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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 900)**

**UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 20TH NOVEMBER 2012**

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

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the nine months ended 20th November 2012*

		<b>Nine months ended 20th November</b>	
		<b>2012</b>	<b>2011</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>835,741</b>	837,083
Interest income		<b>749,289</b>	759,042
Interest expense		<b>(76,517)</b>	(90,170)
Net interest income		<b>672,772</b>	668,872
Other operating income	3	<b>91,998</b>	84,326
Other gains and losses	4	<b>12,369</b>	(322)
Operating income		<b>777,139</b>	752,876
Operating expenses	5	<b>(327,069)</b>	(297,426)
Operating profit before impairment allowances		<b>450,070</b>	455,450
Impairment losses and impairment allowances		<b>(213,969)</b>	(239,044)
Recoveries of advances and receivables written-off		<b>38,309</b>	30,147
Share of results of associates		<b>(3,735)</b>	(3,754)
Profit before tax		<b>270,675</b>	242,799
Income tax expense		<b>(44,922)</b>	(41,144)
Profit for the period		<b>225,753</b>	201,655
Attributable to:			
Owners of the Company		<b>225,753</b>	201,655

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 20th November 2012

	Nine months ended 20th November	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>225,753</u>	<u>201,655</u>
<b>Other comprehensive income (expense)</b>		
Fair value (loss) gain on available-for-sale investments	(1,066)	9,491
Exchange difference arising from translation of foreign operations	1,921	2,157
Net adjustment on cash flow hedges	<u>6,500</u>	<u>(133,282)</u>
Other comprehensive income (expense) for the period	<u>7,355</u>	<u>(121,634)</u>
Total comprehensive income for the period	<u>233,108</u>	<u>80,021</u>
Total comprehensive income attributable to: Owners of the Company	<u>233,108</u>	<u>80,021</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th November 2012

	<i>Notes</i>	20th November 2012 (Unaudited) <i>HK\$'000</i>	20th February 2012 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		90,815	91,816
Investments in associates		18,907	22,389
Available-for-sale investments		42,533	72,664
Advances and receivables	6	1,309,190	1,252,061
Prepayments, deposits and other debtors		50,252	46,771
Derivative financial instrument	10	1,369	2,773
Restricted deposits		68,000	68,000
		1,581,066	1,556,474
<b>Current assets</b>			
Advances and receivables	6	3,439,055	3,512,062
Prepayments, deposits and other debtors		29,888	54,690
Amount due from immediate holding company		500	–
Amount due from an associate		551	–
Restricted deposits		219,817	–
Time deposits		213,977	233,367
Fiduciary bank balances		2,160	2,246
Bank balances and cash		162,991	124,121
		4,068,939	3,926,486
<b>Current liabilities</b>			
Creditors and accruals		159,290	155,991
Amounts due to fellow subsidiaries		50,960	50,273
Amount due to intermediate holding company		1,766	123
Amount due to ultimate holding company		71	51
Amounts due to associates		21	878
Bank borrowings	9	452,655	277,000
Bank overdrafts		2,646	3,215
Derivative financial instruments	10	8,116	1,478
Tax liabilities		43,595	14,141
		719,120	503,150
<b>Net current assets</b>		3,349,819	3,423,336
<b>Total assets less current liabilities</b>		4,930,885	4,979,810

