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**AEON CREDIT SERVICE (ASIA) COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 900)**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 20TH AUGUST 2011**

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 20th August 2011, together with comparative figures of the previous period as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 20th August 2011*

		<b>Six months ended 20th August</b>	
		<b>2011</b>	<b>2010</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>556,470</b>	550,898
Interest income	5	<b>504,516</b>	498,542
Interest expense	6	<b>(61,198)</b>	(66,748)
Net interest income		<b>443,318</b>	431,794
Other operating income	7	<b>54,360</b>	54,531
Other gains and losses	8	<b>(250)</b>	(297)
Operating income		<b>497,428</b>	486,028
Operating expenses	9	<b>(195,649)</b>	(194,564)
Operating profit before impairment allowances		<b>301,779</b>	291,464
Impairment losses and impairment allowances		<b>(159,714)</b>	(170,317)
Recoveries of advances and receivables written-off		<b>20,461</b>	21,942
Share of results of associates		<b>(2,499)</b>	(3,404)
Profit before tax		<b>160,027</b>	139,685
Income tax expense	10	<b>(27,059)</b>	(23,622)
Profit for the period		<b>132,968</b>	116,063
Attributable to:			
Owners of the Company		<b>132,968</b>	116,063
Earnings per share – Basic	12	<b>31.75 HK Cents</b>	27.72 HK Cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 20th August 2011

	Six months ended 20th August	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the period	<u>132,968</u>	<u>116,063</u>
<b>Other comprehensive income (expense)</b>		
Fair value gain on available-for-sale investments	9,054	908
Exchange difference arising from translation of foreign operations	1,801	108
Net adjustment on cash flow hedges	<u>(151,117)</u>	<u>(2,694)</u>
Other comprehensive expense for the period	<u>(140,262)</u>	<u>(1,678)</u>
Total comprehensive (expense) income for the period	<u>(7,294)</u>	<u>114,385</u>
Total comprehensive (expense) income attributable to: Owners of the Company	<u>(7,294)</u>	<u>114,385</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2011

	<i>Notes</i>	20th August 2011 (Unaudited) HK\$'000	20th February 2011 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	85,228	82,383
Investments in associates		24,231	25,941
Available-for-sale investments	14	96,210	87,156
Advances and receivables	15	1,229,091	1,196,394
Prepayments, deposits and other debtors	18	49,515	39,400
Derivative financial instruments	22	–	380
Deferred tax assets	19	–	850
Restricted deposits		68,000	68,000
		<u>1,552,275</u>	<u>1,500,504</u>
<b>Current assets</b>			
Advances and receivables	15	3,490,219	3,525,524
Prepayments, deposits and other debtors	18	26,124	21,276
Derivative financial instruments	22	261,573	186,672
Restricted deposits		174,322	34,149
Time deposits		214,521	201,967
Fiduciary bank balances		3,434	2,596
Bank balances and cash		118,073	61,311
		<u>4,288,266</u>	<u>4,033,495</u>
<b>Current liabilities</b>			
Creditors and accruals	20	153,589	147,879
Amounts due to fellow subsidiaries		34,490	36,087
Amount due to ultimate holding company		63	45
Amount due to an associate		1,638	397
Bank borrowings	21	1,229,710	1,098,120
Bank overdrafts		1,374	2,614
Collateralised debt obligation	23	1,097,482	–
Derivative financial instruments	22	2,976	5,633
Tax liabilities		31,164	17,200
		<u>2,552,486</u>	<u>1,307,975</u>
<b>Net current assets</b>		<u>1,735,780</u>	<u>2,725,520</u>
<b>Total assets less current liabilities</b>		<u>3,288,055</u>	<u>4,226,024</u>
<b>Capital and reserves</b>			
Issued capital		41,877	41,877
Share premium and reserves		1,916,221	1,990,518
<b>Total equity</b>		<u>1,958,098</u>	<u>2,032,395</u>
<b>Non-current liabilities</b>			
Collateralised debt obligation	23	–	1,098,963
Bank borrowings	21	1,130,000	1,060,000
Derivative financial instruments	22	198,657	34,666
Deferred tax liabilities	19	1,300	–
		<u>1,329,957</u>	<u>2,193,629</u>
		<u>3,288,055</u>	<u>4,226,024</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 20th August 2011*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 21st February 2010 (Audited)	41,877	227,330	270	19,745	(77,670)	6,803	1,660,681	1,879,036
Profit for the period	-	-	-	-	-	-	116,063	116,063
Fair value gain on available-for-sale investments	-	-	-	908	-	-	-	908
Exchange difference arising from translation of foreign operations	-	-	-	-	-	108	-	108
Net adjustment on cash flow hedges	-	-	-	-	(2,694)	-	-	(2,694)
Total comprehensive income (expense) for the period	-	-	-	908	(2,694)	108	116,063	114,385
Final dividend paid for 2009/10	-	-	-	-	-	-	(67,003)	(67,003)
Balance at 20th August 2010 (Unaudited)	41,877	227,330	270	20,653	(80,364)	6,911	1,709,741	1,926,418
<b>Balance at 21st February 2011 (Audited)</b>	<b>41,877</b>	<b>227,330</b>	<b>270</b>	<b>26,703</b>	<b>(50,513)</b>	<b>7,870</b>	<b>1,778,858</b>	<b>2,032,395</b>
Profit for the period	-	-	-	-	-	-	132,968	132,968
Fair value gain on available-for-sale investments	-	-	-	9,054	-	-	-	9,054
Exchange difference arising from translation of foreign operations	-	-	-	-	-	1,801	-	1,801
Net adjustment on cash flow hedges	-	-	-	-	(151,117)	-	-	(151,117)
Total comprehensive income (expense) for the period	-	-	-	9,054	(151,117)	1,801	132,968	(7,294)
Final dividend paid for 2010/11	-	-	-	-	-	-	(67,003)	(67,003)
Balance at 20th August 2011 (Unaudited)	41,877	227,330	270	35,757	(201,630)	9,671	1,844,823	1,958,098

