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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 900)**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 20TH AUGUST 2013**

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 20th August 2013*

		<b>Six months ended 20th August</b>	
		<b>2013</b>	<b>2012</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>564,788</b>	557,597
Interest income	5	<b>502,207</b>	501,419
Interest expense	6	<b>(48,195)</b>	(50,163)
Net interest income		<b>454,012</b>	451,256
Other operating income	7	<b>66,856</b>	60,659
Other gains and losses	8	<b>(612)</b>	(1,042)
Operating income		<b>520,256</b>	510,873
Operating expenses	9	<b>(239,280)</b>	(215,050)
Operating profit before impairment allowances		<b>280,976</b>	295,823
Impairment losses and impairment allowances		<b>(136,293)</b>	(145,879)
Recoveries of advances and receivables written-off		<b>22,082</b>	26,322
Share of results of associates		<b>(3,215)</b>	(2,268)
Profit before tax		<b>163,550</b>	173,998
Income tax expense	10	<b>(30,103)</b>	(30,184)
Profit for the period		<b>133,447</b>	143,814
Profit for the period attributable to:			
Owners of the Company		<b>133,447</b>	143,814
Earnings per share – Basic	12	<b>31.87 HK cents</b>	34.34 HK cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 20th August 2013*

	<b>Six months ended 20th August</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit for the period	<u>133,447</u>	<u>143,814</u>
<b>Other comprehensive (expense) income</b>		
Items that may be subsequently reclassified to profit or loss:		
Fair value (loss) gain on available-for-sale investments	(11,011)	19,250
Exchange difference arising from translation of foreign operations	4,228	(432)
Net adjustment on cash flow hedges	<u>51,560</u>	<u>7,586</u>
Other comprehensive income for the period	<u>44,777</u>	<u>26,404</u>
Total comprehensive income for the period	<u>178,224</u>	<u>170,218</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>178,224</u>	<u>170,218</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2013

		20th August 2013 (Unaudited) HK\$'000	20th February 2013 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	99,588	96,642
Investments in associates		14,233	17,125
Available-for-sale investments	14	33,298	44,309
Advances and receivables	15	1,331,423	1,314,805
Prepayments, deposits and other debtors	18	45,593	42,540
Derivative financial instruments	21	2,854	32
Restricted deposits		68,000	68,000
		1,594,989	1,583,453
<b>Current assets</b>			
Advances and receivables	15	3,655,316	3,500,862
Prepayments, deposits and other debtors	18	49,622	35,450
Amount due from an associate		989	979
Restricted deposits		134,902	115,958
Time deposits		317,937	372,083
Fiduciary bank balances		3,386	3,712
Bank balances and cash		146,834	156,309
		4,308,986	4,185,353
<b>Current liabilities</b>			
Creditors and accruals	19	174,585	147,994
Amounts due to fellow subsidiaries		65,056	51,616
Amount due to intermediate holding company		–	2,963
Amount due to ultimate holding company		34	90
Amount due to an associate		35	–
Bank borrowings	20	775,713	711,130
Bank overdrafts		5,060	2,370
Derivative financial instruments	21	3,914	8,875
Tax liabilities		38,002	21,361
		1,062,399	946,399
<b>Net current assets</b>		3,246,587	3,238,954
<b>Total assets less current liabilities</b>		4,841,576	4,822,407

