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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 900)**

**FINAL RESULTS FOR THE YEAR ENDED 20TH FEBRUARY 2013**

The Directors of AEON Credit Service (Asia) Company Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 20th February 2013, together with the comparative figures as follows:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 20th February 2013*

		<b>Year ended 20th February</b>	
		<b>2013</b>	<b>2012</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	6	<b>1,121,348</b>	1,116,357
Interest income	8	<b>998,674</b>	1,010,322
Interest expense	9	<b>(101,901)</b>	(117,886)
Net interest income		<b>896,773</b>	892,436
Other operating income	10	<b>130,054</b>	114,374
Other gains and losses	11	<b>11,839</b>	32,685
Operating income		<b>1,038,666</b>	1,039,495
Operating expenses	12	<b>(443,494)</b>	(403,304)
Operating profit before impairment allowances		<b>595,172</b>	636,191
Impairment losses and impairment allowances		<b>(282,456)</b>	(317,069)
Recoveries of advances and receivables written-off		<b>48,134</b>	41,544
Share of results of associates		<b>(5,489)</b>	(4,571)
Profit before tax		<b>355,361</b>	356,095
Income tax expense	13	<b>(60,089)</b>	(54,776)
Profit for the year		<b>295,272</b>	301,319
Attributable to:			
Owners of the Company		<b>295,272</b>	301,319
Earnings per share – Basic	15	<b>70.51 HK cents</b>	71.95 HK cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 20th February 2013

	Year ended 20th February	
	2013 HK\$'000	2012 HK\$'000
Profit for the year	<u>295,272</u>	<u>301,319</u>
<b>Other comprehensive income (expense)</b>		
Fair value gain on available-for-sale investments	711	21,167
Release of investment revaluation reserve upon disposal of available-for-sale investments	–	(29,932)
Exchange difference arising from translation of foreign operations	1,763	2,453
Net adjustment on cash flow hedges	<u>28,326</u>	<u>(143,792)</u>
Other comprehensive income (expense) for the year	<u>30,800</u>	<u>(150,104)</u>
Total comprehensive income for the year	<u>326,072</u>	<u>151,215</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>326,072</u>	<u>151,215</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th February 2013

	<i>Notes</i>	<b>20th February 2013 HK\$'000</b>	20th February 2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	96,642	91,816
Investments in associates		17,125	22,389
Available-for-sale investments	17	44,309	72,664
Advances and receivables	18	1,314,805	1,252,061
Prepayments, deposits and other debtors	21	42,540	46,771
Derivative financial instrument	24	32	2,773
Restricted deposits		68,000	68,000
		<u>1,583,453</u>	<u>1,556,474</u>
<b>Current assets</b>			
Advances and receivables	18	3,500,862	3,512,062
Prepayments, deposits and other debtors	21	35,450	54,690
Amount due from an associate		979	–
Restricted deposits		115,958	–
Time deposits		372,083	233,367
Fiduciary bank balances		3,712	2,246
Bank balances and cash		156,309	124,121
		<u>4,185,353</u>	<u>3,926,486</u>
<b>Current liabilities</b>			
Creditors and accruals	22	147,994	155,991
Amounts due to fellow subsidiaries		51,616	50,273
Amount due to immediate holding company		–	123
Amount due to intermediate holding company		2,963	–
Amount due to ultimate holding company		90	51
Amounts due to associates		–	878
Bank borrowings	23	711,130	277,000
Bank overdrafts		2,370	3,215
Derivative financial instruments	24	8,875	1,478
Tax liabilities		21,361	14,141
		<u>946,399</u>	<u>503,150</u>
<b>Net current assets</b>		<u>3,238,954</u>	<u>3,423,336</u>
<b>Total assets less current liabilities</b>		<u>4,822,407</u>	<u>4,979,810</u>

		<b>20th February 2013</b>	20th February 2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
Issued capital		41,877	41,877
Share premium and reserves		<u>2,187,232</u>	<u>2,007,728</u>
<b>Total equity</b>		<u><b>2,229,109</b></u>	<u>2,049,605</u>
<b>Non-current liabilities</b>			
Collateralised debt obligation	26	1,098,461	1,098,035
Bank borrowings	23	1,327,750	1,630,240
Derivative financial instruments	24	164,687	200,530
Deferred tax liabilities	25	<u>2,400</u>	<u>1,400</u>
		<u><b>2,593,298</b></u>	<u>2,930,205</u>
		<u><b>4,822,407</b></u>	<u>4,979,810</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 20th February 2013*

