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 2009

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" or "AEON Credit") for the six months ended 20th August 2009 and the state of affairs of the Group as at that date together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 20th August 2009

		Six months ended 20th August	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**603,092**	591,754
Interest income	*5*	**544,328**	528,240
Interest expense	*6*	**(73,293)**	(73,469)
Net interest income		**471,035**	454,771
Other operating income	*7*	**62,203**	66,408
Other gains and losses	*8*	**(362)**	11,794
Operating income		**532,876**	532,973
Operating expenses	*9*	**(190,178)**	(187,832)
Operating profit before impairment allowances		**342,698**	345,141
Impairment losses and impairment allowances		**(216,853)**	(186,779)
Recoveries of receivables written-off		**25,660**	20,760
Share of results of associates		**(2,891)**	(3,081)
Profit before tax		**148,614**	176,041
Income tax expense	*10*	**(24,774)**	(27,760)
Profit for the period		**123,840**	148,281
Attributable to:			
Owners of the Company		**123,840**	148,281
Earnings per share	*12*	**29.57 HK Cents**	35.41 HK Cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 20th August 2009

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**123,840**	148,281
Other comprehensive income		
Fair value gain (loss) on available-for-sale investments	**22,894**	(18)
Exchange difference arising from translation of foreign operations	**–**	1,856
Net adjustment on cash flow hedges	**9,490**	16,906
Transfer to profit or loss on disposal of available-for-sale investment	**–**	(11,942)
Other comprehensive income for the period	**32,384**	6,802
Total comprehensive income for the period	**156,224**	155,083
Total comprehensive income attributable to:		
Owners of the Company	**156,224**	155,083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2009

	Notes	20th August 2009 (Unaudited) HK$'000	20th February 2009 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*13*	**90,823**	85,639
Investments in associates		**35,207**	38,098
Available-for-sale investments		**80,745**	57,851
Advances and receivables	*14*	**1,047,800**	952,097
Derivative financial instruments	*19*	**85,758**	88,862
Deferred tax assets		**2,500**	6,200
Restricted deposits		**68,000**	68,000
		1,410,833	1,296,747
Current assets			
Advances and receivables	*14*	**3,704,217**	3,966,423
Prepayments, deposits and other debtors		**36,998**	53,317
Amount due from an associate		**–**	204
Restricted deposits		**148,288**	26,935
Time deposits		**257,713**	286,386
Bank balances and cash		**49,327**	52,769
		4,196,543	4,386,034
Current liabilities			
Creditors and accruals	*17*	**117,826**	106,927
Amounts due to fellow subsidiaries		**47,199**	46,433
Amount due to immediate holding company		**–**	11
Amount due to ultimate holding company		**40**	60
Amount due to an associate		**329**	–
Bank borrowings	*18*	**804,000**	1,057,000
Bank overdrafts		**1,008**	4,671
Derivative financial instruments	*19*	**5,799**	3,127
Tax liabilities		**22,551**	15,924
		998,752	1,234,153
Net current assets		**3,197,791**	3,151,881
Total assets less current liabilities		**4,608,624**	4,448,628
Capital and reserves			
Issued capital		**41,877**	41,877
Share premium and reserves		**1,776,342**	1,687,121
Total equity		**1,818,219**	1,728,998
Non-current liabilities			
Collateralised debt obligation	*20*	**1,097,621**	847,297
Bank borrowings	*18*	**1,657,250**	1,823,750
Derivative financial instruments	*19*	**35,534**	48,583
		2,790,405	2,719,630
Total equity and non-current liabilities		**4,608,624**	4,448,628