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 20th August 2011*

	<b>Six months ended 20th August</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash from operating activities</b>	<b>162,916</b>	<b>129,947</b>
Dividends received	1,191	893
Purchase of property, plant and equipment	(7,881)	(5,425)
Deposits paid for acquisition of property, plant and equipment	(18,006)	(11,851)
<b>Net cash used in investing activities</b>	<b>(24,696)</b>	<b>(16,383)</b>
Placement of restricted deposits	(1,220,151)	(480,724)
Withdrawal of restricted deposits	1,079,978	455,644
Dividends paid	(67,003)	(67,003)
New bank loans raised	8,747,100	6,357,000
Repayment of bank loans	(8,608,600)	(6,415,000)
<b>Net cash used in financing activities</b>	<b>(68,676)</b>	<b>(150,083)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>69,544</b>	<b>(36,519)</b>
<b>Cash and cash equivalents at 21st February</b>	<b>260,664</b>	<b>340,062</b>
<b>Effect of changes in exchange rate</b>	<b>1,012</b>	<b>–</b>
<b>Cash and cash equivalents at 20th August</b>	<b>331,220</b>	<b>303,543</b>
Being:		
Time deposits	214,521	239,601
Bank balances and cash	118,073	66,163
Bank overdrafts	(1,374)	(2,221)
	<b>331,220</b>	<b>303,543</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 20th August 2011

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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”) and with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting.

### 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 20th February 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised 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.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 20th February 2011 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1st July 2012

HKFRS 10 “Consolidated Financial Statements” replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. At the date of this report, the Directors are in the process of assessing the potential financial impact.

The Directors anticipate that the application of other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

### 3. REVENUE

	<b>Six months ended 20th August</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	504,516	498,542
Fees and commissions	26,125	23,545
Handling and late charges	25,829	28,811
	<u>556,470</u>	<u>550,898</u>

### 4. SEGMENT INFORMATION

#### Services from which operating and reportable segments derive their revenues

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

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

#### Segment revenue and results

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

#### For the six months ended 20th August 2011 (Unaudited)

	Credit card HK\$'000	Instalment loan HK\$'000	Hire purchase HK\$'000	Insurance HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>	<u>370,687</u>	<u>170,367</u>	<u>1,545</u>	<u>13,871</u>	<u>556,470</u>
<b>RESULT</b>					
Segment results	<u>110,184</u>	<u>53,191</u>	<u>168</u>	<u>6,388</u>	169,931
Unallocated operating income					2,335
Unallocated expenses					(9,740)
Share of results of associates					<u>(2,499)</u>
Profit before tax					160,027
Income tax expense					<u>(27,059)</u>
Profit for the period					<u>132,968</u>

For the six months ended 20th August 2010 (Unaudited)