	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	41,877	227,330	270	26,703	(50,513)	7,870	1,778,858	2,032,395
Profit for the year	-	-	-	-	-	-	301,319	301,319
Fair value gain on available-for-sale investments	-	-	-	21,167	-	-	-	21,167
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	-	(29,932)	-	-	-	(29,932)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	2,453	-	2,453
Net adjustment on cash flow hedges	-	-	-	-	(143,792)	-	-	(143,792)
Total comprehensive (expense) income for the year	-	-	-	(8,765)	(143,792)	2,453	301,319	151,215
Final dividend paid for 2010/11	-	-	-	-	-	-	(67,003)	(67,003)
Interim dividend paid for 2011/12	-	-	-	-	-	-	(67,002)	(67,002)
	-	-	-	(8,765)	(143,792)	2,453	167,314	17,210
At 20th February 2012	41,877	227,330	270	17,938	(194,305)	10,323	1,946,172	2,049,605
Profit for the year	-	-	-	-	-	-	295,272	295,272
Fair value gain on available-for-sale investments	-	-	-	711	-	-	-	711
Exchange difference arising from translation of foreign operations	-	-	-	-	-	1,763	-	1,763
Net adjustment on cash flow hedges	-	-	-	-	28,326	-	-	28,326
Total comprehensive income for the year	-	-	-	711	28,326	1,763	295,272	326,072
Final dividend paid for 2011/12	-	-	-	-	-	-	(75,378)	(75,378)
Interim dividend paid for 2012/13	-	-	-	-	-	-	(71,190)	(71,190)
	-	-	-	711	28,326	1,763	148,704	179,504
At 20th February 2013	41,877	227,330	270	18,649	(165,979)	12,086	2,094,876	2,229,109

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 20th February 2013

	Year ended 20th February	
	2013	2012
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Profit before tax	355,361	356,095
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	426	1,072
Depreciation	36,293	34,058
Dividends received on available-for-sale investments	(966)	(2,336)
Gain on disposal of available-for-sale investments	(14,100)	(34,459)
Impairment losses and impairment allowances recognised in respect of advances and receivables	282,456	317,069
Interest expense	101,475	116,814
Interest income	(998,674)	(1,010,322)
Losses on disposal of property, plant and equipment	37	102
Share of results of associates	5,489	4,571
Operating cash flows before movements in working capital	(232,203)	(217,336)
Increase in advances and receivables	(334,001)	(359,274)
Increase in prepayments, deposits and other debtors	(12,752)	(20,276)
Increase in amount due from an associate	(979)	–
(Increase) decrease in fiduciary bank balances	(1,466)	350
(Decrease) increase in creditors and accruals	(6,397)	10,497
Increase in amounts due to fellow subsidiaries	1,343	14,186
(Decrease) increase in amount due to immediate holding company	(123)	123
Increase in amount due to intermediate holding company	2,963	–
Increase in amount due to ultimate holding company	39	6
(Decrease) increase in amounts due to associates	(878)	481
Cash used in operations	(584,454)	(571,243)
Tax paid	(51,869)	(55,585)
Interest paid	(100,395)	(120,564)
Interest received	997,523	1,022,042
<b>Net cash generated from operating activities</b>	<b>260,805</b>	<b>274,650</b>

	<b>Year ended 20th February</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Investing activities</b>		
Dividends received	<b>966</b>	2,336
Proceeds from disposal of available-for-sale investments	<b>74,882</b>	8,343
Purchase of property, plant and equipment	<b>(24,395)</b>	(31,095)
Deposits paid for acquisition of property, plant and equipment	<b>(11,371)</b>	(14,730)
<b>Net cash from (used in) investing activities</b>	<b>40,082</b>	(35,146)
<b>Financing activities</b>		
Placement of restricted deposits	<b>(2,543,928)</b>	(2,302,614)
Withdrawal of restricted deposits	<b>2,427,970</b>	2,336,763
Dividends paid	<b>(146,568)</b>	(134,005)
New collateralised debt obligation raised	–	1,100,000
Repayment of collateralised debt obligation	–	(1,100,000)
New bank loans raised	<b>21,762,080</b>	34,846,150
Repayment of bank loans	<b>(21,630,500)</b>	(34,893,469)
<b>Net cash used in financing activities</b>	<b>(130,946)</b>	(147,175)
<b>Net increase in cash and cash equivalents</b>	<b>169,941</b>	92,329
<b>Effect of changes in exchange rate</b>	<b>1,808</b>	1,280
<b>Cash and cash equivalents at beginning of the year</b>	<b>354,273</b>	260,664
<b>Cash and cash equivalents at end of the year</b>	<b>526,022</b>	354,273
Being:		
Time deposits	<b>372,083</b>	233,367
Bank balances and cash	<b>156,309</b>	124,121
Bank overdrafts	<b>(2,370)</b>	(3,215)
	<b>526,022</b>	354,273

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 20th February 2013*

### **1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS**

The financial information in this final results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 20th February 2013 but is derived from those consolidated financial statements.

