— Overprovision in respect of prior years	**(1,747)**	(1,212)
	89,766	77,834
Deferred tax *(note 34)*		
— Current year	**(2,898)**	(1,717)
	86,868	76,117

On 21st March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

13. INCOME TAX EXPENSE (Cont'd)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**524,122**	447,265
Tax at the applicable rate of 16.5% (2018: 16.5%)	**86,480**	73,799
Tax effect of share of results of an associate	**(419)**	(195)
Tax effect of expenses not deductible for tax purpose	**106**	5,686
Tax effect of income not taxable for tax purpose	**(315)**	(2,454)
Overprovision in respect of prior years	**(1,747)**	(1,212)
Tax effect of tax losses in current year not recognised	**4,346**	1,037
Utilisation of tax losses previously not recognised	**(240)**	(1,742)
Others	**(1,343)**	1,198
Income tax expense for the year	**86,868**	76,117

14. DIVIDENDS

	2019 **HK$'000**	2018 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid of 22.0 HK cents in respect of 2018 (2018: 20.0 HK cents in respect of 2017) per share	**92,128**	83,753
Interim dividend paid of 22.0 HK cents in respect of 2019 (2018: 20.0 HK cents in respect of 2018) per share	**92,128**	83,753
	184,256	167,506
Final dividend proposed of 22.0 HK cents in respect of 2019 (2018: 22.0 HK cents in respect of 2018) per share	**92,128**	92,128

The Directors have recommended a final dividend of 22.0 HK cents per share. Subject to the approval of the shareholders at the 2019 AGM, the final dividend will be paid on 12th July 2019 to shareholders whose names appear on the register of members of the Company on 28th June 2019. This dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of HK$437,254,000 (2018: HK$371,148,000) and on the number of shares of 418,766,000 (2018: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1st March 2017	28,358	12,224	375,465	226	416,273
Additions	4,086	–	25,467	–	29,553
Disposals	(1,592)	(170)	(5,110)	–	(6,872)
Exchange realignment	426	106	759	–	1,291
At 28th February 2018	**31,278**	**12,160**	**396,581**	**226**	**440,245**
Additions	**768**	**7**	**20,892**	**–**	**21,667**
Disposals	**–**	**(316)**	**(3,506)**	**–**	**(3,822)**
Exchange realignment	**(288)**	**(64)**	**(632)**	**–**	**(984)**
At 28th February 2019	**31,758**	**11,787**	**413,335**	**226**	**457,106**
DEPRECIATION					
At 1st March 2017	25,603	10,445	279,505	226	315,779
Provided for the year	2,826	952	37,810	–	41,588
Eliminated on disposals	(1,592)	(139)	(3,431)	–	(5,162)
Exchange realignment	349	81	387	–	817
At 28th February 2018	**27,186**	**11,339**	**314,271**	**226**	**353,022**
Provided for the year	**2,565**	**646**	**34,358**	**–**	**37,569**
Eliminated on disposals	**–**	**(285)**	**(3,021)**	**–**	**(3,306)**
Exchange realignment	**(226)**	**(54)**	**(264)**	**–**	**(544)**
At 28th February 2019	**29,525**	**11,646**	**345,344**	**226**	**386,741**
CARRYING VALUES					
At 28th February 2019	**2,233**	**141**	**67,991**	**–**	**70,365**
At 28th February 2018	4,092	821	82,310	–	87,223

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$% or over the lease term, if shorter
Furniture and fixtures	20%
Computer equipment	20%–$33^1/_3$%
Motor vehicles	20%–$33^1/_3$%

17. INVESTMENT IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Cost of unlisted investment in an associate	**1,000**	1,000
Share of post-acquisition results	**14,146**	11,609
Exchange difference arising from translation	**303**	1,069
	15,449	13,678

At 28th February 2019 and 28th February 2018, the Group had interests in the following associate:

Name of associate	Place of incorporation and operation	Proportion of ownership interest deemed to be held by the Company		Proportion of board member representative		Principal activities
		2019	2018	2019	2018	
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**33.3%**	25%	Provision of business process outsourcing services

The other shareholder of AIS is the Group's intermediate holding company and hence the Group considers that the Group is able to participate in the financial and operating policy decisions of AIS but does not control or jointly control over those policies.

The above associate is a subsidiary of its intermediate holding company.

This associate's financial statements are prepared in accordance with HKFRSs and are accounted for using the equity method in these consolidated financial statements.

Aggregate information of associate that is not individually material

The summarised financial information below represents the aggregate amount of the Group's share of its interests in an associate which is not individually material:

	2019 HK$'000	2018 HK$'000
Profit and total comprehensive income for the year	**2,537**	1,179

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2019 ***HK$'000***	2018 *HK$'000*
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	**7,530**	–
— Unlisted investments	**111,171**	–
	118,701	–
Available-for-sale investments		
— Listed investment in Hong Kong	**–**	8,595
— Unlisted investments	**–**	7,305
	–	15,900

The investments included above represent investments in both listed and unlisted equity investments that offer the Group the opportunity for return through dividend income and fair value gains.

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

The fair values of unlisted equity investments have been arrived at on the basis of valuations which were principally arrived at using the market approach for business enterprises valuation with reference to the market capitalisation of listed entities in similar industries with consideration of marketability discount.