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>368,786</u>	<u>166,978</u>	<u>2,781</u>	<u>12,353</u>	<u>550,898</u>
RESULT					
Segment results	<u>110,571</u>	<u>34,051</u>	<u>1</u>	<u>5,167</u>	149,790
Unallocated operating income					1,767
Unallocated expenses					(8,468)
Share of results of associates					<u>(3,404)</u>
Profit before tax					139,685
Income tax expense					<u>(23,622)</u>
Profit for the period					<u>116,063</u>

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

#### 5. INTEREST INCOME

	Six months ended 20th August	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Time deposits and bank balances	96	106
Advances and receivables	502,549	496,874
Impaired advances and receivables	<u>1,871</u>	<u>1,562</u>
	<u>504,516</u>	<u>498,542</u>

#### 6. INTEREST EXPENSE

	Six months ended 20th August	
	2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Interest on bank borrowings and overdrafts wholly repayable within five years	10,615	13,838
Interest on bank borrowings and overdrafts wholly repayable after five years	263	–
Interest on collateralised debt obligation wholly repayable within five years	25,032	24,961
Net interest expense on interest rate swap contracts	<u>25,288</u>	<u>27,949</u>
	<u>61,198</u>	<u>66,748</u>



## 7. OTHER OPERATING INCOME

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends received on available-for-sale investments		
Listed equity securities	1,078	788
Unlisted equity securities	113	105
Fees and commissions		
Credit card	12,254	11,192
Insurance	13,871	12,353
Handling and late charges	25,829	28,811
Others	1,215	1,282
	<u>54,360</u>	<u>54,531</u>

## 8. OTHER GAINS AND LOSSES

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	63,090	47,300
Exchange losses on bank loans	(63,090)	(47,300)
Hedge ineffectiveness on cash flow hedges	(250)	(240)
Losses on disposal of property, plant and equipment	–	(57)
	<u>(250)</u>	<u>(297)</u>

## 9. OPERATING EXPENSES

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	17,037	18,026
General administrative expenses	59,098	58,249
Marketing and promotion expenses	19,750	21,202
Operating lease rentals in respect of rented premises, advertising space and equipment	27,739	27,733
Other operating expenses	19,939	18,974
Staff costs including Directors' emoluments	52,086	50,380
	<u>195,649</u>	<u>194,564</u>

## 10. INCOME TAX EXPENSE

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
Current tax		
– Current period	24,909	24,522
Deferred tax (note 19)		
– Current period	2,150	(900)
	<u>27,059</u>	<u>23,622</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 20th August 2010: 16.5%) of the estimated assessable profit for the period.

## 11. DIVIDEND

On 30th June 2011, a dividend of **16.0 HK cents** (2010: 16.0 HK cents) per share amounting to a total of **HK\$67,003,000** (2010: HK\$67,003,000) was paid to shareholders as the final dividend for 2010/11.

In respect of the current interim period, the Directors have declared an interim dividend of **16.0 HK cents** per share amounting to **HK\$67,002,000** payable to the shareholders of the Company whose names appear on the Register of Members on 13th October 2011. The interim dividend will be paid on or before 19th October 2011. 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\$132,968,000** (six months ended 20th August 2010: HK\$116,063,000) and on the number of shares of **418,766,000** (six months ended 20th August 2010: 418,766,000) in issue during the period.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately **HK\$19,883,000** (six months ended 20th August 2010: \$9,540,000) on computer equipment and leasehold improvements.

## 14. AVAILABLE-FOR-SALE INVESTMENTS

	20th August	20th February
	2011	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Listed equity securities, at fair value		
Hong Kong	31,968	27,883
Overseas	22,171	17,202
	<u>54,139</u>	<u>45,085</u>
Unlisted equity securities, at cost less impairment	42,071	42,071
	<u>96,210</u>	<u>87,156</u>

## 15. ADVANCES AND RECEIVABLES

	<b>20th August 2011 (Unaudited) HK\$'000</b>	20th February 2011 (Audited) HK\$'000
Credit card receivables	3,064,541	3,112,312
Instalment loans receivable	1,632,028	1,567,169
Hire purchase debtors	28,877	43,084
	<u>4,725,446</u>	<u>4,722,565</u>
Accrued interest and other receivables	127,642	133,626
Gross advances and receivables	4,853,088	4,856,191
Impairment allowances ( <i>note 16</i> )		
– individually assessed	(65,420)	(54,974)
– collectively assessed	(68,358)	(79,299)
	<u>(133,778)</u>	<u>(134,273)</u>
Current portion included under current assets	4,719,310 (3,490,219)	4,721,918 (3,525,524)
Amount due after one year	<u>1,229,091</u>	<u>1,196,394</u>

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK\$81,809,000** (20th February 2011: HK\$78,587,000) and **HK\$38,723,000** (20th February 2011: HK\$15,053,000) respectively. The Group holds collateral over these balances. Other advances and receivables are unsecured.