### **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 the Hong Kong Companies Ordinance.

### **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied the following amendments to HKFRSs issued by HKICPA.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets

#### **Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets**

The Group has applied for the first time the amendments to HKFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. Additional disclosures will be made in the annual report.

Except as described above, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these financial statements.



The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle <sup>2</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1st January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1st January 2015

#### **Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities**

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for the Group’s financial periods beginning on or after 21st February 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until the Group’s financial year ending 20th February 2015, with retrospective application required.

The Directors anticipate that the application of the amendments to HKAS 32 and HKFRS 7 may affect the Group’s disclosure regarding offsetting financial assets and financial liabilities in the future.

## **HKFRS 9 Financial Instrument**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 included the requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of financial liabilities (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group’s consolidated financial statements for its financial year ending 20th February 2016. Based on the Group’s financial assets and financial liabilities as at 20th February 2013, the Directors anticipate that the application of the new standard will affect the classification and measurement of the Group’s available-for-sale equity investments that are currently stated at cost less impairment. At the date of issuance of this financial statements, the Directors are in the process of assessing the potential financial impact.

## **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements and HK(SIC) – Int 12 “Consolidation – Special Purpose Entities” has been withdrawn upon the issuance of HKFRS 10. 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) the 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.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the Group's financial year ending 20th February 2014. The Directors anticipate that the application of these standards will have no significant impact on amounts reported in the consolidated financial statements, but will result in more extensive disclosures in the consolidated financial statements.

### **HKFRS 13 Fair Value Measurement**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for its financial year ending 20th February 2014. The Directors anticipate that the application of this standard will have no significant impact on amounts reported in the consolidated financial statements, but will result in more extensive disclosures in the consolidated financial statements.

### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for its financial year ending 20th February 2014. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Except as described above, the Directors anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group's financial performance and the Group's financial position for the future and/or on the disclosures set out in the consolidated financial statements of the Group.

#### 4. PRINCIPAL 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.

The accounting policies used in the 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 except for the adoption of the new 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 judgements, 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 ongoing 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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that 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 income statement, impairment allowances in respect of estimated incurred loss in 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 estimated net recoverable value.

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

	Year ended 20th February	
	2013	2012
	HK\$'000	HK\$'000
Interest income	998,674	1,010,322
Fees and commissions	74,287	57,336
Handling and late charges	48,387	48,699
	<u>1,121,348</u>	<u>1,116,357</u>

## 7. SEGMENT INFORMATION

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
Insurance	–	Provide insurance broking and agency services
Hire purchase	–	Provide vehicle financing and hire purchase financing for household products and other consumer products to 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 20th February 2013

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>732,615</b>	<b>347,011</b>	<b>40,800</b>	<b>922</b>	<b>1,121,348</b>
<b>RESULT</b>					
Segment results	<b>260,339</b>	<b>84,227</b>	<b>15,045</b>	<b>536</b>	<b>360,147</b>
Unallocated operating income					<b>20,963</b>
Unallocated expenses					<b>(20,260)</b>
Share of results of associates					<b>(5,489)</b>
Profit before tax					<b>355,361</b>

#### For the year ended 20th February 2012

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>746,590</b>	<b>338,531</b>	<b>28,652</b>	<b>2,584</b>	<b>1,116,357</b>
<b>RESULT</b>					
Segment results	<b>235,709</b>	<b>90,316</b>	<b>12,069</b>	<b>394</b>	<b>338,488</b>
Unallocated operating income					41,649
Unallocated expenses					(19,471)
Share of results of associates					(4,571)
Profit before tax					<b>356,095</b>

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 the gain on disposal of available-for-sale investments and 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.

## 8. INTEREST INCOME

	Year ended 20th February	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances	993,712	1,006,243
Impaired advances	3,239	3,654
Time deposits and bank balances	1,723	425
	<u>998,674</u>	<u>1,010,322</u>

## 9. INTEREST EXPENSE

	Year ended 20th February	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings and overdrafts wholly repayable within five years	16,456	22,880
Interest on bank borrowings wholly repayable after five years	455	673
Interest on collateralised debt obligation wholly repayable within five years	6,915	50,212
Net interest expense on interest rate swap contracts	78,075	44,121
	<u>101,901</u>	<u>117,886</u>

Amortisation of upfront cost of **HK\$426,000** (2012: HK\$1,072,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

## 10. OTHER OPERATING INCOME

	Year ended 20th February	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends received on available-for-sale investments		
Listed equity securities	928	2,118
Unlisted equity securities	38	218
Fees and commissions		
Credit card	33,487	28,684
Insurance	40,800	28,652
Handling and late charges	48,387	48,699
Others	6,414	6,003
	<u>130,054</u>	<u>114,374</u>

