AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 900)

INTERIM REPORT

FOR THE SIX MONTHS ENDED

20TH AUGUST 2012

ISO 9001 - QMS / FS 513193

ISO 14001 - EMS 538444

ISO 27001 - ISMS / IS 500955

Customer Satisfaction ISO 10002 / CMS 513194

Planting Seeds of Growth

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The Directors are pleased to announce the unaudited consolidated results of the Group for the six months ended 20th August 2012, together with the comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 20th August 2012

		Six months ended 20th August	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**557,597**	556,470
Interest income	*5*	**501,419**	504,516
Interest expense	*6*	**(50,163)**	(61,198)
Net interest income		**451,256**	443,318
Other operating income	*7*	**60,659**	54,360
Other gains and losses	*8*	**(1,042)**	(250)
Operating income		**510,873**	497,428
Operating expenses	*9*	**(215,050)**	(195,649)
Operating profit before impairment allowances		**295,823**	301,779
Impairment losses and impairment allowances		**(145,879)**	(159,714)
Recoveries of advances and receivables written-off		**26,322**	20,461
Share of results of associates		**(2,268)**	(2,499)
Profit before tax		**173,998**	160,027
Income tax expense	*10*	**(30,184)**	(27,059)
Profit for the period		**143,814**	132,968
Attributable to:			
Owners of the Company		**143,814**	132,968
Earnings per share – Basic	*12*	**34.34 HK cents**	31.75 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 20th August 2012

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**143,814**	132,968
Other comprehensive income (expense)		
Fair value gain on available-for-sale investments	**19,250**	9,054
Exchange difference arising from translation of foreign operations	**(432)**	1,801
Net adjustment on cash flow hedges	**7,586**	(151,117)
Other comprehensive income (expense) for the period	**26,404**	(140,262)
Total comprehensive income (expense) for the period	**170,218**	(7,294)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**170,218**	(7,294)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2012

	Notes	20th August 2012 (Unaudited) HK$'000	20th February 2012 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	13	**89,608**	91,816
Investments in associates		**19,932**	22,389
Available-for-sale investments	14	**48,748**	72,664
Advances and receivables	15	**1,288,562**	1,252,061
Prepayments, deposits and other debtors	18	**46,509**	46,771
Derivative financial instruments	26	**1,871**	2,773
Restricted deposits	19	**68,000**	68,000
		1,563,230	1,556,474
Current assets			
Available-for-sale investments	14	**43,166**	–
Advances and receivables	15	**3,443,216**	3,512,062
Prepayments, deposits and other debtors	18	**27,691**	54,690
Amount due from an associate		**407**	–
Restricted deposits	19	**164,578**	–
Time deposits	20	**213,987**	233,367
Fiduciary bank balances	21	**3,958**	2,246
Bank balances and cash	22	**166,296**	124,121
		4,063,299	3,926,486
Current liabilities			
Creditors and accruals	23	**167,567**	155,991
Amounts due to fellow subsidiaries	24	**51,369**	50,273
Amount due to immediate holding company		**130**	123
Amount due to ultimate holding company		**71**	51
Amounts due to associates		**20**	878
Bank borrowings	25	**282,980**	277,000
Bank overdrafts		**2,991**	3,215
Derivative financial instruments	26	**3,879**	1,478
Tax liabilities		**31,619**	14,141
		540,626	503,150
Net current assets		**3,522,673**	3,423,336
Total assets less current liabilities		**5,085,903**	4,979,810
Capital and reserves			
Issued capital	28	**41,877**	41,877
Share premium and reserves		**2,102,568**	2,007,728
Total equity		**2,144,445**	2,049,605
Non-current liabilities			
Collateralised debt obligation	29	**1,098,248**	1,098,035
Bank borrowings	25	**1,650,420**	1,630,240
Derivative financial instruments	26	**191,090**	200,530
Deferred tax liabilities	27	**1,700**	1,400
		2,941,458	2,930,205
		5,085,903	4,979,810

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 20th August 2012

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Hedging reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
Balance at 21st February 2011 (Audited)	41,877	227,330	270	26,703	(50,513)	7,870	1,778,858	2,032,395
Profit for the period	–	–	–	–	–	–	132,968	132,968
Fair value gain on available-for-sale investments	–	–	–	9,054	–	–	–	9,054
Exchange difference arising from translation of foreign operations	–	–	–	–	–	1,801	–	1,801
Net adjustment on cash flow hedges	–	–	–	–	(151,117)	–	–	(151,117)
Total comprehensive income (expense) for the period	–	–	–	9,054	(151,117)	1,801	132,968	(7,294)
Final dividend paid for 2010/11	–	–	–	–	–	–	(67,003)	(67,003)
Balance at 20th August 2011 (Unaudited)	41,877	227,330	270	35,757	(201,630)	9,671	1,844,823	1,958,098
Balance at 21st February 2012 (Audited)	**41,877**	**227,330**	**270**	**17,938**	**(194,305)**	**10,323**	**1,946,172**	**2,049,605**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**143,814**	**143,814**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**19,250**	**–**	**–**	**–**	**19,250**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(432)**	**–**	**(432)**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**7,586**	**–**	**–**	**7,586**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**19,250**	**7,586**	**(432)**	**143,814**	**170,218**
Final dividend paid for 2011/12	**–**	**–**	**–**	**–**	**–**	**–**	**(75,378)**	**(75,378)**
Balance at 20th August 2012 (Unaudited)	**41,877**	**227,330**	**270**	**37,188**	**(186,719)**	**9,891**	**2,014,608**	**2,144,445**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 20th August 2012

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**217,873**	162,916
Dividends received	**635**	1,191
Proceeds from disposal of available-for-sale investment	**31,081**	–
Purchase of property, plant and equipment	**(7,682)**	(7,881)
Deposits paid for acquisition of property, plant and equipment	**(4,677)**	(18,006)
Net cash from (used in) investing activities	**19,357**	(24,696)
Placement of restricted deposits	**(1,086,148)**	(1,220,151)
Withdrawal of restricted deposits	**921,570**	1,079,978
Dividends paid	**(75,378)**	(67,003)
New bank loans raised	**8,718,015**	8,747,100
Repayment of bank loans	**(8,692,035)**	(8,608,600)
Net cash used in financing activities	**(213,976)**	(68,676)
Net increase in cash and cash equivalents	**23,254**	69,544
Cash and cash equivalents at 21st February	**354,273**	260,664
Effect of changes in exchange rate	**(235)**	1,012
Cash and cash equivalents at 20th August	**377,292**	331,220
Being:		
Time deposits	**213,987**	214,521
Bank balances and cash	**166,296**	118,073
Bank overdrafts	**(2,991)**	(1,374)
	377,292	331,220

