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 2011

ISO 9001 - QMS / FS 513193 ISO 14001 - EMS 538444 ISO 27001 - ISMS / IS 500955 ISO 10002-CS / 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 2011, together with the comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 20th August 2011

		Six months ended 20th August	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**556,470**	550,898
Interest income	*5*	**504,516**	498,542
Interest expense	*6*	**(61,198)**	(66,748)
Net interest income		**443,318**	431,794
Other operating income	*7*	**54,360**	54,531
Other gains and losses	*8*	**(250)**	(297)
Operating income		**497,428**	486,028
Operating expenses	*9*	**(195,649)**	(194,564)
Operating profit before impairment allowances		**301,779**	291,464
Impairment losses and impairment allowances		**(159,714)**	(170,317)
Recoveries of advances and receivables written-off		**20,461**	21,942
Share of results of associates		**(2,499)**	(3,404)
Profit before tax		**160,027**	139,685
Income tax expense	*10*	**(27,059)**	(23,622)
Profit for the period		**132,968**	116,063
Attributable to:			
Owners of the Company		**132,968**	116,063
Earnings per share - Basic	*12*	**31.75 HK Cents**	27.72 HK Cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 20th August 2011

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**132,968**	116,063
Other comprehensive income (expense)		
Fair value gain on available-for-sale investments	**9,054**	908
Exchange difference arising from translation of foreign operations	**1,801**	108
Net adjustment on cash flow hedges	**(151,117)**	(2,694)
Other comprehensive expense for the period	**(140,262)**	(1,678)
Total comprehensive (expense) income for the period	**(7,294)**	114,385
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(7,294)**	114,385

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2011

	Notes	20th August 2011 (Unaudited) HK$'000	20th February 2011 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	13	**85,228**	82,383
Investments in associates		**24,231**	25,941
Available-for-sale investments	14	**96,210**	87,156
Advances and receivables	15	**1,229,091**	1,196,394
Prepayments, deposits and other debtors	18	**49,515**	39,400
Derivative financial instruments	27	**–**	380
Deferred tax assets	19	**–**	850
Restricted deposits	20	**68,000**	68,000
		1,552,275	1,500,504
Current assets			
Advances and receivables	15	**3,490,219**	3,525,524
Prepayments, deposits and other debtors	18	**26,124**	21,276
Derivative financial instruments	27	**261,573**	186,672
Restricted deposits	20	**174,322**	34,149
Time deposits	21	**214,521**	201,967
Fiduciary bank balances	22	**3,434**	2,596
Bank balances and cash	23	**118,073**	61,311
		4,288,266	4,033,495
Current liabilities			
Creditors and accruals	24	**153,589**	147,879
Amounts due to fellow subsidiaries	25	**34,490**	36,087
Amount due to ultimate holding company		**63**	45
Amount due to an associate		**1,638**	397
Bank borrowings	26	**1,229,710**	1,098,120
Bank overdrafts		**1,374**	2,614
Collateralised debt obligation	29	**1,097,482**	–
Derivative financial instruments	27	**2,976**	5,633
Tax liabilities		**31,164**	17,200
		2,552,486	1,307,975
Net current assets		**1,735,780**	2,725,520
Total assets less current liabilities		**3,288,055**	4,226,024
Capital and reserves			
Issued capital	28	**41,877**	41,877
Share premium and reserves		**1,916,221**	1,990,518
Total equity		**1,958,098**	2,032,395
Non-current liabilities			
Collateralised debt obligation	29	**–**	1,098,963
Bank borrowings	26	**1,130,000**	1,060,000
Derivative financial instruments	27	**198,657**	34,666
Deferred tax liabilities	19	**1,300**	–
		1,329,957	2,193,629
		3,288,055	4,226,024

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 20th August 2011

	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 2010 (Audited)	41,877	227,330	270	19,745	(77,670)	6,803	1,660,681	1,879,036
Profit for the period	–	–	–	–	–	–	116,063	116,063
Fair value gain on available-for-sale investments	–	–	–	908	–	–	–	908
Exchange difference arising from translation of foreign operations	–	–	–	–	–	108	–	108
Net adjustment on cash flow hedges	–	–	–	–	(2,694)	–	–	(2,694)
Total comprehensive income (expense) for the period	–	–	–	908	(2,694)	108	116,063	114,385
Final dividend paid for 2009/10	–	–	–	–	–	–	(67,003)	(67,003)
Balance at 20th August 2010 (Unaudited)	41,877	227,330	270	20,653	(80,364)	6,911	1,709,741	1,926,418
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**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 20th August 2011

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**162,916**	129,947
Dividends received	**1,191**	893
Purchase of property, plant and equipment	**(7,881)**	(5,425)
Deposits paid for acquisition of property, plant and equipment	**(18,006)**	(11,851)
Net cash used in investing activities	**(24,696)**	(16,383)
Placement of restricted deposits	**(1,220,151)**	(480,724)
Withdrawal of restricted deposits	**1,079,978**	455,644
Dividends paid	**(67,003)**	(67,003)
New bank loans raised	**8,747,100**	6,357,000
Repayment of bank loans	**(8,608,600)**	(6,415,000)
Net cash used in financing activities	**(68,676)**	(150,083)
Net increase (decrease) in cash and cash equivalents	**69,544**	(36,519)
Cash and cash equivalents at 21st February	**260,664**	340,062
Effect of changes in exchange rate	**1,012**	–
Cash and cash equivalents at 20th August	**331,220**	303,543
Being:		
Time deposits	**214,521**	239,601
Bank balances and cash	**118,073**	66,163
Bank overdrafts	**(1,374)**	(2,221)
	331,220	303,543