		<b>20th August 2013 (Unaudited) HK\$'000</b>	20th February 2013 (Audited) HK\$'000
<b>Capital and reserves</b>			
Issued capital		<b>41,877</b>	41,877
Share premium and reserves		<b>2,290,078</b>	2,187,232
		<hr/>	<hr/>
<b>Total equity</b>		<b>2,331,955</b>	2,229,109
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Collateralised debt obligation	23	<b>1,098,674</b>	1,098,461
Bank borrowings	20	<b>1,287,750</b>	1,327,750
Derivative financial instruments	21	<b>119,797</b>	164,687
Deferred tax liabilities	22	<b>3,400</b>	2,400
		<hr/>	<hr/>
		<b>2,509,621</b>	2,593,298
		<hr/>	<hr/>
		<b>4,841,576</b>	4,822,407
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 20th August 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>
Balance 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	-	-	-	-	-	-	143,814	143,814
Fair value gain on available-for-sale investments	-	-	-	19,250	-	-	-	19,250
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(432)	-	(432)
Net adjustment on cash flow hedges	-	-	-	-	7,586	-	-	7,586
Total comprehensive income (expense) for the period	-	-	-	19,250	7,586	(432)	143,814	170,218
Final dividend paid for 2011/12	-	-	-	-	-	-	(75,378)	(75,378)
Balance at 20th August 2012 (Unaudited)	41,877	227,330	270	37,188	(186,719)	9,891	2,014,608	2,144,445
Balance at 21st February 2013 (Audited)	41,877	227,330	270	18,649	(165,979)	12,086	2,094,876	2,229,109
Profit for the period	-	-	-	-	-	-	133,447	133,447
Fair value loss on available-for-sale investments	-	-	-	(11,011)	-	-	-	(11,011)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	4,228	-	4,228
Net adjustment on cash flow hedges	-	-	-	-	51,560	-	-	51,560
Total comprehensive (expense) income for the period	-	-	-	(11,011)	51,560	4,228	133,447	178,224
Final dividend paid for 2012/13	-	-	-	-	-	-	(75,378)	(75,378)
Balance at 20th August 2013 (Unaudited)	41,877	227,330	270	7,638	(114,419)	16,314	2,152,945	2,331,955

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 20th August 2013

	Six months ended 20th August	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Net cash from operating activities</b>	<u>27,177</u>	<u>217,873</u>
Dividends received	171	635
Proceeds from disposal of available-for-sale investment	–	31,081
Proceeds from disposal of property, plant and equipment	10	–
Purchase of property, plant and equipment	(18,953)	(7,682)
Deposits paid for acquisition of property, plant and equipment	(8,817)	(4,677)
<b>Net cash (used in) from investing activities</b>	<u>(27,589)</u>	<u>19,357</u>
Placement of restricted deposits	(1,490,737)	(1,086,148)
Withdrawal of restricted deposits	1,471,793	921,570
Dividends paid	(75,378)	(75,378)
New bank loans raised	18,018,163	8,718,015
Repayment of bank loans	(17,994,562)	(8,692,035)
<b>Net cash used in financing activities</b>	<u>(70,721)</u>	<u>(213,976)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(71,133)	23,254
<b>Cash and cash equivalents at 21st February</b>	526,022	354,273
<b>Effect of changes in exchange rate</b>	<u>4,822</u>	<u>(235)</u>
<b>Cash and cash equivalents at 20th August</b>	<u>459,711</u>	<u>377,292</u>
Being:		
Time deposits	317,937	213,987
Bank balances and cash	146,834	166,296
Bank overdrafts	(5,060)	(2,991)
	<u>459,711</u>	<u>377,292</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 20th August 2013

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 20th August 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 20th February 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the Group’s condensed consolidated financial statements:

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

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

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of the relevant standards is set out below.

## **HKFRS 10 Consolidated Financial Statements**

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”. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors have made an assessment of the application of HKFRS 10 and concluded that the application of the standard has had no significant impact on the financial results or position of the Group for the current interim or prior period.

## **HKFRS 13 Fair Value Measurement**

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information will be set out in notes to the condensed consolidated financial statements attached to the interim report.

## **Amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities**

The amendments to HKFRS 7 require entities to disclose information about the rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement or similar arrangement.

The requirement applies to financial assets and financial liabilities that:

- are offset in the Group’s condensed consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the condensed consolidated statement of financial position.