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 20th August 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation 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 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**501,419**	504,516
Fees and commissions	**32,898**	26,125
Handling and late charges	**23,280**	25,829
	557,597	556,470

4. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

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

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

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

	Credit card *HK$'000*	**Instalment loan** *HK$'000*	**Insurance** *HK$'000*	**Hire purchase** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**368,301**	**170,260**	**18,669**	**367**	**557,597**
RESULT					
Segment results	**129,252**	**45,487**	**7,144**	**533**	**182,416**
Unallocated operating income					**3,518**
Unallocated expenses					**(9,668)**
Share of results of associates					**(2,268)**
Profit before tax					**173,998**

For the six months ended 20th August 2011 (Unaudited)

	Credit card *HK$'000*	Instalment loan *HK$'000*	Insurance *HK$'000*	Hire purchase *HK$'000*	Consolidated *HK$'000*
REVENUE	370,687	170,367	13,871	1,545	556,470
RESULT					
Segment results	110,184	53,191	6,388	168	169,931
Unallocated operating income					2,335
Unallocated expenses					(9,740)
Share of results of associates					(2,499)
Profit before tax					160,027

4. **SEGMENT INFORMATION** *(Continued)*

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit before tax earned by each segment without allocation of certain income (including dividend income), unallocated head office expenses and share of results of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

5. **INTEREST INCOME**

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Time deposits and bank balances	**609**	96
Advances	**499,022**	502,549
Impaired advances	**1,788**	1,871
	501,419	504,516

6. **INTEREST EXPENSE**

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**9,214**	10,615
Interest on bank borrowings wholly repayable after five years	**453**	263
Interest on collateralised debt obligation wholly repayable within five years	**3,501**	25,032
Net interest expense on interest rate swap contracts	**36,995**	25,288
	50,163	61,198

7. **OTHER OPERATING INCOME**

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends received on available-for-sale investments		
Listed equity securities	**635**	1,078
Unlisted equity securities	**–**	113
Fees and commissions		
Credit card	**14,229**	12,254
Insurance	**18,669**	13,871
Handling and late charges	**23,280**	25,829
Others	**3,846**	1,215
	60,659	54,360

8. OTHER GAINS AND LOSSES

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	**180**	63,090
Exchange losses on bank loans	**(180)**	(63,090)
Exchange losses, net	**(937)**	–
Hedge ineffectiveness on cash flow hedges	**(105)**	(250)
	(1,042)	(250)

9. OPERATING EXPENSES

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**17,644**	17,037
General administrative expenses	**60,551**	59,098
Marketing and promotion expenses	**25,435**	19,750
Operating lease rentals in respect of rented premises, advertising space and equipment	**26,516**	27,739
Other operating expenses	**23,603**	19,939
Staff costs including Directors' emoluments	**61,301**	52,086
	215,050	195,649

10. INCOME TAX EXPENSE

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong		
– Current period	**29,884**	24,909
Deferred tax *(note 27)*		
– Current period	**300**	2,150
	30,184	27,059

Hong Kong Profits Tax is calculated at 16.5% (six months ended 20th August 2011: 16.5%) of the estimated assessable profit for the period.

10. INCOME TAX EXPENSE *(Continued)*

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of China subsidiaries is 25% (six months ended 20th August 2011: 25%) for the period.

11. DIVIDEND

On 29th June 2012, a dividend of **18.0 HK cents** (2011: 16.0 HK cents) per share amounting to a total of **HK$75,378,000** (2011: HK$67,003,000) was paid to shareholders as the final dividend for 2011/12.

In respect of the current interim period, the Directors have declared an interim dividend of **17.0 HK cents** per share amounting to **HK$71,190,000** payable to the shareholders of the Company whose names appear on the Register of Members on 15th October 2012. The interim dividend will be paid on or before 22nd October 2012. This interim dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

12. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the unaudited profit for the period of **HK$143,814,000** (six months ended 20th August 2011: HK$132,968,000) and on the number of shares of **418,766,000** (six months ended 20th August 2011: 418,766,000) in issue during the period.

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired computer equipment and leasehold improvements of approximately **HK$15,442,000** (six months ended 20th August 2011: HK$19,883,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	20th August 2012 (Unaudited) *HK$'000*	20th February 2012 (Audited) *HK$'000*
Listed equity securities, at fair value		
Hong Kong	**39,604**	34,454
Unlisted equity securities		
At cost	**9,144**	38,210
At fair value	**43,166**	–
	91,914	72,664
Current portion	**(43,166)**	–
Non-current portion	**48,748**	72,664

14. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

The investments included above represent investments in both listed and unlisted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of listed equity securities are based on quoted market bid prices. The above unlisted investments represent equity interest in five (20th February 2012: five) private entities incorporated overseas engaged in consumer credit finance services and related business. The Group based on discounted cash flow method to perform valuations for its unlisted investments at the end of each reporting period. All the unlisted investments were carried at cost less impairment as at 20th February 2012. The Directors are of the opinion that the fair values of the unlisted investments cannot be measured reliably since the range of reasonable fair value estimates is so significant.

As at 20th August 2012, the Directors have engaged an independent valuer to perform a valuation of two unlisted investments so as to facilitate the disposal of these two unlisted investments. Based on the valuation reports, the Directors considered the fair value of these two investments amounted to **HK$43,166,000** and the Group recognised a fair value gain of **HK$14,100,000** as other comprehensive income in the current period. In addition, these two unlisted investments were classified as current assets because the disposal is expected to be completed within twelve months from 20th August 2012 (see note 35).

The discounted cash flow valuation is based on the latest financial budgets prepared by investees' management covering a period of 3 to 5 years. Budgeted net profit projections have been determined based on the historical records and the management's expectations for the growth potential and stable market development. No impairment loss was charged for the current period.