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 20th August 2009

	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserve	Hedging reserve	Translation reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 21st February 2008 (Audited)	41,877	227,330	270	31,622	(57,116)	4,839	1,368,137	1,616,959
Profit for the period	–	–	–	–	–	–	148,281	148,281
Fair value loss on available-for-sale investments	–	–	–	(18)	–	–	–	(18)
Exchange difference arising from translation of foreign operations	–	–	–	–	–	1,856	–	1,856
Net adjustment on cash flow hedges	–	–	–	–	16,906	–	–	16,906
Transfer to profit or loss on disposal of available-for-sale investment	–	–	–	(11,942)	–	–	–	(11,942)
Total comprehensive (loss) income for the period	–	–	–	(11,960)	16,906	1,856	148,281	155,083
Final dividend paid for 2007/08	–	–	–	–	–	–	(62,814)	(62,814)
Balance at 20th August 2008 (Unaudited)	41,877	227,330	270	19,662	(40,210)	6,695	1,453,604	1,709,228
Balance at 21st February 2009 (Audited)	**41,877**	**227,330**	**270**	**(2,603)**	**(79,703)**	**6,543**	**1,535,284**	**1,728,998**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**123,840**	**123,840**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**22,894**	**–**	**–**	**–**	**22,894**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**9,490**	**–**	**–**	**9,490**
Total comprehensive income for the period	**–**	**–**	**–**	**22,894**	**9,490**	**–**	**123,840**	**156,224**
Final dividend paid for 2008/09	**–**	**–**	**–**	**–**	**–**	**–**	**(67,003)**	**(67,003)**
Balance at 20th August 2009 (Unaudited)	**41,877**	**227,330**	**270**	**20,291**	**(70,213)**	**6,543**	**1,592,121**	**1,818,219**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 20th August 2009

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**349,559**	114,396
Dividends received	**1,173**	1,014
Proceeds from disposal of available-for-sale investment	**–**	11,942
Purchase of available-for-sale investments	**–**	(4,683)
Purchase of property, plant and equipment	**(22,828)**	(7,968)
Others	**–**	78
Net cash (used in) from investing activities	**(21,655)**	383
Increase in restricted deposits	**(121,353)**	–
Increase in collateralised debt obligation	**250,000**	–
Dividends paid	**(67,003)**	(63,384)
New bank loans raised	**7,236,000**	10,943,499
Repayment of bank loans	**(7,654,000)**	(11,010,000)
Net cash used in financing activities	**(356,356)**	(129,885)
Net decrease in cash and cash equivalents	**(28,452)**	(15,106)
Cash and cash equivalents at 21st February	**334,484**	242,842
Cash and cash equivalents at 20th August	**306,032**	227,736
Being:		
Time deposits	**257,713**	172,101
Bank balances and cash	**49,327**	58,492
Bank overdrafts	**(1,008)**	(2,857)
	306,032	227,736

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 20th August 2009

1. BASIS OF PREPARATION

The condensed consolidated 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 with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting.

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 20th February 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 21st February 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

HK (IFRIC) – Int 13 Customer Loyalty Programmes

HK(IFRIC) – Int 13 addresses how companies that grant their customers loyalty award credits (often called "bonus points") when selling goods or services should account for their obligation to provide free or discounted goods and services, if and when the customers redeem the bonus points. It requires companies to account for such transactions as "multiple element transactions" and allocate the proceeds of the initial sale to the award credits. The portion allocated to award credits is recognised as revenue only when the Group has fulfilled its obligations to provide goods or services. In the past, the Group accounted for the bonus point obligation under marketing expenses based on actual bonus points rewarded and accruals with reference to historical redemption experience. The effect of the adoption of HK(IFRIC) – Int 13 was not considered to be material for the Group and therefore, the prior year figures have not been restated.

The adoption of the other new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

[1] *Effective for annual periods beginning on or after 1st July 2009*

[2] *Amendments that are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010, as appropriate*

[3] *Effective for annual periods beginning on or after 1st January 2010*

[4] *Effective for transfers on or after 1st July 2009*

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 21st February 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**544,328**	528,240
Fees and commissions	**18,883**	22,972
Handling and late charges	**39,881**	40,542
	603,092	591,754

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 21st February 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.