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

The amendments to HKAS 1 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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	502,207	501,419
Fees and commissions	37,674	32,898
Handling and late charges	24,907	23,280
	<u>564,788</u>	<u>557,597</u>

### 4. SEGMENT INFORMATION

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

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

Credit card	– Provide credit card services to individuals and acquiring services for member-stores
Instalment loan	– Provide personal loan financing to individuals
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 six months ended 20th August 2013 (Unaudited)

	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>360,536</b>	<b>183,819</b>	<b>20,217</b>	<b>216</b>	<b>564,788</b>
<b>RESULT</b>					
Segment results	<b>137,640</b>	<b>24,770</b>	<b>7,792</b>	<b>73</b>	<b>170,275</b>
Unallocated operating income					<b>3,144</b>
Unallocated expenses					<b>(6,654)</b>
Share of results of associates					<b>(3,215)</b>
Profit before tax					<b>163,550</b>

### For the six months ended 20th August 2012 (Unaudited)

	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>368,301</b>	<b>170,260</b>	<b>18,669</b>	<b>367</b>	<b>557,597</b>
<b>RESULT</b>					
Segment results	<b>129,252</b>	<b>45,487</b>	<b>7,144</b>	<b>533</b>	<b>182,416</b>
Unallocated operating income					<b>3,518</b>
Unallocated expenses					<b>(9,668)</b>
Share of results of associates					<b>(2,268)</b>
Profit before tax					<b>173,998</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 dividend income), unallocated head office expenses and share of results of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

## 5. INTEREST INCOME

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Advances	498,645	499,022
Impaired advances	2,235	1,788
Time deposits and bank balances	1,327	609
	<u>502,207</u>	<u>501,419</u>

## 6. INTEREST EXPENSE

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	4,631	9,214
Interest on bank borrowings wholly repayable after five years	142	453
Interest on collateralised debt obligation wholly repayable within five years	3,198	3,501
Net interest expense on interest rate swap contracts	40,224	36,995
	<u>48,195</u>	<u>50,163</u>

## 7. OTHER OPERATING INCOME

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	171	635
Fees and commissions		
Credit card	17,457	14,229
Insurance	20,217	18,669
Handling and late charges	24,907	23,280
Others	4,104	3,846
	<u>66,856</u>	<u>60,659</u>

## 8. OTHER GAINS AND LOSSES

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	–	180
Exchange losses on bank loans	–	(180)
Exchange losses, net	(333)	(937)
Hedge ineffectiveness on cash flow hedges	(105)	(105)
Net losses on disposal of property, plant and equipment	(174)	–
	<u>(612)</u>	<u>(1,042)</u>

## 9. OPERATING EXPENSES

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	19,876	17,644
General administrative expenses	64,583	60,551
Marketing and promotion expenses	30,280	25,435
Operating lease rentals in respect of rented premises, advertising space and equipment	31,058	26,516
Other operating expenses	28,312	23,603
Staff costs including Directors' emoluments	65,171	61,301
	<u>239,280</u>	<u>215,050</u>

## 10. INCOME TAX EXPENSE

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
– Current period	29,103	29,884
Deferred tax ( <i>note 22</i> )		
– Current period	1,000	300
	<u>30,103</u>	<u>30,184</u>

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

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

## 11. DIVIDEND

On 28th June 2013, a dividend of **18.0 HK cents** (six months ended 20th August 2012: 18.0 HK cents) per share amounting to a total of **HK\$75,378,000** (six months ended 20th August 2012: HK\$75,378,000) was paid to shareholders as the final dividend for 2012/13.

In respect of the current interim period, the Directors have declared an interim dividend of **17.0 HK cents** per share amounting to **HK\$71,190,000** payable to the shareholders of the Company whose names appear on the Register of Members on 15th October 2013. The interim dividend will be paid on or before 22nd October 2013. This interim dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

## 12. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the unaudited profit for the period of **HK\$133,447,000** (six months ended 20th August 2012: HK\$143,814,000) and on the number of shares of **418,766,000** (six months ended 20th August 2012: 418,766,000) in issue during the period.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired computer equipment and leasehold improvements of approximately **HK\$22,929,000** (six months ended 20th August 2012: HK\$15,442,000).