## 16. IMPAIRMENT ALLOWANCES

	<b>20th August 2011 (Unaudited) HK\$'000</b>	20th February 2011 (Audited) HK\$'000
Analysis by products as:		
– Credit card receivables	59,650	64,825
– Instalment loans receivable	64,649	57,308
– Hire purchase debtors	719	823
– Accrued interest and other receivables	8,760	11,317
	<u>133,778</u>	<u>134,273</u>

	Individual assessment <i>HK\$'000</i>	Collective assessment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21st February 2011	54,974	79,299	134,273
Impairment losses and impairment allowances	170,655	(10,941)	159,714
Amounts written-off as uncollectable	(160,209)	–	(160,209)
	<u>65,420</u>	<u>68,358</u>	<u>133,778</u>
At 20th August 2011	<u>65,420</u>	<u>68,358</u>	<u>133,778</u>
	Individual assessment <i>HK\$'000</i>	Collective assessment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21st February 2010	60,290	77,667	137,957
Impairment losses and impairment allowances	172,932	(2,615)	170,317
Amounts written-off as uncollectable	(175,297)	–	(175,297)
	<u>57,925</u>	<u>75,052</u>	<u>132,977</u>
At 20th August 2010	<u>57,925</u>	<u>75,052</u>	<u>132,977</u>

## 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:

	20th August 2011 (Unaudited)		20th February 2011 (Audited)	
	<i>HK\$'000</i>	%*	<i>HK\$'000</i>	%*
Overdue 1 month but less than 2 months	105,657	2.2	137,153	2.8
Overdue 2 months but less than 3 months	26,591	0.5	32,508	0.7
Overdue 3 months but less than 4 months	19,727	0.4	18,234	0.4
Overdue 4 months or above	64,369	1.3	55,131	1.1
	<u>216,344</u>	<u>4.4</u>	<u>243,026</u>	<u>5.0</u>

\* Percentage of gross advances and receivables

## 18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	20th August 2011 (Unaudited) <i>HK\$'000</i>	20th February 2011 (Audited) <i>HK\$'000</i>
Prepaid cost for property, plant and equipment	40,052	34,048
Rental deposits	16,458	13,224
Prepaid operating expenses	12,579	8,298
Other debtors	6,550	5,106
	<u>75,639</u>	<u>60,676</u>
Current portion included under current assets	(26,124)	(21,276)
	<u>49,515</u>	<u>39,400</u>
Amount due after one year	<u>49,515</u>	<u>39,400</u>

## 19. DEFERRED TAX (LIABILITIES) ASSETS

The followings are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during each of the two periods ended 20th August 2011 and 2010:

	<b>Accelerated tax depreciation <i>HK\$'000</i></b>	<b>Impairment allowances <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
At 21st February 2011	(12,300)	13,150	850
Charge to profit or loss for the period	<u>(300)</u>	<u>(1,850)</u>	<u>(2,150)</u>
At 20th August 2011	<u><b>(12,600)</b></u>	<u><b>11,300</b></u>	<u><b>(1,300)</b></u>
	<i>Accelerated tax depreciation <i>HK\$'000</i></i>	<i>Impairment allowances <i>HK\$'000</i></i>	<i>Total <i>HK\$'000</i></i>
At 21st February 2010	(12,600)	12,900	300
Credit (charge) to profit or loss for the period	<u>1,400</u>	<u>(500)</u>	<u>900</u>
At 20th August 2010	<u><b>(11,200)</b></u>	<u><b>12,400</b></u>	<u><b>1,200</b></u>

## 20. CREDITORS AND ACCRUALS

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

	<b>20th August 2011 (Unaudited) <i>HK\$'000</i></b>	20th February 2011 (Audited) <i>HK\$'000</i>
Current	<b>54,923</b>	54,840
Over 1 month but less than 3 months	<b>3,352</b>	1,944
Over 3 months	<u><b>5,840</b></u>	<u>2,807</u>
	<u><b>64,115</b></u>	<u>59,591</u>

Included in creditors and accruals is deferred revenue in relation to customer loyalty programmes of **HK\$6,867,000** (20th February 2011: HK\$5,141,000).

