

AEON



# AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

*( Incorporated in Hong Kong with limited liability )*



## **INTERIM REPORT**

**FOR THE SIX MONTHS ENDED  
20TH AUGUST 2004**

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 2004 and the Company’s state of affairs as at that date together with the comparative figures as follows:

## INCOME STATEMENT

		<b>Six months ended 20th August</b>	
		<b>2004</b>	2003
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$’000</b>	<i>HK\$’000</i>
Turnover	3	<b>423,396</b>	364,314
Interest income		<b>262,380</b>	226,798
Interest expense		<b>(44,560)</b>	(62,416)
Net interest income		<b>217,820</b>	164,382
Credit card securitisation income	5	<b>91,635</b>	110,721
Other operating income	6	<b>48,169</b>	54,365
Other (loss) income	7	<b>(695)</b>	171
Operating income		<b>356,929</b>	329,639
Operating expenses	8	<b>(128,648)</b>	(114,270)
Operating profit before charge for bad and doubtful debts		<b>228,281</b>	215,369
Charge for bad and doubtful debts		<b>(157,046)</b>	(162,302)
Profit before taxation		<b>71,235</b>	53,067
Income tax	9	<b>(12,794)</b>	(6,920)
Net profit for the period		<b>58,441</b>	46,147
Interim dividend	10	<b>23,032</b>	20,938
Earnings per share	11	<b>13.96 HK Cents</b>	11.02 HK Cents
Dividend per share	10	<b>5.5 HK Cents</b>	5.0 HK Cents

## BALANCE SHEET

		<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	67,396	72,601
Interest in associates		10,649	10,744
Investment securities	13	7,982	8,882
Hire purchase debtors	15	29,030	16,653
Instalment loans receivable	16	198,423	157,866
Retained interests in securitisation trust	19	220,857	261,195
		<u>534,337</u>	<u>527,941</u>
<b>Current assets</b>			
Other investments	14	1,347	697
Hire purchase debtors	15	180,253	155,486
Instalment loans receivable	16	535,036	470,759
Credit card receivables	17	794,808	944,317
Retained interests in securitisation trust	19	738,491	652,336
Prepayments, deposits, interest receivable and other debtors		106,870	125,934
Time deposits		–	29,000
Bank balances and cash		77,978	78,077
		<u>2,434,783</u>	<u>2,456,606</u>
<b>Current liabilities</b>			
Creditors and accrued charges	20	49,217	40,946
Amount due to securitisation trust		38,282	41,657
Amount due to immediate holding company		–	963
Amount due to a fellow subsidiary		35,021	32,159
Amount due to ultimate holding company		47	47
Bank borrowings-repayable within one year	22	559,142	809,910
Taxation		44,032	21,238
		<u>725,741</u>	<u>946,920</u>
<b>Net current assets</b>		<u>1,709,042</u>	<u>1,509,686</u>
<b>Total assets less current liabilities</b>		<u>2,243,379</u>	<u>2,037,627</u>
<b>Capital and reserves</b>			
Issued capital	23	41,877	41,877
Share premium and reserves		1,162,502	1,141,750
		<u>1,204,379</u>	<u>1,183,627</u>
<b>Non-current liabilities</b>			
Bank borrowings-repayable after one year	22	1,030,000	835,000
Deferred taxation	24	9,000	19,000
		<u>1,039,000</u>	<u>854,000</u>
		<u>2,243,379</u>	<u>2,037,627</u>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	21st February 2004 (Audited) <i>HK\$'000</i>	Movements <i>HK\$'000</i>	20th August 2004 (Unaudited) <i>HK\$'000</i>
Share capital	41,877	–	41,877
Share premium	227,330	–	227,330
Capital redemption reserve	270	–	270
Dividend reserve	37,689	(37,689)	–
Accumulated profits	876,461	58,441	934,902
	<u>1,183,627</u>	<u>20,752</u>	<u>1,204,379</u>
	21st February 2003 (Audited) <i>HK\$'000</i>	Movements <i>HK\$'000</i>	20th August 2003 (Unaudited) <i>HK\$'000</i>
Share capital	41,877	–	41,877
Share premium	227,330	–	227,330
Capital redemption reserve	270	–	270
Dividend reserve	33,502	(33,502)	–
Accumulated profits	815,726	46,147	861,873
	<u>1,118,705</u>	<u>12,645</u>	<u>1,131,350</u>

## CONDENSED CASH FLOW STATEMENT

	Six months ended 20th August	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Net cash from (used in) operating activities	75,591	(85,558)
Net cash used in investing activities	(11,233)	(4,264)
Net cash used in financing activities	(94,689)	(28,348)
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Net decrease in cash and cash equivalents	(30,331)	(118,170)
Cash and cash equivalents at 21st February	106,767	234,764
	<hr/>	<hr/>
Cash and cash equivalents at 20th August	<b>76,436</b>	116,594
	<hr/>	<hr/>
Being:		
Time deposits	-	38,919
Bank balances and cash	77,978	77,675
Bank overdrafts	(1,542)	-
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	<b>76,436</b>	116,594
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## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 20th August 2004

### 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 Statement of Standard Accounting Practice No. 25 (SSAP 25) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

### 2. Significant Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of other investments.

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 20th February 2004.

