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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST AUGUST 2017

The Directors of AEON Credit Service (Asia) Company Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st August 2017, together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 31st August 2017

	Notes	**1.3.2017 to 31.8.2017 (Unaudited) *HK$'000***	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Revenue	*3*	**624,136**	606,598
Interest income	*5*	**546,349**	535,329
Interest expense	*6*	**(44,064)**	(46,949)
Net interest income		**502,285**	488,380
Other operating income	*7*	**82,479**	75,664
Other gains and losses	*8*	**(7,874)**	(109)
Operating income		**576,890**	563,935
Operating expenses	*9*	**(269,996)**	(272,675)
Gain on sale of advances and receivables		**–**	21,114
Operating profit before impairment allowances		**306,894**	312,374
Impairment losses and impairment allowances		**(119,672)**	(147,819)
Recoveries of advances and receivables written-off		**23,385**	27,082
Share of results of associates		**189**	(6,061)
Profit before tax		**210,796**	185,576
Income tax expense	*10*	**(37,012)**	(33,434)
Profit for the period		**173,784**	152,142
Profit for the period attributable to:			
Owners of the Company		**173,784**	152,142
Earnings per share – Basic	*12*	**41.50 HK cents**	36.33 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31st August 2017

	1.3.2017 to 31.8.2017 (Unaudited) HK$'000	1.3.2016 to 31.8.2016 (Unaudited) HK$'000
Profit for the period	**173,784**	152,142
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss) gain on available-for-sale investments	**(1,582)**	674
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments	**6,003**	–
Exchange difference arising from translation of foreign operations	**13,162**	(9,186)
Net adjustment on cash flow hedges	**(16,954)**	(1,311)
Other comprehensive income (expense) for the period	**629**	(9,823)
Total comprehensive income for the period	**174,413**	142,319
Total comprehensive income for the period attributable to:		
Owners of the Company	**174,413**	142,319

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st August 2017

	Notes	31.8.2017 (Unaudited) HK$'000	28.2.2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	13	**90,050**	100,494
Investments in associates		**12,121**	11,374
Available-for-sale investments	14	**17,819**	21,239
Advances and receivables	15	**993,741**	1,034,366
Prepayments, deposits and other debtors	18	**25,135**	16,772
Derivative financial instruments	21	**4,446**	10,354
Restricted deposits		**38,000**	38,000
		1,181,312	1,232,599
Current assets			
Advances and receivables	15	**4,119,519**	4,035,958
Prepayments, deposits and other debtors	18	**43,671**	40,436
Amounts due from fellow subsidiaries		**895**	1,180
Amount due from immediate holding company		**–**	7
Amount due from intermediate holding company		**–**	191
Amount due from an associate		**502**	73
Derivative financial instruments	21	**–**	44
Restricted deposits		**–**	145,216
Time deposits		**107,378**	165,763
Fiduciary bank balances		**216**	76
Bank balances and cash		**624,241**	470,257
		4,896,422	4,859,201
Current liabilities			
Creditors and accruals	19	**238,121**	219,948
Amounts due to fellow subsidiaries		**41,369**	49,460
Amount due to intermediate holding company		**60**	202
Amount due to ultimate holding company		**18**	35
Amount due to an associate		**3,039**	3,095
Bank borrowings	20	**55,000**	240,000
Derivative financial instruments	21	**631**	650
Tax liabilities		**55,813**	31,762
		394,051	545,152
Net current assets		**4,502,371**	4,314,049
Total assets less current liabilities		**5,683,683**	5,546,648
Capital and reserves			
Share capital		**269,477**	269,477
Reserves		**2,563,254**	2,472,594
Total equity		**2,832,731**	2,742,071
Non-current liabilities			
Collateralised debt obligation	23	**1,250,000**	1,250,000
Bank borrowings	20	**1,519,676**	1,481,281
Derivative financial instruments	21	**75,230**	66,724
Deferred tax liabilities	22	**6,046**	6,572
		2,850,952	2,804,577
		5,683,683	5,546,648