## 21. BANK BORROWINGS

	<b>20th August 2011 (Unaudited) HK\$'000</b>	20th February 2011 (Audited) HK\$'000
Bank loans, unsecured	<b>2,359,710</b>	2,158,120
Carrying amount repayable ( <i>Note</i> )		
Within one year	<b>1,154,710</b>	993,120
Between one and two years	<b>145,000</b>	170,000
Between two and five years	<b>835,000</b>	800,000
Over five years	<b>150,000</b>	90,000
	<b>2,284,710</b>	2,053,120
Carrying amount of unsecured bank loans that contain a repayment on demand clause – repayable within one year	<b>75,000</b>	105,000
	<b>2,359,710</b>	2,158,120
Amount repayable within one year included under current liabilities	<b>(1,229,710)</b>	(1,098,120)
Amount repayable after one year	<b>1,130,000</b>	1,060,000

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

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>20th August 2011 (Unaudited)</b>		20th February 2011 (Audited)	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	–	<b>169,282</b>	380	40,255
Cross-currency interest rate swaps	<b>261,573</b>	<b>32,351</b>	186,672	44
	<b>261,573</b>	<b>201,633</b>	187,052	40,299
Current portion	<b>(261,573)</b>	<b>(2,976)</b>	(186,672)	(5,633)
Non-current portion	–	<b>198,657</b>	380	34,666

All derivative financial instruments entered by the Group that remain outstanding at 20th August 2011 and 20th February 2011 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 committed borrowing facilities, the designated hedged items.

## 23. COLLATERALISED DEBT OBLIGATION

- (a) The Company entered into a HK\$1,100,000,000 collateralised debt obligation financing transaction (the “Transaction”). Pursuant to this Transaction, the Company 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 Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HK(SIC) – Int 12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its condensed consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under this Transaction have not been derecognised and remained in the Group’s condensed consolidated financial statements.
- (b) The collateralised debt obligation is backed by the credit card receivables transferred (see notes 15 and 24) and with the carrying amount denominated in HKD. The revolving period of the Transaction will end in February 2012. The monthly interest of the collateralised debt obligation is fixed at 4.5% per annum during the revolving period, thus exposing the Group to fair value interest rate risk. The effective interest rate is 4.5% (six months ended 20th August 2010: 4.5%) per annum during the period.
- (c) On 29th March 2011, the Company entered into a new collateralised debt obligation financing transaction for a HK\$1,100,000,000 financing facility (the “New Transaction”). The New Transaction consists of two Tranches – Tranche A and Tranche B. The transaction amount under each Tranche is HK\$550,000,000 each. The New Transaction will be drawn down on 6th February 2012, with revolving periods for Tranche A and Tranche B ending on 20th January 2016 and 20th January 2017 respectively. Two corresponding interest rate swaps with notional amount of HK\$550,000,000 each were entered for swapping floating-rate borrowings from floating rates to fixed rates.

## 24. PLEDGE OF ASSETS

At 20th August 2011, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,743,946,000** and **HK\$242,322,000** respectively (20th February 2011: HK\$1,873,521,000 and HK\$102,149,000).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10th October 2011 to 13th October 2011, 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 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 7th October 2011.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 20th August 2011, except for the deviations from code provisions A.4.1, A.4.2 and E.1.2 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 Company's Articles of Association. As such, the Board of Directors of the Company ("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.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 17th June 2011 as he was overseas.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code. 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**

During the period under review, despite the post-earthquake impact from Japan, the euro-area debt crisis and US economic slowdown, Hong Kong's economy still experienced a steady recovery with unemployment rate continued to improve further. Meanwhile, private consumption expenditure showed encouraging signs of improvement, with support coming from the Hong Kong Government's relief measures. However, Hong Kong is facing inflationary pressure, especially on rentals. Under these circumstances, the consumers generally will take a cautious approach in their spending and borrowing activities. With a continued low funding environment, the overall operating environment for consumer finance business in Hong Kong remains challenging. Participants have to strive for innovative products and service quality to attract new customers and at the same time monitor their credit quality. Following the pick up in card credit purchase sales and instalment loan sales, together with the exercise of stringent control expenses, the Group has recorded a continued recovery in its core business performance.