The above unlisted equity investments represent equity interest in three (2018: three) private entities incorporated overseas engaged in consumer finance services and related business for long-term investment strategic and the Directors have elected to designate these investments in equity instruments as at FVTOCI. (2018: measured at cost less impairment at the end of each reporting period because the Directors are of the opinion that their fair values cannot be measured reliably).

19. ADVANCES AND RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Credit card receivables	**3,842,292**	3,808,249
Personal loan receivables	**1,197,248**	1,375,933
	5,039,540	5,184,182
Accrued interest and other receivables	**87,840**	88,266
Gross advances and receivables	**5,127,380**	5,272,448
Impairment allowances *(note 20)*	**(243,493)**	(88,904)
	4,883,887	5,183,544
Current portion included under current assets	**(4,021,782)**	(4,202,214)
Amount due after one year	**862,105**	981,330

An analysis of changes in the gross amount of advances and receivables are set out below:

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2018	**4,933,959**	**118,601**	**219,888**	**5,272,448**
Net (repayment) addition in advances and receivables	**(23,590)**	**131,834**	**(6,071)**	**102,173**
Transfer to 12m ECL (Stage 1)	**648,994**	**(611,229)**	**(37,765)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(683,438)**	**696,656**	**(13,218)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(52,027)**	**(206,946)**	**258,973**	**–**
Total transfer between stages	**(86,471)**	**(121,519)**	**207,990**	**–**
Amounts written-off as uncollectable	**–**	**–**	**(237,584)**	**(237,584)**
Exchange realignment	**(7,631)**	**(591)**	**(1,435)**	**(9,657)**
At 28th February 2019	**4,816,267**	**128,325**	**182,788**	**5,127,380**

At the end of the reporting period, all advances and receivables are unsecured and the credit risk exposures are disclosed in note 39(b).

19. ADVANCES AND RECEIVABLES (Cont'd)

(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% (2018: 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 and related deposits. Under the revolving structure, as the excess cash flows collected in respect of the transferred credit card receivables are to be reinvested, the transaction does not meet the "transfer of asset" tests under HKFRS 9/HKAS 39 for the derecognition of financial assets. Accordingly, the Group continues to recognise the full amount of the transferred credit card receivables and related deposits and recognised the cash receipt as collateralised debt obligation.

In respect of the collateralised debt obligation, the Trust (see notes 37 and 48) is set up and controlled by the Group and therefore, the Trust is consolidated by the Group. The transaction is accounted for as a collateralised borrowing arrangement in the Group's consolidated financial statements.

The Group is restricted to sell, pledge, assign or transfer any of the transferred receivables and related deposits to any person other than the bank.

The financial assets and associated liabilities being transferred but not derecognised are carried at amortised cost in the Group's consolidated statement of financial position and the amounts are set out below.

	2019 ***HK$'000***	2018 *HK$'000*
Carrying amount and fair value		
Credit card receivables	**1,675,261**	1,660,345
Restricted deposits	**419,466**	38,000
Collateralised debt obligation	**(1,250,000)**	(1,250,000)
	844,727	448,345

(b) Personal loan receivables

Most of the personal loan receivables entered with customers ranges from 6 months to 4 years and are denominated in HKD. The personal loan receivables carry effective interest ranging from 3.5% to 56.5% (2018: 3.1% to 50.7%) per annum.

20. IMPAIRMENT ALLOWANCES

	2019 **HK$'000**	2018 HK$'000
Analysis by products as:		
Credit card receivables	**127,790**	38,785
Personal loan receivables	**110,058**	48,128
Accrued interest and other receivables	**5,645**	1,991
	243,493	88,904

An analysis of changes in impairment allowances including commitments on unused credit card limit are set out below:

ECL model under HKFRS 9	**Stage 1 HK$'000**	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Total HK$'000**
At 28th February 2018				**88,904**
Adjustment on application of HKFRS 9				**189,130**
Adjusted at 1st March 2018	**115,556**	**51,855**	**110,623**	**278,034**
Net (repayment) addition in advances and receivables	**(540)**	**53,772**	**(2,974)**	**50,258**
Transfer to 12m ECL (Stage 1)	**267,804**	**(249,306)**	**(18,498)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(15,653)**	**22,127**	**(6,474)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(1,193)**	**(84,409)**	**85,602**	**–**
Total transfer between stages	**250,958**	**(311,588)**	**60,630**	**–**
Impact on year-end expected credit loss of expenses transferred between stages during the year	**(258,009)**	**254,663**	**83,755**	**80,409**
Movements due to changes in credit risk	**–**	**–**	**73,050**	**73,050**
Amounts written-off as uncollectable	**–**	**–**	**(237,584)**	**(237,584)**
Exchange realignment	**(154)**	**(127)**	**(393)**	**(674)**
At 28th February 2019	**107,811**	**48,575**	**87,107**	**243,493**

20. IMPAIRMENT ALLOWANCES (Cont'd)

Incurred Credit Loss Model under HKAS 39	Individual assessment *HK$'000*	Collective assessment *HK$'000*	Total *HK$'000*
At 1st March 2017	58,146	42,927	101,073
Impairment losses and impairment allowances	247,451	(6,234)	241,217
Amounts written-off as uncollectable	(254,199)	–	(254,199)
Exchange realignment	813	–	813
At 28th February 2018	52,211	36,693	88,904

21. 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:

	2019		2018	
	HK$'000	*%**	***HK$'000***	*%**
Overdue 1 month but less than 2 months	**93,505**	1.8	**91,926**	1.7
Overdue 2 months but less than 3 months	**51,409**	1.0	**45,406**	0.9
Overdue 3 months but less than 4 months	**25,744**	0.5	**28,745**	0.6
Overdue 4 months or above	**50,290**	1.0	**54,588**	1.0
	220,948	4.3	**220,665**	4.2

* Percentage of gross advances and receivables

22. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	2019 **HK$'000**	2018 *HK$'000*
Deposits for property, plant and equipment	**41,278**	8,967
Rental and other deposits	**20,490**	22,933
Prepaid operating expenses	**36,123**	29,608
Other debtors	**9,605**	10,109
	107,496	71,617
Current portion included under current assets	**(47,456)**	(45,058)
Amount due after one year	**60,040**	26,559

23. RESTRICTED DEPOSITS

The restricted deposits are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying fixed rates ranging from 0.69% to 1.85% (2018: 0.26% to 1.00%) per annum during the year. At 28th February 2019, restricted deposits of HK$381,466,000 (2018: HK$Nil) was matured within one year from the end of the reporting period.

24. TIME DEPOSITS

Time deposits are denominated in RMB and carry fixed rates ranging from 1.27% to 2.25% (2018: 1.49% to 2.25%) per annum during the year.

	2019 **HK$'000**	2018 *HK$'000*
Time deposits with maturity of three months or less	**98,473**	61,274
Time deposits with maturity of more than three months	**54,063**	42,259
	152,536	103,533

25. 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 segregated bank account. 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.

26. 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*
At 28th February 2019				
Bank balances and cash	**355,880**	**23,261**	**942**	**380,083**
At 28th February 2018				
Bank balances and cash	643,195	17,078	215	660,488

27. CREDITORS AND ACCRUALS

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

	2019 *HK$'000*	2018 *HK$'000*
Less than 1 month	**43,623**	58,422
Over 1 month but less than 3 months	**6,303**	3,910
Over 3 months	**3,814**	3,702
	53,740	66,034

28. CONTRACT LIABILITIES

	At 28th February 2019 HK$'000	At 1st March 2018 HK$'000 *(Note)*
Contract liabilities — Deferred revenue in relation to customer loyalty programmes	**9,486**	9,061

Note: The amounts in this column are after the adjustments from the application of HKFRS 15.

Revenue recognised during the year ended 28th February 2019 amounted to HK$7,030,000 was included in the contract liabilities at the beginning of the year.

Under the Group's customer loyalty programmes, the Group grants credits to customers for credit card transactions. The customers can redeem the award credits for goods or services in the future at their discretion and the awarded credits have expiration dates.

29. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand, except for HK$39,244,000 (2018: HK$50,554,000) 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:

	2019 HK$'000	2018 HK$'000
Less than 1 month	**39,244**	50,554

30. AMOUNTS DUE FROM/TO IMMEDIATE/INTERMEDIATE/ULTIMATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

31. AMOUNTS DUE FROM/TO AN ASSOCIATE

The amounts are unsecured, non-interest bearing and repayable on demand.

32. BANK BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Carrying amount repayable *(Note)*		
Within one year	**325,000**	345,000
Within a period of more than one year but not exceeding two years	**370,000**	175,000
Within a period of more than two years but not exceeding five years	**656,483**	965,020
Within a period of more than five years	**30,000**	90,000
	1,381,483	1,575,020
Amount repayable within one year included under current liabilities	**(325,000)**	(345,000)
Amount repayable after one year	**1,056,483**	1,230,020

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

At the end of the reporting period, all bank loans are unsecured. The carrying amounts of the bank borrowings are denominated in the following currencies:

	HKD **HK$'000**	**USD** **HK$'000**	**Total** **HK$'000**
At 28th February 2019			
Bank loans	**990,000**	**391,483**	**1,381,483**
At 28th February 2018			
Bank loans	1,185,000	390,020	1,575,020

HKD bank loans of HK$340,000,000 (2018: HK$220,000,000) are arranged at fixed interest rates ranging from 1.38% to 2.64% (2018: 1.68% to 2.64%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates at 0.60% plus HIBOR (2018: 0.60% plus HIBOR) per annum and the USD bank loan is arranged at floating interest rate at 0.95% plus LIBOR (2018: 0.95% plus LIBOR) per annum, thus exposing the Group to cash flow interest rate risk.

At 28th February 2019, the Group has available unutilised overdrafts and non-committed bank loan facilities of HK$730,900,000 (2018: HK$730,900,000) and HK$1,342,050,000 (2018: HK$681,905,000) respectively.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets *HK$'000*	**Liabilities** *HK$'000*	Assets *HK$'000*	Liabilities *HK$'000*
Interest rate swaps	**2,164**	**14,635**	2,473	36,684
Cross-currency interest rate swap	**13,322**	**–**	15,770	–
Interest rate caps	**–**	**–**	6	–
	15,486	**14,635**	18,249	36,684
Current portion	**(17)**	**(11,069)**	–	(1,865)
Non-current portion	**15,469**	**3,566**	18,249	34,819

All derivative financial instruments entered into by the Group that remain outstanding at 28th February 2019 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.