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 20th August 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 20th February 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Payments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised 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.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 20th February 2011 were authorised for issuance and are not yet effective:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]

[1] *Effective for annual periods beginning on or after 1st January 2013*
[2] *Effective for annual periods beginning on or after 1st July 2012*

HKFRS 10 "Consolidated Financial Statements" replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. At the date of this report, the Directors are in the process of assessing the potential financial impact.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Directors anticipate that the application of other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. REVENUE

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**504,516**	498,542
Fees and commissions	**26,125**	23,545
Handling and late charges	**25,829**	28,811
	556,470	550,898

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
Hire purchase	–	Provide vehicle financing and hire purchase financing for household products and other consumer products to individuals
Insurance	–	Provide insurance broking and agency business

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

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 2011 (Unaudited)

	Credit card *HK$'000*	**Instalment loan** *HK$'000*	**Hire purchase** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**370,687**	**170,367**	**1,545**	**13,871**	**556,470**
RESULT					
Segment results	**110,184**	**53,191**	**168**	**6,388**	**169,931**
Unallocated operating income					**2,335**
Unallocated expenses					**(9,740)**
Share of results of associates					**(2,499)**
Profit before tax					**160,027**
Income tax expense					**(27,059)**
Profit for the period					**132,968**

For the six months ended 20th August 2010 (Unaudited)

	Credit card *HK$'000*	Instalment loan *HK$'000*	Hire purchase *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
REVENUE	368,786	166,978	2,781	12,353	550,898
RESULT					
Segment results	110,571	34,051	1	5,167	149,790
Unallocated operating income					1,767
Unallocated expenses					(8,468)
Share of results of associates					(3,404)
Profit before tax					139,685
Income tax expense					(23,622)
Profit for the period					116,063

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

5. INTEREST INCOME

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Time deposits and bank balances	**96**	106
Advances and receivables	**502,549**	496,874
Impaired advances and receivables	**1,871**	1,562
	504,516	498,542

6. INTEREST EXPENSE

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**10,615**	13,838
Interest on bank borrowings and overdrafts wholly repayable after five years	**263**	––
Interest on collateralised debt obligation wholly repayable within five years	**25,032**	24,961
Net interest expense on interest rate swap contracts	**25,288**	27,949
	61,198	66,748

7. OTHER OPERATING INCOME

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends received on available-for-sale investments		
Listed equity securities	**1,078**	788
Unlisted equity securities	**113**	105
Fees and commissions		
Credit card	**12,254**	11,192
Insurance	**13,871**	12,353
Handling and late charges	**25,829**	28,811
Others	**1,215**	1,282
	54,360	54,531

8. OTHER GAINS AND LOSSES

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	**63,090**	47,300
Exchange losses on bank loans	**(63,090)**	(47,300)
Hedge ineffectiveness on cash flow hedges	**(250)**	(240)
Losses on disposal of property, plant and equipment	**–**	(57)
	(250)	(297)

9. OPERATING EXPENSES

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**17,037**	18,026
General administrative expenses	**59,098**	58,249
Marketing and promotion expenses	**19,750**	21,202
Operating lease rentals in respect of rented premises, advertising space and equipment	**27,739**	27,733
Other operating expenses	**19,939**	18,974
Staff costs including Directors' emoluments	**52,086**	50,380
	195,649	194,564

10. INCOME TAX EXPENSE

	Six months ended 20th August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax		
– Current period	**24,909**	24,522
Deferred tax *(note 19)*		
– Current period	**2,150**	(900)
	27,059	23,622

Hong Kong Profits Tax is calculated at 16.5% (six months ended 20th August 2010: 16.5%) of the estimated assessable profit for the period.

11. DIVIDEND

On 30th June 2011, a dividend of **16.0 HK cents** (2010: 16.0 HK cents) per share amounting to a total of **HK$67,003,000** (2010: HK$67,003,000) was paid to shareholders as the final dividend for 2010/11.

In respect of the current interim period, the Directors have declared an interim dividend of **16.0 HK cents** per share amounting to **HK$67,002,000** payable to the shareholders of the Company whose names appear on the Register of Members on 13th October 2011. The interim dividend will be paid on or before 19th October 2011. 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$132,968,000** (six months ended 20th August 2010: HK$ 116,063,000) and on the number of shares of **418,766,000** (six months ended 20th August 2010: 418,766,000) in issue during the period.

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately **HK$19,883,000** (six months ended 20th August 2010: HK$ 9,540,000) on computer equipment and leasehold improvements.

14. AVAILABLE-FOR-SALE INVESTMENTS

	20th August 2011 (Unaudited) *HK$'000*	20th February 2011 (Audited) *HK$'000*
Listed equity securities, at fair value		
Hong Kong	**31,968**	27,883
Overseas	**22,171**	17,202
	54,139	45,085
Unlisted equity securities, at cost less impairment	**42,071**	42,071
	96,210	87,156

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 six private entities incorporated overseas engaged in consumer credit finance services and related business. The unlisted investments are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

The Directors also conducted a review of those unlisted investments by using discounted cash flow method based on the latest financial budgets prepared by investees' management covering a period of 3 to 9 years. Budgeted net profit projections have been determined based on the historical records and the management's expectations for the growth potential and market development. No impairment loss was charged for the current period.