## 14. AVAILABLE-FOR-SALE INVESTMENTS

	<b>20th August 2013 (Unaudited) HK\$'000</b>	20th February 2013 (Audited) HK\$'000
Listed equity securities, at fair value		
Hong Kong	<b>24,154</b>	35,165
Unlisted equity securities, at cost	<b>9,144</b>	9,144
	<b>33,298</b>	44,309

## 15. ADVANCES AND RECEIVABLES

	<b>20th August 2013 (Unaudited) HK\$'000</b>	20th February 2013 (Audited) HK\$'000
Credit card receivables	<b>3,180,646</b>	3,055,112
Instalment loans receivable	<b>1,815,815</b>	1,762,881
Hire purchase debtors	<b>4,099</b>	6,118
	<b>5,000,560</b>	4,824,111
Accrued interest and other receivables	<b>122,304</b>	118,392
Gross advances and receivables	<b>5,122,864</b>	4,942,503
Impairment allowances ( <i>note 16</i> )		
– individually assessed	<b>(72,106)</b>	(56,365)
– collectively assessed	<b>(64,019)</b>	(70,471)
	<b>(136,125)</b>	(126,836)
	<b>4,986,739</b>	4,815,667
Current portion included under current assets	<b>(3,655,316)</b>	(3,500,862)
Amount due after one year	<b>1,331,423</b>	1,314,805

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK\$45,585,000** (20th February 2013: HK\$73,437,000) and **HK\$58,458,000** (20th February 2013: HK\$53,275,000) 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 interests) is higher than the outstanding amount of these receivables at the end of the reporting period. Other advances and receivables are unsecured.

## 16. IMPAIRMENT ALLOWANCES

	<b>20th August 2013 (Unaudited) HK\$'000</b>	20th February 2013 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	<b>60,278</b>	58,979
Instalment loans receivable	<b>70,735</b>	62,434
Hire purchase debtors	<b>165</b>	266
Accrued interest and other receivables	<b>4,947</b>	5,157
	<b>136,125</b>	126,836

	<b>Individual assessment HK\$'000</b>	<b>Collective assessment HK\$'000</b>	<b>Total HK\$'000</b>
At 21st February 2013	56,365	70,471	126,836
Impairment losses and impairment allowances	142,745	(6,452)	136,293
Amounts written-off as uncollectable	(127,004)	–	(127,004)
	<b>72,106</b>	<b>64,019</b>	<b>136,125</b>
At 20th August 2013			
	<b>Individual assessment HK\$'000</b>	<b>Collective assessment HK\$'000</b>	<b>Total HK\$'000</b>
At 21st February 2012	62,768	66,688	129,456
Impairment losses and impairment allowances	147,105	(1,226)	145,879
Amounts written-off as uncollectable	(149,824)	–	(149,824)
	<b>60,049</b>	<b>65,462</b>	<b>125,511</b>
At 20th August 2012			

## 17. OVERDUE ADVANCES AND RECEIVABLES

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

	<b>20th August 2013 (Unaudited)</b>		<b>20th February 2013 (Audited)</b>	
	<b>HK\$'000</b>	<b>%*</b>	<b>HK\$'000</b>	<b>%*</b>
Overdue 1 month but less than 2 months	143,527	2.8	146,499	3.0
Overdue 2 months but less than 3 months	36,703	0.7	30,970	0.6
Overdue 3 months but less than 4 months	25,170	0.5	21,618	0.4
Overdue 4 months or above	73,410	1.4	61,959	1.3
	<b>278,810</b>	<b>5.4</b>	<b>261,046</b>	<b>5.3</b>

\* Percentage of gross advances and receivables

## 18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	<b>20th August 2013 (Unaudited) HK\$'000</b>	<b>20th February 2013 (Audited) HK\$'000</b>
Deposits for property, plant and equipment	35,744	30,903
Rental and other deposits	25,481	18,405
Prepaid operating expenses	18,353	12,553
Other debtors	15,637	16,129
	<b>95,215</b>	<b>77,990</b>
Current portion included under current assets	(49,622)	(35,450)
	<b>45,593</b>	<b>42,540</b>
Amount due after one year		

## 19. CREDITORS AND ACCRUALS

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

	<b>20th August 2013 (Unaudited) HK\$'000</b>	20th February 2013 (Audited) HK\$'000
Current	<b>64,194</b>	46,221
Over 1 month but less than 3 months	<b>6,467</b>	6,550
Over 3 months	<b>6,265</b>	4,507
	<b><u>76,926</u></b>	<u>57,278</u>

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK\$9,001,000** (20th February 2013: HK\$6,818,000).

