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AEON CREDIT SERVICE (ASIA) CO., LTD.
AEON信貸財務(亞洲)有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 900)

FINAL RESULTS FOR THE YEAR ENDED 28TH FEBRUARY 2018

The board (the "Board") of directors (the "Directors") of AEON Credit Service (Asia) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28th February 2018, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 28th February 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*6*	**1,276,899**	1,228,100
Interest income	*8*	**1,117,570**	1,074,905
Interest expense	*9*	**(86,249)**	(90,736)
Net interest income		**1,031,321**	984,169
Other operating income	*10*	**171,062**	162,544
Other gains and losses	*11*	**1,441**	(9,598)
Operating income		**1,203,824**	1,137,115
Operating expenses	*12*	**(564,923)**	(540,523)
Gain on sale of advances and receivables		**–**	21,114
Operating profit before impairment allowances		**638,901**	617,706
Impairment losses and impairment allowances		**(241,217)**	(283,885)
Recoveries of advances and receivables written-off		**48,402**	50,635
Share of results of associates		**1,179**	(17,222)
Profit before tax		**447,265**	367,234
Income tax expense	*13*	**(76,117)**	(68,438)
Profit for the year		**371,148**	298,796
Profit for the year attributable to:			
Owners of the Company		**371,148**	298,796
Earnings per share — Basic	*15*	**88.63 HK cents**	71.35 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 28th February 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**371,148**	298,796
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on available-for-sale investments	**(3,500)**	(906)
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	**26,193**	(16,087)
Translation reserve reclassified to profit or loss upon deregistration of an associate	**(5,408)**	–
Net adjustment on cash flow hedges	**34,122**	67,452
Other comprehensive income for the year	**59,328**	50,459
Total comprehensive income for the year	**430,476**	349,255
Total comprehensive income for the year attributable to:		
Owners of the Company	**430,476**	349,255

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 28th February 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**87,223**	100,494
Investments in associates		**13,678**	11,374
Available-for-sale investments	17	**15,900**	21,239
Advances and receivables	18	**981,330**	1,034,366
Prepayments, deposits and other debtors	21	**26,559**	16,772
Derivative financial instruments	24	**18,249**	10,354
Restricted deposits		**38,000**	38,000
		1,180,939	1,232,599
Current assets			
Advances and receivables	18	**4,202,214**	4,035,958
Prepayments, deposits and other debtors	21	**45,058**	40,436
Amounts due from fellow subsidiaries		**146**	1,180
Amount due from immediate holding company		**–**	7
Amount due from intermediate holding company		**–**	191
Amount due from an associate		**350**	73
Derivative financial instruments	24	**–**	44
Restricted deposits		**–**	145,216
Time deposits		**103,533**	165,763
Fiduciary bank balances		**248**	76
Bank balances and cash		**660,488**	470,257
		5,012,037	4,859,201
Current liabilities			
Creditors and accruals	22	**235,808**	219,948
Amounts due to fellow subsidiaries		**56,705**	49,460
Amount due to intermediate holding company		**154**	202
Amount due to ultimate holding company		**33**	35
Amount due to an associate		**2,904**	3,095
Bank borrowings	23	**345,000**	240,000
Derivative financial instruments	24	**1,865**	650
Tax liabilities		**25,772**	31,762
		668,241	545,152
Net current assets		**4,343,796**	4,314,049
Total assets less current liabilities		**5,524,735**	5,546,648

	Notes	**2018** **HK$'000**	2017 HK$'000
Capital and reserves			
Share capital		**269,477**	269,477
Reserves		**2,735,564**	2,472,594
Total equity		**3,005,041**	2,742,071
Non-current liabilities			
Collateralised debt obligation	*26*	**1,250,000**	1,250,000
Bank borrowings	*23*	**1,230,020**	1,481,281
Derivative financial instruments	*24*	**34,819**	66,724
Deferred tax liabilities	*25*	**4,855**	6,572
		2,519,694	2,804,577
		5,524,735	5,546,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28th February 2018

