AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
AEON 信貸財務(亞洲)有限公司

(Incorporation in Hong Kong with limited liability)
(Stock code: 900)

2005/06 INTERIM RESULTS

The Directors of AEON Credit Service (Asia) Company Limited (the "Company") are pleased to announce the unaudited results of the Company for the six months ended 20th August 2005 and the Company's state of affairs as at that date together with the comparative figures as follows:

INCOME STATEMENT

	Notes	Six months ended 20th August 2005 (Unaudited) HK$'000	2004 (Restated and unaudited) HK$'000
Turnover	*3*	**443,909**	423,396
Interest income		**336,615**	262,380
Interest expense		**(48,646)**	(44,560)
Net interest income		**287,969**	217,820
Credit card securitization income	*5*	**26,356**	91,635
Other operating income	*6*	**69,142**	48,169
Other income (loss)	*7*	**5,139**	(695)
Operating income		**388,606**	356,929
Operating expenses	*8*	**(145,829)**	(128,648)
Operating profit before impairment allowances / charge for bad and doubtful debts		**242,777**	228,281
Impairment losses and impairment allowances / charge for bad and doubtful debts		**(141,192)**	(157,046)
Share of results in associates		**30**	(1,465)
Profit before taxation		**101,615**	69,770
Income tax	*9*	**(17,795)**	(12,794)
Net profit for the period		**83,820**	56,976
Interim dividend	*10*	**27,220**	23,032
Earnings per share	*11*	**20.02 HK Cents**	13.61 HK Cents
Dividend per share	*10*	**6.5 HK Cents**	5.5 HK Cents

BALANCE SHEET

	Notes	20th August 2005 (Unaudited) HK$'000	20th February 2005 (Restated and audited) HK$'000
Non-current assets			
Property, plant and equipment	*12*	**82,167**	84,848
Interest in an associate		**1,882**	1,971
Available-for-sale investments		**47,645**	–
Investment securities		**–**	11,295
Hire purchase debtors	*13*	**16,969**	25,773
Instalment loans receivable	*14*	**308,322**	283,309
Credit card receivables	*15*	**23,524**	3,450
Retained interests in securitization trust		**32,662**	228,319
		513,171	638,965
Current assets			
Financial assets at fair value through profit or loss		**2,453**	–
Other investments		**–**	1,239
Derivative financial instruments		**10,223**	–
Hire purchase debtors	*13*	**154,153**	198,155
Instalment loans receivable	*14*	**670,545**	649,030
Credit card receivables	*15*	**1,517,588**	943,247
Retained interests in securitization trust		**577,340**	709,181
Prepayments, deposits, interest receivable and other debtors		**114,186**	100,878
Time deposits		**106,165**	–
Bank balances and cash		**81,308**	97,511
		3,233,961	2,699,241
Current liabilities			
Creditors and accrued charges		**78,816**	79,356
Amount due to securitization trust		**–**	45,855
Amount due to immediate holding company		**–**	4,440
Amount due to a fellow subsidiary		**35,868**	40,685
Amount due to ultimate holding company		**7**	50
Issued debt securities		**382,069**	–
Bank borrowings-repayable within one year		**567,877**	620,556
Derivative financial instruments		**6,834**	–
Taxation		**33,175**	25,772
		1,104,646	816,714
Net current assets		**2,129,315**	1,882,527
Total assets less current liabilities		**2,642,486**	2,521,492
Capital and reserves			
Issued capital		**41,877**	41,877
Share premium and reserves		**1,269,123**	1,222,515
		1,311,000	1,264,392
Non-current liabilities			
Bank borrowings-repayable after one year		**580,000**	1,255,000
Financial liabilities at fair value through profit or loss		**746,307**	–
Deferred tax liabilities		**5,179**	2,100
		1,331,486	1,257,100
		2,642,486	2,521,492

STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 21st February 2004, as originally stated	41,877	227,330	270	–	–	37,689	876,461	1,183,627
Effect of changes in accounting policies	–	–	–	–	–	–	(4,567)	(4,567)
As restated	41,877	227,330	270	–	–	37,689	871,894	1,179,060
Net profit for the period, restated	–	–	–	–	–	–	56,976	56,976
Final dividend paid for 2003/04	–	–	–	–	–	(37,689)	–	(37,689)
At 21st August 2004	41,877	227,330	270	–	–	–	928,870	1,198,347
At 20th February 2005, as originally stated	**41,877**	**227,330**	**270**	**–**	**–**	**43,970**	**955,800**	**1,269,247**
Effect of changes in accounting policies *(Note 2A)*	**–**	**–**	**–**	**–**	**–**	**–**	**(4,855)**	**(4,855)**
As restated	41,877	227,330	270	–	–	43,970	950,945	1,264,392
Effect of changes in accounting policies *(Note 2A)*	–	–	–	–	–	–	(2,104)	(2,104)
At 21st February 2005, as restated	**41,877**	**227,330**	**270**	**–**	**–**	**43,970**	**948,841**	**1,262,288**
Gain on available-for-sale investments	**–**	**–**	**–**	**9,146**	**–**	**–**	**–**	**9,146**
Loss on cash flow hedges	**–**	**–**	**–**	**–**	**(284)**	**–**	**–**	**(284)**
Net income recognized directly in equity	**–**	**–**	**–**	**9,146**	**(284)**	**–**	**–**	**8,862**
Net profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**83,820**	**83,820**
Total recognized income for the period	**–**	**–**	**–**	**9,146**	**(284)**	**–**	**83,820**	**92,682**
Final dividend paid for 2004/05	**–**	**–**	**–**	**–**	**–**	**(43,970)**	**–**	**(43,970)**
	–	**–**	**–**	**9,146**	**(284)**	**(43,970)**	**83,820**	**48,712**
At 20th August 2005	**41,877**	**227,330**	**270**	**9,146**	**(284)**	**–**	**1,032,661**	**1,311,000**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 20th August 2005

1. Basis of Preparation

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

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale investments, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and the derivative financial instruments.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 20th February 2005 except as described below.

In the current period, the Company has applied, for the first time, a number of new HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in changes in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Company's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Financial Instruments

In the current period, the Company has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Company. HKAS 39, which is effective for annual periods beginning on or after 21st February 2005, generally does not permit to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarized below:

Interest income and expense

In prior years, interest income and expense were recognized in the income statement on an accrual basis, except in the case where a debt became doubtful at which stage interest ceased to be accrued. Interest income on instalment loans receivable was accounted for using the sum-of-digit method. Commission income was recognized in the income statement when earned. Fees on loan origination were accounted for as and when they were receivable.

On adoption of HKAS 39, interest income and expense are recognized on a time-proportion basis using the effective interest method. The calculation includes all origination fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, and transaction costs.

Interest will continue to be recognized on impaired financial assets using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

An adjustment of HK$22,564,000 on interest income has been made to the Company's accumulated profits to reflect the adoption of this new policy from 21st February 2005. Moreover, this change has resulted in a decrease in interest income of HK$1,145,000 for the current period.

Classification and measurement of financial assets

The Company has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 20th February 2005, the Company classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealized gains or losses included in the profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment losses (if any). From 21st February 2005 onwards, the Company classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale investments", "loans and receivables" or "held-to maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognized in profit or loss and equity respectively "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 21st February 2005, the Company classified and measured its equity securities in accordance with the requirements of HKAS 39. Investment securities of HK$11,295,000 previously carried at cost are reclassified to available-for-sale investments and re-measured at fair value at 21st February 2005 under the adoption of HKAS 39. An adjustment of HK$27,204,000 to the previous carrying amounts of assets at 21st February 2005 has been made to the Company's accumulated profits and will be included in profit or loss upon disposal. Further revaluation gain of HK$9,146,000 has been made to the Company's investment revaluation reserve in the current period. Other investment of HK$1,239,000 are reclassified to held for trading and measured at fair value with fair value changes through profit or loss.