In prior years, income derived from insurance agency business through credit card transactions was grouped under credit card and other operations. However, with the commencement of operation of insurance brokerage business, a new operating segment – insurance has been identified and presented in the financial information reported to the chief operating decision maker (i.e. Executive Directors) for the purposes of assessment of performance and future resources planning. In order to conform to current period's presentation, prior period information has been restated. The Group's reportable segments under HKFRS 8 are therefore as follows:

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

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

Six months ended 20th August 2009 (Unaudited)

	Credit card	**Instalment loan**	**Hire purchase**	**Insurance**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONDENSED CONSOLIDATED INCOME STATEMENT					
REVENUE	**401,432**	**187,722**	**4,044**	**9,894**	**603,092**
RESULT					
Segment result	**89,769**	**62,742**	**35**	**4,745**	**157,291**
Unallocated operating income					**3,083**
Corporate expenses					**(8,869)**
Share of results of associates					**(2,891)**
Profit before tax					**148,614**
Income tax expense					**(24,774)**
Profit for the period					**123,840**

Six months ended 20th August 2008 (Unaudited)

	Credit card *HK$'000*	Instalment loan *HK$'000*	Hire purchase *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
CONDENSED CONSOLIDATED INCOME STATEMENT					
REVENUE	397,610	178,403	5,564	10,177	591,754
RESULT					
Segment result	106,984	56,224	553	9,523	173,284
Unallocated operating income					14,914
Corporate expenses					(9,076)
Share of results of associates					(3,081)
Profit before tax					176,041
Income tax expense					(27,760)
Profit for the period					148,281

Segment result represents the pre-tax profit earned by each segment without allocation of certain corporate income (including dividend income and gain on disposal of available-for-sale investment), corporate 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	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Time deposits, bank balances and cash	**250**	2,167
Advances	**539,056**	525,051
Impaired advances	**5,022**	1,022
	544,328	528,240

6. INTEREST EXPENSE

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**23,860**	35,279
Interest on collateralised debt obligation wholly repayable within five years	**23,445**	20,990
Net interest expense on interest rate swap contracts	**25,988**	17,200
	73,293	73,469

7. OTHER OPERATING INCOME

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends received on available-for-sale investments		
Listed equity securities	**824**	699
Unlisted equity securities	**349**	315
Fees and commissions		
Credit card	**8,989**	12,795
Insurance	**9,894**	10,177
Handling and late charges	**39,881**	40,542
Others	**2,266**	1,880
	62,203	66,408

8. OTHER GAINS AND LOSSES

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange gains (losses)		
Exchange gain on bank loan	**1,500**	8,250
Exchange loss on hedging instrument released from cash flow hedge reserve	**(1,500)**	(8,250)
Gain on disposal of available-for-sale investment	**–**	11,942
Hedge ineffectiveness on cash flow hedges	**(226)**	(226)
Net (loss) gain on disposal of property, plant and equipment	**(136)**	78
	(362)	11,794

9. OPERATING EXPENSES

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Administrative expenses		
Depreciation	**17,507**	16,313
General administrative expenses	**53,007**	50,296
Operating lease rentals in respect of rented premises, advertising space and equipment	**31,641**	31,862
Other operating expenses	**20,569**	19,105
Staff costs including directors' emoluments	**45,229**	46,421
	167,953	163,997
Marketing expenses	**22,225**	23,835
	190,178	187,832

10. INCOME TAX EXPENSE

	Six months ended 20th August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Current taxation		
Hong Kong Profits Tax		
– current period	**21,074**	29,460
Deferred tax		
– current period	**3,700**	(2,000)
– attributable to change in tax rate	**–**	300
	24,774	27,760

Hong Kong Profits Tax is calculated at 16.5% (six months ended 20th August 2008: 16.5%) of the estimated assessable profit for the period.

11. DIVIDEND

On 30th June 2009, a dividend of **16.0 HK cents** (2008: 15.0 HK cents) per share amounting to a total of **HK$67,003,000** (2008: HK$62,814,000) was paid to shareholders as the final dividend for 2008/09.