		<b>20th November 2012 (Unaudited) HK\$'000</b>	20th February 2012 (Audited) HK\$'000
<b>Capital and reserves</b>			
Issued capital		<b>41,877</b>	41,877
Share premium and reserves		<b>2,094,268</b>	2,007,728
		<hr/>	<hr/>
<b>Total equity</b>		<b>2,136,145</b>	2,049,605
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Collateralised debt obligation		<b>1,098,355</b>	1,098,035
Bank borrowings	9	<b>1,505,120</b>	1,630,240
Derivative financial instruments	10	<b>188,665</b>	200,530
Deferred tax liabilities		<b>2,600</b>	1,400
		<hr/>	<hr/>
		<b>2,794,740</b>	2,930,205
		<hr/>	<hr/>
		<b>4,930,885</b>	4,979,810
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 20th November 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	-	-	-	-	-	-	201,655	201,655
Fair value gain on available-for-sale investments	-	-	-	9,491	-	-	-	9,491
Exchange difference arising from translation of foreign operations	-	-	-	-	-	2,157	-	2,157
Net adjustment on cash flow hedges	-	-	-	-	(133,282)	-	-	(133,282)
<b>Total comprehensive income (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,491</b>	<b>(133,282)</b>	<b>2,157</b>	<b>201,655</b>	<b>80,021</b>
Final dividend paid for 2010/11	-	-	-	-	-	-	(67,003)	(67,003)
Interim dividend paid for 2011/12	-	-	-	-	-	-	(67,002)	(67,002)
	-	-	-	9,491	(133,282)	2,157	67,650	(53,984)
At 20th November 2011 (Unaudited)	<b>41,877</b>	<b>227,330</b>	<b>270</b>	<b>36,194</b>	<b>(183,795)</b>	<b>10,027</b>	<b>1,846,508</b>	<b>1,978,411</b>
At 21st February 2012 (Audited)	<b>41,877</b>	<b>227,330</b>	<b>270</b>	<b>17,938</b>	<b>(194,305)</b>	<b>10,323</b>	<b>1,946,172</b>	<b>2,049,605</b>
Profit for the period	-	-	-	-	-	-	225,753	225,753
Fair value loss on available-for-sale investments	-	-	-	(1,066)	-	-	-	(1,066)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	1,921	-	1,921
Net adjustment on cash flow hedges	-	-	-	-	6,500	-	-	6,500
<b>Total comprehensive (expense) income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,066)</b>	<b>6,500</b>	<b>1,921</b>	<b>225,753</b>	<b>233,108</b>
Final dividend paid for 2011/12	-	-	-	-	-	-	(75,378)	(75,378)
Interim dividend paid for 2012/13	-	-	-	-	-	-	(71,190)	(71,190)
	-	-	-	(1,066)	6,500	1,921	79,185	86,540
At 20th November 2012 (Unaudited)	<b>41,877</b>	<b>227,330</b>	<b>270</b>	<b>16,872</b>	<b>(187,805)</b>	<b>12,244</b>	<b>2,025,357</b>	<b>2,136,145</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 20th November 2012

	Nine months ended 20th November	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Net cash from operating activities</b>	<b>285,433</b>	256,167
Dividends received	924	2,336
Proceeds from disposal of available-for-sale investments	74,247	–
Purchase of property, plant and equipment	(14,221)	(22,956)
Deposits paid for acquisition of property, plant and equipment	(12,264)	(13,532)
<b>Net cash from (used in) investing activities</b>	<b>48,686</b>	(34,152)
Placement of restricted deposits	(1,883,274)	(1,835,091)
Withdrawal of restricted deposits	1,663,457	1,751,972
Dividends paid	(146,568)	(134,005)
New bank loans raised	13,771,655	20,780,850
Repayment of bank loans	(13,721,000)	(20,621,278)
<b>Net cash used in financing activities</b>	<b>(315,730)</b>	(57,552)
<b>Net increase in cash and cash equivalents</b>	<b>18,389</b>	164,463
<b>Effect of changes in exchange rate</b>	<b>1,660</b>	1,236
<b>Cash and cash equivalents at 21st February</b>	<b>354,273</b>	260,664
<b>Cash and cash equivalents at 20th November</b>	<b>374,322</b>	426,363
Being:		
Time deposits	213,977	312,707
Bank balances and cash	162,991	117,624
Bank overdrafts	(2,646)	(3,968)
	<b>374,322</b>	426,363

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 20th November 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

	Nine months ended 20th November	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest income	749,289	759,042
Fees and commissions	50,846	40,572
Handling and late charges	35,606	37,469
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	835,741	837,083
	<hr/>	<hr/>

### 3. OTHER OPERATING INCOME

	Nine months ended 20th November	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	924	2,118
Unlisted equity securities	–	218
Fees and commissions		
Credit card	21,522	19,399
Insurance	29,324	21,173
Handling and late charges	35,606	37,469
Others	4,622	3,949
	<hr/>	<hr/>
	91,998	84,326
	<hr/>	<hr/>