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 2017

	Share capital *HK$'000*	Investment revaluation reserve *HK$'000*	Hedging reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1.3.2016 (Audited)	269,477	(3,515)	(121,103)	(2,402)	2,401,115	2,543,572
Profit for the period	–	–	–	–	152,142	152,142
Fair value gain on available-for-sale investments	–	674	–	–	–	674
Exchange difference arising from translation of foreign operations	–	–	–	(9,186)	–	(9,186)
Net adjustment on cash flow hedges	–	–	(1,311)	–	–	(1,311)
Total comprehensive income (expense) for the period	–	674	(1,311)	(9,186)	152,142	142,319
Final dividend paid for 2015/16	–	–	–	–	(75,378)	(75,378)
	–	674	(1,311)	(9,186)	76,764	66,941
At 31.8.2016 (Unaudited)	269,477	(2,841)	(122,414)	(11,588)	2,477,879	2,610,513
At 1.3.2017 (Audited)	**269,477**	**(4,421)**	**(53,651)**	**(18,489)**	**2,549,155**	**2,742,071**
Profit for the period	**–**	**–**	**–**	**–**	**173,784**	**173,784**
Fair value loss on available-for-sale investments	**–**	**(1,582)**	**–**	**–**	**–**	**(1,582)**
Investment revaluation reserve reclassified to profit or loss in relation to impairment loss on available-for-sale investments	**–**	**6,003**	**–**	**–**	**–**	**6,003**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**13,162**	**–**	**13,162**
Net adjustment on cash flow hedges	**–**	**–**	**(16,954)**	**–**	**–**	**(16,954)**
Total comprehensive income (expense) for the period	**–**	**4,421**	**(16,954)**	**13,162**	**173,784**	**174,413**
Final dividend paid for 2016/17	**–**	**–**	**–**	**–**	**(83,753)**	**(83,753)**
	–	**4,421**	**(16,954)**	**13,162**	**90,031**	**90,660**
At 31.8.2017 (Unaudited)	**269,477**	**–**	**(70,605)**	**(5,327)**	**2,639,186**	**2,832,731**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31st August 2017

	1.3.2017 to 31.8.2017 (Unaudited) *HK$'000*	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Net cash from operating activities	**187,097**	269,938
Dividends received	**355**	139
Purchase of property, plant and equipment	**(2,762)**	(4,302)
Deposits paid for acquisition of property, plant and equipment	**(9,040)**	(3,493)
Decrease in time deposits with maturity of more than three months	**5,933**	13,902
Net cash (used in) from investing activities	**(5,514)**	6,246
Placement of restricted deposits	**(1,325,779)**	(507,790)
Withdrawal of restricted deposits	**1,470,995**	415,506
Dividends paid	**(83,753)**	(75,378)
New bank loans raised	**80,000**	670,000
Repayment of bank loans	**(230,000)**	(702,158)
Net cash used in financing activities	**(88,537)**	(199,820)
Net increase in cash and cash equivalents	**93,046**	76,364
Effect of changes in exchange rate	**6,820**	(1,850)
Cash and cash equivalents at beginning of the period	**602,090**	349,283
Cash and cash equivalents at end of the period	**701,956**	423,797
Being:		
Time deposits with maturity of three months or less	**77,715**	93,872
Bank balances and cash	**624,241**	329,925
	701,956	423,797

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st August 2017

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 28th February 2017 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 28th February 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for six months ended 31st August 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 28th February 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 28th February 2018.

3. REVENUE

	1.3.2017 to 31.8.2017 (Unaudited) *HK$'000*	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Interest income	**546,349**	535,329
Fees and commissions	**35,905**	33,203
Handling and late charges	**41,882**	38,066
	624,136	606,598

4. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

Credit card	–	Provide credit card services to individuals and acquiring services for member-stores
Instalment loans	–	Provide personal loan financing to individuals
Insurance	–	Provide insurance brokerage and agency services
Hire purchase	–	Provide vehicle financing and hire purchase financing for household products and other consumer products for individuals

Segment revenue and results

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

1.3.2017 to 31.8.2017 (Unaudited)

	Credit card *HK$'000*	**Instalment loans** *HK$'000*	**Insurance** *HK$'000*	**Hire purchase** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**445,463**	**170,566**	**8,107**	**–**	**624,136**
RESULTS					
Segment results	**178,543**	**43,294**	**3,176**	**–**	**225,013**
Unallocated operating income					**4,850**
Unallocated expenses					**(11,415)**
Impairment losses recognised in respect of available-for-sale investments					**(7,841)**
Share of result of an associate					**189**
Profit before tax					**210,796**