	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 2016	269,477	(3,515)	(121,103)	(2,402)	2,401,115	2,543,572
Profit for the year	–	–	–	–	298,796	298,796
Fair value loss on available-for-sale investments	–	(906)	–	–	–	(906)
Exchange difference arising from translation of foreign operations	–	–	–	(16,087)	–	(16,087)
Net adjustment on cash flow hedges	–	–	67,452	–	–	67,452
Total comprehensive (expense) income for the year	–	(906)	67,452	(16,087)	298,796	349,255
Final dividend paid for 2015/16	–	–	–	–	(75,378)	(75,378)
Interim dividend paid for 2016/17	–	–	–	–	(75,378)	(75,378)
	–	(906)	67,452	(16,087)	148,040	198,499
At 28th February 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 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	**–**	**–**	**–**	**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**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28th February 2018

	2018	2017
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	**447,265**	367,234
Adjustments for:		
Amortisation of upfront cost of borrowings	**389**	218
Depreciation	**41,588**	45,167
Dividends received on available-for-sale investments	**(796)**	(916)
Gain on deregistration of an associate	**(12,801)**	–
Impairment losses and impairment allowances recognised in respect of advances and receivables	**241,217**	283,885
Impairment loss on available-for-sale investments	**9,759**	–
Interest expense	**86,249**	90,518
Interest income	**(1,117,570)**	(1,074,905)
Impairment loss on investment in an associate	**–**	8,637
Losses on disposal of property, plant and equipment	**1,710**	737
Share of results of associates	**(1,179)**	17,222
Operating cash flows before movements in working capital	**(304,169)**	(262,203)
Increase in advances and receivables	**(339,228)**	(117,180)
Increase in prepayments, deposits and other debtors	**(5,833)**	(3,618)
Decrease (increase) in amounts due from fellow subsidiaries	**1,035**	(1,175)
Decrease (increase) in amount due from immediate holding company	**7**	(1)
Decrease in amount due from intermediate holding company	**191**	232
Increase in amount due from an associate	**(277)**	(73)
(Increase) decrease in fiduciary bank balances	**(171)**	162
Increase (decrease) in creditors and accruals	**1,235**	(25,209)
Increase (decrease) in amounts due to fellow subsidiaries	**7,245**	(370)
(Decrease) increase in amount due to intermediate holding company	**(48)**	144
Decrease in amount due to ultimate holding company	**(2)**	(17)
(Decrease) increase in amount due to an associate	**(191)**	1,737
Cash used in operations	**(640,206)**	(407,571)
Tax paid	**(83,825)**	(47,077)
Interest paid	**(86,158)**	(91,685)
Interest received	**1,115,581**	1,078,664
Net cash from operating activities	**305,392**	532,331

	2018	2017
	HK$'000	*HK$'000*
Investing activities		
Dividends received	**796**	916
Proceeds from deregistration of an associate	**6,747**	–
Purchase of property, plant and equipment	**(6,557)**	(8,026)
Deposits paid for acquisition of property, plant and equipment	**(17,785)**	(5,601)
(Increase) decrease in time deposits with maturity of more than three months	**(4,688)**	19,227
Net cash (used in) from investing activities	**(21,487)**	6,516
Financing activities		
Placement of restricted deposits	**(1,810,742)**	(1,515,588)
Withdrawal of restricted deposits	**1,955,958**	1,370,372
Dividends paid	**(167,506)**	(150,756)
Increase in collateralised debt obligation	**–**	550,000
Repayment of collateralised debt obligation	**–**	(550,000)
New bank loans raised	**90,000**	1,362,527
Repayment of bank loans	**(240,000)**	(1,347,408)
Net cash used in financing activities	**(172,290)**	(280,853)
Net increase in cash and cash equivalents	**111,615**	257,994
Effect of changes in exchange rate	**8,057**	(5,187)
Cash and cash equivalents at beginning of the year	**602,090**	349,283
Cash and cash equivalents at end of the year	**721,762**	602,090
Being:		
Time deposits with maturity of three months or less	**61,274**	131,833
Bank balances and cash	**660,488**	470,257
	721,762	602,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 28th February 2018

1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the year ended 28th February 2018 and 2017 included in this preliminary announcement of annual results for the year ended 28th February 2018 do not constitute the Company's statutory annual consolidated financial statements for those years 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 and will deliver the financial statements for the year ended 28th February 2018 in due course.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES

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.

The significant accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 28th February 2017, except for the adoption of the new and amendments to HKFRSs as disclosed in note 3 above.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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 and liabilities within the next financial year.