### 3. Turnover

	Six months ended 20th August	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest income	262,380	226,798
Fees and commissions	16,591	15,346
Investment income from the seller and subordinated interests in securitisation trust	144,425	122,170
	<u>423,396</u>	<u>364,314</u>

### 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

#### 4. Business and Geographical Segments (Cont'd)

##### (a) Business segments (Cont'd)

Segment information about these businesses is presented below:

##### Six months ended 20th August 2004 (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	<u>305,908</u>	<u>7,639</u>	<u>109,543</u>	<u>306</u>	<u>423,396</u>
RESULT					
Net interest income	129,844	(3,799)	93,524	(1,749)	217,820
Credit card securitisation 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	<u>(132,483)</u>	<u>(2,795)</u>	<u>(21,768)</u>	<u>–</u>	<u>(157,046)</u>
Segment result	<u>125,381</u>	<u>601</u>	<u>75,984</u>	<u>(2,083)</u>	<u>199,883</u>
Unallocated operating expenses					<u>(128,648)</u>
Profit before taxation					<u>71,235</u>

##### Six months ended 20th August 2003 (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	<u>299,273</u>	<u>9,074</u>	<u>54,623</u>	<u>1,344</u>	<u>364,314</u>
RESULT					
Net interest income	136,930	(5,735)	38,999	(5,812)	164,382
Credit card securitisation income	110,721	–	–	–	110,721
Other operating income	44,335	7,660	2,302	68	54,365
Other income	–	–	–	171	171
Charge for bad and doubtful debts	<u>(137,659)</u>	<u>(905)</u>	<u>(23,738)</u>	<u>–</u>	<u>(162,302)</u>
Segment result	<u>154,327</u>	<u>1,020</u>	<u>17,563</u>	<u>(5,573)</u>	<u>167,337</u>
Unallocated operating expenses					<u>(114,270)</u>
Profit before taxation					<u>53,067</u>

#### 4. Business and Geographical Segments (Cont'd)

##### (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 Securitisation Income

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

#### 6. Other Operating Income

	Six months ended 20th August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees and commissions		
Credit card	9,418	7,699
Hire purchase	7,173	7,646
Handling and late charges	16,794	28,013
Servicer fee on credit card securitisation	13,213	10,392
Dividends received on listed investments	362	240
Others	1,209	375
	<u>48,169</u>	<u>54,365</u>

#### 7. Other (Loss) Income

	Six months ended 20th August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) gain on disposal of property, plant and equipment	(445)	2
Unrealised gain on revaluation of other investments	650	169
Impairment loss recognised on investment securities	(900)	-
	<u>(695)</u>	<u>171</u>



## 8. Operating Expenses

	Six months ended 20th August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Administrative expenses	29,788	25,040
Advertising expenses	10,244	4,968
Depreciation	14,855	14,100
Exchange loss	17	–
Operating lease rentals in respect of rented premises and equipment	24,444	29,134
Other operating expenses	13,806	12,421
Staff costs including directors' emoluments	35,494	28,607
	<u>128,648</u>	<u>114,270</u>

## 9. Income Tax

	Six months ended 20th August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for the period		
Hong Kong	22,794	5,480
Deferred taxation		
For the period	(10,000)	1,147
Effect on change in tax rate	–	293
	<u>12,794</u>	<u>6,920</u>

Hong Kong Profits Tax is calculated at 17.5% (2003/04: 17.5%) on the estimated assessable profit for the period.

## 10. Dividend

On 8th July 2004, a dividend of 9.0 HK cents (2002/03: 8.0 HK cents) per share was paid to shareholders as the final dividend for 2003/04.

The Directors propose that an interim dividend of 5.5 HK cents (2003/04: 5.0 HK cents) per share should be paid to the shareholders of the Company whose names appear on the Register of Members on 14th October 2004.

## 11. Earnings Per Share

The calculation of earnings per share is based on the unaudited net profit for the period of HK\$58,441,000 (2003/04: HK\$46,147,000) and on the number of 418,766,000 (2003/04: 418,766,000) shares in issue during the period.

## 12. Property, Plant and Equipment

During the period, the Company spent approximately HK\$9.0 million on computer equipment and HK\$0.9 million on leasehold improvements.

### 13. Investment Securities

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
At cost or carrying value:		
Issued by corporate entities		
Listed shares		
Hong Kong	4,241	5,141
Overseas	2,753	2,753
Unlisted shares	988	988
	<u>7,982</u>	<u>8,882</u>
Market value of listed shares	<u>24,785</u>	<u>16,871</u>

### 14. Other Investments

Other investments represent shares listed overseas and are stated at market value.

### 15. Hire Purchase Debtors

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Due:		
Within one year	187,807	161,710
In the second to fifth year inclusive	30,308	17,396
	<u>218,115</u>	<u>179,106</u>
Allowance for bad and doubtful debts	<u>(8,832)</u>	<u>(6,967)</u>
	<u>209,283</u>	<u>172,139</u>
Current portion included under current assets	<u>(180,253)</u>	<u>(155,486)</u>
Amount due after one year	<u>29,030</u>	<u>16,653</u>

## 16. Instalment Loans Receivable

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Due:		
Within one year	573,774	506,317
In the second to fifth year inclusive	<u>212,790</u>	<u>169,789</u>
	<b>786,564</b>	676,106
Allowance for bad and doubtful debts	<u>(53,105)</u>	<u>(47,481)</u>
	<b>733,459</b>	628,625
Current portion included under current assets	<u>(535,036)</u>	<u>(470,759)</u>
Amount due after one year	<u><b>198,423</b></u>	<u>157,866</u>

## 17. Credit Card Receivables

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Credit card receivables	920,311	1,080,251
Allowance for bad and doubtful debts	<u>(125,503)</u>	<u>(135,934)</u>
	<u><b>794,808</b></u>	<u>944,317</u>

## 18. 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:

	<b>20th August 2004 (Unaudited) HK\$'000</b>	%	20th February 2004 (Audited) HK\$'000	%
Overdue 1 month but less than 2 months	112,415	5.8	135,315	7.0
Overdue 2 months but less than 3 months	18,947	1.0	23,609	1.2
Overdue 3 months or above	<u>92,434</u>	<u>4.8</u>	<u>95,470</u>	<u>4.9</u>
	<u><b>223,796</b></u>	<u><b>11.6</b></u>	<u>254,394</u>	<u>13.1</u>