Classification and measurement of financial liabilities

By 20th February 2005, all financial liabilities were carried at cost. From 21st February 2005 onwards, the Company classifies its financial liabilities under the following categories: financial liabilities at fair value through profit or loss, bank borrowings, issued debt securities and other liabilities. Financial liabilities at fair value through profit or loss, including bank borrowings which are hedged by derivative financial instruments that do not qualify for hedge accounting, are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis. Financial liabilities at fair value through profit or loss are designated as such at inception or date of transition to the new HKFRS. These financial liabilities are recognized initially at fair value and any gains or losses from changes in fair value are recognized in the profit or loss. Bank borrowings, other than those classified as financial liabilities at fair value through profit or loss, issued debt securities and other liabilities are carried at amortised cost. An adjustment to the previous carrying amount of financial liabilities at fair value through profit or loss of HK$22,960,000 on 21st February 2005 has been made to the Company's accumulated profits.

Fair value measurement principles

The fair value of financial assets is based on their quoted market bid prices at the balance sheet date without any deduction for estimated future selling costs. If a quoted market price is not available, the fair value of financial assets is estimated using the discounted cash flow technique that provides a reliable estimate of prices which could be obtained in actual market transactions. In applying the discounted cash flow technique, estimated future cash flows are based on management's best estimates of critical assumptions which may include credit losses, discount rates, yield curves and other factors.

Derivatives and hedging

Derivatives arise from swap transactions which are undertaken by the Company in the foreign exchange and interest rate markets. By 20th February 2005, transactions undertaken for hedging purposes were valued on the same basis as the assets, liabilities or net positions that they were hedging. Any profit or loss was recognized in the income statement on the same basis as that arising from the related assets, liabilities or positions.

From 21st February 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments and, if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognized in profit or loss for the period in which they arise.

There are three types of hedge relationships under HKAS 39, including fair value hedges, cash flow hedges and net investment hedges. The Company designates certain derivatives as hedging instruments to hedge against its exposure of interest rate movements. For cash flow hedges, changes in fair value of the effective portion of hedging instruments are recognized in equity and "recycled" into the income statement when the hedged items affect profit or loss. Changes in the fair value of the ineffective portion of hedging instruments are recognized directly in profit or loss. Accordingly, HK$284,000 change in fair value of the effective portion of hedging instruments is recognized in equity in the current period.

The Company has applied the relevant transitional provisions in HKAS 39. For hedges that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Company has, from 21st February 2005 onwards, discontinued using hedge accounting. For hedges that meet the requirements of hedge accounting set out in HKAS 39, the Company has, from 21st February 2005 onwards, applied hedge accounting in accordance with HKAS 39 to account for such hedges. For derivatives that do not meet the requirements of hedge accounting, on 21st February 2005, the Company recognized the difference between the previous carrying amount recognized on the balance sheet and the fair value on 21st February 2005, amounting to HK$29,704,000, in the Company's accumulated profits. On subsequent revaluation of derivatives that are deemed as held for trading, fair value gain of HK$33,378,000 has been included in profit or loss in the current period.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognized, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Company has applied the relevant transitional provision and applied the revised accounting policy prospectively for transfers of financial assets under asset securitizations on or after 21st February 2005. As a result, the Company's credit card receivables transferred to a special-purpose entity ("SPE") under asset securitization, which were derecognized prior to 20th February 2005, have not been restated. Any new transfer of credit card receivables to the SPE after 21st February 2005 has not been derecognized and remained as credit card receivables in the Company's financial statements. This has resulted in a decrease in credit card securitization income of HK$21,500,000 in the current period.

Impairment of financial assets

In prior years, allowances for bad and doubtful debts were made against loans and receivables as and when they were considered doubtful by the management. In addition, an amount was set aside as a general allowance for bad and doubtful debts.

On adoption of HKAS 39, the Company assesses at each balance sheet date whether there is objective evidence that a loan / receivable or group of loans / receivables is impaired. Impairment allowances are made on loans and receivables when there is objective evidence of impairment as a result of the occurrence of certain loss events after the initial recognition of the loans and receivables, and these loss events will have impact on the estimated future cash flows of the loans and receivables.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan / receivable, whether significant or not, it includes the loan / receivable in a group of loans and receivables and collectively assesses them for impairment. Evaluation is made on a portfolio basis by reference to the credit risk characteristics that are indicative of borrowers' ability to pay all amounts in accordance with the contractual terms. Expected future cash flows of loans and receivables that are assessed collectively for impairment are estimated on the basis of prior loan loss experience.

