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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 900)**

**UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 20TH MAY 2012**

The Directors of AEON Credit Service (Asia) Company Limited (the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 20th May 2012, together with comparative figures of the previous period as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the three months ended 20th May 2012*

		<b>Three months ended 20th May</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>279,550</b>	274,306
Interest income		<b>250,827</b>	248,311
Interest expense		<b>(24,627)</b>	(29,928)
Net interest income		<b>226,200</b>	218,383
Other operating income	3	<b>31,051</b>	27,463
Other gains and losses	4	<b>(965)</b>	(123)
Operating income		<b>256,286</b>	245,723
Operating expenses	5	<b>(104,948)</b>	(97,555)
Operating profit before impairment allowances		<b>151,338</b>	148,168
Impairment losses and impairment allowances		<b>(75,376)</b>	(80,244)
Recoveries of advances and receivables written-off		<b>13,663</b>	10,408
Share of results of associates		<b>(1,161)</b>	(1,197)
Profit before tax		<b>88,464</b>	77,135
Income tax expense		<b>(15,347)</b>	(12,875)
Profit for the period		<b>73,117</b>	64,260
Attributable to:			
Owners of the Company		<b>73,117</b>	64,260

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 20th May 2012

	Three months ended 20th May	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>73,117</u>	<u>64,260</u>
<b>Other comprehensive income (expense)</b>		
Fair value gain on available-for-sale investments	7,637	3,911
Exchange difference arising from translation of foreign operations	(78)	246
Net adjustment on cash flow hedges	<u>4,402</u>	<u>(66,139)</u>
Other comprehensive income (expense) for the period	<u>11,961</u>	<u>(61,982)</u>
Total comprehensive income for the period	<u>85,078</u>	<u>2,278</u>
Total comprehensive income attributable to: Owners of the Company	<u>85,078</u>	<u>2,278</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th May 2012

	<i>Notes</i>	20th May 2012 (Unaudited) <i>HK\$'000</i>	20th February 2012 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		87,902	91,816
Investments in associates		21,253	22,389
Available-for-sale investments		80,301	72,664
Advances and receivables	6	1,257,635	1,252,061
Prepayments, deposits and other debtors		51,868	46,771
Derivative financial instruments	10	3,663	2,773
Restricted deposits		68,000	68,000
		1,570,622	1,556,474
<b>Current assets</b>			
Advances and receivables	6	3,440,922	3,512,062
Prepayments, deposits and other debtors		29,302	54,690
Amount due from an associate		40	–
Restricted deposits		93,562	–
Time deposits		247,441	233,367
Fiduciary bank balances		3,297	2,246
Bank balances and cash		151,375	124,121
		3,965,939	3,926,486
<b>Current liabilities</b>			
Creditors and accruals		160,652	155,991
Amounts due to fellow subsidiaries		52,954	50,273
Amount due to immediate holding company		98	123
Amount due to ultimate holding company		51	51
Amounts due to associates		662	878
Bank borrowings	9	131,390	277,000
Bank overdrafts		6,194	3,215
Derivative financial instruments	10	614	1,478
Tax liabilities		16,282	14,141
		368,897	503,150
<b>Net current assets</b>		3,597,042	3,423,336
<b>Total assets less current liabilities</b>		5,167,664	4,979,810

		<b>20th May 2012 (Unaudited) HK\$'000</b>	20th February 2012 (Audited) HK\$'000
<b>Capital and reserves</b>			
Issued capital		41,877	41,877
Share premium and reserves		<u>2,092,806</u>	<u>2,007,728</u>
<b>Total equity</b>		<u>2,134,683</u>	<u>2,049,605</u>
<b>Non-current liabilities</b>			
Collateralised debt obligation		1,098,142	1,098,035
Bank borrowings	9	1,736,080	1,630,240
Derivative financial instruments	10	196,559	200,530
Deferred tax liabilities		<u>2,200</u>	<u>1,400</u>
		<u>3,032,981</u>	<u>2,930,205</u>
		<u>5,167,664</u>	<u>4,979,810</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the three months ended 20th May 2012*