15. ADVANCES AND RECEIVABLES

	20th August 2012 (Unaudited) *HK$'000*	20th February 2012 (Audited) *HK$'000*
Credit card receivables	**3,041,620**	3,099,466
Instalment loans receivable	**1,691,144**	1,657,194
Hire purchase debtors	**10,392**	18,716
	4,743,156	4,775,376
Accrued interest and other receivables	**114,133**	118,203
Gross advances and receivables	**4,857,289**	4,893,579
Impairment allowances *(note 16)*		
– individually assessed	**(60,049)**	(62,768)
– collectively assessed	**(65,462)**	(66,688)
	(125,511)	(129,456)
	4,731,778	4,764,123
Current portion included under current assets	**(3,443,216)**	(3,512,062)
Amount due after one year	**1,288,562**	1,252,061

15. ADVANCES AND RECEIVABLES *(Continued)*

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK$81,089,000** (20th February 2012: HK$87,515,000) and **HK$43,548,000** (20th February 2012: HK$57,008,000) respectively. The Group holds collateral over these balances. The Directors consider the exposure of credit risk of these secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. Other advances and receivables are unsecured.

(a) Credit card receivables

The term of card instalment plans entered with customers ranges from 3 months to 5 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (20th February 2012: 26.8% to 43.6%) per annum.

Asset backed financing transaction

The Group entered into asset backed financing transaction, which is collateralised by the Group's revolving credit card receivables portfolio. The transaction does not meet the "transfer of assets" tests under HKAS 39 for the derecognition of the financial assets. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received as collateralised debt obligation (see note 29). At 20th August 2012, the carrying amount of the credit card receivables under this financing transaction is **HK$1,694,446,000** (20th February 2012: HK$1,825,513,000). The principal amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2012: HK$1,100,000,000).

(b) Instalment loans receivable

The term of instalment loans entered with customers ranges from 6 months to 10 years. Most instalment loans receivable are denominated in HKD. The instalment loans receivable carry effective interest ranging from 2.0% to 46.9% (20th February 2012: 2.0% to 46.8%) per annum.

(c) Hire purchase debtors

	Minimum payments		**Present value of minimum payments**	
	20th August 2012 (Unaudited) ***HK$'000***	20th February 2012 (Audited) *HK$'000*	**20th August 2012 (Unaudited)** ***HK$'000***	20th February 2012 (Audited) *HK$'000*
Amounts receivable under hire purchase contracts:				
Within one year	**9,804**	17,231	**9,615**	16,884
In the second to fifth year inclusive	**787**	1,855	**777**	1,832
	10,591	19,086	**10,392**	18,716
Unearned finance income	**(199)**	(370)	**–**	–
Present value of minimum payments receivable	**10,392**	18,716	**10,392**	18,716

15. ADVANCES AND RECEIVABLES *(Continued)*

(c) Hire purchase debtors *(Continued)*

The term of hire purchase contracts entered with customers ranges from 6 months to 3 years. All hire purchase agreements are denominated in HKD. The hire purchase debtors carry effective interest at 15.7% (20th February 2012: 4.4% to 15.7%) per annum.

16. IMPAIRMENT ALLOWANCES

	20th August 2012 (Unaudited)	20th February 2012 (Audited)
	HK$'000	*HK$'000*
Analysis by products as:		
Credit card receivables	**62,336**	63,995
Instalment loans receivable	**57,691**	59,460
Hire purchase debtors	**323**	475
Accrued interest and other receivables	**5,161**	5,526
	125,511	129,456

	Individual assessment	**Collective assessment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 21st February 2012	**62,768**	**66,688**	**129,456**
Impairment losses and impairment allowances	**147,105**	**(1,226)**	**145,879**
Amounts written-off as uncollectable	**(149,824)**	**–**	**(149,824)**
At 20th August 2012	**60,049**	**65,462**	**125,511**

	Individual assessment	Collective assessment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 21st February 2011	54,974	79,299	134,273
Impairment losses and impairment allowances	170,655	(10,941)	159,714
Amounts written-off as uncollectable	(160,209)	–	(160,209)
At 20th August 2011	65,420	68,358	133,778

17. OVERDUE ADVANCES AND RECEIVABLES

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

	20th August 2012 (Unaudited)		20th February 2012 (Audited)	
	HK$'000	*%**	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**124,570**	**2.6**	126,028	2.6
Overdue 2 months but less than 3 months	**22,882**	**0.5**	23,845	0.5
Overdue 3 months but less than 4 months	**19,184**	**0.4**	13,987	0.3
Overdue 4 months or above	**60,903**	**1.2**	64,042	1.3
	227,539	**4.7**	227,902	4.7

* *Percentage of gross advances and receivables*

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	20th August 2012 (Unaudited)	20th February 2012 (Audited)
	HK$'000	*HK$'000*
Deposits for property, plant and equipment	**33,200**	36,283
Rental deposits	**16,745**	13,712
Prepaid operating expenses	**13,697**	11,283
Other debtors	**10,558**	40,183
	74,200	101,461
Current portion included under current assets	**(27,691)**	(54,690)
Amount due after one year	**46,509**	46,771

19. RESTRICTED DEPOSITS

The restricted deposits of the Group are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying at fixed rates ranging from 0.18% to 0.27% per annum during the period. Restricted deposits of **HK$164,578,000** (20th February 2012: Nil) will be released within one year from 20th August 2012.

20. TIME DEPOSITS

Time deposits of the Group carry fixed rates ranging from 0.02% to 3.4% (six months ended 20th August 2011: 0.01% to 0.07%) per annum during the period.

21. FIDUCIARY BANK BALANCES

The fiduciary bank balances of the Group are in relation to the money deposited by clients in the course of the conduct of the regulated activities under insurance broking and agency business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding payables to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

22. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	HKD	RMB	USD	JPY	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
20th August 2012 (Unaudited)					
Bank balances and cash	**101,299**	**64,628**	**360**	**9**	**166,296**
20th February 2012 (Audited)					
Bank balances and cash	122,836	526	750	9	124,121

23. CREDITORS AND ACCRUALS

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

	20th August 2012 (Unaudited)	20th February 2012 (Audited)
	HK$'000	*HK$'000*
Current	**59,484**	50,494
Over 1 month but less than 3 months	**4,967**	6,401
Over 3 months	**3,173**	9,242
	67,624	66,137

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK$8,720,000** (20th February 2012: HK$6,152,000).

24. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand except **HK$50,252,000** (20th February 2012: HK$49,265,000) which is trade-related.