Impairment allowances on advances and receivables

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated incurred loss on advances and receivables. The allowances consist of individual impairment allowances and collective impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write down its loan portfolio in order to state it in the consolidated statement of financial position at its present value of estimated future cash flows discounted at the original effective interest rate.

In determining individual impairment allowances, management considers objective evidence of impairment. When an advance is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. REVENUE

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Interest income	*8*	**1,117,570**	1,074,905
Fees and commissions	*10*	**81,754**	74,043
Handling and late charges	*10*	**77,575**	79,152
		1,276,899	1,228,100

7. 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:

For the year ended 28th February 2018

	Credit card	**Instalment loans**	**Insurance**	**Hire purchase**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE	**919,120**	**342,539**	**15,240**	**–**	**1,276,899**
RESULT					
Segment results	**366,506**	**82,796**	**7,060**	**–**	**456,362**
Unallocated operating income					**24,921**
Unallocated expenses					**(35,197)**
Share of results of an associate					**1,179**
Profit before tax					**447,265**

For the year ended 28th February 2017

	Credit card	Instalment loans	Insurance	Hire purchase	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	850,105	357,727	20,255	13	1,228,100
RESULT					
Segment results	324,939	79,905	4,753	12	409,609
Unallocated operating income					7,222
Unallocated expenses					(32,375)
Share of results of associates					(17,222)
Profit before tax					367,234

Geographical information

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

For the year ended 28th February 2018

	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**1,219,230**	**57,669**	**1,276,899**
RESULT			
Segment results	**471,725**	**(15,363)**	**456,362**
Unallocated operating income			**24,921**
Unallocated expenses			**(35,197)**
Share of results of an associate			**1,179**
Profit before tax			**447,265**

For the year ended 28th February 2017

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	1,170,184	57,916	1,228,100
RESULT			
Segment results	425,069	(15,460)	409,609
Unallocated operating income			7,222
Unallocated expenses			(32,375)
Share of results of associates			(17,222)
Profit before tax			367,234

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. 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 impairment loss on investment in an associate) 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.

8. INTEREST INCOME

	2018	2017
	HK$'000	*HK$'000*
Advances	**1,107,523**	1,067,994
Impaired advances	**6,403**	3,344
Time deposits, restricted deposits and bank balances	**3,644**	3,567
	1,117,570	1,074,905

9. INTEREST EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**30,004**	30,978
Interest on collateralised debt obligation	**12,879**	9,182
Net interest expense on interest rate swap contracts	**43,366**	50,576
	86,249	90,736

Amortisation of upfront cost of **HK$389,000** (2017: HK$218,000) is included in the interest expense on borrowings.

10. OTHER OPERATING INCOME

	2018	2017
	HK$'000	*HK$'000*
Dividends received on available-for-sale investments		
Listed equity securities	**710**	849
Unlisted equity securities	**86**	67
Fees and commissions		
Credit card	**66,669**	53,935
Insurance	**15,085**	20,108
Handling and late charges	**77,575**	79,152
Others	**10,937**	8,433
	171,062	162,544

11. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Exchange gain (loss)		
Exchange gain on hedging instrument released from cash flow hedge reserve	**3,350**	255
Exchange loss on a bank loan	**(3,350)**	(255)
Other exchange gains (losses), net	**240**	(53)
Hedge ineffectiveness on cash flow hedges	**(131)**	(171)
Losses on disposal of property, plant and equipment	**(1,710)**	(737)
Impairment loss on available-for-sale investments	**(9,759)**	–
Impairment loss on investment in an associate	**–**	(8,637)
Gain on deregistration of an associate	**12,801**	–
	1,441	(9,598)

12. OPERATING EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**2,945**	2,900
Depreciation	**41,588**	45,167
General administrative expenses	**159,521**	159,359
Marketing and promotion expenses	**71,854**	55,915
Minimum operating lease rentals in respect of rented premises, advertising space and equipment	**77,044**	72,888
Other operating expenses	**49,696**	46,453
Staff costs including Directors' emoluments	**162,275**	157,841
	564,923	540,523

13. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— Current year	**79,046**	72,224
— Overprovision in respect of prior years	**(1,212)**	(815)
	77,834	71,409
Deferred tax		
— Current year	**(1,717)**	(2,971)
	76,117	68,438

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 ("PRC") 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.