\* Percentage of total debtor balance

## 19. Retained Interests in Securitisation Trust

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Due:		
Within one year	738,491	652,336
In the second to fifth year inclusive	<u>220,857</u>	<u>261,195</u>
	<b><u>959,348</u></b>	<b><u>913,531</u></b>
Analysed as:		
Seller interest	309,879	248,614
Subordinated interest	282,976	279,628
Interest-only strips	246,743	267,039
Cash reserve account	<u>119,750</u>	<u>118,250</u>
	<b><u>959,348</u></b>	<b><u>913,531</u></b>

## 20. Creditors and Accrued Charges

The aging analysis of creditors and accrued charges was as follows:

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Current	48,424	39,973
Over 1 month but less than 3 months	419	634
Over 3 months	<u>374</u>	<u>339</u>
	<b><u>49,217</u></b>	<b><u>40,946</u></b>

## 21. Maturity Profile

	20th August 2004				
	(Unaudited)				
	3 months or less <i>HK\$'000</i>	1 year or less but over 3 months <i>HK\$'000</i>	4 years or less but over 1 year <i>HK\$'000</i>	Over 4 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>					
Credit card receivables	920,311	–	–	–	920,311
Hire purchase debtors	65,852	121,955	30,308	–	218,115
Instalment loans receivable	193,902	379,872	210,540	2,250	786,564
Retained interests in securitisation trust	418,472	320,019	220,857	–	959,348
	<b>1,598,537</b>	<b>821,846</b>	<b>461,705</b>	<b>2,250</b>	<b>2,884,338</b>
<b>LIABILITIES</b>					
Bank borrowings	<b>284,142</b>	<b>275,000</b>	<b>700,000</b>	<b>330,000</b>	<b>1,589,142</b>
<b>20th February 2004</b>					
(Audited)					
	3 months or less <i>HK\$'000</i>	1 year or less but over 3 months <i>HK\$'000</i>	4 years or less but over 1 year <i>HK\$'000</i>	Over 4 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>					
Credit card receivables	1,080,251	–	–	–	1,080,251
Hire purchase debtors	69,240	92,470	17,396	–	179,106
Instalment loans receivable	166,743	339,574	168,020	1,769	676,106
Retained interests in securitisation trust	365,977	286,359	261,195	–	913,531
Time deposits	29,000	–	–	–	29,000
	<b>1,711,211</b>	<b>718,403</b>	<b>446,611</b>	<b>1,769</b>	<b>2,877,994</b>
<b>LIABILITIES</b>					
Bank borrowings	<b>454,910</b>	<b>355,000</b>	<b>695,000</b>	<b>140,000</b>	<b>1,644,910</b>

## 22. Bank Borrowings

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Bank overdraft, unsecured	1,542	310
Bank loans, unsecured	<u>1,587,600</u>	<u>1,644,600</u>
	<b><u>1,589,142</u></b>	<b><u>1,644,910</u></b>
The maturity of bank borrowings is as follows:		
Within one year	559,142	809,910
Between one and two years	220,000	155,000
Between two and five years	<u>810,000</u>	<u>680,000</u>
	<b>1,589,142</b>	1,644,910
Amount repayable within one year included under current liabilities	<u>(559,142)</u>	<u>(809,910)</u>
Amount repayable after one year	<b><u>1,030,000</u></b>	<b><u>835,000</u></b>

## 23. Issued Capital

	<b>Number of shares 20th August 2004 (Unaudited) &amp; 20th February 2004 (Audited)</b>	<b>Share capital 20th August 2004 (Unaudited) &amp; 20th February 2004 (Audited) HK\$'000</b>
Ordinary shares of HK\$0.1 each		
<i>Authorised</i>		
At beginning and end of period/year	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid</i>		
At beginning and end of period/year	<b><u>418,766,000</u></b>	<b><u>41,877</u></b>

## 24. Deferred Taxation

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
At beginning of the period/year	<b>19,000</b>	2,001
(Credit) Charge for the period/year	<b>(10,000)</b>	843
Effect of change in tax rate charged to income statement	-	188
Transfer from provision for taxation in previous years	-	15,968
	<u>          </u>	<u>          </u>
At end of the period/year	<b><u>9,000</u></b>	<b><u>19,000</u></b>

At the balance sheet date, the major components of the deferred tax liabilities (assets) are as follows:

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Tax effect of temporary differences because of:		
Excess of tax allowances over depreciation	<b>11,000</b>	11,682
General allowance for bad and doubtful debts	<b>(9,000)</b>	(8,948)
Gain on sales of credit card receivables and unrealised gains and losses on interest-only strips and cash reserve account in the securitisation trust	<b>7,000</b>	16,266
	<u>          </u>	<u>          </u>
Net deferred tax liabilities	<b><u>9,000</u></b>	<b><u>19,000</u></b>

## 25. Operating Lease Commitments

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Within one year	<b>22,241</b>	21,825
In the second to fifth year inclusive	<b>8,660</b>	11,533
	<u>          </u>	<u>          </u>
	<b><u>30,901</u></b>	<b><u>33,358</u></b>

Leases for rented premises are negotiated for an average term of two years and rentals are fixed for an average of one year.

## 26. Financial Instruments

### (a) Derivatives

Derivatives refer to financial contracts whose values depend on the values of one or more underlying assets or indices.

At 20th August 2004, the contractual or notional amounts of interest rate swap contracts entered by the Company with financial institutions for hedging purposes were HK\$835,000,000 (20th February 2004: HK\$625,000,000).