This change has had no material effect on the results of the previous and current periods.

Interest in Associates

In prior years, investments in associates were stated at cost, as reduced by any identified impairment loss, and the results of associates were accounted for on the basis of dividends received or receivable during the year. On adoption of HKAS 28, interest in associates is accounted for using the equity method, with the cost of investment being adjusted by the share of the associates' post acquisition change in net assets. The Company's income statement reflects its share of the associates' post acquisition profit or loss. Dividends received from the associates reduce the carrying amount of the investments in associates. HKAS 28 has been adopted retrospectively and the comparative figures for 2004 have been restated to conform with the changed policy. Given that an investment in associate was reclassified to investment securities in the prior year upon dilution of the Company's interest from 20% to 12.2%, cumulative share of losses of an associate amounted to HK$5,829,000 has been adjusted to the carrying amount of investment securities. An adjustment to the previous carrying amount of interest in an associate of HK$974,000 on 20th February 2005 in respect of share of net asset with effect of equity accounting for an associate has been made to the Company's accumulated profits. Share of losses of associates of HK$1,465,000 have been restated in prior period's profit or loss. Share of current period's profit of an associate of HK$30,000 is recorded in the profit or loss.

2A. Summary of the Effects of the Changes in Accounting Policies

The cumulative effect of the application of the new HKFRSs on the balance sheet as at 20th February 2005 and 21st February 2005 are summarized below:

	As at 20th February 2005 (Originally stated) HK$'000	Effect of HKAS 28 HK$'000	As at 20th February 2005 (Restated) HK$'000	Effect of HKAS 39 HK$'000	As at 21st February 2005 (Restated) HK$'000
Interest in an associate	997	974	1,971	–	1,971
Investment securities	17,124	(5,829)	11,295	(11,295)	–
Available-for-sale investments	–	–	–	38,499	38,499
Other investments	1,239	–	1,239	(1,239)	–
Financial assets at fair value through profit or loss	–	–	–	1,239	1,239
Instalment loans receivable	932,339	–	932,339	(5,909)	926,430
Creditors and accrued charges	(79,356)	–	(79,356)	(16,655)	(96,011)
Bank borrowings	(1,875,556)	–	(1,875,556)	750,000	(1,125,556)
Financial liabilities at fair value through profit or loss	–	–	–	(727,040)	(727,040)
Derivative financial instruments	–	–	–	(29,704)	(29,704)
Total effects on assets and liabilities	(1,003,213)	(4,855)	(1,008,068)	(2,104)	(1,010,172)
Accumulated profits	955,800	(4,855)	950,945	(2,104)	948,841
Total effects on equity	955,800	(4,855)	950,945	(2,104)	948,841

The effects of the changes in the accounting policies on the results for the six months ended 20th August 2005 are as follows:

	(Unaudited) HK$'000
Gains arising from fair value changes of derivative financial instruments	33,378
Losses from fair value changes of financial liabilities at fair value through profit or loss	(29,268)
Net effect on fair value changes of interest-only strips and cash reserve account in the securitization trust	(21,500)
Decrease in interest income upon adoption of effective interest method on hire purchase debtors and instalment loans receivable	(1,145)
Share of profit of an associate using equity method	30
Decrease in income tax	3,238
Decrease in net profit for the period	**(15,267)**
Effect on earnings per share	
Basic	**3.64 cents**

Analysis of the increase (decrease) in net profit for the six months ended 20th August 2005 by line items presented according to their function:

	(Unaudited) HK$'000
Decrease in interest income	(1,145)
Decrease in credit card securitization income	(21,500)
Increase in other income	4,110
Share of profit in an associate	30
Decrease in income tax	3,238
Decrease in net profit for the period	**(15,267)**

3. Turnover

	Six months ended 20th August 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Interest income	**336,615**	262,380
Fees and commissions	**11,177**	16,591
Investment income from the seller and subordinated interests in securitization trust	**96,117**	144,425
	443,909	423,396

4. **Business and Geographical Segments**

(a) **Business segments**

For management purposes, the Company is currently organised into three operating divisions – credit card, hire purchase and instalment loans. These divisions are the basis on which the Company reports its primary segment information.