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

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**447,265**	367,234
Tax at the applicable rate of 16.5% (2017: 16.5%)	**73,799**	60,594
Tax effect of share of results of associates	**(195)**	2,842
Tax effect of expenses not deductible for tax purpose	**5,686**	4,830
Tax effect of income not taxable for tax purpose	**(2,454)**	(321)
Overprovision in respect of prior years	**(1,212)**	(815)
Tax effect of tax losses in current year not recognised	**1,037**	1,485
Utilisation of tax losses previously not recognised	**(1,742)**	(1,362)
Others	**1,198**	1,185
Income tax expense for the year	**76,117**	68,438

14. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend paid of **20.0 HK cents** in respect of 2017 (2017: 18.0 HK cents in respect of 2016) per share	**83,753**	75,378
Interim dividend paid of **20.0 HK cents** in respect of 2018 (2017: 18.0 HK cents in respect of 2017) per share	**83,753**	75,378
	167,506	150,756
Final dividend proposed of **22.0 HK cents** in respect of 2018 (2017: 20.0 HK cents in respect of 2017) per share	**92,128**	83,753

The Directors have recommended a final dividend of **22.0 HK cents** per share. Subject to the approval of the shareholders at the 2018 AGM, the final dividend will be paid on 13th July 2018 to shareholders whose names appear on the register of members of the Company on 27th June 2018. 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$371,148,000** (2017: HK$298,796,000) and on the number of shares of **418,766,000** (2017: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately **HK$25,467,000** on computer equipment and **HK$4,086,000** on leasehold improvements.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2018 *HK$'000*	2017 *HK$'000*
Listed equity securities, at fair value		
Hong Kong	**8,595**	12,095
Unlisted equity securities, at cost	**7,305**	9,144
	15,900	21,239

18. ADVANCES AND RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Credit card receivables	**3,808,249**	3,611,021
Instalment loan receivables	**1,375,933**	1,469,708
Hire purchase debtors	**–**	26
	5,184,182	5,080,755
Accrued interest and other receivables	**88,266**	90,642
Gross advances and receivables	**5,272,448**	5,171,397
Impairment allowances *(Note 19)*		
— individually assessed	**(52,211)**	(58,146)
— collectively assessed	**(36,693)**	(42,927)
	(88,904)	(101,073)
	5,183,544	5,070,324
Current portion included under current assets	**(4,202,214)**	(4,035,958)
Amount due after one year	**981,330**	1,034,366

At the end of the reporting period, all advances and receivables are unsecured.

19. IMPAIRMENT ALLOWANCES

	2018	2017
	HK$'000	*HK$'000*
Analysis by products as:		
Credit card receivables	**38,785**	41,034
Instalment loan receivables	**48,128**	57,377
Accrued interest and other receivables	**1,991**	2,662
	88,904	101,073

	Individual assessment	Collective assessment	Total
	HK$'000	*HK$'000*	*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**

	Individual assessment	Collective assessment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st March 2016	90,723	45,603	136,326
Impairment losses and impairment allowances	286,561	(2,676)	283,885
Amounts written-off as uncollectable	(315,084)	–	(315,084)
Exchange realignment	(4,054)	–	(4,054)
At 28th February 2017	58,146	42,927	101,073

20. OVERDUE ADVANCES AND RECEIVABLES

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

	2018		2017	
	HK$'000	*%**	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**91,926**	**1.7**	77,933	1.5
Overdue 2 months but less than 3 months	**45,406**	**0.9**	43,281	0.8
Overdue 3 months but less than 4 months	**28,745**	**0.6**	31,806	0.6
Overdue 4 months or above	**54,588**	**1.0**	60,967	1.2
	220,665	**4.2**	213,987	4.1

* *Percentage of gross advances and receivables*

21. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	2018	2017
	HK$'000	*HK$'000*
Deposits for property, plant and equipment	**8,967**	1,275
Rental and other deposits	**22,933**	22,507
Prepaid operating expenses	**29,608**	29,150
Other debtors	**10,109**	4,276
	71,617	57,208
Current portion included under current assets	**(45,058)**	(40,436)
Amount due after one year	**26,559**	16,772

22. CREDITORS AND ACCRUALS

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

	2018	2017
	HK$'000	*HK$'000*
Less than 1 month	**58,422**	64,151
Over 1 month but less than 3 months	**3,910**	1,794
Over 3 months	**3,702**	3,172
	66,034	69,117

Included in creditors and accruals is deferred revenue in relation to customer loyalty programmes of **HK$9,061,000** (2017: HK$8,091,000).

23. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank loans, unsecured	**1,575,020**	1,721,281
Carrying amount repayable *(Note)*		
Within one year	**345,000**	240,000
Within a period of more than one year but not exceeding two years	**175,000**	335,000
Within a period of more than two years but not exceeding five years	**965,020**	1,071,281
Over five years	**90,000**	75,000
	1,575,020	1,721,281
Amount repayable within one year included under current liabilities	**(345,000)**	(240,000)
Amount repayable after one year	**1,230,020**	1,481,281

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**2,473**	**36,684**	813	67,374
Cross-currency interest rate swap	**15,770**	**–**	9,482	–
Interest rate caps	**6**	**–**	103	–
	18,249	**36,684**	10,398	67,374
Current portion	**–**	**(1,865)**	(44)	(650)
Non-current portion	**18,249**	**34,819**	10,354	66,724

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

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 and collateralised debt obligation by swapping certain Hong Kong Dollar ("HKD") floating-rate bank borrowings and collateralised debt obligation from floating rates to fixed rates. The interest rate swaps, the corresponding bank borrowings and 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.

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 United Stated Dollars ("USD") bank borrowing by swapping the floating-rate USD bank borrowing to fixed-rate HKD bank borrowing. The cross-currency interest rate swap and the corresponding bank borrowing have the same terms and the Directors consider that the cross-currency interest rate swap is highly effective hedging instrument.

25. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the years ended 28th February 2018 and 28th February 2017:

	Accelerated tax depreciation *HK$'000*	Impairment allowances *HK$'000*	Total *HK$'000*
At 1st March 2016	17,068	(7,525)	9,543
(Credit) charge to profit or loss for the year	(3,413)	442	(2,971)
At 28th February 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**

26. COLLATERALISED DEBT OBLIGATION

	2018 ***HK$'000***	2017 *HK$'000*
Tranche A	**550,000**	550,000
Tranche B	**550,000**	550,000
Tranche C	**150,000**	150,000
Amount repayable after one year	**1,250,000**	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 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 Hong Kong Interbank Offered Rate ("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% (2017: 3.7%) per annum during the year.

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 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 consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

27. PLEDGE OF ASSETS

At 28th February 2018, the collateralised debt obligation was secured by credit card receivables and restricted deposits of **HK$1,660,345,000** and **HK$38,000,000** respectively (2017: HK$1,488,199,000 and HK$183,216,000).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Friday, 15th June 2018 to Thursday, 21st June 2018, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2018 AGM, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 14th June 2018.

For the purpose of determining the shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed on Wednesday, 27th June 2018, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 26th June 2018.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, and employees. The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 28th February 2018, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Non-executive Directors are not appointed for a specific term and Directors are not subject to retirement by rotation. However, all Directors, including executive, non-executive and independent non-executive, are subject to retirement at each annual general meeting of the Company in accordance with the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 28th February 2018, on an audited basis, profit before tax was HK$447.3 million, an increase of HK$80.0 million when compared with the financial year ended 28th February 2017. After deducting income tax expense of HK$76.1 million, the Group recorded a profit increase of 24.2%, with profit after tax increasing from HK$298.8 million in the previous financial year to HK$371.1 million in 2017/18. Earnings per share increased from 71.35 HK cents to 88.63 HK cents for the reporting year.

Return on assets was 7.3% in 2017/18, as compared with 6.1% in 2016/17 while return on equity was 12.9% in 2017/18, as compared with 11.3% in 2016/17.

Revenue for the year was HK$1,276.9 million, an increase of 4.0% or HK$48.8 million when compared with HK$1,228.1 million on the previous financial year.

Through the enhancement of card benefits and the launch of different card promotion programs, credit card sales for the year recorded an increase of 9.0% when compared with last year. This resulted in an overall increase in advances and receivables. Together with the effort to increase the portfolio of higher yield products, the Group recorded an increase in interest income of 4.0% or HK$42.7 million, from HK$1,074.9 million in the previous financial year to HK$1,117.6 million in the current year.