In respect of the current interim period, the Directors have declared an interim dividend of **16.0 HK cents** per share amounting to **HK$67,002,000** payable to the shareholders of the Company whose names appear on the Register of Members on 14th October 2009. The interim dividend will be paid on or about 20th October 2009. 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

The calculation of earnings per share is based on the unaudited profit for the period of **HK$123,840,000** (six months ended 20th August 2008: HK$ 148,281,000) attributable to owners of the Company and on the number of **418,766,000** (six months ended 20th August 2008: 418,766,000) shares in issue during the period.

No diluted earnings per share have been presented as there were no potential ordinary shares in issue for both periods.

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately **HK$22,828,000** on computer equipment.

14. ADVANCES AND RECEIVABLES

	20th August 2009 (Unaudited) *HK$'000*	20th February 2009 (Audited) *HK$'000*
Credit card receivables	**3,199,074**	3,421,998
Instalment loans receivable	**1,500,975**	1,456,930
Hire purchase debtors	**82,682**	97,459
	4,782,731	4,976,387
Accrued interest and other receivables	**126,925**	111,160
Gross advances and receivables	**4,909,656**	5,087,547
Impairment allowances		
– individually assessed	**(60,103)**	(53,029)
– collectively assessed	**(97,536)**	(115,998)
	(157,639)	(169,027)
	4,752,017	4,918,520
Current portion included under current assets	**(3,704,217)**	(3,966,423)
Amount due after one year	**1,047,800**	952,097

15. IMPAIRMENT ALLOWANCES

	20th August 2009 (Unaudited) *HK$'000*	20th February 2009 (Audited) *HK$'000*
Analysis by products as:		
Credit card receivables	**77,838**	98,363
Instalment loans receivable	**60,576**	56,159
Hire purchase debtors	**1,771**	2,342
Accrued interest and other receivables	**17,454**	12,163
	157,639	169,027

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21st February 2009	**53,029**	**115,998**	**169,027**
Impairment losses and impairment allowances	**235,315**	**(18,462)**	**216,853**
Amounts written-off as uncollectable	**(228,241)**	**–**	**(228,241)**
At 20th August 2009	**60,103**	**97,536**	**157,639**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21st February 2008	45,323	97,107	142,430
Impairment losses and impairment allowances	181,230	5,549	186,779
Amounts written-off as uncollectable	(181,833)	–	(181,833)
At 20th August 2008	44,720	102,656	147,376

16. OVERDUE ADVANCES AND RECEIVABLES

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

	20th August 2009 (Unaudited)		20th February 2009 (Audited)	
	HK$'000	***%****	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**123,040**	**2.5**	143,277	2.8
Overdue 2 months but less than 3 months	**42,739**	**0.9**	60,847	1.2
Overdue 3 months but less than 4 months	**32,523**	**0.7**	34,798	0.7
Overdue 4 months or above	**53,680**	**1.1**	48,935	1.0
	251,982	**5.2**	287,857	5.7

* *Percentage of gross advances and receivables*

17. CREDITORS AND ACCRUALS

The aged analysis of creditors and accruals is as follows:

	20th August 2009 (Unaudited) ***HK$'000***	20th February 2009 (Audited) *HK$'000*
Current	**115,255**	103,876
Over 1 month but less than 3 months	**563**	969
Over 3 months	**2,008**	2,082
	117,826	106,927

18. BANK BORROWINGS

	20th August 2009 (Unaudited) *HK$'000*	20th February 2009 (Audited) *HK$'000*
Bank loans, unsecured	**2,461,250**	2,880,750
The maturity of bank borrowings is as follows:		
Within one year	**804,000**	1,057,000
Between one and two years	**400,000**	555,000
Between two and five years	**1,257,250**	1,268,750
	2,461,250	2,880,750
Amount repayable within one year included under current liabilities	**(804,000)**	(1,057,000)
Amount repayable after one year	**1,657,250**	1,823,750