The contractual or notional amounts of these 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 counter-parties are financial institutions with high credit ratings assigned by international credit rating agencies.
- (c) As a result of the securitisation 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.

## 27. Retirement Benefits Scheme

The Company operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are separately kept from those of the Company, in funds under the control of trustees. The contribution to the MPF Scheme for the six months ended 20th August 2004 was HK\$1,069,000 (20th August 2003: HK\$557,000).

## 28. Capital Commitments

	<b>20th August 2004 (Unaudited) HK\$'000</b>	20th February 2004 (Audited) HK\$'000
Contracted for, but not provided in the financial statements:		
Purchase of property, plant and equipment	<b><u>4,020</u></b>	<u>3,959</u>



## 29. Effects on Consolidated Financial Statements of Special Purpose Entity (“the SPE”)

In accordance with paragraph 46 of SSAP 32, the Company has set out below the details of the effect on the consolidated financial statements of the Company and the SPE for the six months ended 20th August 2004 had the exemption given in paragraph 27 of SSAP 32 not applied:

### Adjusted consolidated income statement for the six months ended 20th August 2004:

	The Company (Unaudited) <i>HK\$'000</i>	Effect of consolidation of SPE <i>HK\$'000</i>	Effect of equity accounting for associates <i>HK\$'000</i>	The adjusted group (Unaudited) <i>HK\$'000</i>
Turnover	<u>423,396</u>	4,256		<u>427,652</u>
Interest income	262,380	131,064		393,444
Interest expense	<u>(44,560)</u>	(5,159)		<u>(49,719)</u>
Net interest income	217,820			343,725
Credit card securitisation income	91,635	(91,635)		–
Other operating income	48,169	4,404		52,573
Other loss	<u>(695)</u>			<u>(695)</u>
Operating income	356,929			395,603
Operating expenses	<u>(128,648)</u>	(547)		<u>(129,195)</u>
Operating profit before charge for bad and doubtful debts	228,281			266,408
Charge for bad and doubtful debts	(157,046)	(28,110)		(185,156)
Share of result of associates	<u>–</u>		(1,465)	<u>(1,465)</u>
Profit before taxation	71,235			79,787
Income tax	<u>(12,794)</u>	(1,740)		<u>(14,534)</u>
Net profit for the period	<u>58,441</u>			<u>65,253</u>

29. Effects on Consolidated Financial Statements of Special Purpose Entity (“the SPE”) (Cont’d)

Adjusted consolidated balance sheet as at 20th August 2004:

	The Company (Unaudited) HK\$’000	Effect of consolidation of SPE HK\$’000	Effect of equity accounting for associates HK\$’000	The adjusted group (Unaudited) HK\$’000
Non-current assets				
Property, plant and equipment	67,396			67,396
Interest in associates	10,649		(6,032)	4,617
Investment securities	7,982			7,982
Hire purchase debtors	29,030			29,030
Instalment loans receivable	198,423			198,423
Retained interests in securitisation trust	220,857	(220,857)		-
Pledged time deposits	-	119,500		119,500
	<u>534,337</u>			<u>426,948</u>
Current assets				
Other investments	1,347			1,347
Hire purchase debtors	180,253			180,253
Instalment loans receivable	535,036			535,036
Credit card receivables	794,808	1,307,923		2,102,731
Retained interests in securitisation trust	738,491	(738,491)		-
Prepayments, deposits, interest receivable and other debtors	106,870	35,849		142,719
Time deposits	-	138,909		138,909
Bank balances and cash	77,978			77,978
	<u>2,434,783</u>			<u>3,178,973</u>
Current liabilities				
Creditors and accrued charges	49,217	658		49,875
Amount due to securitisation trust	38,282	(38,282)		-
Amount due to a fellow subsidiary	35,021			35,021
Amount due to ultimate holding company	47			47
Bank borrowings-repayable within one year	559,142			559,142
Taxation	44,032	(20,876)		23,156
	<u>725,741</u>			<u>667,241</u>
Net current assets	<u>1,709,042</u>			<u>2,511,732</u>
Total assets less current liabilities	<u>2,243,379</u>			<u>2,938,680</u>

29. Effects on Consolidated Financial Statements of Special Purpose Entity (“the SPE”) (Cont’d)

Adjusted consolidated balance sheet as at 20th August 2004: (Cont’d)

	The Company (Unaudited) HK\$’000	Effect of consolidation of SPE HK\$’000	Effect of equity accounting for associates HK\$’000	The adjusted group (Unaudited) HK\$’000
Capital and reserves				
Issued capital	41,877			41,877
Share premium and reserves	1,162,502	(141,640)	(6,032)	1,014,830
	<u>1,204,379</u>			<u>1,056,707</u>
Non-current liabilities				
Bank borrowings-repayable after one year	1,030,000			1,030,000
Issued debt securities	–	850,000		850,000
Deferred taxation	9,000	(7,027)		1,973
	<u>1,039,000</u>			<u>1,881,973</u>
	<u>2,243,379</u>			<u>2,938,680</u>

Adjusted consolidated income statement for the six months ended 20th August 2003:

	The Company (Unaudited) HK\$’000	Effect of consolidation of SPE HK\$’000	Effect of equity accounting for associates HK\$’000	The adjusted group (Unaudited) HK\$’000
Turnover	364,314	12,991		377,305
Interest income	226,798	115,858		342,656
Interest expense	(62,416)	(6,721)		(69,137)
Net interest income	164,382			273,519
Credit card securitisation income	110,721	(110,721)		–
Other operating income	54,365	8,912		63,277
Other income	171			171
Operating income	329,639			336,967
Operating expenses	(114,270)	(361)		(114,631)
Operating profit before charge for bad and doubtful debts	215,369			222,336
Charge for bad and doubtful debts	(162,302)	(24,272)		(186,574)
Share of result of associates	–		(1,319)	(1,319)
Profit before taxation	53,067			34,443
Income tax	(6,920)	5,416		(1,504)
Net profit for the period	<u>46,147</u>			<u>32,939</u>