By focusing on long-term bank borrowings, the Group's average funding cost maintained at 3.0% for both years despite an increase in interest rate in the market. The Group's interest expense recorded a decrease of 4.9% or HK$4.5 million, from HK$90.7 million in the previous financial year to HK$86.2 million in the current year.

Consequently, net interest income of the Group for 2017/18 was HK$1,031.3 million, representing an increase of 4.8% or HK$47.2 million when compared with HK$984.2 million of 2016/17.

Following an increase in credit card sales, there was an increase in fees and commission from credit card business by 23.6% or HK$12.7 million to HK$66.7 million in the current year. On the other hand, fees and commission from insurance business was HK$15.1 million, a decrease of 25.0% or HK$5.0 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. As there was an improvement in asset quality, handling and late charges recorded a slight drop of 2.0% or HK$1.6 million to HK$77.6 million in the current year. Accordingly, the Group recorded an overall increase in other operating income by HK$8.5 million from HK$162.5 million in 2016/17 to HK$171.1 million in the current year.

Due to the sustained decline in the fair value of an available-for-sale investment, the Group recorded an impairment loss of HK$9.8 million in the current year. On the other hand, the Group recorded a gain of HK$12.8 million in the current year upon the de-registration of an associate company. Hence, the Group recorded a gain of HK$1.5 million in the current year under other gains and losses as compared with a loss of HK$9.6 million in the previous year.

Consequently, the operating income of the Group for 2017/18 was HK$1,203.8 million, representing an increase of 5.9% or HK$66.7 million when compared with HK$1,137.1 million of 2016/17.

During the current financial year, the Group utilized additional marketing and promotion expenses for the launch of new card and card benefits to capture new market segments and to generate new sales. This resulted in an increase in marketing and promotion expenses by 28.5% or HK$15.9 million to HK$71.9 million in the current year. Under the branch revamp project, the Group renovated certain existing branches and opened two new branches, which resulted in an increase in operating lease rentals of HK$4.2 million when compared with the previous year. With the recruitment of additional staff for new projects, staff costs recorded an increase of HK$4.4 million when compared with 2016/17. The Group continued to exercise close monitoring on other expenses. Other operating and general administrative expenses recorded a slight increase of HK$3.4 million when compared with the previous year.

Accordingly, overall operating expenses recorded an increase of 4.5% or HK$24.4 million from HK$540.5 million in 2016/17 to HK$564.9 million in the current year.

Through the effective utilization of incremental operating expenses to generate additional operating income, the Group further reduced its operating expense-to-operating income ratio from 47.2% in the previous year to 46.9% in the current year.

The Group recorded a gain on the sale of all secured receivables and certain written-off portfolio of HK$21.1 million in 2016/17. Although there was no such gain in the current year, the Group's operating profit before impairment allowances in 2017/18 still recorded an increase of 3.4% or HK$21.2 million, from HK$617.7 million in 2016/17 to HK$638.9 million.

During the year 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 15.0% or HK$42.7 million, from HK$283.9 million in the previous financial year to HK$241.2 million for the year ended 28th February 2018.

Following the completion of restructuring of its associates in the PRC, the Group recorded a share of profit from associates of HK$1.2 million in the current year as compared to a share of loss from associates of HK$17.2 million in the previous year.

On advances and receivables, the Group continued to adopt prudent asset quality management aiming at controlling asset quality in both Hong Kong and China markets. This had affected the growth of instalment loans, with instalment loan receivables decreasing by 6.4% from HK$1,469.7 million at 28th February 2017 to HK$1,375.9 million at 28th February 2018.

On the other hand, owing to the initiatives to increase customer base and stimulate card usage, our credit card receivables increased by 5.5% from HK$3,611.0 million at 28th February 2017 to HK$3,808.2 million at 28th February 2018.

Following the drop in bankruptcy cases and advances and receivables overdue 4 months or above, impairment allowances decreased by HK$12.2 million, from HK$101.1 million at 28th February 2017 to HK$88.9 million at 28th February 2018.

Net debt to equity ratio was 0.7 at 28th February 2018, as compared with 0.9 at 28th February 2017. Total equity to total assets ratio was 48.5% at 28th February 2018, as compared with 45.0% at 28th February 2017.

Net asset value per share (after final dividend) at 28th February 2018 was HK$7.0, as compared with the net asset value per share (after final dividend) of HK$6.3 at 28th February 2017.