19. DERIVATIVE FINANCIAL INSTRUMENTS

	20th August 2009 (Unaudited)		20th February 2009 (Audited)	
	Assets *HK$'000*	**Liabilities** *HK$'000*	Assets *HK$'000*	Liabilities *HK$'000*
Interest rate swaps	**201**	**41,333**	–	51,710
Cross-currency interest rate swap	**85,557**	**–**	88,862	–
	85,758	**41,333**	88,862	51,710
Current portion	**–**	**(5,799)**	–	(3,127)
Non-current portion	**85,758**	**35,534**	88,862	48,583

All derivative financial instruments entered by the Group at 20th August 2009 and 20th February 2009 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, the designated hedged items.

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to cash flow changes of its floating-rate by swapping certain Hong Kong dollar floating-rate bank borrowings with aggregate principal of **HK$1,025,000,000** from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of **HK$1,025,000,000** have fixed interest payments at fixed interest rates ranging from 2.2 % to 5.7% (20th February 2009: 2.2% to 5.7%) and floating interest receipts ranging from 0.3% plus HIBOR to 0.8% plus HIBOR (20th February 2009: 0.3% plus HIBOR to 0.8% plus HIBOR) for periods up until March 2014. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

During the period, net gain on cash flow hedges amounted to HK$11,295,000 (six months ended 20th August 2008: net gain of HK$10,083,000) are included in equity.

The fair value of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at reporting date.

Cross-currency interest rate swap

The Group uses a cross-currency interest rate swap designated as highly effective hedging instrument to minimise its exposure to foreign currency and cash flow interest rate risk of its floating-rate Japanese Yen syndicated bank borrowing by swapping the floating-rate Japanese Yen bank borrowing with principal of JPY7,500,000,000 to fixed-rate Hong Kong dollar bank borrowing. The cross-currency interest rate swap of the Group with notional amount of JPY7,500,000,000 (equivalent to HK$499,178,000 at the date of inception of the loan) has fixed currency payments in Hong Kong dollars at exchange rate of Japanese Yen to Hong Kong dollars at 15.0, fixed interest payments in Hong Kong dollars at 4.9% and floating interest receipts in Japanese Yen at 0.4% plus JPY-LIBOR-BBA for periods up until September 2011. The cross-currency interest rate swap and the corresponding syndicated bank borrowing have the same terms and the Directors consider that the cross-currency interest rate swap is highly effective hedging instrument.

During the period, net loss on cash flow hedge amounted to HK$1,805,000 (six months ended 20th August 2008: net gain of HK$6,823,000) are included in equity.

The fair value of the cross-currency interest rate swap is determined by using the discounted cash flow method based on JPY-LIBOR-BBA yield curve and the forward exchange rate between Japanese Yen and Hong Kong dollars estimated at reporting date.

20. COLLATERALISED DEBT OBLIGATION

(a) The Company entered into a HK$850,000,000 collateralised debt obligation financing transaction (the "Transaction") in 2007 and the Transaction amount was increased to HK$1,100,000,000 during the period. Pursuant to this 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 HKAS-INT-12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under this Transaction have not been derecognised and remained in the Group's consolidated financial statements.

(b) The collateralised debt obligation is backed by the credit card receivables transferred (see note 21) and with the carrying amount denominated in Hong Kong dollars. The revolving period of the Transaction will end in February 2012. The monthly interest of the collateralised debt obligation is fixed at 4.5% during the revolving period, thus exposing the Group to fair value interest rate risk. The effective interest rate is 4.5% during the period.

21. PLEDGE OF ASSETS

At 20th August 2009, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK$1,772,241,000** and **HK$216,288,000** respectively (20th February 2009: HK$1,387,865,000 and HK$94,935,000) (see note 20).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9th October 2009 to 14th October 2009, 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 4:00 p.m. on 8th October 2009.

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 throughout the accounting period for the six months ended 20th August 2009, except for the deviations from code provisions A.4.1, A.4.2, B.1.1 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 considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The second limb of the code provision B.1.1 provides that a majority of the members of the remuneration committee should be independent non-executive directors.