The aged analysis of amounts due to fellow subsidiaries that are trade-related based on invoice date at the end of the reporting period is as follows:

	20th August 2012 (Unaudited) ***HK$'000***	20th February 2012 (Audited) *HK$'000*
Current	**43,413**	40,079
Over 1 month but less than 3 months	**6,839**	9,186
	50,252	49,265

25. BANK BORROWINGS

	20th August 2012 (Unaudited) ***HK$'000***	20th February 2012 (Audited) *HK$'000*
Bank loans, unsecured	**1,933,400**	1,907,240
Carrying amount repayable *(Note)*		
Within one year	**282,980**	277,000
Between one and two years	**482,570**	472,540
Between two and five years	**1,077,850**	1,037,700
Over five years	**90,000**	120,000
	1,933,400	1,907,240
Amount repayable within one year included under current liabilities	**(282,980)**	(277,000)
Amount repayable after one year	**1,650,420**	1,630,240

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

25. BANK BORROWINGS *(Continued)*

Functional currency of relevant group entity is HKD. The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	HKD *HK$'000*	USD *HK$'000*	RMB *HK$'000*	Total *HK$'000*
20th August 2012 (Unaudited)				
Bank loans	**1,407,000**	**465,420**	**60,980**	**1,933,400**
20th February 2012 (Audited)				
Bank loans	1,442,000	465,240	–	1,907,240

HKD bank loans of **HK$320,000,000** (20th February 2012: HK$270,000,000) are arranged at fixed interest rates ranging from 0.9% to 3.4% (20th February 2012: 0.9% to 3.4%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates of 0.3% plus HIBOR to 0.65% plus HIBOR (20th February 2012: 0.3% plus HIBOR to 0.65% plus HIBOR) per annum while the USD borrowings are arranged at floating interest rate ranging from 0.7% plus LIBOR to 0.75% plus LIBOR (20th February 2012: 0.7% plus LIBOR to 0.75% plus LIBOR) per annum, thus exposing the Group to cash flow interest rate risk.

At 20th August 2012, the Group had available undrawn committed borrowing facilities of up to **JPY10,000,000,000** (20th February 2012: JPY10,000,000,000).

At 20th August 2012, the Group has available unutilised overdrafts and non-committed short term bank loan facilities of **HK$684,228,000** (20th February 2012: HK$706,620,000) and **HK$670,412,000** (20th February 2012: HK$677,000,000) respectively.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	20th August 2012 (Unaudited)		20th February 2012 (Audited)	
	Assets ***HK$'000***	**Liabilities** ***HK$'000***	Assets *HK$'000*	Liabilities *HK$'000*
Interest rate swaps	**–**	**161,739**	–	169,697
Cross-currency interest rate swaps	**1,871**	**33,230**	2,773	32,311
	1,871	**194,969**	2,773	202,008
Current portion	**–**	**(3,879)**	–	(1,478)
Non-current portion	**1,871**	**191,090**	2,773	200,530

All derivative financial instruments entered by the Group that remain outstanding at 20th August 2012 and 20th February 2012 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings and collateralised debt obligation, the designated hedged items.

26. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of **HK$1,020,000,000** (20th February 2012: HK$1,075,000,000) from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of **HK$1,020,000,000** (20th February 2012: HK$1,075,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.3% to 5.4% (20th February 2012: 1.3% to 5.4%) per annum and floating interest receipts quarterly ranging from 0.3% plus HIBOR to 0.65% plus HIBOR (20th February 2012: 0.3% plus HIBOR to 0.65% plus HIBOR) per annum for periods up until August 2018 (20th February 2012: until August 2018).

Besides bank borrowings, the Group also entered into interest rate swaps to minimise its exposures to cash flow changes of its collateralised debt obligation financing transaction. Two interest rate swaps with notional amounts of **HK$550,000,000** (20th February 2012: HK$550,000,000) each were entered by the Group to swap its **HK$1,100,000,000** (20th February 2012: HK$1,100,000,000) floating-rate financing facility from floating rates to fixed rates. The interest rate swaps have fixed interest payments monthly at fixed interest rates ranging from 3.7% to 3.9% (20th February 2012: 3.7% to 3.9%) per annum and floating interest receipts monthly at 0.35% plus HIBOR (20th February 2012: 0.35% plus HIBOR) per annum for periods up until February 2016 and February 2017 (20th February 2012: until February 2016 and February 2017) respectively.

The interest rate swaps and the corresponding bank borrowings and the collateralised debt obligation have similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

During the period, net adjustment on the above-mentioned cash flow hedges amounted to **HK$8,164,000** (six months ended 20th August 2011: HK$130,621,000) and is included in other comprehensive income.

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

Cross-currency interest rate swaps

The Group uses cross-currency interest rate swaps designated as highly effective hedging instruments to minimise its exposure to foreign currency and cash flow interest rate risk of its USD bank borrowings by swapping the floating-rate USD bank borrowings to fixed-rate HKD bank borrowings.

The cross-currency interest rate swap of the Group with notional amount of USD50,000,000 (equivalent to HK$388,750,000 at the date of inception of the bank borrowing) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.78, fixed interest payments quarterly in HKD at 3.28% per annum and floating interest receipts quarterly in USD at 0.7% plus LIBOR per annum for periods up until September 2016.

The cross-currency interest rate swap of the Group with notional amount of USD10,000,000 (equivalent to HK$77,800,000 at the date of inception of the bank borrowing) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.78, fixed interest payments quarterly in HKD at 1.6% per annum and floating interest receipts quarterly in USD at 0.75% plus LIBOR per annum for periods up until December 2013.

The cross-currency interest rate swaps and the corresponding bank borrowings have the same terms and the Directors consider that the cross-currency interest rate swaps are highly effective hedging instruments.

26. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Cash flow hedges: *(Continued)*

Cross-currency interest rate swaps *(Continued)*

During the period, net adjustment on the above-mentioned cash flow hedges amounted to **HK$578,000** (six months ended 20th August 2011: HK$20,496,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swaps are determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between USD and HKD estimated at the end of the reporting period.

27. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during each of the two periods ended 20th August 2012 and 2011:

	Accelerated tax depreciation *HK$'000*	**Impairment allowances** *HK$'000*	**Total** *HK$'000*
At 21st February 2012	**12,400**	**(11,000)**	**1,400**
Charge to profit or loss for the period	**100**	**200**	**300**
At 20th August 2012	**12,500**	**(10,800)**	**1,700**

	Accelerated tax depreciation *HK$'000*	Impairment allowances *HK$'000*	Total *HK$'000*
At 21st February 2011	12,300	(13,150)	(850)
Charge to profit or loss for the period	300	1,850	2,150
At 20th August 2011	12,600	(11,300)	1,300

28. ISSUED CAPITAL

	Number of shares 20th August 2012 (Unaudited) & 20th February 2012 (Audited)	Share capital 20th August 2012 (Unaudited) & 20th February 2012 (Audited) *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised		
At beginning and end of period/year	**1,000,000,000**	**100,000**
Issued and fully paid		
At beginning and end of period/year	**418,766,000**	**41,877**

29. COLLATERALISED DEBT OBLIGATION

(a) The Company entered into a HK$1,100,000,000 collateralised debt obligation financing transaction (the "Transaction"). The Transaction consists of two Tranches – Tranche A and Tranche B. The amount under Tranche A and Tranche B is HK$550,000,000 each. The revolving periods for Tranche A and Tranche B will end in January 2016 and January 2017 respectively. The two Tranches are arranged at floating interest rates of 0.35% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Two corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are arranged to swap these two Tranches from floating rates to fixed rates at 3.7% to 3.9% per annum respectively. The effective interest rate after taking into account the interest rate swaps was 3.8% per annum during the period.