**29. Effects on Consolidated Financial Statements of Special Purpose Entity (“the SPE”) (Cont’d)**

Adjusted consolidated balance sheet as at 20th February 2004:

	The Company (Audited) HK\$'000	Effect of consolidation of SPE HK\$'000	Effect of equity accounting for associates HK\$'000	The adjusted group (Audited) HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	72,601			72,601
Interest in associates	10,744		(4,567)	6,177
Investment securities	8,882			8,882
Hire purchase debtors	16,653			16,653
Instalment loans receivable	157,866			157,866
Retained interests in securitisation trust	261,195	(261,195)		–
Pledged time deposits	–	118,000		118,000
	<u>527,941</u>			<u>380,179</u>
<b>Current assets</b>				
Other investments	697			697
Hire purchase debtors	155,486			155,486
Instalment loans receivable	470,759			470,759
Credit card receivables	944,317	1,247,551		2,191,868
Retained interests in securitisation trust	652,336	(652,336)		–
Prepayments, deposits, interest receivable and other debtors	125,934	32,050		157,984
Time deposits	29,000	145,074		174,074
Bank balances and cash	78,077			78,077
	<u>2,456,606</u>			<u>3,228,945</u>
<b>Current liabilities</b>				
Creditors and accrued charges	40,946	362		41,308
Amount due to securitisation trust	41,657	(41,657)		–
Amount due to immediate holding company	963			963
Amount due to a fellow subsidiary	32,159			32,159
Amount due to ultimate holding company	47			47
Bank borrowings-repayable within one year	809,910			809,910
Taxation	21,238	(13,378)		7,860
	<u>946,920</u>			<u>892,247</u>
Net current assets	<u>1,509,686</u>			<u>2,336,698</u>
Total assets less current liabilities	<u>2,037,627</u>			<u>2,716,877</u>

## 29. Effects on Consolidated Financial Statements of Special Purpose Entity (“the SPE”) (Cont’d)

Adjusted consolidated balance sheet as at 20th February 2004: (Cont’d)

	The Company (Audited) HK\$’000	Effect of consolidation of SPE HK\$’000	Effect of equity accounting for associates HK\$’000	The adjusted group (Audited) HK\$’000
Capital and reserves				
Issued capital	41,877			41,877
Share premium and reserves	1,141,750	(149,917)	(4,567)	987,266
	<u>1,183,627</u>			<u>1,029,143</u>
Non-current liabilities				
Bank borrowings-repayable after one year	835,000			835,000
Issued debt securities	–	850,000		850,000
Deferred taxation	19,000	(16,266)		2,734
	<u>854,000</u>			<u>1,687,734</u>
	<u>2,037,627</u>			<u>2,716,877</u>

## 30. Related Party Transactions

During the period, the Company entered into the following transactions with related parties:

		Six months ended 20th August (Unaudited)						AEON Education and Environment Fund Limited	
		Fellow subsidiary		Immediate holding company		Associate		Fund Limited	
		2004	2003	2004	2003	2004	2003	2004	2003
		HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Commission received	(a)	<u>5,512</u>	6,865	–	–	–	–	–	–
Licence fees received	(b)	–	–	<u>102</u>	102	–	–	–	–
Licence fees paid	(b)	<u>2,617</u>	3,048	–	–	–	–	–	–
Service fees paid	(c)	–	–	–	–	<u>4,674</u>	4,204	–	–
Donation	(d)	–	–	–	–	–	–	<u>900</u>	450

### **30. Related Party Transactions (Cont'd)**

- (a) *Commission rates payable by the fellow subsidiary to the Company are based on the terms agreed by both parties.*
- (b) *Licence fees received and paid were calculated in accordance with the licence agreements.*
- (c) *Service fees paid to an associate are based on the terms agreed by both parties.*
- (d) *AEON Education and Environment Fund Limited (the "Fund") is a company limited by guarantee and not having a share capital. The Company is a member of the Fund. The objective of the Fund is to promote environmental protection, cultural exchange and education in the Hong Kong Special Administrative Region and other parts of the People's Republic of China.*

### **DISCLOSURE UNDER RULE 13.21 OF LISTING RULES**

A syndicated revolving credit facility up to the sum of HK\$360 million made available to the Company for a term of 2 years on 18th October 2002 includes a condition that *ÆON Co., Ltd.* and *ÆON Credit Service Co., Ltd.* have to maintain not less than 51% of the issued share capital of the Company.

### **INTERIM DIVIDEND**

The Directors have declared an interim dividend of 5.5 HK cents (2003/04: 5.0 HK cents) per share to shareholders whose names appear on the Register of Members of the Company on 14th October 2004. Dividend warrants will be despatched on or about 15th October 2004.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 7th October 2004 to 14th October 2004, 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 2004.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### ***Financial Review***

Hong Kong economy continued to stabilise in the first half of 2004, with the unemployment rate dropped to 6.9% in July 2004. With the improvement in consumer sentiment, spending on goods and services has increased. During the period under review, the growth momentum for card cash advance remained slow, while more market players started to move into personal loan business.

The Company recorded a net profit of HK\$58.4 million for the six months ended 20th August 2004, representing an increase of 26.6% or HK\$12.2 million when compared to HK\$46.2 million in the previous corresponding period. The Company's earnings per share improved from 11.02 HK cents per share in 2003/04 to 13.96 HK cents per share.