Following the resignation of Mr. Tsang Wing Hong on 24th September 2008, the respective number of Independent Non-executive Directors of the Company, the Audit Committee and the Remuneration Committee of the Company falls below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules and deviates from the code provision B.1.1. Following the appointment of Professor Tong Jun as an Independent Non-executive Director and a member of the Audit Committee and Remuneration Committee of the Company on 23rd September 2009, the Company is in compliance with Rules 3.10(1) and 3.21 of the Listing Rules and code provision B.1.1.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 19th June 2009 as he was overseas.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code. 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

The global financial tsunami happened last year began to impact the real economy at the beginning of 2009. Job market and local consumption were weak during the first half of the year. Fortunately, asset markets in Hong Kong started to recover in the second quarter, with continued improvements in the stock and property markets. Faced with a rising unemployment rate, declining retail sales and an increase in personal bankruptcy cases, the operating environment for consumer finance business in Hong Kong remains challenging. Participants have to strive for innovative products and service quality to attract new customers while at the same time monitor the deteriorating credit quality. Likewise the core operating performance of the Group was under pressure and a cautious business approach was adopted. As a result of this more cautious strategy, total advances contracted when compared with the end of last year.

The Group recorded a profit attributable to shareholders of HK$123.8 million for the six months ended 20th August 2009, representing a decrease of 16.5% or HK$24.5 million when compared to HK$148.3 million in the previous corresponding period. The Group's earnings per share changed from 35.41 HK cents per share in 2008/09 to 29.57 HK cents per share.

A series of new marketing programs had been launched directing towards card acquisition and card activation. The AEON Ocean Park Halloween Night had received overwhelming response in the market. As a result, the Group only recorded a slight drop in the card credit purchase sales when compared with last year.

By changing the product mix to overcome the increase in credit risk, interest income recorded an increase of 3.1% from HK$528.2 million in 2008/09 to HK$544.3 million. In order to secure more banking facilities under the volatile market situation, the Group had fixed more long-term borrowings and increased the size of collateralised debt obligation to HK$ 1,100.0 million. As a result, interest expense in the first half was HK$73.3 million, a decrease of HK$0.2 million when compared with last year, with average funding cost being 4.1% in the first half of this year. Net interest income of the Group recorded an increase of 3.6% to HK$471.0 million from HK$454.8 million in 2008/09. The drop in commission income and handling and late charges had resulted in the decrease in other operating income by 6.3% from HK$66.4 million in 2008/09 to HK$62.2 million for the first six months in 2009/10.

Following the recruit of more members and the launch of different marketing programs, the Group had spent more on card and loan processing expenses. Together with the increase in depreciation related to computer equipment, operating expenses increased by 1.2% from HK$187.8 million in 2008/09 to HK$190.2 million for the first six months in 2009/10. The Group's cost-to-income ratio was 35.7% in the first half of this year.

At the operating level before impairment allowances, the Group recorded an operating profit of HK$342.7 million for the six months ended 20th August 2009, representing a decrease of 0.7% from HK$345.1 million in the previous corresponding period. During the period under review, the Group lent conservatively and strived to continually maintain its asset quality. However, with the increase in personal bankruptcies, impairment losses and impairment allowances for the first half increased by 16.1% or HK$30.1 million to HK$216.9 million.

Recoveries of receivables written-off was HK$25.7 million, an increase of 23.6% or HK$4.9 million when compared with HK$20.8 million in 2008/09. Impairment allowances amounted to HK$157.6 million at 20th August 2009, as compared with HK$169.0 million at 20th February 2009.

Local consumption and investment demand were weak during the first half of the year. As a result, the Group experienced a reduction in gross advances and receivables of 3.5% during the period mainly in credit card receivables and hire purchase debtors. Gross advances and receivables at 20th August 2009 was HK$4,909.7 million, as compared to HK$5,087.5 million at 20th February 2009. Shareholders' equity was strengthened by 5.2% to HK$1,818.2 million at 20th August 2009 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after interim dividend), compared with the net asset value per share as at 20th February 2009, increased from HK$4.0 to HK$4.2.