## 20. BANK BORROWINGS

	<b>20th August 2013 (Unaudited) HK\$'000</b>	20th February 2013 (Audited) HK\$'000
Bank loans, unsecured	<b><u>2,063,463</u></b>	<u>2,038,880</u>
Carrying amount repayable ( <i>Note</i> )		
Within one year	<b>775,713</b>	711,130
Between one and two years	<b>300,000</b>	235,000
Between two and five years	<b>932,750</b>	1,047,750
Over five years	<b>55,000</b>	45,000
	<b><u>2,063,463</u></b>	<u>2,038,880</u>
Amount repayable within one year included under current liabilities	<b><u>(775,713)</u></b>	<u>(711,130)</u>
Amount repayable after one year	<b><u>1,287,750</u></b>	<u>1,327,750</u>

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



## 21. DERIVATIVE FINANCIAL INSTRUMENTS

	20th August 2013 (Unaudited)		20th February 2013 (Audited)	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	2,854	121,531	–	172,886
Cross-currency interest rate swaps	–	2,180	32	676
	<u>2,854</u>	<u>123,711</u>	<u>32</u>	<u>173,562</u>
Current portion	–	(3,914)	–	(8,875)
	<u>2,854</u>	<u>119,797</u>	<u>32</u>	<u>164,687</u>
Non-current portion				

All derivative financial instruments entered by the Group that remain outstanding at 20th August 2013 and 20th February 2013 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.

## 22. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21st February 2013	14,000	(11,600)	2,400
(Credit) charge to profit or loss for the period	<u>(300)</u>	<u>1,300</u>	<u>1,000</u>
At 20th August 2013	<u>13,700</u>	<u>(10,300)</u>	<u>3,400</u>
	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21st February 2012	12,400	(11,000)	1,400
Charge to profit or loss for the period	<u>100</u>	<u>200</u>	<u>300</u>
At 20th August 2012	<u>12,500</u>	<u>(10,800)</u>	<u>1,700</u>

## 23. COLLATERALISED DEBT OBLIGATION

- a) The Company entered into a HK\$1,100,000,000 collateralised debt obligation financing transaction (the “Transaction”). The 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 period.
- b) Pursuant to the Transaction, the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the “Trust”) established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10, the Trust is controlled by the Company and the results thereof are consolidated by the Company in its condensed consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group’s condensed consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in Hong Kong dollars (“HKD”).

## 24. PLEDGE OF ASSETS

At 20th August 2013, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,746,210,000** and **HK\$202,902,000** respectively (20th February 2013: HK\$1,730,590,000 and HK\$183,958,000).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 11th October 2013 to 15th October 2013, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10th October 2013.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (effective until 31st March 2012) and Corporate Governance Code (the "CG Code") (effective from 1st April 2012) as set out in Appendix 14 to the Listing Rules throughout the accounting period for the six months ended 20th August 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 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") of the Company 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. Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

The Chairman of the Board, who was a Non-executive Director, did not attend the annual general meeting of the Company held on 18th June 2013 as he was overseas.

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

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (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 period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 20th August 2013, the Group recorded a profit attributable to owners of HK\$133.4 million, representing a decrease of 7.2% or HK\$10.4 million when compared to HK\$143.8 million in the previous corresponding period. The Group's basic earnings per share decreased from 34.34 HK cents per share in 2012/13 to 31.87 HK cents per share.