## 11. OTHER GAINS AND LOSSES

	Year ended 20th February	
	2013	2012
	HK\$'000	HK\$'000
Exchange gains (losses)		
Exchange gains (losses) on hedging instruments released from cash flow hedge reserve	60	(203,561)
Exchange (losses) gains on bank loans	(60)	203,561
Exchange losses, net	(2,014)	(1,304)
Gain on disposal of available-for-sale investments	14,100	34,459
Hedge ineffectiveness on cash flow hedges	(210)	(368)
Losses on disposal of property, plant and equipment	(37)	(102)
	<u>11,839</u>	<u>32,685</u>

## 12. OPERATING EXPENSES

	Year ended 20th February	
	2013	2012
	HK\$'000	HK\$'000
Auditor's remuneration	2,351	2,079
Depreciation	36,293	34,058
General administrative expenses	123,329	119,659
Marketing and promotion expenses	54,629	39,523
Operating lease rentals in respect of rented premises, advertising space and equipment	55,123	56,947
Other operating expenses	46,967	42,261
Staff costs including Directors' emoluments	124,802	108,777
	<u>443,494</u>	<u>403,304</u>

## 13. INCOME TAX EXPENSE

	Year ended 20th February	
	2013	2012
	HK\$'000	HK\$'000
Current tax:		
– Current year	60,482	52,952
– Overprovision in respect of prior years	(1,393)	(426)
	<u>59,089</u>	<u>52,526</u>
Deferred tax		
– Current year	1,000	2,250
	<u>60,089</u>	<u>54,776</u>

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

Under the Law of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the China subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	<b>Year ended 20th February</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<b>355,361</b>	356,095
Tax at the applicable rate of 16.5% (2012: 16.5%)	<b>58,635</b>	58,756
Tax effect of share of results of associates	<b>906</b>	754
Tax effect of expenses not deductible for tax purpose	<b>364</b>	17
Tax effect of income not taxable for tax purpose	<b>(2,690)</b>	(6,155)
Overprovision in respect of prior years	<b>(1,393)</b>	(426)
Tax effect of tax losses in current year not recognised	<b>2,478</b>	1,158
Others	<b>1,789</b>	672
Income tax expense for the year	<b>60,089</b>	54,776

#### 14. DIVIDENDS

	<b>Year ended 20th February</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2012 of 18.0 HK cents (2011: 16.0 HK cents) per share	<b>75,378</b>	67,003
Interim dividend paid in respect of 2013 of 17.0 HK cents (2012: 16.0 HK cents) per share	<b>71,190</b>	67,002
	<b>146,568</b>	134,005
Final dividend proposed in respect of 2013 of 18.0 HK cents (2012: 18.0 HK cents) per share	<b>75,378</b>	75,378

The Directors have recommended the payment of a final dividend of 18.0 HK cents per share. Subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 18th June 2013 (the “2013 AGM”), the final dividend will be paid on 28th June 2013 to shareholders whose names appear on the Register of Members of the Company on 24th June 2013. This dividend has not been included as a liability in the financial statements.

#### 15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of **HK\$295,272,000** (2012: HK\$301,319,000) and on the number of shares of **418,766,000** (2012: 418,766,000) in issue during the year.



## 16. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$38,753,000 on computer equipment, HK\$2,062,000 on leasehold improvements and HK\$331,000 on furniture and fixtures.

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	20th February 2013 HK\$'000	20th February 2012 HK\$'000
Listed equity securities, at fair value		
Hong Kong	35,165	34,454
Unlisted equity securities, at cost	9,144	38,210
	<u>44,309</u>	<u>72,664</u>

## 18. ADVANCES AND RECEIVABLES

	20th February 2013 HK\$'000	20th February 2012 HK\$'000
Credit card receivables	3,055,112	3,099,466
Instalment loans receivable	1,762,881	1,657,194
Hire purchase debtors	6,118	18,716
	<u>4,824,111</u>	<u>4,775,376</u>
Accrued interest and other receivables	118,392	118,203
	<u>4,942,503</u>	<u>4,893,579</u>
Gross advances and receivables	4,942,503	4,893,579
Impairment allowances ( <i>note 19</i> )		
– individually assessed	(56,365)	(62,768)
– collectively assessed	(70,471)	(66,688)
	<u>(126,836)</u>	<u>(129,456)</u>
	<u>4,815,667</u>	<u>4,764,123</u>
Current portion included under current assets	(3,500,862)	(3,512,062)
	<u>1,314,805</u>	<u>1,252,061</u>

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK\$73,437,000** (20th February 2012: HK\$87,515,000) and **HK\$53,275,000** (20th February 2012: HK\$57,008,000) respectively. The Group holds collateral over these balances. The Directors consider the exposure of credit risk of these secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interest) is higher than the outstanding amount of these receivables at the end of the reporting period. Other advances and receivables are unsecured.