4. **SEGMENT INFORMATION (Cont'd)**

Segment revenue and results (Cont'd)

1.3.2016 to 31.8.2016 (Unaudited)

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

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain income (including dividend income), unallocated head office expenses, impairment losses recognised in respect of available-for-sale investments and share of results of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Geographical information

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

1.3.2017 to 31.8.2017 (Unaudited)

	Hong Kong	**PRC**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
REVENUE	**595,541**	**28,595**	**624,136**
RESULTS			
Segment results	**230,269**	**(5,256)**	**225,013**
Unallocated operating income			**4,850**
Unallocated expenses			**(11,415)**
Impairment losses recognised in respect of available-for-sale investments			**(7,841)**
Share of result of an associate			**189**
Profit before tax			**210,796**

4. SEGMENT INFORMATION (Cont'd)

Geographical information (Cont'd)

1.3.2016 to 31.8.2016 (Unaudited)

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	576,777	29,821	606,598
RESULTS			
Segment results	208,108	(8,752)	199,356
Unallocated operating income			3,234
Unallocated expenses			(10,953)
Share of results of associates			(6,061)
Profit before tax			185,576

5. INTEREST INCOME

	1.3.2017 to 31.8.2017 (Unaudited) ***HK$'000***	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Advances	**540,685**	532,175
Impaired advances	**3,536**	1,512
Time deposits, restricted deposits and bank balances	**2,128**	1,642
	546,349	535,329

6. INTEREST EXPENSE

	1.3.2017 to 31.8.2017 (Unaudited) ***HK$'000***	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Interest on bank borrowings	**15,296**	15,693
Interest on collateralised debt obligation	**5,238**	4,004
Net interest expense on interest rate swap contracts	**23,530**	27,252
	44,064	46,949

7. OTHER OPERATING INCOME

	1.3.2017 to 31.8.2017 (Unaudited) ***HK$'000***	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Dividends received on available-for-sale investments		
Listed equity securities	**355**	139
Fees and commissions		
Credit card	**27,915**	22,148
Insurance	**7,990**	11,055
Handling and late charges	**41,882**	38,066
Others	**4,337**	4,256
	82,479	75,664

8. OTHER GAINS AND LOSSES

	1.3.2017 to 31.8.2017 (Unaudited) ***HK$'000***	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Exchange gain (loss)		
Exchange gain (loss) on hedging instrument released from cash flow hedge reserve	**3,200**	(850)
Exchange (loss) gain on a bank loan	**(3,200)**	850
Other exchange gains, net	**134**	-
Hedge ineffectiveness on cash flow hedges	**(66)**	(105)
Losses on disposal of property, plant and equipment	**(101)**	(4)
Impairment losses recognised in respect of available-for-sale investment	**(7,841)**	–
	(7,874)	(109)

9. OPERATING EXPENSES

	1.3.2017 to 31.8.2017 (Unaudited) ***HK$'000***	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Depreciation	**21,199**	22,854
General administrative expenses	**78,654**	82,919
Marketing and promotion expenses	**28,162**	27,289
Minimum operating lease rentals in respect of rented premises, advertising space and equipment	**38,509**	36,166
Other operating expenses	**23,744**	22,750
Staff costs including Directors' emoluments	**79,728**	80,697
	269,996	272,675

10. INCOME TAX EXPENSE

	1.3.2017 to 31.8.2017 (Unaudited) *HK$'000*	1.3.2016 to 31.8.2016 (Unaudited) *HK$'000*
Current tax		
– Current period	**37,538**	33,531
Deferred tax *(Note 22)*		
– Current period	**(526)**	(97)
	37,012	33,434

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits of the China subsidiaries for both periods.

11. DIVIDENDS

On 13th July 2017, a dividend of **20.0 HK cents** (six months ended 31st August 2016: 18.0 HK cents) per share amounting to a total of **HK83,753,000** (six months ended 31st August 2016: HK$75,378,000) was paid to shareholders as the final dividend for 2016/17.

