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 2013

Planting Seeds of Growth
We are ÆON

The Directors are pleased to announce the unaudited consolidated results of the Group for the six months ended 20th August 2013, together with the comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 20th August 2013

		Six months ended 20th August	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**564,788**	557,597
Interest income	*5*	**502,207**	501,419
Interest expense	*6*	**(48,195)**	(50,163)
Net interest income		**454,012**	451,256
Other operating income	*7*	**66,856**	60,659
Other gains and losses	*8*	**(612)**	(1,042)
Operating income		**520,256**	510,873
Operating expenses	*9*	**(239,280)**	(215,050)
Operating profit before impairment allowances		**280,976**	295,823
Impairment losses and impairment allowances		**(136,293)**	(145,879)
Recoveries of advances and receivables written-off		**22,082**	26,322
Share of results of associates		**(3,215)**	(2,268)
Profit before tax		**163,550**	173,998
Income tax expense	*10*	**(30,103)**	(30,184)
Profit for the period		**133,447**	143,814
Profit for the period attributable to:			
Owners of the Company		**133,447**	143,814
Earnings per share – Basic	*12*	**31.87 HK cents**	34.34 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 20th August 2013

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**133,447**	143,814
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Fair value (loss) gain on available-for-sale investments	**(11,011)**	19,250
Exchange difference arising from translation of foreign operations	**4,228**	(432)
Net adjustment on cash flow hedges	**51,560**	7,586
Other comprehensive income for the period	**44,777**	26,404
Total comprehensive income for the period	**178,224**	170,218
Total comprehensive income for the period attributable to:		
Owners of the Company	**178,224**	170,218

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2013

	Notes	**20th August 2013 (Unaudited) *HK$'000***	20th February 2013 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*13*	**99,588**	96,642
Investments in associates		**14,233**	17,125
Available-for-sale investments	*14*	**33,298**	44,309
Advances and receivables	*15*	**1,331,423**	1,314,805
Prepayments, deposits and other debtors	*18*	**45,593**	42,540
Derivative financial instruments	*26*	**2,854**	32
Restricted deposits	*19*	**68,000**	68,000
		1,594,989	1,583,453
Current assets			
Advances and receivables	*15*	**3,655,316**	3,500,862
Prepayments, deposits and other debtors	*18*	**49,622**	35,450
Amount due from an associate		**989**	979
Restricted deposits	*19*	**134,902**	115,958
Time deposits	*20*	**317,937**	372,083
Fiduciary bank balances	*21*	**3,386**	3,712
Bank balances and cash	*22*	**146,834**	156,309
		4,308,986	4,185,353
Current liabilities			
Creditors and accruals	*23*	**174,585**	147,994
Amounts due to fellow subsidiaries	*24*	**65,056**	51,616
Amount due to intermediate holding company		**–**	2,963
Amount due to ultimate holding company		**34**	90
Amount due to an associate		**35**	–
Bank borrowings	*25*	**775,713**	711,130
Bank overdrafts		**5,060**	2,370
Derivative financial instruments	*26*	**3,914**	8,875
Tax liabilities		**38,002**	21,361
		1,062,399	946,399
Net current assets		**3,246,587**	3,238,954
Total assets less current liabilities		**4,841,576**	4,822,407
Capital and reserves			
Issued capital	*28*	**41,877**	41,877
Share premium and reserves		**2,290,078**	2,187,232
Total equity		**2,331,955**	2,229,109
Non-current liabilities			
Collateralised debt obligation	*29*	**1,098,674**	1,098,461
Bank borrowings	*25*	**1,287,750**	1,327,750
Derivative financial instruments	*26*	**119,797**	164,687
Deferred tax liabilities	*27*	**3,400**	2,400
		2,509,621	2,593,298
		4,841,576	4,822,407

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 20th August 2013

	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 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
Balance at 21st February 2013 (Audited)	**41,877**	**227,330**	**270**	**18,649**	**(165,979)**	**12,086**	**2,094,876**	**2,229,109**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**133,447**	**133,447**
Fair value loss on available-for-sale investments	**–**	**–**	**–**	**(11,011)**	**–**	**–**	**–**	**(11,011)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**4,228**	**–**	**4,228**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**51,560**	**–**	**–**	**51,560**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**(11,011)**	**51,560**	**4,228**	**133,447**	**178,224**
Final dividend paid for 2012/13	**–**	**–**	**–**	**–**	**–**	**–**	**(75,378)**	**(75,378)**
Balance at 20th August 2013 (Unaudited)	**41,877**	**227,330**	**270**	**7,638**	**(114,419)**	**16,314**	**2,152,945**	**2,331,955**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 20th August 2013