Details of major derivative financial instruments for hedging purposes are as follows:

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$650,000,000 (2018: HK$965,000,000) from floating rates to fixed rates. The interest rate swaps with aggregate notional amount of HK$650,000,000 (2018: HK$965,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 2.3% to 3.3% (2018: 2.3% to 3.3%) per annum and floating interest receipts quarterly at 0.60% plus HIBOR (2018: 0.60% plus HIBOR) per annum for periods up until March 2022 (2018: until March 2022).

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 (2018: 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 (2018: 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 3.8% (2018: 3.2% to 3.8%) per annum and floating interest receipts monthly from 0.4% plus HIBOR to 0.55% plus HIBOR (2018: 0.4% plus HIBOR to 0.55% plus HIBOR) per annum for periods up until August 2019 and July 2020 (2018: until August 2019 and July 2020) respectively.

33. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate swaps (Cont'd)

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 year, net adjustment on the above-mentioned cash flow hedges amounted to HK$19,320,000 (2018: HK$31,281,000) 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 (2018: USD50,000,000) (equivalent to HK$387,795,000 at the date of inception of the bank borrowing) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.76 (2018: USD to HKD at 7.76), fixed interest payments quarterly in HKD at 2.27% (2018: 2.27%) per annum and floating interest receipts quarterly in USD at 0.95% plus LIBOR (2018: 0.95% plus LIBOR) per annum for periods up until September 2021 (2018: until September 2021).

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 year, net adjustment on the above-mentioned cash flow hedges amounted to HK$3,523,000 (2018: HK$2,938,000) 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.

34. DEFERRED TAX

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the years ended 28th February 2019 and 28th February 2018:

	Accelerated tax depreciation *HK$'000*	Impairment allowances *HK$'000*	Total *HK$'000*
At 1st March 2017	13,655	(7,083)	6,572
(Credit) charge to profit or loss for the year	(2,746)	1,029	(1,717)
At 28th February 2018	**10,909**	**(6,054)**	**4,855**
Adjustment on application of HKFRS 9	**–**	**(18,655)**	**(18,655)**
Adjusted at 1st March 2018	**10,909**	**(24,709)**	**(13,800)**
(Credit) charge to profit or loss for the year	**(3,007)**	**109**	**(2,898)**
At 28th February 2019	**7,902**	**(24,600)**	**(16,698)**

At the end of the reporting period, the Group had unused tax losses of HK$63,609,000 (2018: HK$56,155,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of HK$55,013,000 (2018: HK$46,104,000) will expire in 2019 to 2023 (2018: 2018 to 2022) and the remaining tax losses may be carried forward indefinitely.

35. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Issued and fully paid		
At 1st March 2017, 28th February 2018 and 28th February 2019		
— Ordinary shares with no par value	418,766,000	269,477

36. RESERVES

The Company's reserves available for distribution to shareholders at 28th February 2019 amounted to HK$2,817,144,000 (2018: HK$2,897,722,000), representing the accumulated profits.

37. COLLATERALISED DEBT OBLIGATION

	2019 **HK$'000**	2018 HK$'000
Tranche A	**550,000**	550,000
Tranche B	**550,000**	550,000
Tranche C	**150,000**	150,000
	1,250,000	1,250,000
Amount repayable within one year included under current liabilities	**(701,600)**	–
Amount repayable after one year	**548,400**	1,250,000

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 three tranches were arranged at floating interest rates from 0.40% 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, were arranged to swap these three tranches from floating rates to fixed rates from 3.2% to 3.8% per annum. The effective interest rate after taking into account the executed interest rate swaps was 3.6% (2018: 3.6%) per annum during the year.

b) Pursuant to the Transaction, the Group transferred credit card receivables 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 holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10 *Consolidated Financial Statements*, the Trust is controlled by the Group and the results thereof are consolidated by the Group in its consolidated financial statements. According to HKFRS 9, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group's consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that:

- the Group will continue as a going concern;
- to maintain healthy capital ratio to instil confidence in stakeholders during periods of uncertainty and turmoil in financial markets;
- funds are available at competitive costs to meet all contractual financial commitments; and
- to fund receivable growth and to generate reasonable returns from available funds.

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

Net debt to equity ratio

The Group's management review 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 year end was as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Debt *(Note a)*	**2,631,483**	2,825,020
Cash and cash equivalents	**(478,556)**	(721,762)
Net debt	**2,152,927**	2,103,258
Equity *(Note b)*	**3,190,647**	3,005,041
Net debt to equity ratio	**0.7**	0.7

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 32 and 37 respectively.

(b) Equity includes all capital and reserves of the Group.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Equity instruments at FVTOCI	118,701	–
Available-for-sale investments	–	15,900
Financial assets at amortised cost	5,846,093	–
Loans and receivables	–	5,995,772
Derivative instruments in designated hedge accounting relationships	15,486	18,249
Financial liabilities		
Amortised cost	2,745,222	2,956,780
Derivative instruments in designated hedge accounting relationships	14,635	36,684

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, available-for-sale investments, advances and receivables, other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, bank balances and cash, bank borrowings, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, intermediate holding company, ultimate holding company and an associate, and derivative instruments in designated hedge accounting relationships. Details of the Group's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and impairment assessment, and liquidity risk.

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. Compliance with policies on effectiveness of hedging activities is reviewed by internal auditors on a regular basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price 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 debt to the functional currency of the relevant group entity; and
- interest rate swaps to mitigate the cash flow interest rate risk.