(b) Pursuant to the Transaction, the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HK(SIC)-Int 12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its condensed consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group's condensed consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

30. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	20th August 2012 (Unaudited)	20th February 2012 (Audited)
	HK$'000	*HK$'000*
Within one year	**43,465**	36,148
In the second to fifth year inclusive	**36,562**	34,131
	80,027	70,279

Leases for head office are negotiated for an average term of three years and rentals are fixed throughout the lease period. Leases for other rented premises are negotiated for an average term of two years and rentals are fixed for an average of one year.

31. CAPITAL COMMITMENTS

	20th August 2012 (Unaudited)	20th February 2012 (Audited)
	HK$'000	*HK$'000*
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	**48,497**	33,756

32. PLEDGE OF ASSETS

At 20th August 2012, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK$1,694,446,000** and **HK$232,578,000** respectively (20th February 2012: HK$1,825,513,000 and HK$68,000,000) (see notes 15(a) and 19).

33. RELATED PARTY TRANSACTIONS

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

	Six months ended 20th August (Unaudited)							
	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associates	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income received	**2,657**	2,726	**–**	–	**–**	–	**–**	–
Commission received	**2,541**	1,861	**–**	–	**–**	–	**–**	–
Dividends received	**635**	1,191	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**347**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**120**	100
Licence fees paid	**4,089**	3,225	**127**	90	**20**	18	**177**	–
Service fees paid	**–**	–	**3,224**	3,273	**–**	–	**17,431**	17,700
Development fees paid *(Note)*	**3,171**	10,080	**–**	–	**–**	–	**–**	–

Note: For the computer system development fees paid during the period, HK$486,000 (six months ended 20th August 2011: HK$611,000) is recognised as administrative expenses, HK$2,327,000 (six months ended 20th August 2011: HK$2,552,000) is capitalised under property, plant and equipment and HK$358,000 (six months ended 20th August 2011: HK$6,917,000) is included in prepayments, deposits and other debtors.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended 20th August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**5,535**	4,430
Post-employment benefits	**44**	38
	5,579	4,468

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the Group's operating results, performance of individuals and market trends.

34. PARTICULARS OF SUBSIDIARIES AND A MASTER TRUST OF THE COMPANY

(a) Subsidiary

Name of subsidiaries	Place of Incorporation/ registration and operation	Issued share capital/ paid-up capital	Proportion of ownership interest deemed to be held by the Company 2012	2011	Principal activities
AEON Micro Finance (Shenyang) Co., Ltd	China	HK$50,000,000	**100%**	100%	Micro-finance business
AEON Micro Finance (Tianjin) Co., Ltd *(Note)*	China	RMB50,000,000	**100%**	–	Micro-finance business
AEON Insurance Brokers (HK) Limited	Hong Kong	HK$1,000,000	**100%**	100%	Insurance broking and agency services
AEON Education and Environment Fund Limited	Hong Kong	Limited by guarantee	**100%**	100%	Support community charity projects and activities

Note: The subsidiary is a wholly foreign owned enterprise registered on 12th April 2012.

(b) Master trust

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HK(SIC)-Int 12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its condensed consolidated financial statements.

35. EVENTS AFTER THE REPORTING PERIOD

(a) On 10th September 2012, the Company and ACH, its fellow subsidiary, entered into a sale and purchase agreement (the "ACCT Sale and Purchase Agreement"). Pursuant to the ACCT Sale and Purchase Agreement, the Company agreed to sell and ACH agreed to purchase 11,649,999 shares in capital of ACCT (the "ACCT Shares") which were classified as available-for-sale investments for a cash consideration of NT$159,853,000 (equivalent to approximately HK$41,726,000). The consideration was arrived at with reference to the appraised value of ACCT as at 20th June 2012 as appraised by an independent valuer adopting the discounted cash flow method. The Company will make a gain of approximately HK$13,648,000 from the sale. Completion of the ACCT Sale and Purchase Agreement shall take place after relevant approval being granted by the relevant government authorities in Taiwan in respect of the transfer of the ACCT Shares.

(b) On 10th September 2012, the Company and ACH, its fellow subsidiary, entered into a sale and purchase agreement (the "ACST Sale and Purchase Agreement"). Pursuant to the ACST Sale and Purchase Agreement, the Company agreed to sell and ACH agreed to purchase 399,999 shares in the capital of ACST (the "ACST Shares") which were classified as available-for-sale investments for a cash consideration of NT$5,517,000 (equivalent to approximately HK$1,440,000). The consideration was arrived at with reference to the appraised value of ACST as at 20th June 2012 as appraised by an independent valuer adopting the discounted cash flow method. The Company will make a gain of approximately HK$452,000 from the sale. Completion of the ACST Sale and Purchase Agreement shall take place after relevant approval being granted by the relevant government authorities in Taiwan in respect of the transfer of the ACST Shares.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11th October 2012 to 15th October 2012, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10th October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the period under review, Asia market fundamentals remained considerably challenging across most sectors. The events in Europe and general uncertainty surrounding world markets remain a key concern to the banking and financial services industries. The global economy will likely endure a high degree of uncertainty over the medium term. Domestic inflationary pressure is projected to come down gradually in the near term. External demand is projected to grow in the third quarter, supported by accommodative policies of the major central banks. The operating environment for the financial services remains challenging due to the incessant low funding situation. To stay competitive, businesses in this sector must focus on new product innovations while striving for exceptional customer service to attract new clients. Through a system of stringent credit monitoring and cost control initiatives, the Group has achieved a continued growth in its core business performance.

For the six months ended 20th August 2012, the Group recorded a profit attributable to owners of HK$143.8 million, representing an increase of 8.2% or HK$10.8 million when compared to HK$133.0 million in the previous corresponding period. The Group's basic earnings per share increased from 31.75 HK cents per share in 2011/12 to 34.34 HK cents per share.