15. ADVANCES AND RECEIVABLES

	20th August 2011 (Unaudited) *HK$'000*	20th February 2011 (Audited) *HK$'000*
Credit card receivables	**3,064,541**	3,112,312
Instalment loans receivable	**1,632,028**	1,567,169
Hire purchase debtors	**28,877**	43,084
	4,725,446	4,722,565
Accrued interest and other receivables	**127,642**	133,626
Gross advances and receivables	**4,853,088**	4,856,191
Impairment allowances *(note 16)*		
– individually assessed	**(65,420)**	(54,974)
– collectively assessed	**(68,358)**	(79,299)
	(133,778)	(134,273)
	4,719,310	4,721,918
Current portion included under current assets	**(3,490,219)**	(3,525,524)
Amount due after one year	**1,229,091**	1,196,394

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK$81,809,000** (20th February 2011: HK$78,587,000) and **HK$38,723,000** (20th February 2011: HK$15,053,000) respectively. The Group holds collateral over these balances. 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 2011: 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 2011, the carrying amount of the credit card receivables under this financing transaction is **HK$1,743,946,000** (20th February 2011: HK$1,873,521,000). The notional amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2011: HK$1,100,000,000).

15. **ADVANCES AND RECEIVABLES** *(Continued)*

(b) Instalment loans receivable

The term of instalment loans entered with customers ranges from 6 months to 10 years. All instalment loans receivable are denominated in HKD. The instalment loans receivable carry effective interest ranging from 3.8% to 46.8% (20th February 2011: 3.9% to 46.8%) per annum.

(c) Hire purchase debtors

	Minimum payments		**Present value of minimum payments**	
	20th August 2011 (Unaudited) ***HK$'000***	20th February 2011 (Audited) *HK$'000*	**20th August 2011 (Unaudited)** ***HK$'000***	20th February 2011 (Audited) *HK$'000*
Amounts receivable under hire purchase contracts:				
Within one year	**26,690**	39,228	**26,131**	38,353
In the second to fifth year inclusive	**2,794**	4,815	**2,746**	4,731
	29,484	44,043	**28,877**	43,084
Unearned finance income	**(607)**	(959)	**–**	–
Present value of minimum payments receivable	**28,877**	43,084	**28,877**	43,084

The term of hire purchase contracts entered with customers ranges from 5 months to 3 years. All hire purchase agreements are denominated in HKD. The hire purchase debtors carry effective interest ranging from 4.4% to 15.7% (20th February 2011: 4.4% to 15.7%) per annum.

16. IMPAIRMENT ALLOWANCES

	20th August 2011 (Unaudited)	20th February 2011 (Audited)
	HK$'000	*HK$'000*
Analysis by products as:		
Credit card receivables	**59,650**	64,825
Instalment loans receivable	**64,649**	57,308
Hire purchase debtors	**719**	823
Accrued interest and other receivables	**8,760**	11,317
	133,778	134,273

	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**

	Individual assessment	Collective assessment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 21st February 2010	60,290	77,667	137,957
Impairment losses and impairment allowances	172,932	(2,615)	170,317
Amounts written-off as uncollectable	(175,297)	–	(175,297)
At 20th August 2010	57,925	75,052	132,977

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 2011 (Unaudited)		20th February 2011 (Audited)	
	HK$'000	***%****	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**105,657**	**2.2**	137,153	2.8
Overdue 2 months but less than 3 months	**26,591**	**0.5**	32,508	0.7
Overdue 3 months but less than 4 months	**19,727**	**0.4**	18,234	0.4
Overdue 4 months or above	**64,369**	**1.3**	55,131	1.1
	216,344	**4.4**	243,026	5.0

* *Percentage of gross advances and receivables*

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	20th August 2011 (Unaudited)	20th February 2011 (Audited)
	HK$'000	*HK$'000*
Prepaid cost for property, plant and equipment	**40,052**	34,048
Rental deposits	**16,458**	13,224
Prepaid operating expenses	**12,579**	8,298
Other debtors	**6,550**	5,106
	75,639	60,676
Current portion included under current assets	**(26,124)**	(21,276)
Amount due after one year	**49,515**	39,400

19. DEFERRED TAX (LIABILITIES) ASSETS

The followings are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during each of the two periods ended 20th August 2011 and 2010:

	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)**

	Accelerated tax depreciation *HK$'000*	Impairment allowances *HK$'000*	Total *HK$'000*
At 21st February 2010	(12,600)	12,900	300
Credit (charge) to profit or loss for the period	1,400	(500)	900
At 20th August 2010	(11,200)	12,400	1,200

20. 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 0.03% to 0.08% (six months ended 20th August 2010: 0.01% to 0.28%) per annum during the period. Restricted deposits of **HK$174,322,000** (20th February 2011: HK$34,149,000) will be matured within one year from 20th August 2011.

21. TIME DEPOSITS

Time deposits of the Group carry fixed rates ranging from 0.01% to 0.07% (six months ended 20th August 2010: 0.01% to 0.23%) per annum during the period.

22. 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.

23. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

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

	HKD *HK$'000*	**USD** *HK$'000*	**JPY** *HK$'000*	**RMB** *HK$'000*	**Total** *HK$'000*
20th August 2011 (Unaudited)					
Bank balances and cash	**117,364**	**424**	**9**	**276**	**118,073**
20th February 2011 (Audited)					
Bank balances and cash	60,927	376	8	–	61,311

24. 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 2011 (Unaudited) *HK$'000*	20th February 2011 (Audited) *HK$'000*
Current	**54,923**	54,840
Over 1 month but less than 3 months	**3,352**	1,944
Over 3 months	**5,840**	2,807
	64,115	59,591

Included in creditors and accruals is deferred revenue in relation to customer loyalty programmes of **HK$6,867,000** (20th February 2011: HK$5,141,000).

25. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand.

26. BANK BORROWINGS

	20th August 2011 (Unaudited) *HK$'000*	20th February 2011 (Audited) *HK$'000*
Bank loans, unsecured	**2,359,710**	2,158,120
Carrying amount repayable *(Note)*		
Within one year	**1,154,710**	993,120
Between one and two years	**145,000**	170,000
Between two and five years	**835,000**	800,000
Over five years	**150,000**	90,000
	2,284,710	2,053,120
Carrying amount of unsecured bank loans that contain a repayment on demand clause – repayable within one year	**75,000**	105,000
	2,359,710	2,158,120
Amount repayable within one year included under current liabilities	**(1,229,710)**	(1,098,120)
Amount repayable after one year	**1,130,000**	1,060,000

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

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

	HKD *HK$'000*	**USD** *HK$'000*	**JPY** *HK$'000*	**Total** *HK$'000*
20th August 2011 (Unaudited)				
Bank loans	**1,517,500**	**77,960**	**764,250**	**2,359,710**
20th February 2011 (Audited)				
Bank loans	1,379,000	77,870	701,250	2,158,120

HKD bank loans of **HK$320,000,000** (20th February 2011: HK$260,000,000) are arranged at fixed interest rates ranging from 1.4% to 3.4% (20th February 2011: 2.6% to 3.3%) 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 0.6% plus HIBOR (20th February 2011: 0.3% plus HIBOR to 0.6% plus HIBOR) per annum while the JPY borrowing is arranged at floating interest rate of 0.4% plus JPY-LIBOR-BBA (20th February 2011: 0.4% plus JPY-LIBOR-BBA) per annum and the USD borrowing is arranged at floating interest rate of 0.75% plus LIBOR (20th February 2011: 0.75% plus LIBOR) per annum, thus exposing the Group to cash flow interest rate risk.

At 20th August 2011, the Group has available unutilised committed short term bank loan facilities of **HK$10,000,000** (20th February 2011: Nil) in respect of which all conditions precedent had been met. Additionally, the Group has available unutilised overdrafts and non-committed short term bank loan facilities of **HK$678,620,000** (20th February 2011: HK$708,620,000) and **HK$681,500,000** (20th February 2011: HK$750,000,000) respectively.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	20th August 2011 (Unaudited)		20th February 2011 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**–**	**169,282**	380	40,255
Cross-currency interest rate swaps	**261,573**	**32,351**	186,672	44
	261,573	**201,633**	187,052	40,299
Current portion	**(261,573)**	**(2,976)**	(186,672)	(5,633)
Non-current portion	**–**	**198,657**	380	34,666

All derivative financial instruments entered by the Group that remain outstanding at 20th August 2011 and 20th February 2011 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 committed borrowing facilities, the designated hedged items.

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of **HK$1,075,000,000** (20th February 2011: HK$1,095,000,000) from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of **HK$1,075,000,000** (20th February 2011: HK$1,095,000,000) have fixed interest payments at fixed interest rates ranging from 2.5 % to 5.4% (20th February 2011: 2.4% to 5.4%) per annum and floating interest receipts ranging from 0.3% plus HIBOR to 0.6% plus HIBOR (20th February 2011: 0.3% plus HIBOR to 0.6% plus HIBOR) per annum for periods up until August 2018 (20th February 2011: until June 2017).

On 29th March 2011, the Company entered into a new collateralised debt obligation financing transaction for a HK$1,100,000,000 financing facility (the "New Transaction"). Interest rate swaps with notional amounts of HK$550,000,000 and HK$550,000,000 were entered by the Group on 29th March 2011 and 21st April 2011 respectively to swap HKD floating-rate borrowings from floating rates to fixed rates. The interest rate swaps have fixed interest payments at fixed interest rates ranging from 3.7% to 3.9% (20th February 2011: Nil) per annum and floating interest receipts at 0.35% plus HIBOR (20th February 2011: Nil) per annum for periods from February 2012 until February 2016 and February 2017 (20th February 2011: Nil).

The interest rate swaps and the corresponding bank borrowings and the New Transaction have the same 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, the net adjustment on the above-mentioned cash flow hedges amounted to **HK$130,621,000** (six months ended 20th August 2010: HK$13,398,000) 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.

27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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 floating-rate JPY syndicated bank borrowing, USD bank borrowing and committed USD syndicated bank borrowing by swapping the floating-rate JPY bank borrowing, USD bank borrowings and committed USD syndicated bank borrowing with principal of JPY7,500,000,000, US$10,000,000 and US$50,000,000 to fixed-rate HKD bank borrowings.

The cross-currency interest rate swap of the Group with notional amount of JPY7,500,000,000 (equivalent to HK$499,178,000 at the date of inception of the loan) has fixed currency payments in HKD at exchange rate of JPY to HKD at 15.0, fixed interest payments in HKD at 4.9% per annum and floating interest receipts in JPY at 0.4% plus JPY-LIBOR-BBA per annum for periods up until September 2011.

The cross-currency interest rate swap of the Group with notional amount of US$10,000,000 (equivalent to HK$77,691,000 at the date of inception of the loan) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.77, fixed interest payments in HKD at 1.3% per annum and floating interest receipts in USD at 0.75% plus LIBOR per annum for periods up until December 2011.

The cross-currency interest rate swap of the Group with notional amount of US$50,000,000 (equivalent to HK$388,750,000 at the date of inception of the loan) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.78, fixed interest payments in HKD at 3.28% per annum and floating interest receipts in USD at 0.7% plus LIBOR per annum for periods up until September 2016.