In respect of the current interim period, the Directors have declared an interim dividend of **20.0 HK cents** per share amounting to **HK$83,753,000** payable to the shareholders of the Company whose names appear on the Register of Members on 18th October 2017. The interim dividend will be paid on 31st October 2017. This interim dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

12. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the unaudited profit for the period of **HK$173,784,000** (six months ended 31st August 2016: HK$152,142,000) and on the number of shares of **418,766,000** (six months ended 31st August 2016: 418,766,000) in issue during the period.

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent on computer equipment and leasehold improvements of approximately **HK$11,268,000** (six months ended 31st August 2016: HK$19,125,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	31.8.2017 (Unaudited) HK$'000	28.2.2017 (Audited) HK$'000
Listed equity securities, at fair value		
Hong Kong	**10,513**	12,095
Unlisted equity securities, at cost	**7,306**	9,144
	17,819	21,239

15. ADVANCES AND RECEIVABLES

	31.8.2017 (Unaudited) HK$'000	28.2.2017 (Audited) HK$'000
Credit card receivables	**3,690,126**	3,611,021
Instalment loan receivables	**1,417,674**	1,469,708
Hire purchase debtors	**–**	26
	5,107,800	5,080,755
Accrued interest and other receivables	**90,157**	90,642
Gross advances and receivables	**5,197,957**	5,171,397
Impairment allowances *(Note 16)*		
– individually assessed	**(49,149)**	(58,146)
– collectively assessed	**(35,548)**	(42,927)
	(84,697)	(101,073)
	5,113,260	5,070,324
Current portion included under current assets	**(4,119,519)**	(4,035,958)
Amount due after one year	**993,741**	1,034,366

All advances and receivables are unsecured.

16. IMPAIRMENT ALLOWANCES

	31.8.2017	28.2.2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Analysis by products as:		
Credit card receivables	**36,364**	41,034
Instalment loan receivables	**46,128**	57.377
Accrued interest and other receivables	**2,205**	2,662
	84,697	101,073

	Individual assessment	**Collective assessment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1.3.2017	**58,146**	**42,927**	**101,073**
Impairment losses and impairment allowances	**127,051**	**(7,379)**	**119,672**
Amounts written-off as uncollectable	**(136,267)**	**–**	**(136,267)**
Exchange realignment	**219**	**–**	**219**
At 31.8.2017	**49,149**	**35,548**	**84,697**

	Individual assessment	Collective assessment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1.3.2016	90,723	45,603	136,326
Impairment losses and impairment allowances	149,405	(1,586)	147,819
Amounts written-off as uncollectable	(132,131)	–	(132,131)
Exchange realignment	(1,455)	–	(1,455)
At 31.8.2016	106,542	44,017	150,559

17. OVERDUE ADVANCES AND RECEIVABLES

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

	31.8.2017		28.2.2017	
	(Unaudited)		(Audited)	
	HK$'000	*%**	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**68,910**	**1.3**	77,933	1.5
Overdue 2 months but less than 3 months	**41,810**	**0.8**	43,281	0.8
Overdue 3 months but less than 4 months	**26,158**	**0.5**	31,806	0.6
Overdue 4 months or above	**52,153**	**1.0**	60,967	1.2
	189,031	**3.6**	213,987	4.1

** Percentage of gross advances and receivables*

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	31.8.2017	28.2.2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Deposits for property, plant and equipment	**7,759**	1,275
Rental and other deposits	**23,884**	22,507
Prepaid operating expenses	**32,080**	29,150
Other debtors	**5,083**	4,276
	68,806	57,208
Current portion included under current assets	**(43,671)**	(40,436)
Amount due after one year	**25,135**	16,772

19. CREDITORS AND ACCRUALS

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

	31.8.2017	28.2.2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Less than 1 month	**70,439**	64,151
Over 1 month but less than 3 months	**1,532**	1,794
Over 3 months	**3,188**	3,172
	75,159	69,117

Included in creditors and accruals is deferred revenue in relation to customer loyalty programmes of **HK$11,192,000** (28th February 2017: HK$8,091,000).