Principal activities are as follows:

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

Segment information about these businesses is presented below:

Six months ended 20th August 2005 (Unaudited)

	Credit Card HK$'000	**Hire purchase HK$'000**	**Instalment loans HK$'000**	**Corporate and other operations HK$'000**	**Combined HK$'000**
INCOME STATEMENT					
TURNOVER	**300,747**	**5,348**	**137,539**	**275**	**443,909**
RESULT					
Net interest income (expense)	**166,181**	**2,409**	**121,259**	**(1,880)**	**287,969**
Credit card securitization income	**26,356**	**–**	**–**	**–**	**26,356**
Other operating income	**61,250**	**18**	**7,575**	**299**	**69,142**
Other income	**–**	**–**	**–**	**5,139**	**5,139**
(Increase in)/reversal of impairment losses and impairment allowances	**(106,645)**	**2,143**	**(36,690)**	**–**	**(141,192)**
Segment results	**147,142**	**4,570**	**92,144**		
Unallocated operating expenses				**(145,829)**	**(145,829)**
Share of result in an associate				**30**	**30**
Profit before taxation					**101,615**

Six months ended 20th August 2004 (Restated and unaudited)

	Credit Card HK$'000	Hire purchase HK$'000	Instalment loans HK$'000	Corporate and other operations HK$'000	Combined HK$'000
INCOME STATEMENT					
TURNOVER	305,908	7,639	109,543	306	423,396
RESULT					
Net interest income (expense)	129,844	(3,799)	93,524	(1,749)	217,820
Credit card securitization income	91,635	–	–	–	91,635
Other operating income	36,385	7,195	4,228	361	48,169
Other loss	–	–	–	(695)	(695)
Charge for bad and doubtful debts	(132,483)	(2,795)	(21,768)	–	(157,046)
Segment results	125,381	601	75,984		
Unallocated operating expenses				(128,648)	(128,648)
Share of results in associates				(1,465)	(1,465)
Profit before taxation					69,770

(b) **Geographical segments**

All the Company's interest income, fee and commission income and profit are derived from operations carried out in Hong Kong.

5. **Credit Card Securitization Income**

Credit card securitization income represents the combined effect of gains on sales of credit card receivables, investment income from the seller and subordinated interests in securitization trust and unrealised gains and losses on the interest-only strips and cash reserve account in the securitization trust.

6. **Other Operating Income**

	Six months ended 20th August	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fees and commissions		
Credit card	**11,177**	9,418
Hire purchase	**–**	7,173
Handling and late charges	**45,140**	16,794
Servicer fee on credit card securitization	**11,036**	13,213
Dividends received on available-for-sale investments	**331**	362
Others	**1,458**	1,209
	69,142	48,169

7. **Other Income (Loss)**

	Six months ended 20th August	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss on disposal of property, plant and equipment	**(184)**	(445)
Unrealized gain on revaluation of financial assets at fair value through profit or loss / other investments	**1,213**	650
Net unrealized gain on revaluation of derivative financial instruments	**4,110**	–
Impairment loss recognised on investment securities	**–**	(900)
	5,139	(695)

8. **Operating Expenses**

	Six months ended 20th August	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Administrative expenses	**35,077**	29,788
Advertising expenses	**16,300**	10,244
Depreciation	**20,710**	14,855
Exchange loss	**51**	17
Operating lease rentals in respect of rented premises, advertising space and equipment	**21,725**	24,444
Other operating expenses	**14,990**	13,806
Staff costs including directors' emoluments	**36,976**	35,494
	145,829	128,648

9. **Income Tax**

	Six months ended 20th August	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Provision for the period		
Hong Kong	**14,716**	22,794
Deferred tax liabilities		
For the period	**3,079**	(10,000)
	17,795	12,794

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the both periods.

10. **Dividend**

On 28th June 2005, a dividend of 10.5 HK cents (2003/04: 9.0 HK cents) per share was paid to shareholders as the final dividend for 2004/05.

The directors propose that an interim dividend of 6.5 HK cents (2004/05: 5.5 HK cents) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 14th October 2005.