## MANAGEMENT DISCUSSION AND ANALYSIS (*Cont'd*)

### *Financial Review (Cont'd)*

On the sales front, the return of economic confidence has helped to boost up the credit purchase sales. However, as customers tried to reshape their debt distribution in the current low interest rate environment, cash advance sales became stagnant. To address this decline, the Company used its branch and merchant network to cross-sell different loan products and had successfully boosted up the personal loan sales. The overall sales volume was increased by 16.7% when compared with last year.

With the pick up in sales transactions in the first half, interest income recorded an increase of 15.7% from HK\$226.8 million in 2003/04 to HK\$262.4 million. With HIBOR continued to remain at a low level, coupled with the renewal of long-term bank borrowings with lower interest rates, the average funding cost moved down further from 4.2% in the second half of last year to 3.8% in the first half of this year. Interest expense in the first half was HK\$44.6 million, a drop of 28.6% when compared with last year. The Company's net interest income recorded an increase of 32.5% to HK\$217.8 million from HK\$164.4 million in 2003/04.

The Company recorded credit card securitisation income of HK\$91.6 million, representing the gains on sale of credit card receivables, investment income from the seller and subordinated interests and unrealised gains on interest-only strips. The reduction in usage of cash advance and the extension of convenient payment network had resulted in the drop in income coming from late charges, cash advance handling fees and cash payment handling fees. Although there was an increase in income from annual fees, the other operating income was decreased by 11.4% from HK\$54.4 million in 2003/04 to HK\$48.2 million.

In view of a stronger demand for consumer finance, the Company had spent more on advertising in the first half and also hired additional part-time staff to recruit members within the merchant network. This resulted in an increase in operating expenses by 12.6% from HK\$114.3 million in 2003/04 to HK\$128.6 million. Cost-to-income ratio was 36.0%, as compared with 34.7% in the previous year.

At the operating level before charge for bad and doubtful debts, the Company recorded an operating profit of HK\$228.3 million for the six months ended 20th August 2004, representing an increase of 6.0% or HK\$12.9 million from HK\$215.4 million in the previous corresponding period. During the period under review, there was a drop in the level of personal bankruptcies in Hong Kong. However, as the majority of the Company's customer base was still affected by the high unemployment rate, the Company recorded a moderate drop in charge for bad and doubtful debts, with bad debt charge for the first half stood at HK\$157.1 million, a decrease of 3.2% when compared with the previous year. Allowance for bad and doubtful debts amounted to HK\$187.4 million as at 20th August 2004, as compared with HK\$190.4 million as at 20th February 2004, and representing 9.7% of total debtor balance.

With the sale of more receivables under credit card securitisation, total debtor balance as at 20th August 2004 was dropped by HK\$10.5 million from HK\$1,935.5 million as at 20th February 2004 to HK\$1,925.0 million as at 20th August 2004. On the other hand, the retained interests in securitisation trust was increased from HK\$913.5 million as at 20th February 2004 to HK\$959.3 million as at 20th August 2004. Shareholders' funds were strengthened by 1.8% to HK\$1,204.4 million as at 20th August 2004 mainly due to the increase in retained earnings.

## MANAGEMENT DISCUSSION AND ANALYSIS (*Cont'd*)

### *Operational Review*

The Company had implemented various initiatives in the first half year in relation to new products launch, marketing programs and customer service.

On the new products launch, the Company has signed up with JCB and launched a brand new AEON JCB Travel Card in July to catch up with the increased outbound tourism to Japan in light of the visa-free travel to Japan for Hong Kong residents. This card provides cardholders with exclusive low-price tours to Japan and discount benefits at JCB extensive merchant network in Japan. AEON is the first and only card issuer in Hong Kong that issues the four popular brands of credit cards in the market. This provides both the merchants and customers a wider choice and also facilitates us to issue more card types to capture different customer segments. In August, the Company launched AEON Watami Visa Mini Card targeting at the young generation who are chasing after trendy products and fusion Japanese food.

To encourage recurrent transactions, the Company launched the AEON credit card Octopus automatic add-value service in November last year, which enables cardholders to add a fixed amount of HK\$250 per day to their Octopus cards through the Company's credit cards. In August this year, the Company further incorporated Octopus reloading function into its ATMs, which allows cardholders to reload any amount up to HK\$1,000 to their Octopus cards or products through its extensive ATM network. The provision of Octopus reloading service via ATM is the first of its kind in Hong Kong which shows the Company's innovative servicing capabilities in providing customers with wide range of innovative value-added services and added convenience.

On the marketing programs, the Company's continued co-operation with AEON Stores has scored another success during AEON Festivals in July. Credit purchase and hire purchase sales during the AEON Festivals had increased by 17% when compared with last year. The implementation of instant hire purchase approval for AEON cardholders has significantly increased the hire purchase sales inside AEON Stores. The Company has also organised several spending campaigns with its newly acquired affinity merchants to stimulate card usage. Through the launch of purpose loans with different merchants and with the tele-marketing activities by its branches and call centres, the Company had successfully boosted up the personal loan sales volume. At the same time, the Company has continued to expand its discount merchant network to chain stores, with the number of outlets increased by 960 in the first half to 1,970.

On the customer service side, the Company has further improved its bonus point program by offering more trendy products and cash coupons. With the 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 and cross-selling other products.

Finally, on China business, the Company has signed up with China UnionPay to join their ATM network in the Guangdong Province to enable AEON cardholders to withdraw Renminbi at 8,000 ATMs in the Guangdong Province.



## MANAGEMENT DISCUSSION AND ANALYSIS (*Cont'd*)

### *Prospects*

There are signs of continued economic recovery in Hong Kong as reflected through a stronger domestic demand and current active stock market. However, the expected rise in oil prices and interest rates could pose a potential threat to the rate of recovery, the drop in unemployment rate and the decline in personal bankruptcies. Nevertheless, as the demand for consumer loans is expected to increase in the second half, more players will launch aggressive marketing programs to capture this growth sector. Under this conservative but optimistic business environment, AEON will divert its marketing strategy to develop new customer sectors and increase its customer base, and at the same time limit the overall exposure to individual customers and strengthen its credit risk management.