	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>
At 21st February 2011 (Audited)	41,877	227,330	270	26,703	(50,513)	7,870	1,778,858	2,032,395
Profit for the period	-	-	-	-	-	-	64,260	64,260
Fair value gain on available-for-sale investments	-	-	-	3,911	-	-	-	3,911
Exchange difference arising from translation of foreign operations	-	-	-	-	-	246	-	246
Net adjustment on cash flow hedges	-	-	-	-	(66,139)	-	-	(66,139)
Total comprehensive income (expense) for the period	-	-	-	3,911	(66,139)	246	64,260	2,278
At 20th May 2011 (Unaudited)	41,877	227,330	270	30,614	(116,652)	8,116	1,843,118	2,034,673
At 21st February 2012 (Audited)	41,877	227,330	270	17,938	(194,305)	10,323	1,946,172	2,049,605
Profit for the period	-	-	-	-	-	-	73,117	73,117
Fair value gain on available-for-sale investments	-	-	-	7,637	-	-	-	7,637
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(78)	-	(78)
Net adjustment on cash flow hedges	-	-	-	-	4,402	-	-	4,402
Total comprehensive income (expense) for the period	-	-	-	7,637	4,402	(78)	73,117	85,078
At 20th May 2012 (Unaudited)	41,877	227,330	270	25,575	(189,903)	10,245	2,019,289	2,134,683

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 20th May 2012

	Three months ended 20th May	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Net cash from operating activities</b>	<b>149,543</b>	117,914
Dividends received	–	113
Proceeds from disposal of available-for-sale investment	<b>31,081</b>	–
Purchase of property, plant and equipment	<b>(3,309)</b>	(4,975)
Deposits paid for acquisition of property, plant and equipment	<b>(4,802)</b>	(9,493)
<b>Net cash from (used in) investing activities</b>	<b>22,970</b>	(14,355)
Placement of restricted deposits	<b>(436,880)</b>	(540,781)
Withdrawal of restricted deposits	<b>343,318</b>	442,569
New bank loans raised	<b>5,147,515</b>	3,479,600
Repayment of bank loans	<b>(5,188,000)</b>	(3,415,100)
<b>Net cash used in financing activities</b>	<b>(134,047)</b>	(33,712)
<b>Net increase in cash and cash equivalents</b>	<b>38,466</b>	69,847
<b>Effect of changes in exchange rate</b>	<b>(117)</b>	–
<b>Cash and cash equivalents at 21st February</b>	<b>354,273</b>	260,664
<b>Cash and cash equivalents at 20th May</b>	<b>392,622</b>	330,511
Being:		
Time deposits	<b>247,441</b>	207,405
Bank balances and cash	<b>151,375</b>	124,318
Bank overdrafts	<b>(6,194)</b>	(1,212)
	<b>392,622</b>	330,511

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 20th May 2012

### 1. BASIS OF PREPARATION

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 2012.

### 2. REVENUE

	Three months ended 20th May	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest income	250,827	248,311
Fees and commissions	17,300	13,079
Handling and late charges	11,423	12,916
	<u>279,550</u>	<u>274,306</u>

### 3. OTHER OPERATING INCOME

	Three months ended 20th May	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Dividends on available-for-sale investments		
Listed equity securities	638	1,050
Unlisted equity securities	–	113
Fees and commissions		
Credit card	8,129	6,467
Insurance	9,171	6,612
Handling and late charges	11,423	12,916
Others	1,690	305
	<u>31,051</u>	<u>27,463</u>

### 4. OTHER GAINS AND LOSSES

	Three months ended 20th May	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	840	11,870
Exchange losses on bank loans	(840)	(11,870)
Exchange (losses) gains, net	(912)	2
Hedge ineffectiveness on cash flow hedges	(53)	(125)
	<u>(965)</u>	<u>(123)</u>