Despite fierce competition and slow recovery in customers' demand for revolving transactions, the Group maintained similar level of interest income as last year of HK\$502.2 million. Following the renewal of long-term indebtedness at lower interest rates in previous years and lower funding cost, interest expense in the first half was HK\$48.2 million, a decrease of HK\$2.0 million when compared with HK\$50.2 million in the previous year. The average funding cost was 3.1% in the first half of this year, as compared with 3.3% in the previous year. Net interest income of the Group recorded an increase of HK\$2.7 million to HK\$454.0 million from HK\$451.3 million in 2012/13. The increase in fees and commissions had resulted in the increase in other operating income by HK\$6.2 million from HK\$60.7 million in 2012/13 to HK\$66.9 million for the first six months in 2013/14.

The launch of a series of strategic marketing activities to augment the competitiveness of the credit card and instalment loan businesses led to an increase in marketing and promotion expenses. In the second half of last year, the Group set up a second micro-finance subsidiary in Tianjin. In April this year, another micro-finance subsidiary started its business in Shenzhen. Following the hiring of staff for its China business, there was an increase in staff costs. The running costs of these newly set up micro-finance subsidiaries, and the expansion and relocation costs of local network also contributed to an increase in the operating expenses. As a result, operating expenses increased by 11.3% from HK\$215.1 million in 2012/13 to HK\$239.3 million for the first six months in 2013/14.

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$281.0 million for the six months ended 20th August 2013, representing a decrease of 5.0% from HK\$295.8 million in the previous corresponding period. During the period under review, the Group continued to lend prudently resulting in a continuous improvement in asset quality. With proactive collection actions and cautious approval process, impairment losses and allowances for the first half continued to record a decrease of 6.6% or HK\$9.6 million from HK\$145.9 million in 2012/13 to HK\$136.3 million. Recoveries of advances and receivables written-off was HK\$22.1 million, a decrease of HK\$4.2 million when compared with HK\$26.3 million in 2012/13.

Despite a keen competition in the market, the Group was able to grow its receivables. This led to an increase in gross advances by HK\$176.5 million to HK\$5,000.6 million, as compared to HK\$4,824.1 million at 20th February 2013. Impairment allowances amounted to HK\$136.1 million at 20th August 2013, as compared with HK\$126.8 million at 20th February 2013. Total equity was strengthened by 4.6% to HK\$2,332.0 million at 20th August 2013 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after interim dividend) was HK\$5.4 as at 20th August 2013, as compared with the net asset value per share of HK\$5.1 as at 20th February 2013.

## **Segment Information**

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, insurance and hire purchase. In the first half of 2013/14, credit card operation accounted for 63.8% of the Group's revenue, as compared to 66.1% in 2012/13. For segment result, credit card operation accounted for 80.8% of the Group's whole operations in 2013/14, as compared to 70.9% in 2012/13.

Customers' cautious approach to spending led to a slow recovery in demand for revolving transactions. In spite of the strong growth in card credit purchase sales, interest income from credit card operation recorded a drop when compared with last year. Nevertheless, the increase in card credit purchase sales had resulted in an increase in fees and commissions. As a whole, there was a drop in revenue from credit card operation of 2.1% or HK\$7.8 million from HK\$368.3 million in 2012/13 to HK\$360.5 million in 2013/14. Nevertheless, with the exercise of prompt collection procedures, there was a noticeable decrease in the impairment losses and impairment allowances. As a result, the segment result for the period from credit card operation recorded an increase of HK\$8.4 million from HK\$129.2 million in 2012/13 to HK\$137.6 million in 2013/14.

To attract new instalment loan customers, the Group offered competitive interest rates with reference to customer background. This successfully boosted up the instalment loan sales and interest income recorded an increase when compared with last year. Revenue from instalment loan operation increased by 8.0% or HK\$13.6 million from HK\$170.2 million in 2012/13 to HK\$183.8 million in 2013/14. With an increase in the sales transactions and advances, there was an increase in the impairment losses and impairment allowances. Due to the running costs of newly set up micro finance subsidiaries in China, the segment result for the period from instalment loan operation recorded a decrease of HK\$20.7 million from HK\$45.5 million in 2012/13 to HK\$24.8 million in 2013/14.