Despite keen competition and customers' cautious approach to revolving transactions, the Group still maintained similar level of interest income as last year of HK$501.4 million. With the renewals of long-term bank borrowings at lower interest rates last year and lower funding costs, interest expense in the first half was HK$50.2 million, a decrease of HK$11.0 million when compared with HK$61.2 million in the previous year. The average funding cost was 3.3% in the first half of this year, as compared with 3.7% in the previous year. Net interest income of the Group recorded an increase of 1.8% to HK$451.3 million from HK$443.3 million in 2011/12. The increase in fees and commissions from credit card and insurance had resulted in the increase in other operating income by HK$6.3 million from HK$54.4 million in 2011/12 to HK$60.7 million for the first six months in 2012/13.

With the recruitment of additional staff for its insurance and China business and the launch of different marketing programmes, there was an increase in staff costs and marketing expenses. As a result, operating expenses increased by 9.9% or HK$19.4 million from HK$195.6 million in 2011/12 to HK$215.0 million for the first six months in 2012/13. The Group's cost-to-income ratio was 42.1% in the first half of this year.

Financial Review *(Continued)*

At the operating level before impairment allowances, the Group recorded an operating profit of HK$295.8 million for the six months ended 20th August 2012, representing a decrease of 2.0% from HK$301.8 million in the previous corresponding period. During the period under review, the Group continued to lend prudently resulting in a continuous improvement in asset quality. With proactive collection procedures and cautious approval process, the Group saw continued improvements in the write-offs when compared with last year. Impairment losses and allowances for the first half decreased by 8.7% or HK$13.8 million from HK$159.7 million in 2011/2012 to HK$145.9 million. Recoveries of advances and receivables written-off was HK$26.3 million, an increase of 28.6% or HK$5.9 million when compared with HK$20.4 million in 2011/12.

Despite fierce competition and customers' cautious approach to spending, the Group still maintained similar level of gross advances as last financial year end. Gross advances at 20th August 2012 were HK$4,743.2 million, as compared to HK$4,775.4 million at 20th February 2012. Impairment allowances amounted to HK$125.5 million at 20th August 2012, as compared with HK$129.5 million at 20th February 2012. Total equity at 20th August 2012 was HK$2,144.4 million, as compared with HK$2,049.6 million at 20th February 2012. Net asset value per share (after interim dividend) was HK$5.0 as at 20th August 2012, as compared with the net asset value per share of HK$4.7 as at 20th February 2012.

Business Review

The Group had launched a series of strategic marketing activities in the first half to augment the competitiveness of its core card business. These promotions received overwhelming response from customers. In addition, the Group had formulated tailor-made acquisition campaigns with co-brand partners to increase card base and usage. As for product line expansion, the "AEON Ajisen Titanium MasterCard" was launched and smartphone apps for various platforms were released. By popular demand, the Group had started to offer a new online travel booking service. To maintain credit quality, new members were mainly recruited through affinity member-stores. Complimentary Wi-Fi service was implemented at the Tsim Sha Tsui branch to promote and facilitate customers' usage of Net-member online services. Bonus point incentives were offered to customers making the switch to e-statement. The Group continued to be in the forefront of the digital shift.

During the period under review, AEON Brokers continued to expand the customer base by introducing company insurance to business partners and corporate clients. Individual life and savings insurance continued to be promoted through web and seminars hosted by AEON Brokers' professional consultants. Insurance Corners have been set up at 6 branches to support the promotion of insurance products on life, general and MPF schemes.

Moving on to China business, China AEON Card operation will continue to expand its network in conjunction with AEON Stores. At the same time, AIS continued to expand its collection services to new corporate clients in China, especially those in the banking sector. Riding on the experience and knowledge from the AEON Card operation, the Group had started its micro-finance business in Shenyang last year and further expanded to Tianjin this year.

Prospects

The slow economic recoveries in the U.S. and the Eurozone debt crises have hampered the growth of the global economy. Hong Kong's external environment could worsen if the Mainland economy slowed down rapidly. Looking ahead, a weak external demand coupled with a contracted trade sector in the first quarter will render the operating environment for consumer finance challenging for the rest of the year.

Given the gloomy operating environment, the Group will exercise a conservative approach in recruiting new members. A new co-brand card will be launched in the market to tap a new segment. The Group will focus on expanding its credit card business through its extensive merchant network, innovative product development and aggressive marketing strategies. Implementation of effective cost saving measures and credit risk management will remain core parts of the Group's priorities. At the same time, the Group will continue brand and loyalty building by providing our customers with unmatched service quality. The Group's commitment to corporate social responsibilities, community and charity contributions will continue to assert a positive brand image among its peers.

Since AEON JUSCO Card products are always the constituent components of the Group's portfolio, more efforts will be spent on stimulating usage and card member growth. Mass promotions will be launched jointly with AEON Stores to boost up sales. The synergy between the Group and other merchants has continued to drive up card usage and sales volume. The Group will maintain and optimize its traditional and online channels to promote its diverse products to all card members. To further improve coverage and convenience, more branches are scheduled to open in the second half of 2012.

Utilizing the current operating platform, the Group will continue to explore business opportunities in the areas of fee-based income, collection services, insurance and travel. Loan products for different customers' needs will be offered. The Group will continue to adapt to the digital shift. Web services, such as online application, bill payment and group-purchase will provide the Group with more revenue streams while attracting younger customer segments. For China business, the Group will continue to expand existing micro-finance business to other provinces to tap into the huge and fast growing consumer finance market in China.

SEGMENT INFORMATION

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, insurance and hire purchase. In the first half of 2012/13, credit card operation accounted for 66.1% of the Group's revenue, as compared to 66.6% in 2011/12. For segment result, credit card operation accounted for 70.9% of the Group's whole operations in 2012/13, as compared to 64.8% in 2011/12.

Although there was an increase in credit card sales, interest income from credit card operation recorded a drop when compared with last year due to customers' cautious approach to revolving transactions. Nevertheless, the increase in card credit purchase sales had resulted in an increase in fees and commissions from credit card. Besides, the improved economic situation had reduced the penalty and late charges, which resulted in an overall drop in revenue from credit card operation of 0.6% or HK$2.4 million from HK$370.7 million in 2011/12 to HK$368.3 million in 2012/13. With the exercise of prompt collection actions, there was a noticeable decrease in the impairment losses and impairment allowances. With a drop in interest expense, the segment result for the period from credit card operation recorded an increase of HK$19.1 million from HK$110.2 million in 2011/12 to HK$129.3 million in 2012/13.