#### 4. OTHER GAINS AND LOSSES

	Nine months ended 20th November	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange (losses) gains		
Exchange (losses) gains on hedging instruments released from cash flow hedge reserve	(120)	62,220
Exchange gains (losses) on bank loans	120	(62,220)
Exchange losses, net	(1,573)	–
Hedge ineffectiveness on cash flow hedges	(158)	(315)
Losses on disposal of property, plant and equipment	–	(7)
Gain on disposal of available-for-sale investments	14,100	–
	<u>12,369</u>	<u>(322)</u>

#### 5. OPERATING EXPENSES

	Nine months ended 20th November	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	26,673	25,363
General administrative expenses	91,876	89,017
Marketing and promotion expenses	39,089	28,261
Operating lease rentals in respect of rented premises, advertising space and equipment	40,890	43,098
Other operating expenses	37,365	32,747
Staff costs including Directors' emoluments	91,176	78,940
	<u>327,069</u>	<u>297,426</u>



## 6. ADVANCES AND RECEIVABLES

	<b>20th November 2012 (Unaudited) HK\$'000</b>	20th February 2012 (Audited) HK\$'000
Credit card receivables	<b>3,025,888</b>	3,099,466
Instalment loans receivable	<b>1,722,714</b>	1,657,194
Hire purchase debtors	<b>7,683</b>	18,716
	<b>4,756,285</b>	4,775,376
Accrued interest and other receivables	<b>115,292</b>	118,203
	<b>4,871,577</b>	4,893,579
Gross advances and receivables	<b>4,871,577</b>	4,893,579
Impairment allowances ( <i>note 7</i> )		
– individually assessed	<b>(59,704)</b>	(62,768)
– collectively assessed	<b>(63,628)</b>	(66,688)
	<b>(123,332)</b>	(129,456)
	<b>4,748,245</b>	4,764,123
Current portion included under current assets	<b>(3,439,055)</b>	(3,512,062)
	<b>1,309,190</b>	1,252,061

## 7. IMPAIRMENT ALLOWANCES

	<b>20th November 2012 (Unaudited) HK\$'000</b>	20th February 2012 (Audited) HK\$'000	
Analysis by products as:			
Credit card receivables	<b>55,212</b>	63,995	
Instalment loans receivable	<b>62,796</b>	59,460	
Hire purchase debtors	<b>285</b>	475	
Accrued interest and other receivables	<b>5,039</b>	5,526	
	<b>123,332</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>217,029</b>	<b>(3,060)</b>	<b>213,969</b>
Amounts written-off as uncollectable	<b>(220,093)</b>	<b>–</b>	<b>(220,093)</b>
	<b>59,704</b>	<b>63,628</b>	<b>123,332</b>
At 20th November 2012	<b>59,704</b>	<b>63,628</b>	<b>123,332</b>

	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
At 21st February 2011	54,974	79,299	134,273
Impairment losses and impairment allowances	255,019	(15,975)	239,044
Amounts written-off as uncollectable	(240,405)	–	(240,405)
	<u>69,588</u>	<u>63,324</u>	<u>132,912</u>
At 20th November 2011	<u>69,588</u>	<u>63,324</u>	<u>132,912</u>

## 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:

	20th November 2012 (Unaudited) HK\$'000		20th February 2012 (Audited) HK\$'000	
		%*		%*
Overdue 1 month but less than 2 months	122,625	2.5	126,028	2.6
Overdue 2 months but less than 3 months	38,030	0.8	23,845	0.5
Overdue 3 months but less than 4 months	14,436	0.3	13,987	0.3
Overdue 4 months or above	62,870	1.3	64,042	1.3
	<u>237,961</u>	<u>4.9</u>	<u>227,902</u>	<u>4.7</u>

\* Percentage of gross advances and receivables

## 9. BANK BORROWINGS

	20th November 2012 (Unaudited) HK\$'000	20th February 2012 (Audited) HK\$'000
Bank loans, unsecured	<u>1,957,775</u>	<u>1,907,240</u>
Carrying amount repayable ( <i>Note</i> )		
Within one year	452,655	277,000
Between one and two years	352,520	472,540
Between two and five years	1,107,600	1,037,700
Over five years	45,000	120,000
	<u>1,957,775</u>	<u>1,907,240</u>
Amount repayable within one year included under current liabilities	<u>(452,655)</u>	<u>(277,000)</u>
Amount repayable after one year	<u>1,505,120</u>	<u>1,630,240</u>