Revenue from insurance operation recorded an increase of HK\$1.5 million from HK\$18.7 million in 2012/13 to HK\$20.2 million in 2013/14. After deducting the operating expenses, segment result for the period from insurance operation increased slightly from HK\$7.1 million in 2012/13 to HK\$7.8 million in 2013/14.

Due to the continuous shift of usage to card instalment plan, revenue from hire purchase operation recorded a decrease of HK\$0.2 million, from HK\$0.4 million in 2012/13 to HK\$0.2 million in 2013/14. Segment result for the period from hire purchase operation decreased from HK\$0.5 million in 2012/13 to HK\$0.1 million in 2013/14.

## **Business Review**

In the first half of 2013/14, strategic marketing activities were designed and implemented for the purpose of enhancing the competitiveness of the core credit card business. In addition to customary promotions, the Group had tailor-made campaigns which catered for distinct segments. The Year-Round Lucky Draw promotion encourages customers to routinely spend with their cards and thus far, results are positive. The Circle K Line Sticker promotion, and Watami Mix and Match Menu promotion were welcomed by customers and received overwhelming interests from the public. The AEON Card promotions featuring exclusive

TOPVALU products presented customers with a shopping experience that is both unique and rewarding. For card cash advance, and instalment loan products, preferential interest rates and rebates facilitated sales from dormant accounts as well as from existing and new customers.

The Group's product portfolio continued to expand on a healthy pace. The Watami JCB Card was launched by popular demand and has since delivered satisfactory results. The launch of the AEON American Express® Virtual Pay and a fully revamped AEON Card e-Mall affirmed the Group's vision toward a digital future.

Bill payment and RMB cash dispensing service were deployed at all branch ATMs, and instant card issuance is now available at 21 branch locations. The Group continued to explore the areas of fee based revenue opportunities, with acquiring business making satisfactory progress. AEON Insurance Brokers (HK) Ltd. ("AEON Brokers") continued to utilize the extensive branch network of the Group and took advantage of the government measures for the MPF system to expand its customer base. AEON Brokers' insurance consultants and financial planners are always on standby at various locations offering sales and professional advice on life, general and MPF products.

The Group's China business has expanded to presently include three micro finance companies with Shenzhen being the most recent addition to the network. The micro finance companies will continue to explore and open up new revenue stream opportunities in the areas of personal loan, hire purchase and agricultural machinery financing. Efforts are put forth on the continual development of the vast discount merchant network to increase coverage and brand exposure. The China AEON Card operation has continued to ride on the expansion of the AEON Stores network and at the same time, capitalized on group synergies exclusive to the AEON name brand. The Company's associates, AEON Information Service (Shenzhen) Co., Ltd. and AEON Credit Guarantee (China) Co., Ltd. will continue to provide a host of back-office solutions and support to the AEON House Card operation.

## **Prospects**

Looking ahead, despite the Hong Kong Government's forecast of slower growth in the short term, long term trends remain robust. At its latest meeting, the U.S. Federal Reserve again kept monetary policy steady, which appears to support the tapering of quantitative easing although banks will likely continue to maintain low interest rates in the medium term. Locally, the effects of China's financial and urbanization reform remain to be seen. The latest Hong Kong Quarterly Business Tendency Survey by the Census and Statistics Department indicates the majority of respondents expecting their business situation to be better in the third quarter of 2013 over the second quarter of 2013. Although market improvements are visible, the pace of global recovery is still subject to uncertainties.

With interest rates persistently lower than the rate of inflation, competition between financial institutions is to remain fierce. While the operating environment appears challenging, the Group views this as an opportunity to capture a bigger slice of the market and expand its market share. Through the rebranding of the AEON JUSCO name, the Group will seize this perfect juncture to strengthen its positioning in the market and establish a stronger and clearer brand identity.



The Group has initiated a comprehensive set of strategies to expand its credit card business. In addition to the traditional channels of member recruitment, more resources are being allotted to the electronic platforms. The wide assortment of available cards signifies the Group's commitment to capture different segments of the market. With instant cards presently available at 21 branches, customers are given the option of receiving a full featured credit card which can be used immediately. The Group will continue to optimize its traditional and digital channels to promote its diverse portfolio of products and services to new and existing members. The alliance with Alipay will continue to bring forth express payment schemes to card holders. Synergies between the Group and its merchant partners will continue to drive innovative ideas and revenue opportunities.