20. BANK BORROWINGS

	31.8.2017	28.2.2017
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Bank loans, unsecured	**1,574,676**	1,721,281
Carrying amount repayable *(Note)*		
Within one year	**55,000**	240,000
Between one and two years	**405,000**	335,000
Between two and five years	**1,024,676**	1,071,281
Over five years	**90,000**	75,000
	1,574,676	1,721,281
Amount repayable within one year included under current liabilities	**(55,000)**	(240,000)
Amount repayable after one year	**1,519,676**	1,481,281

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2017 (Unaudited)		28.2.2017 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**–**	**75,861**	813	67,374
Cross-currency interest rate swap	**4,342**	**–**	9,482	–
Interest rate caps	**104**	**–**	103	–
	4,446	**75,861**	10,398	67,374
Current portion	**–**	**(631)**	(44)	(650)
Non-current portion	**4,446**	**75,230**	10,354	66,724

All derivative financial instruments entered by the Group that remain outstanding at 31st August 2017 and 28th February 2017 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.

22. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during each of the two periods ended 31st August 2017 and 31st August 2016:

	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
As 1.3.2017	**13,655**	**(7,083)**	**6,572**
(Credit) charge to profit or loss for the period	**(1,744)**	**1,218**	**(526)**
At 31.8.2017	**11,911**	**(5,865)**	**6,046**

	Accelerated tax depreciation	Impairment allowances	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1.3.2016	17,068	(7,525)	9,543
(Credit) charge to profit or loss for the period	(359)	262	(97)
At 31.8.2016	16,709	(7,263)	9,446

23. COLLATERALISED DEBT OBLIGATION

(a) The Group entered into a HK$1,250,000,000 collateralised debt obligation financing transaction (the "Transaction"). The Transaction consists of three tranches – Tranche A, Tranche B and Tranche C. The amount under Tranche A and Tranche B is HK$550,000,000 each and the amount under Tranche C is HK$150,000,000. The revolving periods for both Tranche A and Tranche B will end in August 2019 while the revolving period for Tranche C will end in July 2020. 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 at 3.2% to 3.8% per annum. The effective interest rate after taking into account the executed interest rate swaps was 3.6% (six months ended 31st August 2016: 3.6%) per annum during the period.

(b) Pursuant to the Transaction, the Group transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Group is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10 *Consolidated Financial Statements*, the Trust is controlled by the Group and the results thereof are consolidated by the Group in its condensed consolidated financial statements. According to HKAS 39 *Financial Instruments: Recognition and Measurement*, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group's condensed consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

24. PLEDGE OF ASSETS

At 31st August 2017, the collateralised debt obligation was secured by credit card receivables and restricted deposits of **HK$1,696,927,000** and **HK$38,000,000** respectively (28th February 2017: HK$1,488,199,000 and HK$183,216,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 17th October 2017 to Wednesday, 18th October 2017, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 16th October 2017.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") throughout the six months ended 31st August 2017, 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 of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code for securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 31st August 2017, the Group recorded a profit attributable to owners of HK$173.8 million, representing an increase of 14.2% or HK$21.7 million, when compared to HK$152.1 million for the six months ended 31st August 2016. The Group's basic earnings per share increased from 36.33 HK cents per share in 2016/17 to 41.50 HK cents per share in 2017/18. Return on average total assets was 2.9% while return on average ordinary shareholders' equity was 6.2%.

Under the improving economic environment, the Group actively sought for new customer base to stimulate growth in its receivables while at the same time continued to focus on asset quality management. Through the launch of different card promotion programs that aimed to provide premium experience to customers and encourage dining and overseas spending, credit card sales in the first half of this year recorded an increase of 9.6% when compared with last year. This resulted in an overall increase in advances and receivables. The Group recorded an increase in interest income of 2.1% or HK$11.0 million, from HK$535.3 million in the previous period to HK$546.3 million in the current period. Owing to a funding strategy focusing on long-term bank borrowings, the Group's average funding costs dropped to 3.0% in the first half as compared to 3.1% in the previous year. Consequently, net interest income of the Group for the first six months in 2017/18 was HK$502.3 million, representing an increase of 2.8% or HK$13.9 million when compared with the first six months in 2016/17.