Segment Information

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, hire purchase and insurance. In the first half of 2009/10, credit card operation accounted for 66.6% of the Group's revenue, as compared to 67.2% in 2008/09. For segment result, credit card operation accounted for 57.1% of the Group's whole operations in 2009/10, as compared to 61.7% in 2008/09.

For credit card operation, the change in product mix to cater for increasing credit risk resulted in an increase in interest income. However, the weak local consumption resulted in a drop in sales, which in turn caused a reduction in the commission income and handling charges. Nevertheless, revenue for credit card operation recorded an increase of HK$3.8 million from HK$397.6 million in 2008/09 to HK$401.4 million in 2009/10. With the increase in personal bankruptcies, the impairment losses and impairment allowances had increased. Although this was compensated by a moderate increase in recoveries of receivables written-off, the segment result for the period from credit card operation recorded a decrease of 16.1% from HK$107.0 million in 2008/09 to HK$89.8 million in 2009/10.

With the vast customer base and distribution channels, the Group remained active in developing its instalment loan business. As a result, revenue for instalment loan operation recorded an increase of 5.2% or HK$9.3 million, from HK$178.4 million in 2008/09 to HK$187.7 million in 2009/10. With the exercise of a cautious credit assessment, impairment losses and impairment allowances increased moderately. Together with an increase in recoveries of receivables written-off, segment result for the period from instalment loan operation recorded an increase of 11.6% from HK$56.2 million in 2008/09 to HK$62.7 million in 2009/10.

With a continuous shift of usage to card instalment plan, revenue for hire purchase operation recorded a decrease of HK$1.5 million, from HK$5.6 million in 2008/09 to HK$4.1 million in 2009/10. With a drop in operating expenses and impairment losses and impairment allowances, segment result for the period from hire purchase operation recorded a slight decrease from HK$0.6 million in 2008/09 to HK$0.1 million in 2009/10.

Revenue for insurance operation recorded a slight drop of HK$0.3 million from HK$10.2 million in 2008/09 to HK$9.9 million in 2009/10. With operating expenses incurred in the set up of an insurance brokerage company, segment result for the period from insurance operation decreased from HK$9.5 million in 2008/09 to HK$4.7 million in 2009/10.

Business Review

The Group had launched a series of marketing activities in the first half to enhance the competitiveness of its card business, which included the 10% rebate promotion in affinity member-stores and AEON Ocean Park Halloween promotion. In addition, the Group had designed tailor-made card acquisition programs with its affinity partners to increase card base and card usage. To maintain the credit quality, new members were mainly recruited through affinity member-stores. With the launch of on-line shopping service to its customers, the Group continued to introduce new products and started mail orders through the web. On collection side, the Group had utilised its branch network for outdoor visit collection activities so as to identify risky customers at the earliest opportunity. On funding side, the Group had increased the size of its facility under the existing collateralised debt obligation to secure a stable funding source.

With the set up of AEON Insurance Brokers (HK) Limited ("AEON Brokers"), an insurance brokerage company, the Group can line up with more insurance companies to offer unique insurance products to its customers and merchants. During the period under review, AEON Brokers had successfully solicited life and general insurance products, such as MPF, home content and property insurance.

Moving on to China business, AEON Information Service (Shenzhen) Co., Ltd. ("AEON Shenzhen"), an associate, have been acting as processing agent for AEON Card operation in different provinces, including Guangdong, Beijing and Shandong. In addition, AEON Shenzhen has also expanded its collection services to corporate clients in China in the fields of auto, finance and insurance.