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**27,177**	217,873
Dividends received	**171**	635
Proceeds from disposal of available-for-sale investment	**–**	31,081
Proceeds from disposal of property, plant and equipment	**10**	–
Purchase of property, plant and equipment	**(18,953)**	(7,682)
Deposits paid for acquisition of property, plant and equipment	**(8,817)**	(4,677)
Net cash (used in) from investing activities	**(27,589)**	19,357
Placement of restricted deposits	**(1,490,737)**	(1,086,148)
Withdrawal of restricted deposits	**1,471,793**	921,570
Dividends paid	**(75,378)**	(75,378)
New bank loans raised	**18,018,163**	8,718,015
Repayment of bank loans	**(17,994,562)**	(8,692,035)
Net cash used in financing activities	**(70,721)**	(213,976)
Net (decrease) increase in cash and cash equivalents	**(71,133)**	23,254
Cash and cash equivalents at 21st February	**526,022**	354,273
Effect of changes in exchange rate	**4,822**	(235)
Cash and cash equivalents at 20th August	**459,711**	377,292
Being:		
Time deposits	**317,937**	213,987
Bank balances and cash	**146,834**	166,296
Bank overdrafts	**(5,060)**	(2,991)
	459,711	377,292

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 20th August 2013

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") and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 20th August 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 20th February 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of the relevant standards is set out below.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors have made an assessment of the application of HKFRS 10 and concluded that the application of the standard has had no significant impact on the financial results or position of the Group for the current interim or prior period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 35.

Amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities

The amendments to HKFRS 7 require entities to disclose information about the rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement or similar arrangement.

The requirement applies to financial assets and financial liabilities that:

- are offset in the Group's condensed consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the condensed consolidated statement of financial position.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**502,207**	501,419
Fees and commissions	**37,674**	32,898
Handling and late charges	**24,907**	23,280
	564,788	557,597

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 2013 (Unaudited)

	Credit card	**Instalment loan**	**Insurance**	**Hire purchase**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE	**360,536**	**183,819**	**20,217**	**216**	**564,788**
RESULT					
Segment results	**137,640**	**24,770**	**7,792**	**73**	**170,275**
Unallocated operating income					**3,144**
Unallocated expenses					**(6,654)**
Share of results of associates					**(3,215)**
Profit before tax					**163,550**

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

Segment revenue and results *(Continued)*

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

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Advances	**498,645**	499,022
Impaired advances	**2,235**	1,788
Time deposits and bank balances	**1,327**	609
	502,207	501,419

6. **INTEREST EXPENSE**

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**4,631**	9,214
Interest on bank borrowings wholly repayable after five years	**142**	453
Interest on collateralised debt obligation wholly repayable within five years	**3,198**	3,501
Net interest expense on interest rate swap contracts	**40,224**	36,995
	48,195	50,163

7. OTHER OPERATING INCOME

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends received on available-for-sale investments		
Listed equity securities	**171**	635
Fees and commissions		
Credit card	**17,457**	14,229
Insurance	**20,217**	18,669
Handling and late charges	**24,907**	23,280
Others	**4,104**	3,846
	66,856	60,659

8. OTHER GAINS AND LOSSES

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	**–**	180
Exchange losses on bank loans	**–**	(180)
Exchange losses, net	**(333)**	(937)
Hedge ineffectiveness on cash flow hedges	**(105)**	(105)
Net losses on disposal of property, plant and equipment	**(174)**	–
	(612)	(1,042)

9. OPERATING EXPENSES

	Six months ended 20th August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**19,876**	17,644
General administrative expenses	**64,583**	60,551
Marketing and promotion expenses	**30,280**	25,435
Operating lease rentals in respect of rented premises, advertising space and equipment	**31,058**	26,516
Other operating expenses	**28,312**	23,603
Staff costs including Directors' emoluments	**65,171**	61,301
	239,280	215,050

10. INCOME TAX EXPENSE

	Six months ended 20th August 2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Current tax:		
– Current period	**29,103**	29,884
Deferred tax *(note 27)*		
– Current period	**1,000**	300
	30,103	30,184

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of China subsidiaries is 25% for both periods.

11. DIVIDEND

On 28th June 2013, a dividend of **18.0 HK cents** (six months ended 20th August 2012: 18.0 HK cents) per share amounting to a total of **HK$75,378,000** (six months ended 20th August 2012: HK$75,378,000) was paid to shareholders as the final dividend for 2012/13.

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 2013. The interim dividend will be paid on or before 22nd October 2013. 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$133,447,000** (six months ended 20th August 2012: HK$143,814,000) and on the number of shares of **418,766,000** (six months ended 20th August 2012: 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$22,929,000** (six months ended 20th August 2012: HK$15,442,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	20th August 2013 (Unaudited) *HK$'000*	20th February 2013 (Audited) *HK$'000*
Listed equity securities, at fair value		
Hong Kong	**24,154**	35,165
Unlisted equity securities, at cost	**9,144**	9,144
	33,298	44,309

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 three (20th February 2013: three) 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 valuation 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 2013 (Unaudited) *HK$'000*	20th February 2013 (Audited) *HK$'000*
Credit card receivables	**3,180,646**	3,055,112
Instalment loans receivable	**1,815,815**	1,762,881
Hire purchase debtors	**4,099**	6,118
	5,000,560	4,824,111
Accrued interest and other receivables	**122,304**	118,392
Gross advances and receivables	**5,122,864**	4,942,503
Impairment allowances *(note 16)*		
– individually assessed	**(72,106)**	(56,365)
– collectively assessed	**(64,019)**	(70,471)
	(136,125)	(126,836)
	4,986,739	4,815,667
Current portion included under current assets	**(3,655,316)**	(3,500,862)
Amount due after one year	**1,331,423**	1,314,805

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK$45,585,000** (20th February 2013: HK$73,437,000) and **HK$58,458,000** (20th February 2013: HK$53,275,000) 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.