Segment Information

The Group's business comprises three principal operating segments, namely credit card, instalment loans and insurance. For the year ended 28th February 2018, credit card operations accounted for 72.0% of the Group's revenue, as compared to 69.2% in the previous financial year. For segment results, credit card operations in 2017/18 accounted for 80.3% of the Group's whole operations, as compared to 79.3% 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 increase in credit purchase and cash advance sales by 9.0% and 5.0% respectively 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 2017/18 increased by 8.1% or HK$69.0 million from HK$850.1 million in 2016/17 to HK$919.1 million in 2017/18. Although the Group had spent more on marketing and promotion to launch new card product and to drive sales, 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 12.8% or HK$41.6 million from HK$324.9 million in the previous financial year to HK$366.5 million in 2017/18.

For instalment 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 instalment loan receivables balance. As a result, revenue from instalment loans operations decreased by 4.0% or HK$15.2 million from HK$357.7 million in 2016/17 to HK$342.5 million in 2017/18. However, with the improvement in impairment losses and impairment allowances of 17.3% or HK$40.4 million and disciplined control on operational costs, the segment results for the year from instalment loans operations recorded an increase of HK$2.9 million from HK$79.9 million in 2016/17 to HK$82.8 million in the current financial year.

The Group had 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 during the year. Revenue from insurance operations recorded a decrease of 24.8% or HK$5.0 million from HK$20.3 million in the previous financial year to HK$15.2 million in 2017/18. Such decrease was offset by a corresponding reduction in operating expenses, which resulted in the segment results for the current financial year from insurance operations increasing by 48.5% or HK$2.3 million from HK$4.8 million in the previous financial year to HK$7.1 million for the year ended 28th February 2018.

Given that there had been a continuous shift from hire purchase to card instalment plan to the point that the contribution from hire purchase operations 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 4.2% or HK$49.0 million, from HK$1,170.2 million in 2016/17 to HK$1,219.2 million in 2017/18, 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 11.0% or HK$46.7 million from HK$425.1 million in 2016/17 to HK$471.7 million in 2017/18.

For China operations, although China's macro-economy showed signs of improvement in the past year, our microfinance subsidiaries continued to exercise cautious credit assessment in approving new sales. Revenue from China operations recorded a decrease of HK$0.2 million, from HK$57.9 million in 2016/17 to HK$57.7 million in 2017/18. The microfinance subsidiaries continued to closely monitor the effectiveness of marketing activities and streamline their operations through the centralization of back-office operations in Shenzhen. However, the increased control on personal data usage by China government and the lack of credit information of users of internet financing had adverse impacts on their credit assessment and collection activities, resulting in an increase in their impairment losses and impairment allowances in the second half of this financial year. Overall segment results of our China operations only showed a slight improvement with a year-over-year reduction in loss of 0.6% or HK$0.1 million, from a loss of HK$15.5 million in 2016/17 to a loss of HK$15.4 million in 2017/18.

Business Strategy

During the year under review, the Group has grown its customers and markets from traditional middle aged and female group to encompass young and male customer segments, with overseas spending and online shopping habits.

The Group continued to put effort in enhancing customer convenience and improving operation efficiency. The new judgment workflow project was completed and implemented in all branches in February 2018. Instead of paper application forms, mobile tablets are now used by branch staff to enter customer data when a customer is applying for a credit card or loan. This project significantly improves back-office productivity. Moreover, the Group successfully revamped its mobile application with a completely new design which provides a better digital platform for marketing and services to customers. New functions include customized marketing, e-coupons and improved account status enquiry. In addition, instant card service is now available in all branches and extended to cover all five card brands.

To expand our customer profile to include young generation and male segments, the Group launched the ONE PIECE Mastercard in the fourth quarter. The card privileges include discount at ONE PIECE restaurant and redemption of exclusive ONE PIECE goods. To promote digital service, all applicants for this card are required to register as our net-member and download our new mobile application. Moreover, the Group rides on online advertising to promote this new card. The product received a favourable response from the market and is expected to contribute to the expansion of customer base in 2018/19.

To enrich card benefits for our customers, the sales team has brought further enhancements to our products and services and launched unique promotion programs. Exclusive member events such as AEON Ocean Park Joyful Event 2017 and Great European Carnival Event were well received by our customers and presented the Group with opportunities to reach out and engage our customers. Furthermore, AEON Stores 30th Anniversary Promotions and Welcome Back Promotions had boosted up card transactions inside AEON Stores. During the year, the Group also launched year-round loyalty program to cover card usage for overseas and local dining.