Prospects

Looking ahead, although the global economy was showing signs of stabilisation, there are still many uncertainties about future growth as global demand remains weak. It is expected that the operating environment for consumer finance will continue to be challenging for the rest of the year. Since unemployment rate usually lags behind the economic cycle, demand for consumer finance is expected to recover slowly. Under this operating environment, the Group will take a conservative approach to recruit new members and generate new sales. As the Group has been closely monitoring its portfolio during the economic downturn and taking prudent approach to extend credit, the asset quality remains fundamentally sound. Given the low interest-rate environment, margins are expected to increase while cost-to-income ratio is likely to fall as prices stagnate.

Since AEON JUSCO Card is always the core card for card member growth and usage stimulation, the Group will continue to strengthen the benefits of AEON JUSCO Cards by consolidating the benefits offered by co-branded cards as well as discount merchants into AEON JUSCO Card. The collaboration with different merchants in promoting recurrent transactions through credit cards has successfully improved the active ratio. The Group will promote this service to its net members through SMS mails. Moreover, new marketing activities will be launched with affinity merchants, directing towards card activation through the offering of appealing cardholder privileges and affinity member benefits.

By using its vast customer and merchant base, the Group will continue to explore more fee-based income business opportunities in the areas of insurance, travel and collection services. For China business, riding on the experience and operation knowledge gained from AEON Card operation, the Group will explore new business opportunities with potential partners to cater for growth of consumer finance market in the Mainland.

FUNDING AND CAPITAL MANAGEMENT

The Group manages its capital to ensure that:

- the Group will be able to continue as a going concern,

- Maximise the return to shareholders through the optimisation of the debt and equity balance and by pricing products commensurately with the level of risk; and

- Funds are available at competitive costs to meet all contractual financial commitments, to fund debtor balance growth and to generate reasonable funds from available funds.

The capital structure of the Group consists of debt (which includes bank borrowings and collateralised debt obligation), net of cash and cash equivalents and equity attributable to shareholders 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 Group has a target net debt to equity ratio of 2.0 to 2.5 determined as the proportion of net debt to equity.

The net debt to equity ratio at the period end was as follows:

	20th August 2009 (Unaudited) *HK$'000*	20th February 2009 (Audited) HK$'000
Debt *(note a)*	**3,558,871**	3,728,047
Cash and cash equivalents	**(306,032)**	(334,484)
Net debt	**3,252,839**	3,393,563
Equity *(note b)*	**1,818,219**	1,728,998
Net debt to equity ratio	**1.79**	1.96

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 18 and 20 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 2009, 33.8% of its funding was derived from shareholders' equity, 20.4% from structured finance and 45.8% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th August 2009, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,461.3 million, with 16.7% being fixed in interest rates and 66.7% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 22.6% of these indebtedness will mature within one year, 11.2% between one and two years, 54.8% between two and three years, 2.4% between three and four years and 9.0% over four years. The duration of indebtedness was around two years.

The Group's bank borrowings and collateralised debt obligation were denominated in Hong Kong dollars, except for a syndicated term loan of JPY 7.5 billion which was hedged by a cross-currency interest rate swap.

The net asset of the Group at 20th August 2009 was HK$1,818.2 million, as compared with HK$1,729.0 million at 20th February 2009. 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 Hong Kong dollars 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 2009, capital commitments entered were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff at 20th August 2009 and 20th February 2009 was 334 and 351 respectively. The Company continues to recognize and reward its staff similar to that disclosed in the Company's 2008/09 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 2009. The Group's interim report for the six months ended 20th August 2009 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 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 2009/10 interim report of the Group will be published on the Stock Exchange's website in due course.

BOARD OF DIRECTORS

At the date of this announcement, the Executive Directors are Mr. Masanori Kosaka (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Mr. Tomoyuki Kawahara (Senior Executive Director), Ms. Koh Yik Kung, Dr. Pan Shu Pin, Ban and Mr. Fung Kam Shing, Barry; the Non-executive Directors are Mr. Yoshiki Mori (Chairman), Mr. Kazuhide Kamitani and Mr. Takatoshi Ikenishi; and the Independent Non-executive Directors are Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun.

By order of the Board
MASANORI KOSAKA
Managing Director

Hong Kong, 23rd September 2009