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

(a) Credit card receivables

The term of card instalment plans entered with customers ranges from 3 months to 4 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 2013: 26.8% to 43.5%) 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. At 20th August 2013, the carrying amount of the credit card receivables under this financing transaction is **HK$1,746,210,000** (20th February 2013: HK$1,730,590,000). The principal amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2013: HK$1,100,000,000).

(b) Instalment loans receivable

The term of instalment loans entered with customers ranges from 3 months to 10 years. Most instalment loans receivable are denominated in HKD. The instalment loans receivable carry effective interest ranging from 3.2% to 46.9% (20th February 2013: 3.2% to 46.9%) per annum.

(c) Hire purchase debtors

	Minimum payments		**Present value of minimum payments**	
	20th August 2013 (Unaudited) *HK$'000*	20th February 2013 (Audited) *HK$'000*	**20th August 2013 (Unaudited) *HK$'000***	20th February 2013 (Audited) *HK$'000*
Amounts receivable under hire purchase contracts:				
Within one year	**3,815**	5,690	**3,729**	5,567
In the second to fifth year inclusive	**376**	561	**370**	551
	4,191	6,251	**4,099**	6,118
Unearned finance income	**(92)**	(133)	**–**	–
Present value of minimum payments receivable	**4,099**	6,118	**4,099**	6,118

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 4.7% to 14.1% (20th February 2013: 4.7% to 15.5%) per annum.

16. IMPAIRMENT ALLOWANCES

	20th August 2013 (Unaudited)	20th February 2013 (Audited)
	HK$'000	*HK$'000*
Analysis by products as:		
Credit card receivables	**60,278**	58,979
Instalment loans receivable	**70,735**	62,434
Hire purchase debtors	**165**	266
Accrued interest and other receivables	**4,947**	5,157
	136,125	126,836

	Individual assessment	**Collective assessment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 21st February 2013	**56,365**	**70,471**	**126,836**
Impairment losses and impairment allowances	**142,745**	**(6,452)**	**136,293**
Amounts written-off as uncollectable	**(127,004)**	**–**	**(127,004)**
At 20th August 2013	**72,106**	**64,019**	**136,125**

	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

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 2013 (Unaudited)		20th February 2013 (Audited)	
	HK$'000	*%**	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**143,527**	**2.8**	146,499	3.0
Overdue 2 months but less than 3 months	**36,703**	**0.7**	30,970	0.6
Overdue 3 months but less than 4 months	**25,170**	**0.5**	21,618	0.4
Overdue 4 months or above	**73,410**	**1.4**	61,959	1.3
	278,810	**5.4**	261,046	5.3

* *Percentage of gross advances and receivables*

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	20th August 2013 (Unaudited)	20th February 2013 (Audited)
	HK$'000	*HK$'000*
Deposits for property, plant and equipment	**35,744**	30,903
Rental and other deposits	**25,481**	18,405
Prepaid operating expenses	**18,353**	12,553
Other debtors	**15,637**	16,129
	95,215	77,990
Current portion included under current assets	**(49,622)**	(35,450)
Amount due after one year	**45,593**	42,540

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 0.02% to 0.2% (six months ended 20th August 2012: 0.18% to 0.27%) per annum during the current interim period. Restricted deposits of **HK$134,902,000** (20th February 2013: HK$115,958,000) will be matured within one year from 20th August 2013.

20. TIME DEPOSITS

Time deposits with maturity of three months or less of the Group carry fixed rates ranging from 0.2% to 2.9% (six months ended 20th August 2012: 0.02% to 3.4%) per annum during the current interim 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 ***HK$'000***	**RMB** ***HK$'000***	**USD** ***HK$'000***	**JPY** ***HK$'000***	**Total** ***HK$'000***
20th August 2013 (Unaudited)					
Bank balances and cash	**102,245**	**44,284**	**298**	**7**	**146,834**
20th February 2013 (Audited)					
Bank balances and cash	79,922	76,366	13	8	156,309

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 2013 (Unaudited) ***HK$'000***	20th February 2013 (Audited) *HK$'000*
Current	**64,194**	46,221
Over 1 month but less than 3 months	**6,467**	6,550
Over 3 months	**6,265**	4,507
	76,926	57,278

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK$9,001,000** (20th February 2013: HK$6,818,000).

24. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand except **HK$62,873,000** (20th February 2013: HK$50,309,000) 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 2013 (Unaudited) ***HK$'000***	20th February 2013 (Audited) *HK$'000*
Current	**54,355**	43,140
Over 1 month but less than 3 months	**8,518**	7,169
	62,873	50,309

25. BANK BORROWINGS

	20th August 2013 (Unaudited) ***HK$'000***	20th February 2013 (Audited) *HK$'000*
Bank loans, unsecured	**2,063,463**	2,038,880
Carrying amount repayable *(Note)*		
Within one year	**775,713**	711,130
Between one and two years	**300,000**	235,000
Between two and five years	**932,750**	1,047,750
Over five years	**55,000**	45,000
	2,063,463	2,038,880
Amount repayable within one year included under current liabilities	**(775,713)**	(711,130)
Amount repayable after one year	**1,287,750**	1,327,750

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

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 2013 (Unaudited)				
Bank loans	**1,585,500**	**465,300**	**12,663**	**2,063,463**
20th February 2013 (Audited)				
Bank loans	1,511,500	465,300	62,080	2,038,880

25. BANK BORROWINGS *(Continued)*

HKD bank loans of **HK$320,000,000** (20th February 2013: HK$320,000,000) and a RMB bank loan of **HK$12,663,000** (20th February 2013: HK$62,080,000) are arranged at fixed interest rates ranging from 1.1% to 5.3% (20th February 2013: 1.1% to 3.7%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates of 0.32% plus HIBOR to 0.85% plus HIBOR (20th February 2013: 0.32% plus HIBOR to 0.85% 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 2013: 0.7% plus LIBOR to 0.75% plus LIBOR) per annum, thus exposing the Group to cash flow interest rate risk.

At 20th August 2013, the Group has available unutilised overdrafts and non-committed short term bank loan facilities of **HK$680,620,000** (20th February 2013: HK$681,788,000) and **HK$424,902,000** (20th February 2013: HK$560,252,000) respectively.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	20th August 2013 (Unaudited)		20th February 2013 (Audited)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**2,854**	**121,531**	–	172,886
Cross-currency interest rate swaps	**–**	**2,180**	32	676
	2,854	**123,711**	32	173,562
Current portion	**–**	**(3,914)**	–	(8,875)
Non-current portion	**2,854**	**119,797**	32	164,687

All derivative financial instruments entered by the Group that remain outstanding at 20th August 2013 and 20th February 2013 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.

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$985,000,000** (20th February 2013: HK$1,015,000,000) from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of **HK$985,000,000** (20th February 2013: HK$1,015,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.3% to 4.0% (20th February 2013: 1.3% to 5.4%) per annum and floating interest receipts quarterly ranging from 0.32% plus HIBOR to 0.85% plus HIBOR (20th February 2013: 0.32% plus HIBOR to 0.85% plus HIBOR) per annum for periods up until April 2020 (20th February 2013: until August 2018).

26. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Cash flow hedges: *(Continued)*

Interest rate swaps *(Continued)*

Besides bank borrowings, the Group also entered into interest rate swaps to minimise its exposures to cash flow changes of its collateralised debt obligation transaction. Two interest rate swaps with notional amounts of **HK$550,000,000** (20th February 2013: HK$550,000,000) each were entered by the Group to swap its **HK$1,100,000,000** (20th February 2013: 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 2013: 3.7% to 3.9%) per annum and floating interest receipts monthly at 0.35% plus HIBOR (20th February 2013: 0.35% plus HIBOR) per annum for periods up until February 2016 and February 2017 (20th February 2013: until February 2016 and February 2017) respectively.

The interest rate swaps, 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$53,096,000** (six months ended 20th August 2012: HK$8,164,000) 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 (20th February 2013: 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 (20th February 2013: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (20th February 2013: 3.28%) per annum and floating interest receipts quarterly in USD at 0.7% plus LIBOR (20th February 2013: 0.7% plus LIBOR) per annum for periods up until September 2016 (20th February 2013: until September 2016).

The cross-currency interest rate swap of the Group with notional amount of USD10,000,000 (20th February 2013: 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 (20th February 2013: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 1.6% (20th February 2013: 1.6%) per annum and floating interest receipts quarterly in USD at 0.75% plus LIBOR (20th February 2013: 0.75% plus LIBOR) per annum for periods up until December 2013 (20th February 2013: 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.