Market risk exposures are measured using sensitivity analysis.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

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

(i) Currency risk

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 deposits and balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group's currency risk exposure primarily relates to its USD denominated bank borrowing. To minimise the currency risk, the Group has been using cross-currency interest rate swap designed to hedge against the debt which is highly effective to convert the foreign currency debt to the functional currency of the relevant group entity. The critical terms of this currency swap is similar to those of hedged borrowing. Hence, the net foreign currency risk is not material to the Group. In this regard, no sensitivity analysis is presented.

(ii) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposures to fair value interest rate risk relates primarily to fixed – rate lendings and borrowings including variable rate borrowings under hedge accounting to change from variable rate to fixed rate. All interest-bearing financial assets are exposed to fair value interest rate risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Group are disclosed in notes 19, 32 and 37.

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 (see notes 32, 33 and 37).

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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable rate financial instruments (excluding variable rate borrowings which are hedged by interest rate swaps) and interest component of derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole period. A 100 basis point increase in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(ii) *Interest rate risk (Cont'd)*

Sensitivity analysis (Cont'd)

If interest rates had been 100 basis points (2018: 100 basis points) higher and all other variables were held constant:

- other comprehensive income would decrease by HK$18,308,000 (2018: HK$39,078,000) mainly as a result of the changes in the fair value of derivative financial instruments, excluding the impact of foreign exchange component for the cross-currency interest rate swap.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the period end exposure does not reflect the exposure during the year.

(iii) *Other price risk*

The Group is exposed to equity price risk through its equity instruments at FVTOCI (2018: available-for-sale investments). In addition, the Group also invested in certain unquoted equity securities for long term strategic purposes which had been designed as FVTOCI (2018: available-for-sale investments measured at cost less impairment). The management will monitor the price movements and take appropriate actions when it is required.

Credit risk and impairment assessment

At 28th February 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets (including advances and receivables, other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances) as stated in the consolidated statement of financial position.

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. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's asset portfolio. In this regard, management considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model).

The Group is potentially exposed to loss in an amount equal to the total unused credit card limit granted to credit card customers. However, the likely amount of loss is less than the total unused credit card limit, as the credit facilities are contingent upon customers maintaining specific credit standards. The Group monitors the credit quality of the customers and have contractual right to cancel the credit facilities granted, management considers that the Group's credit risk is limited. At 28th February 2019, unused credit card limit of HK$27,733,823,000 (2018: HK$28,234,591,000) unrecorded in the consolidated statement of financial position.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit rating, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Impairment allowance policies upon application of HKFRS 9

Upon application of HKFRS 9, the management is responsible in developing and maintaining the processes for measuring ECL of the Group's asset portfolio. The ECL are assessed by the management regularly. The Group applies simplified approach to measure ECL on trade related receivables (including other debtors and amounts due from related parties) arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1st March 2018 and general approach to measure ECL on other financial assets at amortised cost and commitments on unused credit card limits. In addition, forward-looking information is required in estimating the ECL, with the Directors considering expectation of certain macroeconomic indicators such as unemployment rate, consumer price index and gross domestic product growth rate.

Under the simplified approach, the Group measures the loss allowance of trade-related receivables (including other debtors and amounts due from related parties) arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1st March 2018 at an amount equal to lifetime ECL. Under the general approach, financial assets are classified into three stage to reflect the deterioration in credit quality. Impairment allowance of each stage is calculated based on the product of probability of default, loss given default and exposure at default. Stage 1 covers financial assets that have not deteriorated significantly in credit quality since initial recognition including those that considered to be low credit risk investments. Stage 2 covers financial assets 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. 12m ECL is recognised in Stage 1, while lifetime ECL are recognised in Stages 2 and 3.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit ratings	Description	Advances and receivables
D0	Less than 30 days past due	12m ECL
D1	More than 30 days but less than 60 days past due	Lifetime ECL – not credit-impaired
D2	More than 60 days but less than 90 days past due	Lifetime ECL – not credit-impaired
D3	More than 90 days but less than 120 days past due	Lifetime ECL – credit-impaired
D4 or above	More than 120 days past due	Lifetime ECL – credit-impaired

Internal credit ratings	Description	Trade-related receivables under HKFRS 15	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The decision rules for stage allocation under general approach are as follows:

Stage	Decision rules (based on internal credit rating)
Stage 1	- "Low risk and watch list" or "D0"
Stage 2	- "Doubtful" or "D1 and D2", unless reasonable and supportable information demonstrates otherwise
Stage 3	- "Loss" or "D3 and D4 or above", unless reasonable and supportable information demonstrates otherwise

Impairment allowance policies before application of HKFRS 9 on 1st March 2018

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 the historical loss experience, experienced judgment and statistical techniques to provide.

Advances and receivables (including commitments on unused credit card limit)

Movements of amounts of advances and receivables, impairment allowances during the years ended 28th February 2019 and 28th February 2018 and analysis of credit quality at the end of the reporting period are set out in notes 19 to 21.

Other debtors and amounts due from related parties (trade-related)

The management regularly review and assess the credit quality of the counterparties. The Group uses lifetime ECL to assess the loss allowance of other debtors and amounts due from related parties (trade-related). Since these receivables are not past due, and there has no material historical default record, the Directors consider that the Group's credit risk is not significant after considering the financial background and condition of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of other debtors and amounts due from related parties (trade-related) is not material.