To provide premium user experience to our customers, the Group continued to re-vitalize its branch network. In the first half, there was a complete makeover for Kowloon Bay branch inside AEON Stores to embody a “simple and speedy” concept. At the same time, a new flagship branch was opened in Mongkok, which aspires to exceed customer expectations with modern Japanese style. In the fourth quarter, a new branch was opened inside the Tai Wo Hau outlet of AEON Stores, with a totally new “paperless and cashless” concept.

In 2017/18, the Group revamped its insurance intermediary business and re-activated its insurance agency business. To make insurance products more accessible to customers, the Group will expand its insurance sales platform to include online channel.

Microfinance subsidiaries in China faced tough challenges following regulatory and market changes in China including increasing control on personal data usage and popularity of internet financing, which had a negative impact on their performance in the second half. Meanwhile, the subsidiaries continued to centralize their back-office operations in Shenzhen to improve their operation efficiencies.

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

Prospects

In relation to the outlook of Hong Kong economic situation, the rising protectionist sentiment in the world, together with the pace of increase in federal funds rate in the United States, will cause uncertainties in the market. In relation to competition, the increase in popularity of e-money usage and adoption of artificial intelligence in business operation will pose new challenges and opportunities to consumer finance business. Our goal as a prominent market player in the industry is to achieve a sustainable growth business model in the long term, whilst ensuring that the Group can withstand nearer term impacts.

The products and services that were introduced by the Group in 2017/18 have expanded our customer base to include younger generation segment and this expansion is expected to continue in the coming year. Riding on the new mobile application and online platform, the Group will line up with new partners to enhance its bonus point program. Moreover, the Group will launch new card product with premium benefits for loyal customers. In addition, attractive and premium promotion activities will also be launched throughout the coming year. For branch and ATM network, the Group will conduct location assessment and business performance analysis to improve productivity and service efficiency.

The Group will continue to focus on long-term bank borrowings as its funding strategy to tackle any increase in market interest rate.

To cater for new technology and future product development, the Group will invest in a new card and loan system. The system is targeted to be launched in two phases, with the whole implementation expected to be completed by early 2020. The new system will not only provide better services to merchants and customers, it will also reduce system costs and improve operation efficiency.

The Group's investment in digitalization has not only contributed to improved productivity for front-line operation but also provided better customer experience. The Group will continue to invest in new technology including artificial intelligence to drive customer engagement and brand loyalty. The Group will launch a pilot project to adopt artificial intelligence to improve the effectiveness of credit assessment for card applications. This project is targeted to create a credit assessment model by combining application data, credit reference data and performance data to predict credit risk and potential revenue level for new card applications. Upon completion of the project, it would be expected to provide the Group with an enhanced credit assessment approach, as well as a solid experience on the application of artificial intelligence in other business operations. Moreover, the Group will further improve its productivity by streamlining its back-office operations.

Our microfinance subsidiaries in China will continue to improve their asset quality and streamline their operations aiming to achieve sustainability.

The Group has a unique and strong position in the 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 FY2018.

FUNDING AND 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 net debt to equity ratio at the year end was as follows:

	2018	2017
	HK$'000	*HK$'000*
Debt *(Note a)*	**2,825,020**	2,971,281
Cash and cash equivalents	**(721,762)**	(602,090)
Net debt	**2,103,258**	2,369,191
Equity *(Note b)*	**3,005,041**	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 23 and 26 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 28th February 2018, 51.5% of its funding was derived from total equity, 27.0% from direct borrowings from financial institutions and 21.5% from structured finance.

The principal source of internally generated capital was from accumulated profits. The Group's bank borrowings and collateralised debt obligation were denominated in HKD, 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 28th February 2018 was HK$3,005.0 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 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 2018, capital commitments entered into were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff of the Group at 28th February 2018 and 28th February 2017 was 575 and 585 respectively. Employees are remunerated according to the job nature and market trends, with annual increment to reward and motivate individual performance. 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 Company 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.

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.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 28th February 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2017/18 annual report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of The Stock Exchange of Hong Kong Limited 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, 25th April 2018