A diverse mix of products and services is scheduled to unveil in the second half of the year. A new co-brand credit card will allow the Group to tap into a new consumer segment. Digital Express Cash, when launched later in the year, will provide customers with a convenient channel for using cash advance service. In addition to the aforesaid products, Online Instant Limit Up Service permits the immediate increase of customers' credit lines via simple online requests; and e-Money will be the Group's solution to replacing cash micro-payments in people's everyday life. These new offerings will contribute to the increase in sales and to the growth of the Group's market share.

The Group continues to encourage the migration to e-statements in view of environmental protection and cost saving. A series of promotions aimed at driving Netmember usage and registrations recapitulates the Group's efforts in transitioning toward a digital future. In line with the Group's expansion strategy, the Tin Shui Wai branch opens for business on 12th September 2013 to further improve service coverage. The total number of ATMs is projected to hover around 205 for the second half of 2013/14.

Shareholders' interests are always top priority. The Group will continue to drive long term sustainable growth by strengthening its business portfolio while capitalizing on opportunities to grow its customer base. Today's economy is more dynamic than ever. To excel, the Group will continue to innovate while adhering closely to its slogan of "Convenient, Beneficial, Safe". The Group is strongly confident in its business prospects and is looking forward to an overall satisfactory performance in 2013/14.

## **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 period end was as follows:

	<b>20th August 2013 (Unaudited) HK\$'000</b>	20th February 2013 (Audited) HK\$'000
Debt ( <i>note a</i> )	<b>3,162,137</b>	3,137,341
Cash and cash equivalents	<b>(459,711)</b>	(526,022)
Net debt	<b>2,702,426</b>	2,611,319
Equity ( <i>note b</i> )	<b>2,331,955</b>	2,229,109
Net debt to equity ratio	<b>1.2</b>	1.2

Notes:

- (a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 20 and 23 respectively.
- (b) Equity includes all capital and reserves of the Group.

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 20th August 2013, 42.4% of its funding was derived from total equity, 37.6% from direct borrowings from financial institutions and 20.0% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 20th August 2013, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$2,063.5 million, with 16.1% being fixed in interest rates and 70.3% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 13.6% being renewed overnight. Including the collateralised debt obligation, 24.6% of these indebtedness will mature within one year, 9.5% between one and two years, 64.2% between two and five years and 1.7% over five years. The duration of indebtedness was around 2.3 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD50.0 million and a term loan of USD10.0 million which were hedged by cross-currency interest rate swaps, as well as a short term loans of RMB10.0 million.



The net asset of the Group at 20th August 2013 was HK\$2,332.0 million, as compared with HK\$2,229.1 million at 20th February 2013. Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

The Group's principal operations were transacted and recorded in HKD and thereby its core assets did not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 20th August 2013, capital commitments entered were mainly related to the purchase of property, plant and equipment.

## **HUMAN RESOURCES**

The total number of staff within the Group at 20th August 2013 and 20th February 2013 was 623 and 479 respectively. The Company continues to recognize and reward its staff similar to that disclosed in the Company's 2012/13 Annual Report.

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

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

## **INTERIM FINANCIAL INFORMATION**

The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 20th August 2013. The Group's interim report for the six months ended 20th August 2013 has been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA, by Deloitte Touche Tohmatsu, whose unmodified review report is included in the interim report to be sent to shareholders.

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

The 2013/14 interim report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of the Stock Exchange and the Company in due course.

## **BOARD OF DIRECTORS**

At the date of this announcement, the Executive Directors are Mr. Fung Kam Shing, Barry (Managing Director), Ms. Koh Yik Kung, Ms. Chan Fung Kuen, Dorothy and Ms. Tomoko Misaki; the Non-executive Directors are Mr. Masanori Kosaka (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, 18th September 2013