11. **Earnings Per Share**

The calculation of earnings per share is based on the unaudited net profit for the period of HK$83,820,000 (2004/05: HK$56,976,000) and on the number of 418,766,000 (2004/05: 418,766,000) shares in issue during the period.

12. Property, Plant and Equipment

During the period, the Company spent approximately HK$17.2 million on computer equipment, HK$0.8 million on leasehold improvements and HK$0.2 million on motor vehicles.

13. Hire Purchase Debtors

	20th August 2005 (Unaudited) HK$'000	20th February 2005 (Audited) HK$'000
Due:		
Within one year	**158,093**	206,123
In the second to fifth year inclusive	**17,416**	26,857
	175,509	232,980
Impairment allowances / Allowance for bad and doubtful debts	**(4,387)**	(9,052)
	171,122	223,928
Current portion included under current assets	**(154,153)**	(198,155)
Amount due after one year	**16,969**	25,773

14. Instalment Loans Receivable

	20th August 2005 (Unaudited) HK$'000	20th February 2005 (Audited) HK$'000
Due:		
Within one year	**714,472**	699,684
In the second to fifth year inclusive	**328,521**	305,420
	1,042,993	1,005,104
Impairment allowances / Allowance for bad and doubtful debts	**(64,126)**	(72,765)
	978,867	932,339
Current portion included under current assets	**(670,545)**	(649,030)
Amount due after one year	**308,322**	283,309

15. Credit Card Receivables

	20th August 2005 (Unaudited) HK$'000	20th February 2005 (Audited) HK$'000
Due:		
Within one year	**1,596,536**	1,035,241
In the second to fifth year inclusive	**24,748**	3,786
	1,621,284	1,039,027
Impairment allowances / Allowance for bad and doubtful debts	**(80,172)**	(92,330)
	1,541,112	946,697
Current portion included under current assets	**(1,517,588)**	(943,247)
Amount due after one year	**23,524**	3,450

16. Overdue Debtor Balance

Set out below is an analysis of the gross debtor balance of hire purchase debtors, instalment loans receivable and credit card receivables which is overdue for more than 1 month:

	20th August 2005 (Unaudited)		20th February 2005 (Audited)	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**71,456**	**2.5**	94,046	4.1
Overdue 2 months but less than 3 months	**19,048**	**0.7**	18,094	0.8
Overdue 3 months or above	**84,026**	**3.0**	84,570	3.7
	174,530	**6.2**	196,710	8.6

* *Percentage of total debtor balance*

17. Financial Instruments

(a) Derivative Financial Instruments

At 20th August 2005, the contractual or notional amounts of interest rate swap contracts entered into by the Company with financial institutions were HK$905,000,000 (20th February 2005: HK$860,000,000) of which HK$85,000,000 (20th February 2005: HK$Nil) are qualified for hedge accounting.

The contractual or notional amounts of these derivative financial instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts of risk.

(b) The credit risk on derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agents.

(c) As a result of the securitization transaction entered in September 2002, the Company has entered into forward contracts with Nihon (Hong Kong) Company Limited, a special purpose entity (a "SPE") incorporated in Hong Kong formed for the sole purpose of the transaction, to sell credit card receivables to the SPE from time to time in accordance with the terms of the agreement.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 6.5 HK cents (2004/05: 5.5 HK cents) per share to shareholders whose names appear on the Register of Members of the Company on 14th October 2005. Dividend warrants will be despatched on or about 17th October 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7th October 2005 to 14th October 2005, 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 Registrars, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 6th October 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In the first half of 2005, Hong Kong's economy continued to gain growth momentum led mainly by the growth in China's economy and the strong performance in the local property and stock market. With the unemployment rate dropped to 5.7% in August 2005, there is a continued improvement in consumer sentiment and confidence locally, with an increase in spending on goods and services. During the period under review, there was an increase in personal loan sales and more market players have moved aggressively into personal loan business.

The Company recorded a net profit of HK$83.8 million for the six months ended 20th August 2005, representing an increase of 47.1% or HK$26.8 million when compared to HK$57.0 million in the previous corresponding period. The Company's earnings per share improved from 13.61 HK cents per share in 2004/05 to 20.02 HK cents per share.