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

During the period, the net adjustment on the above-mentioned cash flow hedges amounted to **HK$20,496,000** (six months ended 20th August 2010: HK$10,704,000) 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 JPY-LIBOR-BBA and LIBOR yield curves and the forward exchange rates amongst JPY, USD and HKD estimated at the end of the reporting period.

28. ISSUED CAPITAL

	Number of shares 20th August 2011 (Unaudited) & 20th February 2011 (Audited)	**Share capital 20th August 2011 (Unaudited) & 20th February 2011 (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"). Pursuant to this Transaction, the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with 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 this Transaction have not been derecognised and remained in the Group's condensed consolidated financial statements.

(b) The collateralised debt obligation is backed by the credit card receivables transferred (see notes 15(a) and 32) and with the carrying amount denominated in HKD. The revolving period of the Transaction will end in February 2012. The monthly interest of the collateralised debt obligation is fixed at 4.5% per annum during the revolving period, thus exposing the Group to fair value interest rate risk. The effective interest rate is 4.5% (six months ended 20th August 2010: 4.5%) per annum during the period.

(c) On 29th March 2011, the Company entered into the New Transaction. The New Transaction consists of two Tranches – Tranche A and Tranche B. The transaction amount under each Tranche is HK$550,000,000 each. The New Transaction will be drawn down on 6th February 2012, with revolving periods for Tranche A and Tranche B ending on 20th January 2016 and 20th January 2017 respectively. Two corresponding interest rate swaps with notional amount of HK$550,000,000 each were entered for swapping floating-rate borrowings from floating rates to fixed rates.

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 2011 (Unaudited) *HK$'000*	20th February 2011 (Audited) *HK$'000*
Within one year	**38,257**	35,608
In the second to fifth year inclusive	**33,675**	12,399
	71,932	48,007

Leases for rented premises, including head office and data centre, 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 2011 (Unaudited) *HK$'000*	20th February 2011 (Audited) *HK$'000*
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	**23,007**	24,669

32. PLEDGE OF ASSETS

At 20th August 2011, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK$1,743,946,000** and **HK$242,322,000** respectively (20th February 2011: HK$1,873,521,000 and HK$102,149,000) (see notes 15(a) and 20).

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**	
	2011 *HK$'000*	2010 *HK$'000*	**2011** *HK$'000*	2010 *HK$'000*	**2011** *HK$'000*	2010 *HK$'000*	**2011** *HK$'000*	2010 *HK$'000*
Interest income received	**2,726**	3,607	**–**	–	**–**	–	**–**	–
Commission received	**1,861**	1,842	**–**	–	**–**	–	**–**	–
Dividends received	**1,191**	893	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**100**	120
Licence fees paid	**3,225**	3,224	**90**	113	**18**	20	**–**	–
Service fees paid	**–**	–	**3,273**	3,237	**–**	–	**17,700**	18,462
Development fees paid *(Note)*	**10,080**	7,311	**–**	–	**–**	–	**–**	–

Note: For the development fees paid during the period, HK$611,000 (six months ended 20th August 2010: HK$604,000) is recognised as administrative expenses, HK$2,552,000 (six months ended 20th August 2010: HK$2,042,000) is capitalised under property, plant and equipment and HK$6,917,000 (six months ended 20th August 2010: HK$4,665,000) is included in prepayments, deposits and other debtors.

33. **RELATED PARTY TRANSACTIONS** *(Continued)*

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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**4,430**	5,825
Post-employment benefits	**38**	42
	4,468	5,867

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 and operation**	**Issued share capital/ paid-up capital**	**Proportion of ownership interest deemed to be held by the Company** 2011	2010	**Principal activities**
AEON Micro Finance (Shenyang) Co., Ltd	China	HK$50,000,000	**100%**	–	Micro-finance business
AEON Insurance Brokers (HK) Limited	Hong Kong	HK$1,000,000	**100%**	100%	Insurance broking and agency business
AEON Education and Environment Fund Limited	Hong Kong	Limited by guarantee	**100%**	100%	Support community charity projects and activities

(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. **EVENT AFTER THE REPORTING PERIOD**

On 31st March 2011, the Company entered into a syndicated term loan agreement for a US$50,000,000 new term loan facility (the "New Facility"). The New Facility was drawn down on 20th September 2011 and will be repayable on 20th September 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10th October 2011 to 13th October 2011, 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 7th October 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the period under review, despite the post-earthquake impact from Japan, the euro-area debt crisis and US economic slowdown, Hong Kong's economy still experienced a steady recovery with unemployment rate continued to improve further. Meanwhile, private consumption expenditure showed encouraging signs of improvement, with support coming from the Hong Kong Government's relief measures. However, Hong Kong is facing inflationary pressure, especially on rentals. Under these circumstances, the consumers generally will take a cautious approach in their spending and borrowing activities. With a continued low funding environment, the overall operating environment for consumer finance business in Hong Kong remains challenging. Participants have to strive for innovative products and service quality to attract new customers and at the same time monitor their credit quality. Following the pick up in card credit purchase sales and instalment loan sales, together with the exercise of stringent control expenses, the Group has recorded a continued recovery in its core business performance.

For the six months ended 20th August 2011, the Group recorded a profit attributable to owners of HK$133.0 million, representing an increase of 14.6% or HK$16.9 million when compared to HK$116.1 million in the previous corresponding period. The Group's earnings per share changed from 27.72 HK cents per share in 2010/11 to 31.75 HK cents per share.