No impairment was made in respect of other debtors and amounts due from related parties which are trade-related at 28th February 2018.

Other debtors and amounts due from related parties (non trade-related)

The management regularly review and assess the credit quality of the counterparties. Since other debtors and amounts due from related parties (non trade-related) are not past due, there has not been a significant increase in credit risk since initial recognition and the Group uses 12m ECL to assess these receivables. In this regard, the Directors also consider Group's credit risk is not significant after considering the financial background of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of other debtors and amounts due from related parties (non trade-related) is not material.

No impairment was made in respect of other debtors and amounts due from related parties (non trade-related) at 28th February 2018.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Bank balances/derivative financial instruments

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. Accordingly, no loss allowance was provided as the ECL in respect of bank balances/derivative financial instruments is not material.

No impairment was made in respect of bank balances/derivative financial instruments at 28th February 2018.

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.

The following table details the Group's remaining contractual maturity for its non – derivative financial liabilities based on the agreed repayment terms. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intends to repay the liabilities before their maturities. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest yield curve at the end of the reporting period.

	2019					
	On demand or less than 1 month HK$'000	1–3 months HK$'000	3–12 months HK$'000	1–4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Collateralised debt obligation	3,720	7,439	741,867	560,236	–	1,313,262
Bank borrowings						
— fixed rate	150,415	773	3,459	107,565	91,880	354,092
— variable rate	82,214	4,035	111,896	894,338	–	1,092,483
Other financial liabilities	113,297	442	–	–	–	113,739
Total undiscounted financial liabilities	349,646	12,689	857,222	1,562,139	91,880	2,873,576

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	2018					
	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3–12 months *HK$'000*	1–4 years *HK$'000*	Over 4 years *HK$'000*	Total *HK$'000*
Collateralised debt obligation	3,720	7,439	33,476	1,339,270	–	1,383,905
Bank borrowings						
— fixed rate	441	868	33,699	110,135	93,935	239,078
— variable rate	2,226	4,381	331,770	1,003,539	65,134	1,407,050
Other financial liabilities	130,993	766	–	–	–	131,759
Total undiscounted financial liabilities	137,380	13,454	398,945	2,452,944	159,069	3,161,792

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

The following tables detail the Group's contractual maturity for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	2019				
	Up to 3 months ***HK$'000***	**3–12 months** ***HK$'000***	**1–4 years** ***HK$'000***	**Over 4 years** ***HK$'000***	**Total** ***HK$'000***
Derivative financial instruments Net cash (outflow) inflow	**(4,971)**	**(760)**	**7,935**	**–**	**2,204**

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	2018				
	Up to 3 months *HK$'000*	3–12 months *HK$'000*	1–4 years *HK$'000*	Over 4 years *HK$'000*	Total *HK$'000*
Derivative financial instruments Net cash outflow	(11,649)	(33,661)	(31,196)	(56)	(76,562)

(c) Fair value measurements of financial instruments

Fair value measurements recognised in the statements 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.

	2019			
	Level 1 ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
Financial assets at FVTPL				
Derivative financial assets	**–**	**15,486**	**–**	**15,486**
Equity instruments at FVTOCI				
Listed equity investment	**7,530**	**–**	**–**	**7,530**
Unlisted equity investments	**–**	**–**	**111,171**	**111,171**
Total	**7,530**	**15,486**	**111,171**	**134,187**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**14,635**	**–**	**14,635**

	2018			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets at FVTPL				
Derivative financial assets	–	18,249	–	18,249
Available-for-sale financial assets				
Listed equity investment	8,595	–	–	8,595
Total	8,595	18,249	–	26,844
Financial liabilities at FVTPL				
Derivative financial liabilities	–	36,684	–	36,684

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value measurements recognised in the statements of financial position (Cont'd)

There were no transfers between Level 1, 2 and 3 in the current year.

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

The fair values of unlisted equity investments have been arrived at on the basis of valuations which were principally arrived at using the market approach for business enterprises valuation with reference to the market capitalisation of listed entities in similar industries with consideration of marketability discount.

The fair value of interest rate swaps and cross-currency interest rate swap 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.

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
As at 28th February 2018	–
Reclassification of equity instruments upon application of HKFRS 9	7,305
Remeasurement of equity instruments upon application of HKFRS 9	72,934
As at 1st March 2018	80,239
Fair value gain recognised in other comprehensive income	30,932
As at 28th February 2019	111,171

At 28th February 2019, a small percentage, 1.8% (2018: nil), of total assets of the Group, is based on estimates and recorded as financial assets with Level 3 fair value measurements. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a big impact on the Group's financial positions.

Included in other comprehensive income is an amount of HK$30,932,000 gain relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "investment revaluation reserve".

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 financial statements approximate to their fair values, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis:

	2019		2018	
	Carrying amount *HK$'000*	**Fair value *HK$'000***	Carrying amount *HK$'000*	Fair value *HK$'000*
Bank borrowings	**1,381,483**	**1,386,925**	1,575,020	1,582,070

39. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements

The Group has entered certain derivative transactions that are covered by the ISDA Agreements signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group's consolidated statements of financial position or are subject to similar netting arrangements.