## 19. IMPAIRMENT ALLOWANCES

	<b>20th February 2013</b>	20th February 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysis by products as:		
Credit card receivables	<b>58,979</b>	63,995
Instalment loans receivable	<b>62,434</b>	59,460
Hire purchase debtors	<b>266</b>	475
Accrued interest and other receivables	<b>5,157</b>	5,526
	<b>126,836</b>	129,456
	<b>Individual assessment</b>	<b>Collective assessment</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 21st February 2012	<b>62,768</b>	<b>66,688</b>
Impairment losses and impairment allowances	<b>278,673</b>	<b>3,783</b>
Amounts written-off as uncollectable	<b>(285,076)</b>	<b>–</b>
At 20th February 2013	<b>56,365</b>	<b>70,471</b>
	<b>Individual assessment</b>	<b>Collective assessment</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 21st February 2011	54,974	79,299
Impairment losses and impairment allowances	329,680	(12,611)
Amounts written-off as uncollectable	(321,886)	–
At 20th February 2012	62,768	66,688
	<b>Individual assessment</b>	<b>Collective assessment</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>Total</b>
		<i>HK\$'000</i>

## 20. 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:

	<b>20th February 2013</b>		20th February 2012	
	<i>HK\$'000</i>	%*	<i>HK\$'000</i>	%*
Overdue 1 month but less than 2 months	<b>146,499</b>	<b>3.0</b>	126,028	2.6
Overdue 2 months but less than 3 months	<b>30,970</b>	<b>0.6</b>	23,845	0.5
Overdue 3 months but less than 4 months	<b>21,618</b>	<b>0.4</b>	13,987	0.3
Overdue 4 months or above	<b>61,959</b>	<b>1.3</b>	64,042	1.3
	<b>261,046</b>	<b>5.3</b>	227,902	4.7

\* Percentage of gross advances and receivables

## 21. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	<b>20th February 2013 HK\$'000</b>	20th February 2012 HK\$'000
Deposits for property, plant and equipment	<b>30,903</b>	36,283
Rental and other deposits	<b>18,405</b>	13,712
Prepaid operating expenses	<b>12,553</b>	11,283
Other debtors	<b>16,129</b>	40,183
	<hr/>	<hr/>
	<b>77,990</b>	101,461
Current portion included under current assets	<b>(35,450)</b>	(54,690)
	<hr/>	<hr/>
Amount due after one year	<b>42,540</b>	46,771
	<hr/>	<hr/>

## 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:

	<b>20th February 2013 HK\$'000</b>	20th February 2012 HK\$'000
Current	<b>46,221</b>	50,494
Over 1 month but less than 3 months	<b>6,550</b>	6,401
Over 3 months	<b>4,507</b>	9,242
	<hr/>	<hr/>
	<b>57,278</b>	66,137
	<hr/>	<hr/>

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK\$6,818,000** (20th February 2012: HK\$6,152,000).

## 23. BANK BORROWINGS

	<b>20th February 2013</b>	20th February 2012
	<b>HK\$'000</b>	HK\$'000
Bank loans, unsecured	<b>2,038,880</b>	1,907,240
Carrying amount repayable ( <i>Note</i> )		
Within one year	<b>711,130</b>	277,000
Between one and two years	<b>235,000</b>	472,540
Between two and five years	<b>1,047,750</b>	1,037,700
Over five years	<b>45,000</b>	120,000
	<b>2,038,880</b>	1,907,240
Amount repayable within one year included under current liabilities	<b>(711,130)</b>	(277,000)
Amount repayable after one year	<b>1,327,750</b>	1,630,240

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

## 24. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>20th February 2013</b>		20th February 2012	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	–	172,886	–	169,697
Cross-currency interest rate swaps	<b>32</b>	<b>676</b>	2,773	32,311
	<b>32</b>	<b>173,562</b>	2,773	202,008
Current portion	–	<b>(8,875)</b>	–	(1,478)
Non-current portion	<b>32</b>	<b>164,687</b>	2,773	200,530

All derivative financial instruments entered by the Group that remain outstanding at 20th February 2013 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 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 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 United States Dollars (“USD”) bank borrowings by swapping the floating-rate USD 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.