A series of new marketing programmes had been launched directing towards card acquisition and card activation. The "AEON Happy Family Day" at Ocean Park promotion and Watami summer set menu promotion had received overwhelming response in the market. As a result, the Group recorded an overall increase in card credit purchase sales when compared with last year.

Following the change in interest rate mix for loan products, interest income recorded an increase of 1.2% from HK$498.5 million in 2010/11 to HK$504.5 million. With the continuous renew of long-term bank borrowings with lower funding cost, interest expense in the first half was HK$61.2 million, a further decrease of HK$5.6 million when compared with HK$66.8 million in the previous year, with average funding cost being 3.7% in the first half of this year, as compared with 4.0% in the previous year. Net interest income of the Group recorded an increase of 2.7% to HK$443.3 million from HK$431.8 million in 2010/11. The drop in handling and late charges had resulted in a slight decrease in other operating income by HK$0.1 million from HK$54.5 million in 2010/11 to HK$54.4 million for the first six months in 2011/12.

Financial Review *(Continued)*

Following the recruit of more staff for its insurance and China business and the launch of different marketing programmes, the Group had spent more on both staff costs and card and loan processing expenses. At the same time, the Group continued to exercise tight control on other operating expenses, resulting in a slight increase in operating expenses of 0.6% from HK$194.6 million in 2010/11 to HK$195.6 million for the first six months in 2011/12. The Group's cost-to-income ratio was 39.3% in the first half of this year.

At the operating level before impairment allowances, the Group recorded an operating profit of HK$301.8 million for the six months ended 20th August 2011, representing an increase of 3.5% from HK$291.5 million in the previous corresponding period. During the period under review, the Group lent conservatively and strived to continually maintain its asset quality. With prompt collection actions and exercise of cautious approval process, there were continued improvements in the collection ratios and written-off amount when compared with last year. Impairment losses and impairment allowances for the first half decreased by 6.2% or HK$10.6 million from HK$170.3 million in 2010/11 to HK$159.7 million. Recoveries of advances and receivables written-off was HK$20.5 million, a decrease of 6.4% or HK$1.4 million when compared with HK$21.9 million in 2010/11.

Despite the keen competition and customers' cautious approach to spending, the Group still recorded an increase in gross advances of 0.1% during the period, mainly in instalment loans receivables. Gross advances at 20th August 2011 were HK$4,725.4 million, as compared to HK$4,722.6 million at 20th February 2011. Impairment allowances amounted to HK$133.8 million at 20th August 2011, as compared with HK$134.3 million at 20th February 2011. Total equity at 20th August 2011 was HK$1,958.1 million, as compared with HK$2,032.4 million at 20th February 2011, mainly due to the drop in hedging reserve from the revaluation of derivative financial instruments for committed borrowing facilities. Net asset value per share (after interim dividend) was HK$4.5 as at 20th August 2011, as compared with the net asset value per share of HK$4.7 as at 20th February 2011.

Business Review

The Group had launched a series of marketing activities in the first half to enhance the competitiveness of its card business, which included the "AEON MaxValu Prime" new store opening promotion, AEON Happy Family Day at Ocean Park, Watami Japanese movie ticket and summer set menu promotion. In addition, the Group had designed tailor-made card acquisition programmes with its co-branding partners to increase card base and card usage. To extend the product lines, the Group launched supplementary card and co-brand corporate card for partner's merchants. This not only had diversified our market segment but also increased the card usage. To maintain the credit quality, new members were mainly recruited through affinity member-stores. To widen the service coverage, the Group opened a new branch in Central and extended the instant credit card service to 6 branches. For web services, internet corners have been set up in 7 branches to facilitate net-member registration and also enable customers to use net-member services such as e-statement, bill payment, on-line shopping and card application.

Business Review *(Continued)*

During the period under review, AEON Brokers continued to expand the customer base by introducing company insurance to business partners and corporate clients, and promoting life protection and savings insurance to individual customers by its insurance consultants. Besides using web and insurance consultants, AEON Brokers also organised various seminars to promote insurance products on life, general and MPF scheme.

Moving on to China business, AIS, an associate, has been acting as processing agent for China AEON Card operation in different provinces, including Guangdong, Beijing and Shandong. At the same time, AIS continued to expand its collection services to new corporate clients in China in the fields of auto, finance and insurance. Furthermore, the Company has set up a wholly-owned subsidiary in Shenyang City to engage in micro-finance business. The experience and operation knowledge gained from the China AEON Card operation will provide the Group with a strong driving force to capture the growth potential in the China consumer finance market.

Prospects

The economic outlook for the rest of the year is still subject to various uncertainties, mainly arising from the weak fundamentals of the advanced economies. The relatively stronger growth sustained by the Mainland and Asian economies will continue to benefit Hong Kong. But the relatively fragile economic recovery of the US and Europe will curtail the sustained recovery of the global economy. Looking ahead, the expansion of domestic demand, coupled with the growth of inbound tourism and financial services, is likely to become a driver of economic growth in Hong Kong. On the other hand, the soft US dollar and increase in global food and commodity prices will put more inflationary pressure on Hong Kong. In light of the prevailing low interest rate situation, the operating environment for consumer finance will be challenging for the rest of the year. Since the asset markets will be quite volatile in the second half, demand for consumer finance is expected to increase with possible deterioration in asset quality.