## 5. OPERATING EXPENSES

	Three months ended 20th May	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Depreciation	8,757	8,588
General administrative expenses	28,683	29,300
Marketing and promotion expenses	12,691	10,521
Operating lease rentals in respect of rented premises, advertising space and equipment	12,752	13,974
Other operating expenses	11,499	9,503
Staff costs including Directors' emoluments	30,566	25,669
	<b>104,948</b>	<b>97,555</b>

## 6. ADVANCES AND RECEIVABLES

	20th May 2012 (Unaudited) HK\$'000	20th February 2012 (Audited) HK\$'000
	Credit card receivables	3,034,594
Instalment loans receivable	1,661,027	1,657,194
Hire purchase debtors	13,901	18,716
	<b>4,709,522</b>	<b>4,775,376</b>
Accrued interest and other receivables	<b>115,480</b>	<b>118,203</b>
Gross advances and receivables	<b>4,825,002</b>	<b>4,893,579</b>
Impairment allowances ( <i>note 7</i> )		
– individually assessed	(59,084)	(62,768)
– collectively assessed	(67,361)	(66,688)
	<b>(126,445)</b>	<b>(129,456)</b>
Current portion included under current assets	<b>4,698,557</b> <b>(3,440,922)</b>	<b>4,764,123</b> <b>(3,512,062)</b>
Amount due after one year	<b>1,257,635</b>	<b>1,252,061</b>



## 7. IMPAIRMENT ALLOWANCES

	<b>20th May 2012 (Unaudited) HK\$'000</b>	20th February 2012 (Audited) HK\$'000	
Analysis by products as:			
Credit card receivables	<b>61,515</b>	63,995	
Instalment loans receivable	<b>59,334</b>	59,460	
Hire purchase debtors	<b>395</b>	475	
Accrued interest and other receivables	<b>5,201</b>	5,526	
	<b>126,445</b>	129,456	
	<b>Individual assessment HK\$'000</b>	<b>Collective assessment HK\$'000</b>	<b>Total HK\$'000</b>
At 21st February 2012	<b>62,768</b>	<b>66,688</b>	<b>129,456</b>
Impairment losses and impairment allowances	<b>74,703</b>	<b>673</b>	<b>75,376</b>
Amounts written-off as uncollectable	<b>(78,387)</b>	<b>–</b>	<b>(78,387)</b>
At 20th May 2012	<b>59,084</b>	<b>67,361</b>	<b>126,445</b>
	<b>Individual assessment HK\$'000</b>	<b>Collective assessment HK\$'000</b>	<b>Total HK\$'000</b>
At 21st February 2011	54,974	79,299	134,273
Impairment losses and impairment allowances	88,365	(8,121)	80,244
Amounts written-off as uncollectable	(80,944)	–	(80,944)
At 20th May 2011	62,395	71,178	133,573

## 8. 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:

	<b>20th May 2012 (Unaudited) HK\$'000</b>	%*	20th February 2012 (Audited) HK\$'000	%*
Overdue 1 month but less than 2 months	<b>148,485</b>	<b>3.1</b>	126,028	2.6
Overdue 2 months but less than 3 months	<b>35,265</b>	<b>0.7</b>	23,845	0.5
Overdue 3 months but less than 4 months	<b>17,550</b>	<b>0.3</b>	13,987	0.3
Overdue 4 months or above	<b>61,447</b>	<b>1.3</b>	64,042	1.3
	<b>262,747</b>	<b>5.4</b>	227,902	4.7

\* Percentage of gross advances and receivables

## 9. BANK BORROWINGS

	<b>20th May 2012 (Unaudited) HK\$'000</b>	20th February 2012 (Audited) HK\$'000
Bank loans, unsecured	<b>1,867,470</b>	1,907,240
Carrying amount repayable ( <i>Note</i> )		
Within one year	<b>131,390</b>	277,000
Between one and two years	<b>532,680</b>	472,540
Between two and five years	<b>1,083,400</b>	1,037,700
Over five years	<b>120,000</b>	120,000
	<b>1,867,470</b>	1,907,240
Amount repayable within one year included under current liabilities	<b>(131,390)</b>	(277,000)
Amount repayable after one year	<b>1,736,080</b>	1,630,240