For the six months ended 20th August 2011, the Group recorded a profit attributable to owners of HK\$133.0 million, representing an increase of 14.6% or HK\$16.9 million when compared to HK\$116.1 million in the previous corresponding period. The Group's earnings per share changed from 27.72 HK cents per share in 2010/11 to 31.75 HK cents per share.

A series of new marketing programmes had been launched directing towards card acquisition and card activation. The "AEON Happy Family Day" at Ocean Park promotion and Watami summer set menu promotion had received overwhelming response in the market. As a result, the Group recorded an overall increase in card credit purchase sales when compared with last year.

Following the change in interest rate mix for loan products, interest income recorded an increase of 1.2% from HK\$498.5 million in 2010/11 to HK\$504.5 million. With the continuous renew of long-term bank borrowings with lower funding cost, interest expense in the first half was HK\$61.2 million, a further decrease of HK\$5.6 million when compared with HK\$66.8 million in the previous year, with average funding cost being 3.7% in the first half of this year, as compared with 4.0% in the previous year. Net interest income of the Group recorded an increase of 2.7% to HK\$443.3 million from HK\$431.8 million in 2010/11. The drop in handling and late charges had resulted in a slight decrease in other operating income by HK\$0.1 million from HK\$54.5 million in 2010/11 to HK\$54.4 million for the first six months in 2011/12.



Following the recruit of more staff for its insurance and China business and the launch of different marketing programmes, the Group had spent more on both staff costs and card and loan processing expenses. At the same time, the Group continued to exercise tight control on other operating expenses, resulting in a slight increase in operating expenses of 0.6% from HK\$194.6 million in 2010/11 to HK\$195.6 million for the first six months in 2011/12. The Group's cost-to-income ratio was 39.3% in the first half of this year.

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$301.8 million for the six months ended 20th August 2011, representing an increase of 3.5% from HK\$291.5 million in the previous corresponding period. During the period under review, the Group lent conservatively and strived to continually maintain its asset quality. With prompt collection actions and exercise of cautious approval process, there were continued improvements in the collection ratios and written-off amount when compared with last year. Impairment losses and impairment allowances for the first half decreased by 6.2% or HK\$10.6 million from HK\$170.3 million in 2010/11 to HK\$159.7 million. Recoveries of advances and receivables written-off was HK\$20.5 million, a decrease of 6.4% or HK\$1.4 million when compared with HK\$21.9 million in 2010/11.

Despite the keen competition and customers' cautious approach to spending, the Group still recorded an increase in gross advances of 0.1% during the period, mainly in instalment loans receivables. Gross advances at 20th August 2011 were HK\$4,725.4 million, as compared to HK\$4,722.6 million at 20th February 2011. Impairment allowances amounted to HK\$133.8 million at 20th August 2011, as compared with HK\$134.3 million at 20th February 2011. Total equity at 20th August 2011 was HK\$1,958.1 million, as compared with HK\$2,032.4 million at 20th February 2011, mainly due to the drop in hedging reserve from the revaluation of derivative financial instruments for committed borrowing facilities. Net asset value per share (after interim dividend) was HK\$4.5 as at 20th August 2011, as compared with the net asset value per share of HK\$4.7 as at 20th February 2011.

## **Segment Information**

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, hire purchase and insurance. In the first half of 2011/12, credit card operation accounted for 66.6% of the Group's revenue, as compared to 66.9% in 2010/11. For segment result, credit card operation accounted for 64.8% of the Group's whole operations in 2011/12, as compared to 73.8% in 2010/11.

The increase in card credit purchase sales has resulted in an increase in card credit purchase interest income. The drop in card cash advance sales was compensated by the increase in interest rates on card cash advance instalment plans. Overall, interest income on credit card operation recorded an increase when compared with last year. Even though there was a decrease in late and handling charges, revenue from credit card operation still recorded an increase of 0.5% or 1.9 million from HK\$368.8 million in 2010/11 to HK\$370.7 million in 2011/12. Although the economic environment is still unstable, by exercising a cautious credit assessment, impairment losses and allowances increased moderately. With a drop in interest expense, the segment result for the period from credit card operation recorded a slight drop of HK\$0.4 million from HK\$110.6 million in 2010/11 to HK\$110.2 million in 2011/12.