SEGMENT INFORMATION *(Continued)*

To attract new instalment loan customers, the Group offered competitive interest rates with reference to customer background. This successfully boosted up the instalment loan sales and interest income recorded an increase when compared with last year. However, there was a decrease in late charges, revenue from instalment loan operation maintained at last year similar level of HK$170.3 million in 2012/13. With the exercise of cautious credit assessment, there was a slight increase in the impairment losses and impairment allowances. With the additional operation cost incurred for a micro-finance company in Shenyang this year, the segment result for the period from instalment loan operation recorded a decrease of 14.5% from HK$53.2 million in 2011/12 to HK$45.5 million in 2012/13.

Revenue from insurance operation recorded an increase of HK$4.8 million from HK$13.9 million in 2011/12 to HK$18.7 million in 2012/13. Due to the increase in operating expenses, segment result for the period from insurance operation increased slightly from HK$6.4 million in 2011/12 to HK$7.1 million in 2012/13.

With the continuous shift of usage to card instalment plan, revenue from hire purchase operation recorded a decrease of HK$1.2 million, from HK$1.5 million in 2011/12 to HK$0.3 million in 2012/13. Nevertheless, there is a noticeable decrease in operating expenses. Segment result for the period from hire purchase operation increased from HK$0.2 million in 2011/12 to HK$0.5 million in 2012/13.

FUNDING AND CAPITAL MANAGEMENT

The Group manages its capital to ensure that:

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

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

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

The capital structure of the Group consists of debt (which includes bank borrowings and collateralised debt obligation), net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital, reserves and accumulated profits.

FUNDING AND CAPITAL MANAGEMENT *(Continued)*

Net debt to equity ratio

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

	20th August 2012 (Unaudited)	20th February 2012 (Audited)
	HK$'000	*HK$'000*
Debt *(note a)*	**3,031,648**	3,005,275
Cash and cash equivalents	**(377,292)**	(354,273)
Net debt	**2,654,356**	2,651,002
Equity *(note b)*	**2,144,445**	2,049,605
Net debt to equity ratio	**1.2**	1.3

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 25 and 29 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 2012, 41.4% of its funding was derived from total equity, 21.2% from structured finance and 37.4% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th August 2012, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$1,933.4 million, with 16.6% being fixed in interest rates and 83.4% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 9.3% of these indebtedness will mature within one year, 15.9% between one and two years, 71.8% between two and five years and 3.0% over five years. The duration of indebtedness was around 3.1 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD50.0 million and a term loan of USD10.0 million which were hedged by cross-currency interest rate swaps, coupled with short term loans of RMB50.0 million.

The net asset of the Group at 20th August 2012 was HK$2,144.4 million, as compared with HK$2,049.6 million at 20th February 2012. Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

FUNDING AND CAPITAL MANAGEMENT *(Continued)*

The Group's principal operations were transacted and recorded in HKD and thereby its core assets did not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 20th August 2012, capital commitments entered were mainly related to the purchase of property, plant and equipment.

LOAN FACILITY WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On 31st March 2011, the Company obtained a term loan of USD50,000,000 (the "Facility") from a syndicate of banks, with the repayment date falling on 20th September 2016.

On 21st December 2011, the Company obtained a global committed facility of up to JPY10,000,000,000 (the "GCL") from a syndicate of banks, with the maturity date falling on 20th December 2012.

Under the Facility and the GCL, it will be an event of default if the Company ceases to be a consolidated subsidiary of ACS Japan, which is a controlling shareholder of the Company currently holding 51.94% of the issued share capital of the Company. If the event occurs, the Facility and the GCL may become due and payable on demand.

During the period of review, no repayment was made under the Facility and no drawdown was made under the GCL. At 20th August 2012, the circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continued to exist.

MANAGEMENT OF RISKS

The Group has established policies, procedures and controls for measuring, monitoring and controlling market, credit, liquidity and capital risks, which are reviewed regularly by the Group's management. The internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures.

The Group's major financial instruments include available-for-sale investments, advances and receivables, amount due from an associate, other debtors, restricted deposits, time deposits, fiduciary bank balances, bank balances and cash and derivative financial assets, bank borrowings, bank overdrafts, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, immediate holding company, ultimate holding company and associates and derivative financial liabilities.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group seeks to minimise the effects of cash flow risk by using derivative financial instruments to hedge the cash flow risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, and the use of derivative financial instruments. The Group does not enter into or trade derivative financial instruments for speculative purposes.

MANAGEMENT OF RISKS *(Continued)*

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including:

- currency swap to convert the foreign currency debts to the functional currency of the relevant group entity; and

- interest rate swaps to mitigate the cash flow interest rate risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's position as a result of a change in foreign currency exchanges rates. Certain bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group's foreign currency risk exposure primarily relates to its RMB and USD denominated bank borrowings. The RMB bank borrowings are short-term in nature and the amounts are small. To minimise the foreign currency risk in relation to the USD bank borrowings, the Group has been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk after taking derivative financial instruments into consideration is not material to the Group.

Interest rate risk management

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings including variable rate borrowings under hedge accounting to change from variable rate to fixed rate. All interest-bearing financial assets are exposed to fair value interest rate risk only. The Group's cash flow interest rate risk relates primarily to floating-rate financial liabilities.

The Group monitors the interest rate exposure, through assessing the interest rate gap of its interest bearing financial assets and financial liabilities. To minimise the cash flow interest rate gap, the Group has been using interest rate swaps to convert a proportion of its variable rate debts to fixed rate. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

MANAGEMENT OF RISKS *(Continued)*

Market risk *(Continued)*

Other price risks

The Group is exposed to equity price risk through its available-for-sale investments. The Group's equity price risk is mainly concentrated on equity securities operating in consumer credit finance services and related business. The management will monitor the price movements and take appropriate actions when it is required.

Credit risk

The Group's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations at 20th August 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the condensed consolidated statement of financial position. The Group's credit risk is primarily attributable to its advances and receivables.

In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's policy requires the review of individual financial assets that are above materiality thresholds on quarterly basis. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the end of the reporting period on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: i) portfolios of homogenous assets that are not assessed individually; and ii) losses incurred but not yet identified, by using historical loss experience, experienced judgment and statistical techniques to provide.

Liquidity management

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and maintain a conservative level of long-term funding to finance its short-term financial assets.