Following the increase in credit card sales, there was an increase in fees and commission by 26.0% or HK$5.8 million to HK$27.9 million. However, fees and commission from insurance business decreased by HK$3.1 million when compared with last year, as the Group had deployed a substantial part of its resources to focus on revamping its insurance intermediary business model in the first half of 2017/18. On the other hand, there was an increase in the handling and late charges by 10.0% or HK$3.8 million to HK$41.9 million following the increase in cash advance sales. As a result, overall other operating income increased by HK$6.8 million from HK$75.7 million in 2016/17 to HK$82.5 million for the first six months in 2017/18.

During the period under review, due to the prolonged decline in the fair value of its available-for-sale investments, the Group recorded impairment losses of HK$7.8 million under other gains and losses.

During the first half of 2017/18, the Group utilized additional marketing and promotion expenses to generate new sales, ensuing in a slight increase of HK$0.9 million in the expenses when compared with the previous period. Under the branch revamp project, the Group renovated certain branches and opened a flagship branch in Mongkok, which resulted in an increase in operating lease rentals of HK$2.3 million when compared with the previous period. With the close monitoring of other operating and administrative expenses, overall operating expenses recorded a decrease of HK$2.7 million from HK$272.7 million in the last period to HK$270.0 million in the current period. Cost-to-income ratio was reduced from 48.4% for the first six months of 2016/17 to 46.8% in the first half of this year.

The Group recorded a gain on sales of advances and receivables of HK$21.1 million in the first half of 2016/17. Excluding such gain of HK$21.1 million in the previous period, the Group's operating profit before impairment allowances in the first half of 2017/18 recorded an increase of 5.4% from HK$291.3 million for the six months ended 31st August 2016 to HK$306.9 million. During the period under review, the low unemployment rate in Hong Kong, coupled with the Group's effective asset quality management, had contributed to a decrease in impairment losses and impairment allowances of 19.0% or HK$28.1 million from HK$147.8 million in 2016/17 to HK$119.7 million in 2017/18. Recoveries of advances and receivables written-off amounted to HK$23.4 million, representing a decrease of HK$3.7 million, when compared with HK$27.1 million in 2016/17. Together with the share of its associate's profit, the Group's profit before tax recorded an increase of 13.6% or HK$25.2 million from HK$185.6 million for the six months ended 31st August 2016 to HK$210.8 million in the first half of this year.

The Group recorded an increase in its receivables by HK$26.6 million to HK$5,198.0 million as at 31st August 2017, when compared to HK$5,171.4 million as at 28th February 2017. Impairment allowances amounted to HK$84.7 million as at 31st August 2017, when compared with HK$101.1 million as at 28th February 2017. Total equity was strengthened by 3.3% to HK$2,832.7 million as at 31st August 2017, mainly due to the increase in accumulated profits. Net asset value per share (after interim dividend) was HK$6.6 as at 31st August 2017, when compared with the net asset value per share (after final dividend) of HK$6.3 as at 28th February 2017.

Segment Information

The Group's business comprises three principal operating segments, namely credit card, instalment loans and insurance. In the first half of 2017/18, credit card operation accounted for 71.4% of the Group's revenue, as compared to 68.0% in the previous period. For segment results, credit card operation accounted for 79.3% of the Group's whole operations, as compared to 81.3% in the previous period, while instalment loan operation accounted for 19.2% of the Group's segment results, as compared to 17.3% in the previous period.

In the first half of 2017/18, owing to the initiatives to increase customer base and stimulate card usage, the Group recorded an increase in card credit purchase and card cash advance sales by 11.6% and 2.6% respectively when compared to the same period last year. This resulted in an overall increase in credit card receivables balance. As a result, revenue from credit card operation in 2017/18 increased by 7.9% or HK$32.7 million from HK$412.8 million in 2016/17 to HK$445.5 million in 2017/18. Following the effective utilization of marketing and promotion expenses to drive sales and prudent asset quality management to reduce impairment losses and impairment allowances, the segment results for the period from credit card operation recorded an increase of HK$16.5 million from HK$162.1 million in 2016/17 to HK$178.5 million in 2017/18.