## 25. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during each of the two years ended 20th February 2013 and 2012:

	<b>Accelerated tax depreciation HK\$'000</b>	<b>Impairment allowances HK\$'000</b>	<b>Total HK\$'000</b>
At 21st February 2011	12,300	(13,150)	(850)
Charge to profit or loss for the year	<u>100</u>	<u>2,150</u>	<u>2,250</u>
<b>At 20th February 2012</b>	<b>12,400</b>	<b>(11,000)</b>	<b>1,400</b>
<b>Charge (credit) to profit or loss for the year</b>	<b><u>1,600</u></b>	<b><u>(600)</u></b>	<b><u>1,000</u></b>
<b>At 20th February 2013</b>	<b><u>14,000</u></b>	<b><u>(11,600)</u></b>	<b><u>2,400</u></b>

## 26. COLLATERALISED DEBT OBLIGATION

- a) At 20th February 2011, the Company had a HK\$1,100,000,000 collateralised debt obligation financing transaction (the “Previous Transaction”) which revolving period ended in February 2012. Interest rate of the Previous Transaction was fixed at 4.5% per annum during the revolving period, thus exposing the Group to fair value interest rate risk. In February 2012, the Company entered into a HK\$1,100,000,000 new collateralised debt obligation financing transaction (the “New Transaction”) to repay the Previous Transaction. The New Transaction consists of two tranches – Tranche A and Tranche B. The amount under Tranche A and Tranche B is HK\$550,000,000 each. The revolving periods for Tranche A and Tranche B will end in January 2016 and January 2017 respectively. The two tranches are arranged at floating interest rates of 0.35% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Two corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are arranged to swap these two tranches from floating rates to fixed rates at 3.7% to 3.9% per annum respectively. The effective interest rate after taking into account the interest rate swaps was 3.8% per annum during the year.
- b) Pursuant to the Previous Transaction and the New Transaction (collectively the “Transactions”), 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 consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transactions have not been derecognised and remained in the Group’s consolidated financial statements. The Transactions are backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

## 27. PLEDGE OF ASSETS

At 20th February 2013, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,730,590,000** and **HK\$183,958,000** respectively (20th February 2012: HK\$1,825,513,000 and HK\$68,000,000).

## 28. EVENT AFTER THE REPORTING PERIOD

The Company has set up AEON Micro Finance (Shenzhen) Co., Ltd., a wholly-owned subsidiary in Shenzhen, China. It is principally engaged in micro-finance business. Its registered capital is RMB100,000,000. The capital injection process was completed in March 2013. It started business in April 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the shareholders who are entitled to attend and vote at the 2013 AGM, the Register of Members of the Company will be closed from Friday, 14th June 2013 to Tuesday, 18th June 2013, both days inclusive. In order to qualify for attending and voting at the 2013 AGM, 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 Thursday, 13th June 2013.

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 Monday, 24th June 2013. 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, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21st June 2013.

## **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 Code on Corporate Governance Practices (effective until 31st March 2012) and the Corporate Governance Code (the "CG Code") (effective from 1st April 2012) throughout the accounting year ended 20th February 2013, except for the deviations from code provisions A.4.1, A.4.2, A.6.7 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 the 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 (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.

Code provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The Non-executive Directors could not attend the annual general meeting of the Company held on 15th June 2012 (the "2012 AGM") as they were overseas.

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 2012 AGM as he was overseas.

## **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**

### **Economic Review**

Inflationary pressure in Hong Kong has gradually come down from average 5.3% in 2011 to average 4.7% in 2012. Nevertheless, inflationary pressure still exists amid the slow economic growth and moderate increases in import prices. Unemployment rate dropped slightly from average 3.4% in 2011 to average 3.3% in 2012, which should render support to the domestic sector. Both low unemployment rate and inflation put pressure on staff costs as well as other operating expenses.

Under the current low interest environment, in order to seek for higher yields, banks and other financial institutions became more aggressive in the consumer finance market, making the business environment very competitive. During the year, the Group issued one new co-branded card, the Ajisen Titanium MasterCard, to extend its reach to young market segment.

On top of that, the Group has launched a number of mass spending promotions and improved the benefits for its cardholders, making its credit cards more popular among the public. Meanwhile, the Group has further enhanced its low-cost operation policy by placing stringent control on its expenses.

### **Financial Review**

The Group recorded a profit attributable to owners of HK\$295.3 million for the year ended 20th February 2013, representing a decrease of HK\$6.0 million when compared to HK\$301.3 million in the previous year. The Group’s basic earnings per share changed from 71.95 HK cents per share in 2011/12 to 70.51 HK cents per share.

Faced with the intensifying competition in the consumer finance market and customers’ cautious approach to revolving transactions, the Group recorded interest income of HK\$998.7 million for the year, a decrease of HK\$11.6 million when compared with last year. With the renewal of long term bank borrowings at lower interest rates, interest expense for the year was HK\$101.9 million, a decrease of 13.6% or HK\$16.0 million when compared with last year, with average funding cost being 3.2% as compared with 3.5% in the previous year. Net interest income of the Group recorded a growth of HK\$4.4 million to HK\$896.8 million from HK\$892.4 million in 2011/12. The increase in fees and commissions from credit card and insurance had resulted in the increase in other operating income by 13.7% from HK\$114.4 million in 2011/12 to HK\$130.1 million in 2012/13.