On the sales front, the return of economic confidence and the issuance of more affinity cards have boosted up credit card sales. With the use of the Company's branch and merchant network to cross-sell different loan products, personal loan sales remained a healthy growth. The overall sales volume increased by 17.5% when compared with last year.

With the pick up in sales transactions and the record of new credit card receivables transferred under asset securitizations in accordance with the new derecognition criteria in HKAS 39, interest income recorded an increase of 28.3% from HK$262.4 million in 2004/05 to HK$336.6 million. Although there was an increase in HIBOR in the first half, with the renewal of long-term bank borrowings at lower interest rates, the average funding cost moved from 3.8% in the first half of last year to 4.3% in the first half of this year. Interest expense in the first half was HK$48.6 million, an increase of 9.2% when compared with last year. The Company's net interest income recorded an increase of 32.2% to HK$288.0 million from HK$217.8 million in 2004/05.

The Company recorded credit card securitization income of HK$26.4 million, representing the investment income from the seller and subordinated interests and revaluation on interest-only strips. The higher usage of cash advance and the increase in late payment charge had resulted in an increase of other operating income by 43.5% from HK$48.2 million in 2004/05 to HK$69.1 million.

In line with the launch of new products and marketing programs, the Company had incurred more on advertising and part-time staff expenses. This resulted in an increase in operating expenses by 13.4% from HK$128.6 million in 2004/05 to HK$145.8 million. Cost-to-income ratio was 37.5%, as compared with 36.0% in the previous year.

At the operating level before impairment allowances, the Company recorded an operating profit of HK$242.8 million for the six months ended 20th August 2005, representing an increase of 6.4% or HK$14.5 million from HK$228.3 million in the previous corresponding period. During the period under review, there was a further drop in the impairment losses and impairment allowances, with impairment losses for the first half stood at HK$141.2 million, a decrease of 10.1% when compared with the previous year. Impairment allowances amounted to HK$155.0 million as at 20th August 2005, as compared with HK$174.2 million as at 20th February 2005.

Total debtor balance as at 20th August 2005 increased by HK$562.7 million from HK$2,277.1 million as at 20th February 2005 to HK$2,839.8 million as at 20th August 2005. On the other hand, the retained interests in securitization trust decreased from HK$937.5 million as at 20th February 2005 to HK$610.0 million as at 20th August 2005. Shareholders' funds were strengthened by 3.7% to HK$1,311.0 million as at 20th August 2005 mainly due to the increase in retained earnings and the investment revaluation reserve.

Business Review

The Company has issued two new affinity cards in collaboration with two new partners in the financial and catering industries. The AMTD MasterCard was launched in March 2005 targeting executives that have financial needs on investment and financial products. The G. Sushi credit cards were launched in July 2005 targeting young sushi lovers. The unique features of these two cards have been widely accepted by the consumers and a total number of 20,000 cards have been issued up to 20th August 2005. In addition, the Company had also successfully launched different marketing programs like private sale, catalogue sale, lucky draws and spending campaigns with our affinity members to boost up card sales.

The Company continued to improve the efficiency of loan approval process with the availability of positive data from credit bureau. Together with the use of new marketing channels, the personal loan sales continued to record a stable growth in the first half.

To diversify its services, the Company has also offered financial products related to insurance and travel such as home content, domestic helper and golfer insurance and tour packages at a special price to popular destinations.

To extend the branch network, a new branch was opened in Chai Wan on 18th August 2005. With an increasing number of customers using the payment channel through convenience stores and bank's ATM network, the branch network has been utilised more efficiently in performing target marketing, cross-selling and discount merchants recruiting.

Finally, on the co-operation with China UnionPay, our cardholders can now withdraw RMB through the China UnionPay ATM network and also enjoy credit purchase at China UnionPay's merchant network in the Guangdong Province.

Prospects

The current active stock market and the drop in unemployment rate are indicative signs of continued economic recovery in Hong Kong. Although the rise in oil prices and interest rates will pose a potential threat, the opening of Hong Kong Disney has created a new recruitment force in the job market. As the demand for consumer loans is expected to increase in the second half, more players have launched aggressive marketing programs to capture this growth sector. Under this optimistic and competitive business environment, AEON will follow its existing marketing strategy to continue to develop new affinity partners to diversify its customer sector and increase its customer base, while at the same time strengthen its credit assessment through stringent credit approval procedures.