On credit card business, the Company will make use of its affinity merchant network to recruit new members and activate card usage. In line with this strategy, more affinity cards will be launched in the second half. The Company has just launched the J-World MasterCard and JCB Card on September 11, which offers travel and hotel privileges to customers. In addition, four more affinity cards with merchants of restaurant chain, cosmetic and beauty centre, health care and international student association will be launched in the coming few months. The new merchant outlets and member base will be our additional recruitment channels for new members.

The Company also aims to increase the number of active cardholders. To achieve this target, the Company will continue to improve its card benefits by providing maximum financial and shopping privileges. This includes the selling of insurance and high return investment-link products to its cardholders. Moreover, the Company will extend its discount merchant network to cover restaurants, department stores and hotels in Macau and China and at the same time line up with different discount merchants to conduct sales campaigns to stimulate credit purchase transactions. In order to increase the cash advance sales volume, the Company will continue to extend its ATM network along the transportation and entertainment areas.

On hire purchase business, the Company will launch different discount programs within its merchant network to boost up hire purchase sales. Moreover, the Company will make use of its card instalment plan for its hire purchase program to facilitate application procedure thereby making it more attractive to customers. On personal loan business, the Company will continue to source for new merchants to offer purpose loan products to satisfy the different demands in the market and at the same time to attract quality customers.

On card processing operation, the Company plans to transfer the bulk of existing operating activities to its call centre in Shenzhen. This will not only reduce the operating costs but will also free up its existing manpower to develop new products and offer additional services to merchants to generate new revenue stream. The Company's special accounts control team has already signed up with three clients in the fields of telecommunications, insurance and education handling their delinquent accounts and more clients will be signed up in the second half.

For China business, the Company will set up another call centre operation in Guangzhou. This serves a dual purpose of supporting the existing Shenzhen operation as well as sourcing for potential clients for third party processing activities in the Guangdong Province.

## SEGMENT INFORMATION

The Company's business comprises mainly three operating divisions, namely credit card, hire purchase and instalment loans. In the first half of 2004/05, credit card operation accounted for 72.3% of the Company's turnover, as compared to 82.1% in 2003/04. For operating income after deducting charge for bad and doubtful debts, credit card operation accounted for 62.7% in 2004/05, as compared to 92.2% in 2003/04.

Cash advance sales was stagnant in the first half as customers tried to reshape their debt distribution in the current low interest rate environment. As a result, net interest income and credit card securitisation income from credit card operation recorded a drop of HK\$26.2 million, from HK\$247.7 million in 2003/04 to HK\$221.5 million in 2004/05. The reduction in usage of cash advance had resulted in the drop in income coming from cash advance handling fees. Although there was an increase in income from annual fees, other operating income from credit card operation was decreased by 17.9% from HK\$44.3 million in 2003/04 to HK\$36.4 million. Operating profit before charge for bad and doubtful debts was decreased by HK\$34.1 million to HK\$257.9 million in 2004/05. Although there was a moderate drop in the charge for bad and doubtful debts from HK\$137.7 million in 2003/04 to HK\$132.5 million in 2004/05, operating income after charge for bad and doubtful debts from credit card operation still recorded a drop by 18.8% from HK\$154.3 million in 2003/04 to HK\$125.4 million in 2004/05.

With the pick up in hire purchase sales in the first half, net interest income and other operating income from hire purchase transaction was increased by 76.4% from HK\$1.9 million in 2003/04 to HK\$3.4 million in 2004/05. However, there was an increase in charge for bad and doubtful debts of HK\$1.9 million, resulting in operating income after charge for bad and doubtful debts from hire purchase operation was marginally decreased from HK\$1.0 million in 2003/04 to HK\$0.6 million in 2004/05.

To address the decline in cash advance usage, the Company used its branch and merchant network to cross-sell different loan products and had successfully boosted up the personal loan sales. Net interest income from instalment loans operation recorded an increase of 139.8% or HK\$54.5 million, from HK\$39.0 million in 2003/04 to HK\$93.5 million in 2004/05. The increase in sales also helped to boost up certain related charges, resulting in an increase in other operating income by 83.7% from HK\$2.3 million in 2003/04 to HK\$4.2 million in 2004/05. Together with a slight drop in charge for bad and doubtful debts by 8.3% from HK\$23.7 million in 2003/04 to HK\$21.8 million in 2004/05, operating income after charge for bad and doubtful debts from instalment loans operation was HK\$76.0 million in 2004/05, an increase of HK\$58.4 million as compared with HK\$17.6 million in 2003/04.

## BANK BORROWINGS 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 2003/04 Annual Report.

The Company relied 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 2004, the Company had bank borrowings amounted to HK\$1,589.1 million, of which HK\$559.1 million was repayable within one year.

## **BANK BORROWINGS AND CAPITAL FINANCING** *(Cont'd)*

The Company had further strengthened its financial position. As at 20th August 2004, total debt-to-equity ratio was 1.47. 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 2004, capital expenditure commitments entered were mainly related to the purchase of property, plant and equipment.

## **QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS**

### ***Credit Risk Management***

Credit risk is the risk associated with possibility that the customer or counter-party in a transaction may default. It arises from the lending and derivatives undertaken by the Company.

In evaluating the credit associated with an individual or counter-party, financial strength and repayment ability are always the primary considerations. The Company has established policies and systems for the monitoring and control of credit risk. The Company's credit policy defines the credit extension criteria, the credit approval and monitoring processes. The Company maintains a tight control on loan assessments and approvals and will continue to exercise a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio.