For instalment loans, the Group continued to adopt prudent asset quality management aiming at controlling asset quality even though there were signs of improvement in the economic environment in Hong Kong and China. This resulted in a slowdown in sales and reduction in the instalment loan receivables balance. As a result, revenue from instalment loan operation decreased by 6.6% or HK$12.1 million from HK$182.7 million in 2016/17 to HK$170.6 million in 2017/18. Such decrease was offset by a corresponding reduction in impairment losses and impairment allowances of 41.0% or HK$21.1 million in the first half of this year. As a result, the segment results for the period from instalment loan operation recorded an increase of HK$8.9 million from HK$34.4 million in 2016/17 to HK$43.3 million in 2017/18.

The Group had just completed the revamp of its insurance intermediary business and entered into new co-operation agreements with leading insurance companies to re-activate its insurance agency business in the first half of this year. Revenue from insurance operation recorded a decrease of HK$3.0 million from HK$11.1 million in 2016/17 to HK$8.1 million in 2017/18. Such decrease was offset by a corresponding reduction in operating expenses, which resulted in the segment results for the period from insurance operation to increase by HK$0.3 million from HK$2.9 million in 2016/17 to HK$3.2 million in 2017/18.

Given that there had been a continuous shift from hire purchase to card instalment plan to the point that the contribution from hire purchase operation accounted for an insignificant portion of the Group's revenue and segment results, hire purchase ceased to be a principal operating segment.

In relation to the financial information by geographical locations, revenue from Hong Kong operations recorded an increase of 3.3%, or HK$18.8 million from HK$576.8 million in 2016/17 to HK$595.5 million in 2017/18, mainly attributed 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 10.6% or HK$22.2 million, from HK$208.1 million in 2016/17 to HK$230.3 million in 2017/18.

For China operations, although China's macro-economy showed signs of improvement during the period under review, our microfinance subsidiaries continued to exercise cautious credit assessment in approving new sales. Revenue from China operations recorded a decrease of HK$1.2 million, from HK$29.8 million in 2016/17 to HK$28.6 million in 2017/18. On the other hand, the continuous monitoring of the effectiveness of marketing activities and the centralization of back-office operations in Shenzhen, together with the reduction in impairment losses and impairment allowances, had resulted in a continued improvement in the segment results of our China operations, with a year-over-year reduction in loss of 39.9% or HK$3.5 million, from HK$8.8 million in 2016/17 to HK$5.3 million in 2017/18.

Business Review

Hong Kong economic situation in the first half of 2017/18 generally improved over the same period in 2016/17. First half growth in GDP was well above trend, driven by growth in exports and private sector consumption, and effectively reported full employment in the period. Although Federal Reserve raised interest rates twice in the first half of the year, interest rates remained quite stable.

Under this improving operating environment, the Group's total sales for the six months ended 31st August 2017 were 107.6% when compared to the same period last year. During this period, the Group focused on new customer base acquisition, and capitalized on the trend of changing customer behaviour and card usage preferences by launching different tailor-made marketing programs. As a result, the number of cards issued in the first half increased by a respectable 7.0%. Additionally, maintaining a diverse portfolio across credit card and loan products allowed the Group to present a unified image and inspire brand confidence to customers across all platforms in the consumer finance markets.

During the period under review, the Group continued to align its operation with "Customer First" philosophy by enhancing customer convenience, providing new customer experience, enriching customer benefits and strengthening card security.

For the convenience of customers to enjoy shopping benefits using our credit cards, the Group expanded its instant card service to cover five card brands, namely Visa, Mastercard, JCB, UnionPay and American Express. Customers can now enjoy instant cards for all the five card brands in all our branches and customers can receive the card within 30 minutes after application.

To provide premium experience to our customers, besides launching unique promotion programs in the first half of 2017/18, including "AEON Chill out event at Ocean Park" and "Cruise Holiday Lucky Draw", the Group continued to re-vitalize its branch network. In the first half, the Group's Kowloon Bay branch inside AEON Stores had a complete makeover to embody a "simple and speedy" concept. At the same time, the Group also opened a new flagship branch in Mongkok, which aspires to exceed customer expectation and to epitomize modern Japanese style, incorporating full line of face-to-face services as well as a lounge service to provide premium experience to our customers.

The Group continued to enrich the card benefits offered to customers by launching different spending programs, covering dining and overseas travel. In addition, the Group also launched various promotions with AEON Stores, including regular Private Sale.