The Company will continue to launch affinity cards to capture new customer segments and widen its distribution network. Three more cards including credit cards under the brand of UnionPay will be launched in the second half. A series of marketing programs will also be launched, directing towards card activation in the whole card portfolio through the offering of appealing cardholder privileges, affinity member benefits and bonus point system. With the launch of UnionPay credit cards in the second half, more card spending in China is expected.

The Company will use target marketing to increase the number of active cardholders. To promote recurrent transactions, the Company will line up with more merchants to launch spending and lucky draw campaigns to stimulate credit card transactions. In order to increase cash advance sales volume, the Company will continue to extend its ATM network along the KCR and MTR areas and inside shopping centers. Moreover, the Company's ATM network in Hong Kong is now open to China UnionPay members. With the increasing number of mainland visitors coming to Hong Kong, this will generate a new source of fee-based income.

In order to satisfy different demand in the market for personal loans and to attract quality customers, the Company will continue to source for new merchants to offer purpose loans.

Following the release of certain restrictions on access to customer credit data through the credit reference agency, continued improvement in loan quality is expected. Moreover, operating efficiencies will also be improved through the relocation of more service support operations to the Company's call center in Shenzhen.

FUNDING AND CAPITAL FINANCING

The main objectives of the Company's funding and capital management are essentially the same as that reported in the Company's 2004/05 Annual Report.

The Company relies principally on its internally generated capital and bank borrowings to fund its business. The principal source of internally generated capital is from accumulated profits. As at 20th August 2005, the Company had bank borrowings and financial liabilities at fair value through profit or loss amounted to HK$1,894.2 million, with 80.0% being fixed in interest rates. Out of these borrowings, 30.0% will mature within one year, 21.2% between one and two years, 7.7% between two and three years, 27.0% between three and four years and 14.1% over four years. Besides bank borrowings, the Company raised HK$850.0 million though credit card securitization, of which HK$382.1 million was stated as issued debt securities following the adoption of HKAS 39. All the Company's borrowings were denominated in Hong Kong dollars.

The Company continued to maintain a strong financial position. As at 20 August 2005, total debt-to-equity ratio was 1.86. Taking into account the financial resources available to the Company including internally generated funds and available banking facilities, the Company has sufficient working capital to meet its present requirements.

The Company's principal operations were transacted and recorded in Hong Kong dollars. During the period under review, the Company engaged in derivative financial instruments mainly to hedge its exposure on interest rate fluctuations. As at 20th August 2005, capital expenditure commitments entered were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff as at 20th August 2005 and 20th February 2005 was 290 and 272 respectively. The Company continues to recognize and reward its staff similar to that disclosed in the Company's 2004/05 Annual Report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the accounting period for the six months ended 20th August 2005, except for the deviations from code provisions A.4.1 and A.4.2.

The code provisions A.4.1 and A.4.2 provide that (a) non-executive directors should be appointed for a specific term, subject to re-election, and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and 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 nor directors appointed to fill casual vacancy are subject to election at the first general meeting. However, all directors of the Company, including executive, non-executive and independent non-executive directors, are subject to retirement at each annual general meeting of the Company in accordance with the Company's Articles of Association. Any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the code provisions.

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 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

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 interim results for the six months ended 20th August 2005. The Company's interim report for the six months ended 20th August 2005 has been reviewed in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu whose unmodified review report is included in the interim report to be sent to shareholders.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2005/06 interim report of the Company containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
MASANORI KOSAKA
Managing Director

Hong Kong, 22nd September 2005

As at the date of this announcement, the executive directors of the Company are Mr. Masanori Kosaka (Managing Director), Mr. Lai Yuk Kwong and Ms. Koh Yik Kung; the non-executive directors are Mr. Yoshiki Mori (Chairman), Mr. Kazuhide Kamitani and Mr. Yoichi Kimura; and the independent non-executive directors are Dr. Shao You Bao, Mr. Tsang Wing Hong and Mr. Wong Hin Wing.

"Please also refer to the published version of this announcement in The Standard."