To attract new instalment loan customers, the Group offered competitive interest rates with reference to customer background. This successfully pushed up the instalment loan sales and interest income recorded an increase when compared with last year. Even though there was a decrease in late charges, revenue from instalment loan operation recorded an increase of 2.0% or 3.4 million from HK\$167.0 million in 2010/11 to HK\$170.4 million in 2011/12. With prompt collection actions and exercise of cautious approval process, there was noticeable decrease in the impairment losses and impairment allowances. As a result, the segment result for the period from instalment loan operation recorded an increase of 56.2% from HK\$34.1 million in 2010/11 to HK\$53.2 million in 2011/12.

With a continuous shift of usage to card instalment plan, revenue for hire purchase operation recorded a decrease of HK\$1.3 million, from HK\$2.8 million in 2010/11 to HK\$1.5 million in 2011/12. Nevertheless, there is a noticeable decrease in operating expenses and impairment losses and impairment allowances. Segment result for the period from hire purchase operation recorded an increase from HK\$0.001 million in 2010/11 to HK\$0.2 million in 2011/12.

Revenue for insurance operation recorded an increase of HK\$1.5 million from HK\$12.4 million in 2010/11 to HK\$13.9 million in 2011/12. With the exercise of tight control on the operating expenses, segment result for the period from insurance operation increased from HK\$5.2 million in 2010/11 to HK\$6.4 million in 2011/12.

## **Business Review**

The Group had launched a series of marketing activities in the first half to enhance the competitiveness of its card business, which included the “AEON Max Valu Prime” new store opening promotion, AEON Happy Family Day at Ocean Park, Watami Japanese movie ticket and summer set menu promotion. In addition, the Group had designed tailor-made card acquisition programmes with its co-branding partners to increase card base and card usage. To extend the product lines, the Group launched supplementary card and co-brand corporate card for partner’s merchants. This not only had diversified our market segment but also increased the card usage. To maintain the credit quality, new members were mainly recruited through affinity member-stores. To widen the service coverage, the Group opened a new branch in Central and extended the instant credit card service to 6 branches. For web services, internet corners have been set up in 7 branches to facilitate net-member registration and also enable customers to use net-member services such as e-statement, bill payment, on-line shopping and card application.

During the period under review, AEON Insurance Brokers (HK) Limited (“AEON Brokers”) continued to expand the customer base by introducing company insurance to business partners and corporate clients, and promoting life protection and savings insurance to individual customers by its insurance consultants. Besides using web and insurance consultants, AEON Brokers also organised various seminars to promote insurance products on life, general and MPF scheme.

Moving on to China business, AEON Information Service (Shenzhen) Co., Ltd (“AIS”), an associate, has been acting as processing agent for China AEON Card operation in different provinces, including Guangdong, Beijing and Shandong. At the same time, AIS continued to expand its collection services to new corporate clients in China in the fields of auto, finance and insurance. Furthermore, the Company has set up a wholly-owned subsidiary in Shenyang City to engage in micro-finance business. The experience and operation knowledge gained from the AEON Card operation will provide the Group with a strong driving force to capture the growth potential in the China consumer finance market.

## **Prospects**

The economic outlook for the rest of the year is still subject to various uncertainties, mainly arising from the weak fundamentals of the advanced economies. The relatively stronger growth sustained by the Mainland and Asian economies will continue to benefit Hong Kong. But the relatively fragile economic recovery of the US and Europe will curtail the sustained recovery of the global economy. Looking ahead, the expansion of domestic demand, coupled with the growth of inbound tourism and financial services, is likely to become a driver of economic growth in Hong Kong. On the other hand, the soft US dollar and increase in global food and commodity prices will put more inflationary pressure on Hong Kong. In light of the prevailing low interest rate situation, the operating environment for consumer finance will be challenging for the rest of the year. Since the asset markets will be quite volatile in the second half, demand for consumer finance is expected to increase with possible deterioration in asset quality.

Under this operating environment, the Group will adopt a conservative approach to recruit new members and generate new sales. New co-brand cards will be launched in the market to tap new market segments and to widen its merchant network. As the Group has been taking prudent approach to extend credit, its asset quality remains fundamentally sound. The Group will focus on expanding its credit card business through its enlarged merchant network, innovative product development and aggressive marketing strategies, while minimizing its credit risks and implementing appropriate cost savings measures. At the same time, the Group will actively strengthen its brand image in the market by providing high quality service to our customers and exercising corporate social responsibilities.