During the period, net adjustment on the above-mentioned cash flow hedges amounted to **HK$1,536,000** (six months ended 20th August 2012: HK$578,000) 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 (assets) recognised by the Group and movements thereon during each of the two periods ended 20th August 2013 and 2012:

	Accelerated tax depreciation *HK$'000*	**Impairment allowances** *HK$'000*	**Total** *HK$'000*
At 21st February 2013	**14,000**	**(11,600)**	**2,400**
(Credit) charge to profit or loss for the period	**(300)**	**1,300**	**1,000**
At 20th August 2013	**13,700**	**(10,300)**	**3,400**

	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

28. ISSUED CAPITAL

	Number of shares 20th August 2013 (Unaudited) & 20th February 2013 (Audited)	**Share capital 20th August 2013 (Unaudited) & 20th February 2013 (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 HKFRS 10, the Trust is 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 2013 (Unaudited) ***HK$'000***	20th February 2013 (Audited) *HK$'000*
Within one year	**47,538**	42,622
In the second to fifth year inclusive	**24,014**	24,416
	71,552	67,038

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

31. CAPITAL COMMITMENTS

	20th August 2013 (Unaudited) ***HK$'000***	20th February 2013 (Audited) *HK$'000*
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	**22,220**	34,191

32. PLEDGE OF ASSETS

At 20th August 2013, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK$1,746,210,000** and **HK$202,902,000** respectively (20th February 2013: HK$1,730,590,000 and HK$183,958,000) (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		Intermediate holding company		Ultimate holding company		Associates	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income received	**3,002**	2,657	**–**	–	**–**	–	**–**	–	**–**	–
Commission received	**3,456**	2,541	**–**	–	**–**	–	**–**	–	**–**	–
Dividends received	**171**	635	**–**	–	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**347**	–	**–**	347	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**–**	–	**120**	120
Licence fees paid	**4,705**	4,089	**–**	–	**15**	127	**20**	20	**592**	177
Service fees paid	**–**	–	**–**	–	**16**	3,224	**–**	–	**20,229**	17,431
Development fees paid *(Note)*	**3,928**	3,171	**–**	–	**–**	–	**–**	–	**–**	–

Note: For the computer system development fees paid during the period, **HK$591,000** (six months ended 20th August 2012: HK$486,000) is recognised as administrative expenses, **HK$3,939,000** (six months ended 20th August 2012: HK$2,327,000) is capitalised under property, plant and equipment, of which **HK$602,000** is included in prepayments, deposits and other debtors as at 20th February 2013 (six months ended 20th August 2012: HK$358,000 is paid and 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**4,322**	5,535
Post-employment benefits	**45**	44
	4,367	5,579

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 directly held by the Company		Principal activities
			20th August 2013	20th February 2013	
AEON Micro Finance (Shenyang) Co., Ltd	China	HK$59,951,000	**100%**	100%	Microfinance business
AEON Micro Finance (Tianjin) Co., Ltd	China	RMB50,000,000	**100%**	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd *(Note)*	China	RMB100,000,000	**100%**	–	Microfinance 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 started business in April 2013.

(b) Master trust

Horizon Master Trust (AEON 2006-1) is a structured 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 HKFRS10, the Trust is controlled by the Company and the results thereof are consolidated by the Company in its condensed consolidated financial statements.

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the condensed consolidated statement of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

35. **FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS** *(Continued)*

Fair value measurements recognised in the condensed consolidated statement of financial position *(Continued)*

	20th August 2013 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at FVTPL				
Derivative financial assets	**–**	**2,854**	**–**	**2,854**
Available-for-sale financial assets				
Listed equity securities	**24,154**	**–**	**–**	**24,154**
Total	**24,154**	**2,854**	**–**	**27,008**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**123,711**	**–**	**123,711**

	20th February 2013 (Audited)			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Derivative financial assets	–	32	–	32
Available-for-sale financial assets				
Listed equity securities	35,165	–	–	35,165
Total	35,165	32	–	35,197
Financial liabilities at FVTPL				
Derivative financial liabilities	–	173,562	–	173,562

There were no transfers between Levels 1 and 2 during the six-month period ended 20th August 2013.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's condensed consolidated financial statements approximate to their fair values:

	20th August 2013 (Unaudited)		20th February 2013 (Audited)	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Bank borrowings	**2,063,463**	**2,078,133**	2,038,880	2,059,841

The fair value of listed equity securities is determined with reference to quoted market bid price from Stock Exchange.

The fair value of interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between USD and HKD (for cross-currency interest rate swap), which is observable at the end of the reporting period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 11th October 2013 to 15th October 2013, 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 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 20th August 2013, the Group recorded a profit attributable to owners of HK$133.4 million, representing a decrease of 7.2% or HK$10.4 million when compared to HK$143.8 million in the previous corresponding period. The Group's basic earnings per share decreased from 34.34 HK cents per share in 2012/13 to 31.87 HK cents per share.

Despite fierce competition and slow recovery in customers' demand for revolving transactions, the Group maintained similar level of interest income as last year of HK$502.2 million. Following the renewal of long-term indebtedness at lower interest rates in previous years and lower funding cost, interest expense in the first half was HK$48.2 million, a decrease of HK$2.0 million when compared with HK$50.2 million in the previous year. The average funding cost was 3.1% in the first half of this year, as compared with 3.3% in the previous year. Net interest income of the Group recorded an increase of HK$2.7 million to HK$454.0 million from HK$451.3 million in 2012/13. The increase in fees and commissions had resulted in the increase in other operating income by HK$6.2 million from HK$60.7 million in 2012/13 to HK$66.9 million for the first six months in 2013/14.