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

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

	20th November 2012 (Unaudited)		20th February 2012 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	\$HK'000	HK\$'000	HK\$'000
Interest rate swaps	–	162,774	–	169,697
Cross-currency interest rate swaps	1,369	34,007	2,773	32,311
	<u>1,369</u>	<u>196,781</u>	<u>2,773</u>	<u>202,008</u>
Current portion	–	(8,116)	–	(1,478)
Non-current portion	<u>1,369</u>	<u>188,665</u>	<u>2,773</u>	<u>200,530</u>

All derivative financial instruments entered by the Group that remain outstanding at 20th November 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 by swapping certain Hong Kong Dollar (“HKD”) floating-rate bank borrowings 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 bank borrowings 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 November 2012, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,641,699,000** and **HK\$287,817,000** respectively (20th February 2012: HK\$1,825,513,000 and HK\$68,000,000).

## FINANCIAL REVIEW

1. The unaudited consolidated results included the financial statements of the following subsidiaries
  - AEON Micro Finance (Shenyang) Co., Ltd.
  - AEON Micro Finance (Tianjin) Co., Ltd. (*Note*)
  - AEON Insurance Brokers (HK) Limited
  - AEON Education and Environment Fund Limited

and associates

- AEON Credit Guarantee (China) Co., Ltd.
- AEON Information Service (Shenzhen) Co., Ltd.

*Note:* The subsidiary is a wholly foreign owned enterprise registered in April 2012.

2. With the launch of new credit card, successful marketing programmes and competitive interest rates offered to personal loan customers with reference to their background, the Group recorded a double-digit growth in both card credit purchase and personal loan sales. These helped to compensate the mild growth on revolving transactions. During the period under review, interest income of the Group remained at similar level as last year of HK\$749.3million.
3. With the renewals of long-term indebtedness at lower interest rates last year and lower funding cost, interest expense in the first nine months was HK\$76.5 million, a decrease of 15.1% when compared with HK\$90.2 million in the previous corresponding period.
4. Net interest income of the Group recorded an increase of HK\$3.9 million to HK\$672.8 million from HK\$668.9 million in 2011/12.
5. With the increase in the number of staff due to the expansion of branch network, insurance business and micro-finance business in China, coupled with the launch of various marketing programmes, operating expenses increased by 10.0% from HK\$297.4 million in 2011/12 to HK\$327.1 million for the first nine months in 2012/13.
6. At the operating level before impairment allowances, the Group recorded an operating profit of HK\$450.1 million for the nine months ended 20th November 2012, representing a decrease of 1.2% from HK\$455.5 million in the previous corresponding period.
7. With proactive collection procedures and cautious approval process, the Group recorded continued improvement in the write-offs when compared with last year. Impairment losses and impairment allowances for the first nine months decreased by 10.5% or HK\$25.1 million from HK\$239.0 million in 2011/12 to HK\$213.9 million.

8. For the nine months ended 20th November 2012, the Group recorded a net profit of HK\$225.8 million, representing an increase of 12.0% when compared with the previous corresponding period.
9. Gross advances at 20th November 2012 were HK\$4,756.3 million, as compared to HK\$4,775.4 million at 20th February 2012, as a result of customers' cautious approach to revolving credits as well as keen market competition.
10. The decrease in available-for-sale investments was related to the sale of investments in the two companies in Taiwan. Detailed information was disclosed in the Company's announcement dated 11th September 2012.
11. The increase in restricted deposits was related to the arrangement under collateralised debt obligation.
12. The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 20th November 2012, 41.1% of its funding was derived from total equity, 37.7% from direct borrowings from financial institutions and 21.2% from structured finance.
13. Including the collateralised debt obligation, 14.8% of the indebtedness will mature within one year, 11.5% between one and two years, 72.2% between two and five years and 1.5% 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 caution when dealing in the shares of the Company.

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

Hong Kong, 21st December 2012

*As at the date of this announcement, the Board of Directors comprises Mr. Fung Kam Shing, Barry (Managing Director), Mr. Tomoyuki Kawahara, Ms. Koh Yik Kung and Ms. Chan Fung Kuen, Dorothy as Executive Directors; Mr. Masao Mizuno (Chairman) and Mr. Lai Yuk Kwong as Non-executive Directors; and Dr. Hui Ching Shan, Mr. Wong Hin Wing and Prof. Tong Jun as Independent Non-executive Directors.*