(a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial assets *HK$'000*	Gross amounts of recognised financial liabilities set off in the statements of financial position *HK$'000*	Net amounts of financial assets presented in the statements of financial position *HK$'000*
At 28th February 2019			
Derivative financial instruments	**15,486**	**–**	**15,486**
At 28th February 2018			
Derivative financial instruments	18,249	–	18,249

39. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the statements of financial position *HK$'000*	Financial liabilities not set off in the statements of financial position *HK$'000*	Net amount *HK$'000*
At 28th February 2019			
Counterparty A	**14,366**	**(29)**	**14,337**
Counterparty B	**490**	**(490)**	**–**
Counterparty C	**630**	**(396)**	**234**
Total	**15,486**	**(915)**	**14,571**
At 28th February 2018			
Counterparty A	16,885	(1,142)	15,743
Counterparty B	511	(511)	–
Counterparty C	853	(414)	439
Total	18,249	(2,067)	16,182

(c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial liabilities *HK$'000*	Gross amounts of recognised financial assets set off in the statements of financial position *HK$'000*	Net amounts of financial liabilities presented in the statements of financial position *HK$'000*
At 28th February 2019			
Derivative financial instruments	**(14,635)**	**–**	**(14,635)**
At 28th February 2018			
Derivative financial instruments	(36,684)	–	(36,684)

39. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(d) Net financial liabilities subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial liabilities presented in the statements of financial position *HK$'000*	Financial assets not set off in the statements of financial position *HK$'000*	Net amount *HK$'000*
At 28th February 2019			
Counterparty A	**(29)**	**29**	**–**
Counterparty B	**(14,210)**	**490**	**(13,720)**
Counterparty C	**(396)**	**396**	**–**
Total	**(14,635)**	**915**	**(13,720)**
At 28th February 2018			
Counterparty A	(1,142)	1,142	–
Counterparty B	(35,128)	511	(34,617)
Counterparty C	(414)	414	–
Total	(36,684)	2,067	(34,617)

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings *HK$'000*	**Dividend payable** *HK$'000*	**Total** *HK$'000*
At 1st March 2018	**1,575,020**	**–**	**1,575,020**
Financing cash flows	**(195,000)**	**(184,256)**	**(379,256)**
Amortisation of upfront cost	**388**	**–**	**388**
Dividends recognised as distribution	**–**	**184,256**	**184,256**
Exchange realignment	**1,075**	**–**	**1,075**
At 28th February 2019	**1,381,483**	**–**	**1,381,483**

	Bank borrowings *HK$'000*	Dividend payable *HK$'000*	Total *HK$'000*
At 1st March 2017	1,721,281	–	1,721,281
Financing cash flows	(150,000)	(167,506)	(317,506)
Amortisation of upfront cost	389	–	389
Dividends recognised as distribution	–	167,506	167,506
Exchange realignment	3,350	–	3,350
At 28th February 2018	1,575,020	–	1,575,020

41. OPERATING LEASES

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

	2019 **HK$'000**	2018 *HK$'000*
Within one year	**47,717**	54,160
In the second to fifth year inclusive	**21,863**	47,229
	69,580	101,389

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

42. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 *HK$'000*
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**31,615**	10,025

43. PLEDGE OF ASSETS

At 28th February 2019, the collateralised debt obligation was secured by credit card receivables and restricted deposits of HK$1,675,261,000 and HK$419,466,000 respectively (2018: HK$1,660,345,000 and HK$38,000,000) (see notes 19 and 23).

44. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$18,000 (2018: HK$18,000) per annum of each individual employee) to the MPF Scheme, which contribution is matched by employees. The total cost charged to profit or loss of HK$4,657,000 (2018: HK$4,579,000) represents contribution payable to MPF Scheme by the Group in respect of the current accounting year. At 28th February 2019, contributions of the Group amounting to HK$693,000 (2018: HK$713,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

The employees employed in China subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The China subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

45. RELATED PARTY TRANSACTIONS

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

	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associate	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
Interest income received	**5,181**	5,210	**–**	–	**–**	–	**–**	–
Commission received	**7,300**	7,856	**–**	–	**–**	–	**–**	–
Dividends received	**781**	710	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**984**	1,096	**–**	–	**–**	–
Licence fees paid	**11,193**	9,800	**–**	–	**30**	35	**–**	–
Service fees paid	**–**	–	**14,299**	13,677	**–**	–	**29,944**	34,736
Gift certificate paid	**8,847**	6,570	**–**	–	**–**	–	**–**	–
Development fees paid	**6,377**	9,862	**–**	–	**–**	–	**–**	–

Compensation of key management personnel

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

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**13,012**	12,255
Post-employment benefits	**54**	48
	13,066	12,303

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.

46. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	**63,379**	80,113
Investments in subsidiaries	**227,258**	432,855
Investment in an associate	**15,449**	13,678
Equity instruments at fair value through other comprehensive income	**118,701**	–
Available-for-sale investments	**–**	15,900
Advances and receivables	**844,476**	916,862
Prepayments, deposits and other debtors	**55,729**	24,645
Derivative financial instruments	**15,469**	18,249
Deferred tax assets	**16,775**	–
Restricted deposits	**38,000**	38,000
	1,395,236	1,540,302
Current assets		
Advances and receivables	**3,984,443**	4,110,780
Prepayments, deposits and other debtors	**44,277**	36,656
Amount due from a subsidiary	**137**	163
Amounts due from fellow subsidiaries	**147**	137
Derivative financial instruments	**17**	–
Restricted deposits	**381,466**	–
Bank balances and cash	**352,924**	636,231
	4,763,411	4,783,967
Current liabilities		
Creditors and accruals	**249,680**	224,798
Contract liabilities	**9,486**	–
Amounts due to fellow subsidiaries	**41,644**	56,083
Amount due to intermediate holding company	**–**	150
Amount due to ultimate holding company	**28**	33
Amount due to an associate	**2,027**	2,318
Bank borrowings	**325,000**	345,000
Collateralised debt obligation	**701,600**	–
Derivative financial instruments	**11,069**	1,865
Tax liabilities	**33,515**	25,772
	1,374,049	656,019
Net current assets	**3,389,362**	4,127,948
Total assets less current liabilities	**4,784,598**	5,668,250

46. FINANCIAL POSITION OF THE COMPANY (Cont'd)

	2019 **HK$'000**	2018 HK$'000
Capital and reserves		
Share capital	**269,477**	269,477
Reserves *(Note)*	**2,906,672**	2,879,185
Total equity	**3,176,149**	3,148,662
Non-current liabilities		
Bank borrowings	**1,056,483**	1,230,020
Collateralised debt obligation	**548,400**	1,250,000
Derivative financial instruments	**3,566**	34,819
Deferred tax liabilities	**–**	4,749
	1,608,449	2,519,588
	4,784,598	5,668,250

The financial statements of the Company were approved and authorised for issue by the Board on 24th April 2019 and are signed on its behalf by:

HIDEO TANAKA
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

46. FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note: The movements in reserve are present below:

	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st March 2017	(4,421)	(53,651)	5,273	2,647,367	2,594,568
Profit for the year	–	–	–	417,861	417,861
Fair value loss on available-for-sale investments	(3,500)	–	–	–	(3,500)
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on an available-for-sale investment	7,921	–	–	–	7,921
Exchange difference arising from translation of foreign operations	–	–	1,127	–	1,127
Translation reserve reclassified to profit or loss upon deregistration of an associate	–	–	(5,408)	–	(5,408)
Net adjustment on cash flow hedges	–	34,122	–	–	34,122
Total comprehensive income (expense) for the year	4,421	34,122	(4,281)	417,861	452,123
Final dividend paid for 2016/17	–	–	–	(83,753)	(83,753)
Interim dividend paid for 2017/18	–	–	–	(83,753)	(83,753)
	4,421	34,122	(4,281)	250,355	284,617
At 28th February 2018	**–**	**(19,529)**	**992**	**2,897,722**	**2,879,185**
Adjustments	**63,175**	**–**	**–**	**(143,881)**	**(80,706)**
Adjusted as at 1st March 2018	**63,175**	**(19,529)**	**992**	**2,753,841**	**2,798,479**
Profit for the year	**–**	**–**	**–**	**247,559**	**247,559**
Fair value gain on equity instruments at fair value through other comprehensive income	**29,867**	**–**	**–**	**–**	**29,867**
Exchange difference arising from translation of foreign operations	**–**	**–**	**(768)**	**–**	**(768)**
Net adjustment on cash flow hedges	**–**	**15,791**	**–**	**–**	**15,791**
Total comprehensive income (expense) for the year	**29,867**	**15,791**	**(768)**	**247,559**	**292,449**
Final dividend paid for the 2017/18	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2018/19	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	29,867	**15,791**	**(768)**	**63,303**	**108,193**
At 28th February 2019	**93,042**	**(3,738)**	**224**	**2,817,144**	**2,906,672**

47. PARTICULARS OF THE SUBSIDIARIES

At 28th February 2019 and 28th February 2018, the Company had interests in the following subsidiaries:

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
		28.2.2019	28.2.2018	**28.2.2019**	28.2.2018	
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage service
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**	RMB150,000,000	**100%**	100%	Microfinance business

48. PARTICULARS OF A MASTER TRUST OF THE COMPANY

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. At 28th February 2019, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

In respect to the collateralised debt obligation financing transaction, the Group is committed to maintain a minimum level of collaterals in the form of credit card receivables and restricted deposits. At 28th February 2019, the Group has no contractual arrangements that would require it to provide financial or other support to the Trust; the Group has no intention to provide such support.

Glossary

2018 AGM	the annual general meeting of the Company held on 21st June 2018
2019 AGM	the annual general meeting of the Company to be held on 21st June 2019
ACS Malaysia	AEON Credit Service (Malaysia) Berhad
ACS Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
ACSS	AEON Credit Service Systems (Philippines) Inc.
AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AFS	AEON Financial Service Co., Ltd.
AFS (HK)	AEON Financial Service (Hong Kong) Co., Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles	the articles of association of the Company
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 Mainland or PRC	the People's Republic of China
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong) as amended from time to time
Company	AEON Credit Service (Asia) Company Limited
Director(s)	the director(s) of the Company
ECL	Expected credit loss
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
Group	the Company and its subsidiaries

Glossary

HIBOR	Hong Kong Interbank Offered Rate
HKAS	Hong Kong Accounting Standards
HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
ISDA Agreements	International Swaps and Derivatives Association Master Agreements
LIBOR	London Interbank Offered Rate
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
OCI	Other comprehensive income
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