On card usage security, the Group had added "3D secure" function to its credit cards to allow customers to have one more level of security when performing online transactions.

Microfinance subsidiaries in China continued to extend their merchant network to expand and diversify their new customer base and to drive up sales. Through adopting prudent asset quality management to stimulate growth in their receivables, the Group's microfinance business continued to show an improvement in operating results in the first half of this year. Moreover, to streamline their back-office operations, their credit assessment and accounting functions have been centralized in Shenzhen.

The Group continued to invest heavily in its products, technologies and the development of its network. Digitalization is an integral part of the Group's strategy as technology and mobility are changing the way our customers gain access to information, differentiate products and obtain services.

Prospects

It is expected that the economic situation in Hong Kong in the second half of the year will be broadly stable. Whilst general conditions are reasonably robust, it is notable that growth in consumer finance in Hong Kong remains under some pressure, and that whilst some conditions continue to be supportive at present, there are a number of risk factors, such as unstable political situation in Asia and a rise in interest rates. Credit quality at present remains stable, and with a supportive economic backdrop, we do not expect any significant deterioration in asset quality. Moreover, the low interest rate environment and steady labour market should provide some buffer to the potential impact on local consumption and business sentiment.

For the second half of 2017/18, the Group will continue to focus on the three strategic initiatives set out at the beginning of the year, namely: (1) expanding customer base; (2) stimulating card usage; and (3) investing in digitalization. The Group has scheduled a diverse mix of products and services for launch in the second half of the year, targeting on young generation and male segment, improving operational efficiency and enhancing customer convenience by offering on-site applications and additional card functions in mobile usage service. The Group will further enhance its promotion activities across the entire product-lines to drive customer engagement and brand loyalty.

For branch network, the Group will further invest in the redesign and renovation of its entire branch network to deliver a better customer experience.

The Group's microfinance business in China is likely to experience pressure on sales growth in the second half of 2017/18, due to continuing keen competition in the market. The three microfinance subsidiaries will continue to explore and develop new sales channels and enhance customer convenience.

For the second half of 2017/18, the Group will remain committed to creating value for our shareholders and to its digitalization project to keep pace with the market in terms of new customer experience and creativity as well as to improve operational efficiency. The Group is confident in its business prospects and is looking forward to an overall satisfactory performance for the year 2017/18.

FUNDING AND CAPITAL 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 reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

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

	31.8.2017	28.2.2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Debt *(note a)*	**2,824,676**	2,971,281
Cash and cash equivalents	**(701,956)**	(602,090)
Net debt	**2,122,720**	2,369,191
Equity *(note b)*	**2,832,731**	2,742,071
Net debt to equity ratio	**0.7**	0.9

Notes:

(a) *Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 20 and 23 respectively.*

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

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 31st August 2017, 50.1% of its funding was derived from total equity, 27.8% from bank borrowings and 22.1% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 31st August 2017, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$1,574.7 million, with 14.0% being fixed in interest rates and 86.0% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 2.0% of these indebtedness will mature within one year, 53.3% between one and two years, 41.5% between two and five years and 3.2% over five years. The duration of indebtedness was around 2.6 years.

The Group's bank borrowings and collateralised debt obligation were denominated in Hong Kong Dollars, except for a syndicated term loan of USD50.0 million which was hedged by cross-currency interest rate swap.

The net asset of the Group at 31st August 2017 was HK$2,832.7 million, as compared with HK$2,742.1 million at 28th February 2017. 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 were transacted and recorded in HKD and thereby its core assets did not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 31st August 2017, capital commitments entered were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff of the Group at 31st August 2017 and 28th February 2017 was 604 and 585 respectively. The Group continues to recognize and reward its staff similar to that disclosed in its 2016/17 Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 31st August 2017. The Interim Report for the six months ended 31st August 2017 has been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA, by Messrs. Deloitte Touche Tohmatsu, whose unmodified review report will be included in the Interim Report to be sent to shareholders.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2017 Interim Report, containing the relevant information required by the Listing Rules, will be published on the respective websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

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

By order of the Board
HIDEO TANAKA
Managing Director

Hong Kong, 28th September 2017