MANAGEMENT OF RISKS *(Continued)*

Capital management

The Group's policy is to maintain a strong capital base to support the development of the Group's business. During the period under review, the Group relied principally on internally generated capital as well as structured finance and bank borrowings for the working capital. The funding position is monitored and reviewed regularly to ensure it is within internally established limits and at reasonable costs.

HUMAN RESOURCES

The total number of staff at 20th August 2012 and 20th February 2012 was 454 and 431 respectively. The Company continues to recognize and reward its staff similar to that disclosed in the Company's 2011/12 Annual Report.

DIRECTORS' INTERESTS IN SHARES

At 20th August 2012, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) ACS Japan – immediate holding company of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of ACS Japan
Masao Mizuno	2,886	0.01

(b) AEON Thailand – a fellow subsidiary of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Thailand
Masao Mizuno	1,485,000	0.59

Other than the holdings disclosed above, none of the Directors nor their associates, had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 20th August 2012.

SUBSTANTIAL SHAREHOLDERS

At 20th August 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company:

Name	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	277,288,000	66.22
ACS Japan *(Note 2)*	217,514,000	51.94
DJE Investment S.A. *(Note 3)*	33,536,000	8.01
Aberdeen Asset Management Plc and its Associates	33,520,000	8.00

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 45.60% and 71.64% of the issued share capital of ACS Japan and AEON Stores respectively, was deemed to be interested in the 217,514,000 shares and 3,784,000 shares owned by ACS Japan and AEON Stores respectively.

2. Out of 217,514,000 shares, 213,114,000 shares were held by ACS Japan and 4,400,000 shares were held by Nomura Securities (HK) Limited, as nominee on behalf of ACS Japan.

3. DJE Investment S.A. was a company 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 20th August 2012.

INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 20th August 2012. The Group's interim report for the six months ended 20th August 2012 has been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA, by Deloitte Touche Tohmatsu, whose unmodified review report is attached on page 37 of the interim report.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (effective until 31st March 2012) and the CG Code (effective from 1st April 2012) throughout the accounting period for the six months ended 20th August 2012, except for the deviations from code provisions A.4.1, A.4.2, A.6.7 and E.1.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Non-executive Directors are not appointed for a specific term and Directors are not subject to retirement by rotation. However, all Directors, including executive, non-executive and independent non-executive, are subject to retirement at each annual general meeting of the Company in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 15th June 2012 as he was overseas.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code for securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

CHANGES IN INFORMATION OF DIRECTORS

The changes in the information of Directors since the publication of the 2011/12 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Biographical Details of Directors

Mr. Masao Mizuno

- Resigned as a director of AEON Thailand on 14th June 2012.

- Appointed as a director of AEON Malaysia on 20th June 2012.

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

Biographical Details of Directors *(Continued)*

Mr. Masanori Kosaka

- Retired as a Non-executive Director of the Company on 15th June 2012.

Mr. Lai Yuk Kwong

- Re-designated as a Non-executive Director of the Company on 21st July 2012.

Mr. Toshiya Shimakata

- Retired as an Executive Director of the Company on 15th June 2012.

Ms. Chan Fung Kuen, Dorothy

- Appointed as a director of AEON Brokers on 24th May 2012.

Mr. Wong Hin Wing

- Appointed as a Council Member of the Chinese University of Hong Kong on 12th July 2012.

Directors' Emoluments

- With effect from 21st February 2012, the Director's fee payable to each of Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun had been revised to HK$255,000 per annum.

- With effect from 21st June 2012, the base salary payable to each of Mr. Fung Kam Shing, Barry, Mr. Lai Yuk Kwong and Ms. Koh Yik Kung had been increased by HK$2,000 per month, Mr. Tomoyuki Kawahara by HK$1,000 per month and Ms. Chan Fung Kuen, Dorothy by HK$3,000 per month.

- In June 2012, a discretionary bonus of HK$493,000 was paid to Mr. Fung Kam Shing, Barry, HK$209,000 to Mr. Lai Yuk Kwong, HK$130,000 to Mr. Tomoyuki Kawahara, HK$88,000 to Ms. Koh Yik Kung, RMB180,000 to Mr. Toshiya Shimakata and HK$80,000 to Ms. Chan Fung Kuen, Dorothy.

- With effect from 21st July 2012, Mr. Lai Yuk Kwong ceased to receive any remuneration from the Company following his re-designation as a Non-executive Director of the Company.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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
FUNG KAM SHING, BARRY
Managing Director

Hong Kong, 21st September 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of AEON Credit Service (Asia) Company Limited (the "Company") and its subsidiaries set out on pages 1 to 23, which comprises the condensed consolidated statement of financial position as of 20th August 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21st September 2012

CORPORATE INFORMATION

Board of Directors

Executive Directors
Fung Kam Shing, Barry *(Managing Director)*
Tomoyuki Kawahara
Koh Yik Kung
Chan Fung Kuen, Dorothy

Non-executive Directors
Masao Mizuno *(Chairman)*
Lai Yuk Kwong

Independent Non-executive Directors
Hui Ching Shan
Wong Hin Wing
Tong Jun

Company Secretary

Koh Yik Kung

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Major Bankers

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hong Kong Branch
Mizuho Corporate Bank, Ltd.
Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Hong Kong Branch
Citibank, N.A.
Hong Kong Branch

Share Registrar

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

Units 2001 - 2004 & 2009 - 2018
20/F, Miramar Tower
132 Nathan Road
Tsimshatsui
Kowloon
Hong Kong

Internet Address

Homepage : http://www.aeon.com.hk
E-mail address : info@aeon.com.hk

Stock Code

900

GLOSSARY

ACCT	AEON Credit Card (Taiwan) Co., Ltd.
ACH	AEON Credit Holdings (Hong Kong) Co., Limited
ACS Japan	ÆON Credit Service Co., Ltd.
ACST	AEON Credit Service (Taiwan) Co., Ltd.
AEON Brokers	AEON Insurance Brokers (HK) Limited
AEON Japan	ÆON Co., Ltd.
AEON Malaysia	AEON Credit Service (M) Berhad
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AEON Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Board	Board of Directors of the Company
CG Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
China or Mainland	People's Republic of China
Company	AEON Credit Service (Asia) Company Limited
Director(s)	Director(s) of the Company
Group	Company and its subsidiaries
HKD or HK$	Hong Kong Dollars
HIBOR	Hong Kong Interbank Offered Rate
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
JPY	Japanese Yen
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NT$	New Taiwan Dollars
RMB	Chinese Renminbi
SFO	Securities and Futures Ordinance
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD or US$	United States Dollars

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