Under this operating environment, the Group will adopt a conservative approach to recruit new members and generate new sales. New co-brand cards will be launched in the market to tap new market segments and to widen its merchant network. As the Group has been taking prudent approach to extend credit, its asset quality remains fundamentally sound. The Group will focus on expanding its credit card business through its enlarged merchant network, innovative product development and aggressive marketing strategies, while minimizing its credit risks and implementing appropriate cost savings measures. At the same time, the Group will actively strengthen its brand image in the market by providing high quality service to our customers and exercising corporate social responsibilities.

Since AEON JUSCO Card is always the core card for card member growth and usage stimulation, the Group will increase its convenience and strengthen its benefits by offering on-line payment gateway and organising mass promotions jointly with AEON Stores. Moreover, new marketing initiatives will be launched directing towards card activation through the offering of appealing cardholder privileges and member benefits. The collaboration with different merchants in promoting recurrent transactions through credit cards has successfully improved the active ratio. The Group will continue to utilise its on-line marketing channels to promote this service to its net members.

Prospects *(Continued)*

To ride on the existing operating platform, the Group will continue to explore other fee-based income business opportunities in the areas of insurance, travel and collection services. Moreover, the Group will extend its loan products to satisfy customers' different requirements such as bridal loan. By using its vast customer and merchant base, the Group will enrich its web contents, including on-line application and shopping service, financial service and payment gateway to generate more fee income through the web business. For China business, riding on the experience and operation knowledge gained from China AEON Card operation, besides Shenyang, the Group will expand its 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, hire purchase and insurance. In the first half of 2011/12, credit card operation accounted for 66.6% of the Group's revenue, as compared to 66.9% in 2010/11. For segment result, credit card operation accounted for 64.8% of the Group's whole operations in 2011/12, as compared to 73.8% in 2010/11.

The increase in card credit purchase sales has resulted in an increase in card credit purchase interest income. The drop in card cash advance sales was compensated by the increase in interest rates on card cash advance instalment plans. Overall, interest income on credit card operation recorded an increase when compared with last year. Even though there was a decrease in late and handling charges, revenue from credit card operation still recorded an increase of 0.5% or 1.9 million from HK$368.8 million in 2010/11 to HK$370.7 million in 2011/12. Although the economic environment is still unstable, by exercising a cautious credit assessment, impairment losses and allowances increased moderately. With a drop in interest expense, the segment result for the period from credit card operation recorded a slight drop of HK$0.4 million from HK$110.6 million in 2010/11 to HK$110.2 million in 2011/12.

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. Even though there was a decrease in late charges, revenue from instalment loan operation recorded an increase of 2.0% or 3.4 million from HK$167.0 million in 2010/11 to HK$170.4 million in 2011/12. With prompt collection actions and exercise of cautious approval process, there was noticeable decrease in the impairment losses and impairment allowances. As a result, the segment result for the period from instalment loan operation recorded an increase of 56.2% from HK$34.1 million in 2010/11 to HK$53.2 million in 2011/12.

With the continuous shift of usage to card instalment plan, revenue for hire purchase operation recorded a decrease of HK$1.3 million, from HK$2.8 million in 2010/11 to HK$1.5 million in 2011/12. Nevertheless, there is a noticeable decrease in operating expenses and impairment losses and impairment allowances. Segment result for the period from hire purchase operation recorded an increase from HK$0.001 million in 2010/11 to HK$0.2 million in 2011/12.

Revenue for insurance operation recorded an increase of HK$1.5 million from HK$12.4 million in 2010/11 to HK$13.9 million in 2011/12. With the exercise of tight control on the operating expenses, segment result for the period from insurance operation increased from HK$5.2 million in 2010/11 to HK$6.4 million in 2011/12.

FUNDING AND CAPITAL MANAGEMENT

The Group manages its capital to ensure that:

- the Group will be able to continue as a going concern;
- Maximise the return to shareholders through the optimisation of the debt and equity balance and by pricing products commensurately with the level of risk; and
- Funds are available at competitive costs to meet all contractual financial commitments, to fund debtor balance growth and to generate reasonable funds from available funds.

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

Net debt to equity ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target net debt to equity ratio of 1.5 to 2.0 determined as the proportion of net debt to equity.

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

	20th August 2011 (Unaudited) ***HK$'000***	20th February 2011 (Audited) *HK$'000*
Debt *(note a)*	**3,457,192**	3,257,083
Cash and cash equivalents	**(331,220)**	(260,664)
Net debt	**3,125,972**	2,996,419
Equity *(note b)*	**1,958,098**	2,032,395
Net debt to equity ratio	**1.6**	1.5

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 26 and 29 respectively.

(b) Equity includes all capital and reserves of the Group.

FUNDING AND CAPITAL MANAGEMENT *(Continued)*

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 20th August 2011, 36.1% of its funding was derived from total equity, 20.3% from structured finance and 43.6% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th August 2011, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,359.7 million, with 13.6% being fixed in interest rates and 86.4% being converted from floating interest rates to fixed interest rates using interest rate swaps.

The syndicated term loan of JPY7.5 billion was fully repaid on 20th September 2011. On the same date, a new syndicated term loan of USD50.0 million with five years' tenor was drawn down. As the revolving period of the existing HK$1,100,000,000 collateralized debt obligation will end in February 2012, the Company entered into the New Transaction in March 2011 for the same amount, with revolving periods ending in January 2016 and 2017 for Tranche A and Tranche B respectively. Taking into account the above committed borrowings, the average duration of indebtedness is around 3.3 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of JPY7.5 billion and a term loan of USD10.0 million which were hedged by cross-currency interest rate swaps.