Since AEON JUSCO Card is always the core card for card member growth and usage stimulation, the Group will increase its convenience and strengthen its benefits by offering on-line payment gateway and organising mass promotions jointly with AEON Stores (Hong Kong) Co., Limited. Moreover, new marketing initiatives will be launched directing towards card activation through the offering of appealing cardholder privileges and member benefits. The collaboration with different merchants in promoting recurrent transactions through credit cards has successfully improved the active ratio. The Group will continue to utilise its on-line marketing channels to promote this service to its net members.

To ride on the existing operating platform, the Group will continue to explore other fee-based income business opportunities in the areas of insurance, travel and collection services. Moreover, the Group will extend its loan products to satisfy customers' different requirements such as bridal loan. By using its vast customer and merchant base, the Group will enrich its web contents, including on-line application and shopping service, financial service and payment gateway to generate more fee income through the web business. For China business, riding on the experience and operation knowledge gained from China AEON Card operation, besides Shenyang, the Group will expand its micro-finance business to other provinces to tap into the huge and fast growing consumer finance market in China.

## **FUNDING AND CAPITAL MANAGEMENT**

The Group manages its capital to ensure that:

- the Group will be able to continue as a going concern;
- Maximise the return to shareholders through the optimisation of the debt and equity balance and by pricing products commensurately with the level of risk; and
- Funds are available at competitive costs to meet all contractual financial commitments, to fund debtor balance growth and to generate reasonable funds from available funds.

The capital structure of the Group consists of debt (which includes bank borrowings and collateralised debt obligation), net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and accumulated profits.

### **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 Group has a target net debt to equity ratio of 1.5 to 2.0 determined as the proportion of net debt to equity.

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

	<b>20th August 2011 (Unaudited) HK\$'000</b>	20th February 2011 (Audited) HK\$'000
Debt ( <i>note a</i> )	<b>3,457,192</b>	3,257,083
Cash and cash equivalents	<b>(331,220)</b>	(260,664)
Net debt	<b>3,125,972</b>	2,996,419
Equity ( <i>note b</i> )	<b>1,958,098</b>	2,032,395
Net debt to equity ratio	<b>1.6</b>	1.5

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 21 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 20th August 2011, 36.1% of its funding was derived from total equity, 20.3% from structured finance and 43.6% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th August 2011, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$2,359.7 million, with 13.6% being fixed in interest rates and 86.4% being converted from floating interest rates to fixed interest rates using interest rate swaps.

The syndicated term loan of JPY7.5 billion was fully repaid on 20th September 2011. On the same date, a new syndicated term loan of USD50.0 million with five years' tenor was drawn down. As the revolving period of the existing HK\$1,100,000,000 collateralized debt obligation will end in February 2012, the Company entered into the New Transaction in March 2011 for the same amount, with revolving periods ending in January 2016 and 2017 for Tranche A and Tranche B respectively. Taking into account the above committed borrowings, the average duration of indebtedness is around 3.3 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of JPY7.5 billion and a term loan of USD10.0 million which were hedged by cross-currency interest rate swaps.

The net asset of the Group at 20th August 2011 was HK\$1,958.1 million, as compared with HK\$2,032.4 million at 20th February 2011. 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 20th August 2011, capital commitments entered were mainly related to the purchase of property, plant and equipment.

## **HUMAN RESOURCES**

The total number of staff at 20th August 2011 and 20th February 2011 was 390 and 355 respectively. The Company continues to recognize and reward its staff similar to that disclosed in the Company's 2010/11 Annual Report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period, there was no purchase, sale or redemption by the Company of its listed securities.

## **INTERIM FINANCIAL INFORMATION**

The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 20th August 2011. The Group's interim report for the six months ended 20th August 2011 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 Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose unmodified review report is included in the interim report to be sent to shareholders.

## **PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE**

The 2011/12 interim report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of the Stock Exchange and the Company in due course.

## **BOARD OF DIRECTORS**

At the date of this announcement, the Executive Directors are Mr. Fung Kam Shing, Barry (Managing Director), Mr. Lai Yuk Kwong, Mr. Tomoyuki Kawahara, Ms. Koh Yik Kung, Mr. Toshiya Shimakata and Ms. Chan Fung Kuen, Dorothy; the Non-executive Directors are Mr. Masao Mizuno (Chairman) and Mr. Masanori Kosaka; and the Independent Non-executive Directors are Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun.

By order of the Board  
**FUNG KAM SHING, BARRY**  
*Managing Director*

Hong Kong, 22nd September 2011