The launch of a series of strategic marketing activities to augment the competitiveness of the credit card and instalment loan businesses led to an increase in marketing and promotion expenses. In the second half of last year, the Group set up a second microfinance subsidiary in Tianjin. In April this year, another microfinance subsidiary started its business in Shenzhen. Following the hiring of staff for its China business, there was an increase in staff costs. The running costs of these newly set up microfinance subsidiaries, and the expansion and relocation costs of local network also contributed to an increase in the operating expenses. As a result, operating expenses increased by 11.3% from HK$215.1 million in 2012/13 to HK$239.3 million for the first six months in 2013/14.

At the operating level before impairment allowances, the Group recorded an operating profit of HK$281.0 million for the six months ended 20th August 2013, representing a decrease of 5.0% from HK$295.8 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 actions and cautious approval process, impairment losses and allowances for the first half continued to record a decrease of 6.6% or HK$9.6 million from HK$145.9 million in 2012/13 to HK$136.3 million. Recoveries of advances and receivables written-off was HK$22.1 million, a decrease of HK$4.2 million when compared with HK$26.3 million in 2012/13.

Financial Review *(Continued)*

Despite a keen competition in the market, the Group was able to grow its receivables. This led to an increase in gross advances by HK$176.5 million to HK$5,000.6 million, as compared to HK$4,824.1 million at 20th February 2013. Impairment allowances amounted to HK$136.1 million at 20th August 2013, as compared with HK$126.8 million at 20th February 2013. Total equity was strengthened by 4.6% to HK$2,332.0 million at 20th August 2013 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after interim dividend) was HK$5.4 as at 20th August 2013, as compared with the net asset value per share of HK$5.1 as at 20th February 2013.

Business Review

In the first half of 2013/14, strategic marketing activities were designed and implemented for the purpose of enhancing the competitiveness of the core credit card business. In addition to customary promotions, the Group had tailor-made campaigns which catered for distinct segments. The Year-Round Lucky Draw promotion encourages customers to routinely spend with their cards and thus far, results are positive. The Circle K Line Sticker promotion, and Watami Mix and Match Menu promotion were welcomed by customers and received overwhelming interests from the public. The AEON Card promotions featuring exclusive TOPVALU products presented customers with a shopping experience that is both unique and rewarding. For card cash advance, and instalment loan products, preferential interest rates and rebates facilitated sales from dormant accounts as well as from existing and new customers.

The Group's product portfolio continued to expand on a healthy pace. The Watami JCB Card was launched by popular demand and has since delivered satisfactory results. The launch of the AEON American Express® Virtual Pay and a fully revamped AEON Card e-MALL affirmed the Group's vision toward a digital future.

Bill payment and RMB cash dispensing service have been deployed at all branch ATMs, and instant card issuance is now available at 21 branch locations. The Group continued to explore the areas of fee based revenue opportunities, with acquiring business making satisfactory progress. AEON Brokers continued to utilize the extensive branch network of the Group and took advantage of the government measures for the MPF system to expand its customer base. AEON Brokers' insurance consultants and financial planners are always on standby at various locations offering sales and professional advice on life, general and MPF products.

The Group's China business has expanded to presently include three microfinance companies with Shenzhen being the most recent addition to the network. The microfinance companies will continue to explore and open up new revenue stream opportunities in the areas of personal loan, hire purchase and agricultural machinery financing. Efforts are put forth on the continual development of the vast discount merchant network to increase coverage and brand exposure. The China AEON Card operation has continued to ride on the expansion of the AEON Stores network and at the same time, capitalized on group synergies exclusive to the AEON name brand. The Company's associates, AIS and ACG will continue to provide a host of back-office solutions and support to the AEON House Card operation.

Prospects

Looking ahead, despite the Hong Kong Government's forecast of slower growth in the short term, long term trends remain robust. At its latest meeting, the U.S. Federal Reserve again kept monetary policy steady, which appears to support the tapering of quantitative easing although banks will likely continue to maintain low interest rates in the medium term. Locally, the effects of China's financial and urbanization reform remain to be seen. The latest Hong Kong Quarterly Business Tendency Survey by the Census and Statistics Department indicates the majority of respondents expecting their business situation to be better in the third quarter of 2013 over the second quarter of 2013. Although market improvements are visible, the pace of global recovery is still subject to uncertainties.

With interest rates persistently lower than the rate of inflation, competition between financial institutions is to remain fierce. While the operating environment appears challenging, the Group views this as an opportunity to capture a bigger slice of the market and expand its market share. Through the rebranding of the AEON JUSCO name, the Group will seize this perfect juncture to strengthen its positioning in the market and establish a stronger and clearer brand identity.