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

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>20th May 2012 (Unaudited)</b>		20th February 2012 (Audited)	
	<b>Assets HK\$'000</b>	<b>Liabilities HK\$'000</b>	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	–	<b>196,586</b>	–	169,697
Cross-currency interest rate swaps	<b>3,663</b>	<b>587</b>	2,773	32,311
	<b>3,663</b>	<b>197,173</b>	2,773	202,008
Current portion	–	<b>(614)</b>	–	(1,478)
Non-current portion	<b>3,663</b>	<b>196,559</b>	2,773	200,530

All derivative financial instruments entered by the Group that remain outstanding at 20th May 2012 and 20th February 2012 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.

### 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 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 swaps*

The Group uses cross-currency interest rate swaps designated as highly effective hedging instruments to minimise its exposures to foreign currency and cash flow interest rate risk of its floating-rate United States Dollars (“USD”) syndicated bank borrowing and USD bank borrowing to fixed-rate HKD bank borrowings. The cross-currency interest rate swaps and the corresponding bank borrowings have the same terms and the Directors consider that the cross-currency interest rate swaps are highly effective hedging instruments.

## **11. PLEDGE OF ASSETS**

At 20th May 2012, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,744,511,000** and **HK\$161,562,000** respectively (20th February 2012: HK\$1,825,513,000 and HK\$68,000,000).

## **FINANCIAL REVIEW**

1. Despite the keen competition and customers’ cautious approach to revolving transactions, the Group still recorded an increase in interest income of 1.0% in the first three months from HK\$248.3 million in 2011/12 to HK\$250.8 million.
2. With the new long-term indebtedness bearing lower funding cost, interest expense in the first three months was HK\$24.6 million, a decrease of 17.7% when compared with HK\$29.9 million in the previous corresponding period.
3. Net interest income of the Group recorded an increase of 3.6% to HK\$226.2 million in the first three months from HK\$218.4 million in 2011/12.
4. With the increase in number of staff for insurance, branch and new subsidiary in Shenyang, and the launch of different marketing programs, operating expenses recorded an increase of 7.6% from HK\$97.6 million in 2011/12 to HK\$104.9 million for the first three months in 2012/13.
5. At the operating level before impairment allowances, the Group recorded an operating profit of HK\$151.3 million for the three months ended 20th May 2012, representing an increase of 2.1% from HK\$148.2 million in the previous corresponding period.
6. With prompt collection actions and exercise of cautious approval process, impairment losses and impairment allowances for the first three months recorded a decrease of 6.1% from HK\$80.2 million in 2011/12 to HK\$75.4 million.
7. For the three months ended 20th May 2012, the Group recorded a net profit of HK\$73.1 million, representing an increase of 13.8% when compared with the previous corresponding period.

8. With the continuous impact of Euro debt crisis, customers still maintained cautious approach on revolving transactions. As a result, the Group recorded a decrease in gross advances of 1.4% during the period, mainly in credit card receivables. Gross advances at 20th May 2012 were HK\$4,709.5 million, as compared to HK\$4,775.4 million at 20th February 2012.
9. The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 20th May 2012, 41.9% of its funding was derived from total equity, 21.5% from structured finance and 36.6% from direct borrowings from financial institutions.
10. Including the collateralised debt obligation, 4.4% of these indebtedness will mature within one year, 18.0% between one and two years, 73.6% between two and five years and 4.0% over five years.

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

By order of the Board  
**Fung Kam Shing, Barry**  
*Managing Director*

Hong Kong, 15th June 2012

*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 and Ms. Chan Fung Kuen, Dorothy; the Non-executive Director is Mr. Masao Mizuno (Chairman); and the Independent Non-executive Directors are Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun.*