The net asset of the Group at 20th August 2011 was HK$1,958.1 million, as compared with HK$2,032.4 million at 20th February 2011. Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

The Group's principal operations were transacted and recorded in HKD and thereby its core assets did not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 20th August 2011, 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 27th September 2006, the Company obtained a syndicated term loan of JPY7,500,000,000 (the "Facility") with the repayment date falling on 20th September 2011.

Under the Facility, the Company has made certain representations and warranties, including the Company is 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. It shall be an event of default under the terms of the Facility if the representation and warranty shall become untrue. As a result, the Facility will become due and payable on demand.

No repayment was made during the period under review and at 20th August 2011, the outstanding loan principal was JPY7,500,000,000 and the circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continued to exist until the loan was repaid on 20th September 2011.

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, other debtors, bank deposits, bank balances and cash and derivative financial assets, bank borrowings, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, ultimate holding company and an associate 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.

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 debt 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 JYP and USD denominated bank borrowings. To minimise the foreign currency risk in relation to the bank borrowings, the Group have 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.

MANAGEMENT OF RISKS *(Continued)*

Market risk *(Continued)*

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.

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 2011 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 advances 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. Other than concentration of credit risk on liquid funds and derivative financial instruments which are entered with two major banks with high credit-ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

MANAGEMENT OF RISKS *(Continued)*

Credit risk *(Continued)*

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.

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 2011 and 20th February 2011 was 390 and 355 respectively. The Company continues to recognize and reward its staff similar to that disclosed in the Company's 2010/11 Annual Report.

DIRECTORS' INTERESTS IN SHARES

At 20th August 2011, 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) The Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Masanori Kosaka	110,000	0.03
Chan Fung Kuen, Dorothy	1	0.01

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

Directors	Number of shares held under personal interests	Percentage of the issued share capital of ACS Japan
Masao Mizuno	2,886	0.01
Masanori Kosaka	9,096	0.01

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

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AEON Thailand
Masao Mizuno	1,485,000	0.59
Masanori Kosaka	100,000	0.04

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 2011.

SUBSTANTIAL SHAREHOLDERS

At 20th August 2011, 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
Aberdeen Asset Management Plc and its Associates	33,520,000	8.00
DJE Investment S.A. *(Note 3)*	30,132,000	7.20

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 2011.

INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 20th August 2011. The Group's interim report for the six months ended 20th August 2011 has been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, whose unmodified review report is attached on page 38 of the interim report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the CG Code throughout the accounting period for the six months ended 20th August 2011, except for the deviations from code provisions A.4.1, A.4.2 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 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 17th June 2011 as he was overseas.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CHANGES IN INFORMATION OF DIRECTORS

The changes in the information of Directors since the publication of the 2010/11 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Biographical Details of Directors

Mr. Kazuhide Kamitani

- Retired as the Chairman and Non-executive Director of the Company on 17th June 2011.

Mr. Masao Mizuno

- Appointed as the Chairman and Non-executive Director of the Company on 17th June 2011.

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

Biographical Details of Directors *(Continued)*

Mr. Masanori Kosaka

- Stepped down as the Managing Director and re-designated as a Non-executive Director of the Company on 17th June 2011.

- Resigned as director of AEON Credit Guarantee (China) Co., Ltd. on 12th August 2011.

Mr. Fung Kam Shing, Barry

- Appointed as the Managing Director of the Company on 17th June 2011.

- Appointed as a director of AEON Education and Environment Fund Limited on 15th June 2011.

Mr. Lai Yuk Kwong

- Stepped down as the Deputy Managing Director of the Company on 17th June 2011 but remained as an Executive Director of the Company.

- In charge of the Corporate Social Responsibility Division and the Audit and Assurance Department of the Company with effect from 21st June 2011.

Mr. Tomoyuki Kawahara

- Stepped down as the Senior Executive Director of the Company on 17th June 2011 but remained as an Executive Director of the Company.

Mr. Toshiya Shimakata

- Appointed as a director of AEON Brokers on 15th June 2011.

- In charge of the Marketing Division of the Company with effect from 21st June 2011.

Mr. Takatoshi Ikenishi

- Retired as a Non-executive Director of the Company on 17th June 2011.

Ms. Chan Fung Kuen, Dorothy

- Appointed as an Executive Director of the Company on 17th June 2011.

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

Directors' Emoluments

- With effect from 21st February 2011, the Director's fee payable to each of Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun had been adjusted to HK$245,000 per annum.

- With effect from 21st June 2011, the base salary of Mr. Fung Kam Shing, Barry, Mr. Lai Yuk Kwong, Ms. Koh Yik Kung and Mr. Toshiya Shimakata had been adjusted by HK$21,000, HK$1,000, HK$1,000 and HK$8,000 per month respectively.

- A discretionary bonus of HK$375,000, HK$180,000, HK$150,000, HK$88,000, HK$50,000 and $175,000 was paid to Mr. Masanori Kosaka, Mr. Fung Kam Shing, Barry, Mr. Lai Yuk Kwong, Mr. Tomoyuki Kawahara, Ms. Koh Yik Kung and Mr. Toshiya Shimakata respectively in June 2011.

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, 22nd September 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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

Introduction

We have reviewed the interim financial information set out on pages 1 to 23, which comprises the condensed consolidated statement of financial position of AEON Credit Service (Asia) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 20th August 2011 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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22nd September 2011

CORPORATE INFORMATION

Board of Directors

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

Non-executive Directors
Masao Mizuno *(Chairman)*
Masanori Kosaka

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

Internet Address

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

Stock Code

900

GLOSSARY

ACS Japan	ÆON Credit Service 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	Code on Corporate Governance Practices 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
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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本報告以再造紙印製