The Group has initiated a comprehensive set of strategies to expand its credit card business. In addition to the traditional channels of member recruitment, more resources are being allotted to the electronic platforms. The wide assortment of available cards signifies the Group's commitment to capture different segments of the market. With instant cards presently available at 21 branches, customers are given the option of receiving a full featured credit card which can be used immediately. The Group will continue to optimize its traditional and digital channels to promote its diverse portfolio of products and services to new and existing members. The alliance with Alipay will continue to bring forth express payment schemes to card holders. Synergies between the Group and its merchant partners will continue to drive innovative ideas and revenue opportunities.

A diverse mix of products and services is scheduled to unveil in the second half of the year. A new co-brand credit card will allow the Group to tap into a new consumer segment. Digital Express Cash, when launched later in the year, will provide customers with a convenient channel for using cash advance service. In addition to the aforesaid products, Online Instant Limit Up Service permits the immediate increase of customers' credit lines via simple online requests; and e-Money will be the Group's solution to replacing cash micro-payments in people's everyday life. These new offerings will contribute to the increase in sales and to the growth of the Group's market share.

The Group continues to encourage the migration to e-statements in view of environmental protection and cost saving. A series of promotions aimed at driving Netmember usage and registrations recapitulates the Group's efforts in transitioning toward a digital future. In line with the Group's expansion strategy, the Tin Shui Wai branch opens for business on 12th September 2013 to further improve service coverage. The total number of ATMs is projected to hover around 205 for the second half of 2013/14.

Shareholders' interests are always top priority. The Group will continue to drive long term sustainable growth by strengthening its business portfolio while capitalizing on opportunities to grow its customer base. Today's economy is more dynamic than ever. To excel, the Group will continue to innovate while adhering closely to its slogan of "Convenient, Beneficial, Safe". The Group is strongly confident in its business prospects and is looking forward to an overall satisfactory performance in 2013/14.

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 2013/14, credit card operation accounted for 63.8% of the Group's revenue, as compared to 66.1% in 2012/13. For segment result, credit card operation accounted for 80.8% of the Group's whole operations in 2013/14, as compared to 70.9% in 2012/13.

Customers' cautions approach to spending led to a slow recovery in demand for revolving transactions. In spite of the strong growth in card credit purchase sales, interest income from credit card operation recorded a drop when compared with last year. Nevertheless, the increase in card credit purchase sales had resulted in an increase in fees and commissions. As a whole, there was a drop in revenue from credit card operation of 2.1% or HK$7.8 million from HK$368.3 million in 2012/13 to HK$360.5 million in 2013/14. Nevertheless, with the exercise of prompt collection procedures, there was a noticeable decrease in the impairment losses and impairment allowances. As a result, the segment result for the period from credit card operation recorded an increase of HK$8.4 million from HK$129.2 million in 2012/13 to HK$137.6 million in 2013/14.

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. Revenue from instalment loan operation increased by 8.0% or HK$13.6 million from HK$170.2 million in 2012/13 to HK$183.8 million in 2013/14. With an increase in the sales transactions and advances, there was an increase in the impairment losses and impairment allowances. Due to the running costs of newly set up microfinance subsidiaries in China, the segment result for the period from instalment loan operation recorded a decrease of HK$20.7 million from HK$45.5 million in 2012/13 to HK$24.8 million in 2013/14.

Revenue from insurance operation recorded an increase of HK$1.5 million from HK$18.7 million in 2012/13 to HK$20.2 million in 2013/14. After deducting the operating expenses, segment result for the period from insurance operation increased slightly from HK$7.1 million in 2012/13 to HK$7.8 million in 2013/14.

Due to the continuous shift of usage to card instalment plan, revenue from hire purchase operation recorded a decrease of HK$0.2 million, from HK$0.4 million in 2012/13 to HK$0.2 million in 2013/14. Segment result for the period from hire purchase operation decreased from HK$0.5 million in 2012/13 to HK$0.1 million in 2013/14.

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 2013 (Unaudited) *HK$'000*	20th February 2013 (Audited) *HK$'000*
Debt *(note a)*	**3,162,137**	3,137,341
Cash and cash equivalents	**(459,711)**	(526,022)
Net debt	**2,702,426**	2,611,319
Equity *(note b)*	**2,331,955**	2,229,109
Net debt to equity ratio	**1.2**	1.2

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 2013, 42.4% of its funding was derived from total equity, 37.6% from direct borrowings from financial institutions and 20.0% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 20th August 2013, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,063.5 million, with 16.1% being fixed in interest rates and 70.3% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 13.6% being renewed overnight. Including the collateralised debt obligation, 24.6% of these indebtedness will mature within one year, 9.5% between one and two years, 64.2% between two and five years and 1.7% over five years. The duration of indebtedness was around 2.3 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, as well as a short term loan of RMB10.0 million.

The net asset of the Group at 20th August 2013 was HK$2,332.0 million, as compared with HK$2,229.1 million at 20th February 2013. 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 2013, 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.