### ***Market Risk Management***

Market risk is the risk associated with changes in interest rates, foreign exchange rates and government policies; and the effect of such changes has on the Company's assets, liabilities and commitments, thus causing profits and losses.

The Company's policy on market risk is essentially the same as that disclosed in the Company's 2003/04 Annual Report. During the period, the Company traded in market risk related financial instruments mainly for hedging purposes. The market risk exposure from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk information is not disclosed.

### ***Liquidity Management***

The Company will ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds.

During the period, the Company closely monitored its liquidity position with adequate standby facilities being maintained to meet loan demand in the ordinary course of business.

## QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS (Cont'd)

### Capital Management

The Company's policy is to maintain a strong capital base to support the development of the Company's business. During the period, the Company relies principally on internally generated capital as well as bank borrowings and overdrafts for the working capital. The funding position is monitored and reviewed regularly to ensure that it is within reasonable limits and at reasonable costs.

### HUMAN RESOURCES

The total number of staff as at 20th August 2004 and 20th February 2004 was 264 and 260 respectively. The Company continues to recognise and reward its staff similar to that disclosed in the Company's 2003/04 Annual Report.

### DIRECTORS' INTERESTS IN SHARES

As at 20th August 2004, the interests of the Directors and Chief Executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under Section 352 of the SFO were as follows:

(a) **The Company**

<b>Directors</b>	<b>Number of shares held under personal interests</b>	<b>Percentage of the issued share capital of the Company</b>
Yoshiki Mori	440,000	0.11%
Masanori Kosaka	110,000	0.03%
Kazuhide Kamitani	1,045,000	0.25%
Shao You Bao	330,000	0.08%
Tsang Wing Hong	220,000	0.05%

(b) **ÆON Credit Service Co., Ltd. ("ÆON Credit Japan") – immediate holding company of the Company**

<b>Directors</b>	<b>Number of shares held under personal interests</b>	<b>Percentage of the issued share capital of ÆON Credit Japan</b>
Yoshiki Mori	14,042	0.03%
Masanori Kosaka	3,832	0.01%
Kazuhide Kamitani	4,215	0.01%

## DIRECTORS' INTERESTS IN SHARES (Cont'd)

### (c) AEON Co., Ltd. ("AEON Japan") – ultimate holding company of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AEON Japan
Yoshiki Mori	3,000	0.01%
Yoichi Kimura	2,000	0.01%

### (d) AEON Stores (Hong Kong) Co., Limited ("AEON Stores") – a fellow subsidiary of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Stores
Shao You Bao	200,000	0.08%

### (e) AEON Thana Sinsap (Thailand) Public Company Limited ("AEON Thana") – a fellow subsidiary of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AEON Thana
Yoshiki Mori	1,500,000	0.60%
Masanori Kosaka	100,000	0.04%
Kazuhide Kamitani	500,000	0.20%

Save as disclosed above, none of the Directors or Chief Executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations and none of the Directors or Chief Executive, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 20th August 2004, the register of substantial shareholders' interests in shares and short positions required to be maintained under Section 336 of SFO showed that the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Number of Shares	%
AEON Credit Service Co., Ltd. (Note 1)	217,514,000	51.94
AEON Co., Ltd. (Note 2)	277,288,000	66.22
FMR Corp.	22,975,600	5.49
Commonwealth Bank of Australia	22,035,000	5.26

## **SUBSTANTIAL SHAREHOLDERS** (*Cont'd*)

### *Notes*

1. Out of 217,514,000 shares, 213,114,000 shares were held by *ÆON* Credit Service Co., Ltd. and 4,400,000 shares were held by Nomura Securities (HK) Limited, as nominee on behalf of *ÆON* Credit Service Co., Ltd.
2. *ÆON* Co., Ltd. was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 45.11% and 71.64% of the issued share capital of *ÆON* Credit Service Co., Ltd. and *AEON* Stores (Hong Kong) Co., Limited respectively, was deemed to be interested in the 217,514,000 shares and 3,784,000 shares owned by *ÆON* Credit Service Co., Ltd. and *AEON* Stores (Hong Kong) Co., Limited respectively.

Save as disclosed above, the Company had not been notified of any other interests representing 5% or more in the Company's issued share capital as at 20th August 2004.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 20th August 2004.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with Appendix 14 of the Listing Rules, except that the non-executive directors are not appointed for a specific term but are subject to retirement and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

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

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

By order of the Board  
**MASANORI KOSAKA**  
*Managing Director*

Hong Kong, 15th September 2004

## **CORPORATE INFORMATION**

### **Board of Directors**

#### *Executive Directors*

Masanori KOSAKA (*Managing Director*)

LAI Yuk Kwong

KOH Yik Kung

#### *Non-Executive Directors*

Yoshiki MORI (*Chairman*)

Kazuhide KAMITANI

Yoichi KIMURA

#### *Independent Non-Executive Directors*

SHAO You Bao

TSANG Wing Hong

### **Company Secretary**

KOH Yik Kung

### **Auditors**

Deloitte Touche Tohmatsu

*Certified Public Accountants*

### **Major Bankers**

Mizuho Corporate Bank, Ltd.

Hong Kong Branch

The Bank of Tokyo-Mitsubishi, Ltd.

Hong Kong Branch

UFJ Bank Limited

Hong Kong Branch

### **Share Registrar**

Secretaries Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### **Registered Office**

37th Floor, The World Trade Centre

280 Gloucester Road

Causeway Bay

Hong Kong

### **Internet Address**

Homepage : <http://www.aeon.com.hk>

E-mail Address : [info@aeon.com.hk](mailto:info@aeon.com.hk)