Following the recruit of more staff for the two micro-finance companies, the Group had spent more on staff expenses. The launch of a series of strategic marketing activities throughout the year to augment the competitiveness of the card and personal loan businesses led to an increase on marketing and promotion expenses. As a result, operating expenses increased by 10.0% or HK\$40.2 million from HK\$403.3 million in 2011/12 to HK\$443.5 million in 2012/13.

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$595.2 million for the year, representing a decrease of 6.4% or HK\$41.0 million from HK\$636.2 million in the previous year. During the year under review, the Group lent prudently and strived to continually maintain its asset quality. With the proactive collection procedures and cautious approval process, there was noticeable improvement in the write-off amount when compared with last year. Impairment losses and impairment allowances for the year decreased by 10.9% or HK\$34.6 million from HK\$317.1 million in 2011/12 to HK\$282.5 million. Recoveries of advances and receivables written-off was HK\$48.1 million, an increase of 15.9% or HK\$6.6 million when compared with HK\$41.5 million in 2011/12. Impairment allowances amounted to HK\$126.8 million at 20th February 2013, as compared with HK\$129.5 million at 20th February 2012.

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 an increase in gross advances of 1.0% during the year. Including accrued interest and other receivables, gross advances and receivables at 20th February 2013 was HK\$4,942.5 million, as compared to HK\$4,893.6 million at 20th February 2012.

### **Segment Information**

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, insurance and hire purchase. In 2012/13, credit card operation accounted for 65.3% of the Group's revenue, as compared to 66.9% in 2011/12. For segment results, credit card operation accounted for 72.3% of the Group's whole operations in 2012/13, as compared to 69.6% in 2011/12.

Customers' cautious approach to revolving transactions resulted in a drop in card cash advance sales and balances. In spite of the strong growth in card credit purchase sales, interest income still recorded a decrease when compared with last year. Nevertheless, the increase in card credit purchase sales had increased commission income. As a whole, there was a drop in revenue from credit card operation of 1.9% or HK\$14.0 million from HK\$746.6 million in 2011/12 to HK\$732.6 million in 2012/13. With the exercise of prompt collection actions, there was a noticeable decrease in the impairment losses and impairment allowances. The segment result for the year from credit card operation increased by 10.4% or HK\$24.6 million from HK\$235.7 million in 2011/12 to HK\$260.3 million in 2012/13.

The Group continued to offer competitive interest rates to attract instalment loan customers. This successfully boosted up the instalment loan sales and interest income recorded an increase when compared with last year. Revenue from instalment loan operation recorded an increase of 2.5% or HK\$8.5 million from HK\$338.5 million in 2011/12 to HK\$347.0 million in 2012/13. With the exercise of cautious credit approval process, there was a decrease in impairment losses and impairment allowances. However, taking into account the additional operation costs of the two micro-finance companies in China, the segment result for the year from instalment loan operation recorded a decrease of 6.7% or HK\$6.1 million from HK\$90.3 million in 2011/12 to HK\$84.2 million in 2012/13.

Revenue from insurance operation recorded an increase of HK\$12.1 million from HK\$28.7 million in 2011/12 to HK\$40.8 million in 2012/13. Following the expansion of insurance business, there was an increase in operating expenses. As a result, segment result for the year from insurance operation increased by 24.7% or HK\$2.9 million from HK\$12.1 million in 2011/12 to HK\$15.0 million in 2012/13.

With a continuous shift from hire purchase to card instalment plan, revenue from hire purchase operation recorded a decrease of HK\$1.7 million, from HK\$2.6 million in 2011/12 to HK\$0.9 million in 2012/13. Following a drop in operating expenses and impairment losses and impairment allowances and the increase in recoveries of advances and receivables written-off, segment result for the year from hire purchase operation recorded a slight increase from HK\$0.4 million in 2011/12 to HK\$0.5 million in 2012/13.

## **Business Review**

On credit card business, the Group had executed a series of marketing activities to enhance the competitiveness of its portfolio. Synergies between the Group and its partners allowed the formation of opportunities in niche markets in addition to the widening of its general customer base.

The AEON 25th Anniversary promotion, Macau Ferry Ticket Spending promotion, Ocean Park Joyful Event, and Everybody Wins Lucky Draw promotion all received overwhelming response from customers. In addition, the Group organised year-round campaigns with its co-brand partners to stimulate card usage and drive card acquisition. To further expand market share, the Group had launched one premium co-branded card, the Ajisen Titanium MasterCard. The new card not only attracted new customers but also opened up a new revenue stream opportunity for the Group.

To extend service coverage and better serve our customers, the Group opened four new branches over the course of the year. They are Sheung Shui Branch, Kowloon City Branch, Aberdeen Branch and New Tuen Mun Branch. Instant credit card issuance service has also been extended to 11 branches to allow customers to enjoy shopping immediately. For web and online service, four branches are now equipped with WiFi to facilitate Netmember registration and to encourage the migration to web-based services such as e-statement, bill payment and card and loan application through Internet.