Under the Facility, it will be an event of default if the Company ceases to be a consolidated subsidiary of AFS, which is a controlling shareholder of the Company currently holding 52.73% of the issued share capital of the Company. If the event occurs, the Facility may become due and payable on demand.

During the period of review, no repayment was made under the Facility. At 20th August 2013, 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, intermediate holding company, 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 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.

MANAGEMENT OF RISKS *(Continued)*

Market risk *(Continued)*

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 balances and 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 USD denominated bank borrowings. 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 except those under hedge accounting to change from variable rate to fixed rate.

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.

MANAGEMENT OF RISKS *(Continued)*

Credit risk

The Group's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations at 20th August 2013 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.

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 within the Group at 20th August 2013 and 20th February 2013 was 623 and 479 respectively. The Company continues to recognize and reward its staff similar to that disclosed in the Company's 2012/13 Annual Report.

DIRECTORS' INTERESTS IN SHARES

At 20th August 2013, 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

Director	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Masanori Kosaka	110,000	0.03

(b) AFS – intermediate holding company of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of the AFS
Masanori Kosaka	9,596	0.01

(c) 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
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 2013.

SUBSTANTIAL SHAREHOLDERS

At 20th August 2013, 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)*	280,588,000	67.00
AFS *(Note 2)*	220,814,000	52.73
AFS (HK) *(Note 3)*	220,814,000	52.73
DJE Investment S.A. *(Note 4)*	33,536,000	8.01
Aberdeen Asset Management Plc and its Associates	32,340,000	7.72

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 45.83% of the issued share capital of AFS, the holding company of AFS (HK), and 71.64% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 220,814,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.

2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 220,814,000 shares owned by AFS (HK).

3. Out of 220,814,000 shares, 213,114,000 shares were held by AFS (HK) and 7,700,000 shares were held by The Hongkong and Shanghai Banking Corporation Limited, as a nominee on behalf of AFS (HK).

4. 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 2013.

INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 20th August 2013. The Group's interim report for the six months ended 20th August 2013 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 2013, 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. Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

The Chairman of the Board, who was a Non-executive Director, did not attend the annual general meeting of the Company held on 18th June 2013 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 2012/13 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Biographical Details of Directors

Mr. Masao Mizuno

- Retired as a Non-executive Director and ceased as the Chairman of the Board, a member of the Audit Committee, Remuneration Committee and Nomination Committee, and the chairman of the Nomination Committee of the Company on 18th June 2013.

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

Biographical Details of Directors *(Continued)*

Mr. Masanori Kosaka

- Appointed as a Non-executive Director, the Chairman of the Board, a member of the Audit Committee, Remuneration Committee and Nomination Committee, and the chairman of the Nomination Committee of the Company on 18th June 2013.

- Appointed as a director of AEON Credit Service (M) Berhad on 19th June 2013.

Mr. Tomoyuki Kawahara

- Resigned as an Executive Director of the Company on 18th June 2013.

Ms. Tomoko Misaki

- Appointed as an Executive Director of the Company on 18th June 2013.

- In charge of the Internal Operations Division of the Company with effect from 21st June 2013.

Prof. Tong Jun

- Appointed as the Chairman of the South China Alumni Association of Okayama University on 16th June 2013.

Directors' Emoluments

- With effect from 21st February 2013, the Director's fee payable to each of Dr. Hui Ching Shan, Mr. Wong Hin Wing and Prof. Tong Jun has been revised to HK$265,000 per annum.

- With effect from 21st June 2013, the base salary payable to Ms. Koh Yik Kung and Ms. Chan Fung Kuen, Dorothy has been increased by HK$2,000 per month and HK$3,000 per month respectively.

- With effect from 21st June 2013, Ms. Tomoko Misaki receives a base salary of HK$720,000 per annum.

- In June 2013, a discretionary bonus of HK$500,000 was paid to Mr. Fung Kam Shing, Barry, HK$100,000 to Ms. Koh Yik Kung and HK$120,000 to Ms. Chan Fung Kuen, Dorothy.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(B)(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, 18th September 2013

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of AEON Credit Service (Asia) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 1 to 24, which comprise the condensed consolidated statement of financial position as of 20th August 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other 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 enquiries, 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

18th September 2013

CORPORATE INFORMATION

Board of Directors

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

Non-executive Directors
Masanori Kosaka *(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 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

ACG	AEON Credit Guarantee (China) Co., Ltd.
AEON Brokers	AEON Insurance Brokers (HK) Limited
AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AEON Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
AFS	AEON Financial Service Co., Ltd. (formerly known as AEON Credit Service Co., Ltd.)
AFS (HK)	AEON Financial Service (Hong Kong) Co., Ltd. (formerly known as AEON Credit Holdings (Hong Kong) Co., Limited)
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Board	Board of Directors of the Company
CG Code	Corporate Governance Code 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
HIBOR	Hong Kong Interbank Offered Rate
HKD or HK$	Hong Kong Dollars
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