During the year under review, the Group's insurance business subsidiary AEON Insurance Brokers (HK) Limited ("AEON Brokers") continued to expand its customer base by introducing company insurance to corporate clients and business partners. In addition, it also focused on promoting high premium savings products and medical insurance to our customers. Road-shows and seminars were organized to promote various products such as general insurance, life insurance and MPF schemes.

Moving on to China business, AEON Information Service (Shenzhen) Co., Ltd. ("AIS") continues to extend its back office services to new clients in the Mainland and act as the processing agent for the AEON Card operations in China. Moreover, AIS is also engaged in the insurance agency business.

The micro-finance subsidiary in Shenyang has successfully lined up with well-known merchants to expand its sales channels. Moreover, it has also expanded its product lines to cover agricultural machinery financing in addition to consumer goods financing.

In the second half of 2012, the Group set up a micro-finance subsidiary in Tianjin. This subsidiary will follow the business model of Shenyang and expand into other market sectors to capture the growth potential in the consumer finance market.

## **Prospects**

With the vibrant Mainland economy and the stabilization of the Euro debt crisis, global economy has regained momentum in late 2012. Additionally, the Mainland economy has resumed faster growth and would render a stabilizing force to intra-regional trade flows. Therefore, the global economy will likely see another year of modest growth.

Going forward, the Group will continue to expand its credit card portfolio to broaden its business base while exploring alternative revenue streams. The Group will expand its acquiring business to increase revenue. To cope with the trend of rising online shopping among Hong Kong customers, the Group will continue the enhancement and expansion of its online shopping site, the e-Mall, where customers can shop while on the move, or at the comfort of their homes. Special incentives and online events will be arranged to attract Netmembers and promote the routine visits to the Group's online portals. The Group is in the process of developing a secure online payment tool for customers to enjoy online shopping. At the same time, the Group is also developing a brand new product which allows its cardholders to effect card cashing through smartphone and computer.

In order to provide convenient and efficient service, the Group will continue to extend its service coverage by setting up new branches in strategic locations. The Group's extensive ATM network is undergoing a major upgrade and is expected to be completed within this year. The new ATMs not only provide a higher level of security, but also reward customers with a host of value added services and an overall enriched user experience.

For China business, the Group will expand its micro-finance business to Shenzhen. Riding on the Group's experience in South China, the newly set up micro-finance subsidiary in Shenzhen is expected to build its customer base quickly and offer different types of services to its customers. The Group will concentrate its efforts on the existing micro-finance operations in Shenyang, Tianjin and Shenzhen to widen its merchant network and offer innovative products so as to tap into the fast growing consumer finance market in the Mainland.

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

	<b>20th February 2013</b>	20th February 2012
	<b>HK\$'000</b>	HK\$'000
Debt ( <i>Note a</i> )	<b>3,137,341</b>	3,005,275
Cash and cash equivalents	<b>(526,022)</b>	(354,273)
Net debt	<b>2,611,319</b>	2,651,002
Equity ( <i>Note b</i> )	<b>2,229,109</b>	2,049,605
Net debt to equity ratio	<b>1.2</b>	1.3

*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 20th February 2013, 41.5% of its funding was derived from total equity, 38.0% from direct borrowings from financial institutions and 20.5% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 20th February 2013, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$2,038.9 million, with 18.7% being fixed in interest rates, 72.6% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 8.7% being renewed overnight. Including the collateralised debt obligation, 22.7% of these indebtedness will mature within one year, 7.5% between one and two years, 68.4% between two and five years and 1.4% over five years. The duration of indebtedness was around 2.6 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD 50.0 million and a term loan of USD10.0 million which were hedged by cross-currency interest rate swaps, as well as short term loans of RMB50.0 million.

The net asset of the Group at 20th February 2013 was HK\$2,229.1 million, as compared with HK\$2,049.6 million at 20th February 2012. 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 therefore its core assets did 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 20th February 2013, capital commitments entered were mainly related to the purchase of property, plant and equipment.

## **HUMAN RESOURCES**

The total number of staff at 20th February 2013 and 20th February 2012 was 479 and 431 respectively. Employees are remunerated according to the job nature and market trends, with a built-in-merit component incorporated in the 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 Group also provides in-house training programmes and external training sponsorships to strengthen its human resources.

To foster a sense of belonging and team spirit among staff members, the Group issues staff newsletters and organize various activities for the staff.

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

During the year, there was no purchase, sale or redemption by the Company of its 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 income statement, consolidated statement of 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 20th February 2013 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF ANNUAL REPORT**

The 2012/13 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**

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

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

Hong Kong, 19th April 2013