



AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

AEON 信貸財務(亞洲)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 900)



INTERIM REPORT

FOR THE SIX MONTHS ENDED

20TH AUGUST 2014



Planting Seeds of Growth
We are AEON

The Directors are pleased to announce the unaudited consolidated results of the Group for the six months ended 20th August 2014, 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 2014

	Notes	Six months ended 20th August	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	3	630,610	564,788
Interest income	5	570,361	502,207
Interest expense	6	(46,258)	(48,195)
Net interest income		524,103	454,012
Other operating income	7	62,388	66,856
Other gains and losses	8	(261)	(612)
Operating income		586,230	520,256
Operating expenses	9	(267,472)	(239,280)
Operating profit before impairment allowances		318,758	280,976
Impairment losses and impairment allowances		(168,471)	(136,293)
Recoveries of advances and receivables written-off		26,560	22,082
Share of results of associates		(9,211)	(3,215)
Profit before tax		167,636	163,550
Income tax expense	10	(32,268)	(30,103)
Profit for the period		135,368	133,447
Profit for the period attributable to:			
Owners of the Company		135,368	133,447
Earnings per share – Basic	12	32.33 HK cents	31.87 HK cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 20th August 2014

	Six months ended 20th August	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	135,368	133,447
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain (loss) on available-for-sale investments	355	(11,011)
Exchange difference arising from translation of foreign operations	(1,567)	4,228
Net adjustment on cash flow hedges	15,638	51,560
Other comprehensive income for the period	14,426	44,777
Total comprehensive income for the period	149,794	178,224
Total comprehensive income for the period attributable to:		
Owners of the Company	149,794	178,224

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2014

	Notes	20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	13	107,992	111,368
Investments in associates		47,041	15,162
Available-for-sale investments	14	26,460	26,105
Advances and receivables	15	1,300,847	1,292,429
Prepayments, deposits and other debtors	18	40,047	44,183
Derivative financial instruments	26	280	1,025
Restricted deposits	19	68,000	68,000
		1,590,667	1,558,272
Current assets			
Advances and receivables	15	3,955,505	3,975,192
Prepayments, deposits and other debtors	18	38,421	39,718
Amount due from immediate holding company		–	1,395
Amounts due from fellow subsidiaries		–	73
Restricted deposits	19	88,339	–
Time deposits	20	370,762	361,660
Fiduciary bank balances	21	2,438	3,074
Bank balances and cash	22	157,359	158,394
		4,612,824	4,539,506
Current liabilities			
Creditors and accruals	23	218,942	170,094
Amounts due to fellow subsidiaries	24	58,235	59,854
Amount due to ultimate holding company		33	49
Amount due to an associate		3,531	1,434
Bank borrowings	25	824,000	797,500
Bank overdrafts		3,604	5,025
Derivative financial instruments	26	1,048	1,740
Tax liabilities		24,005	6,473
		1,133,398	1,042,169
Net current assets		3,479,426	3,497,337
Total assets less current liabilities		5,070,093	5,055,609
Capital and reserves			
Share capital	27	269,477	41,877
Reserves		2,150,514	2,303,698
Total equity		2,419,991	2,345,575
Non-current liabilities			
Collateralised debt obligation	29	1,099,100	1,098,887
Bank borrowings	25	1,442,550	1,487,750
Derivative financial instruments	26	103,152	118,597
Deferred tax liabilities	28	5,300	4,800
		2,650,102	2,710,034
		5,070,093	5,055,609

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 20th August 2014

	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 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
Balance at 21st February 2014 (Audited)	41,877	227,330	270	445	(113,110)	18,507	2,170,256	2,345,575
Profit for the period	-	-	-	-	-	-	135,368	135,368
Fair value gain on available-for-sale investments	-	-	-	355	-	-	-	355
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(1,567)	-	(1,567)
Net adjustment on cash flow hedges	-	-	-	-	15,638	-	-	15,638
Total comprehensive income (expense) for the period	-	-	-	355	15,638	(1,567)	135,368	149,794
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	227,600	(227,330)	(270)	-	-	-	-	-
Final dividend paid for 2013/14	-	-	-	-	-	-	(75,378)	(75,378)
	227,600	(227,330)	(270)	355	15,638	(1,567)	59,990	74,416
Balance at 20th August 2014 (Unaudited)	269,477	-	-	800	(97,472)	16,940	2,230,246	2,419,991

Note: The Company has no authorised share capital and its shares have no par value since the commencement date of the new Hong Kong Companies Ordinance (i.e. 3rd March 2014).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 20th August 2014

	Six months ended 20th August	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash from operating activities	249,547	27,177
Dividends received	228	171
Proceeds from disposal of property, plant and equipment	–	10
Purchase of property, plant and equipment	(13,215)	(18,953)
Deposits paid for acquisition of property, plant and equipment	(2,167)	(8,817)
Investment in an associate	(39,389)	–
Increase in time deposits with maturity of more than three months	(46,595)	–
Net cash used in investing activities	(101,138)	(27,589)
Placement of restricted deposits	(744,880)	(1,490,737)
Withdrawal of restricted deposits	656,541	1,471,793
Dividends paid	(75,378)	(75,378)
New bank loans raised	49,347,400	18,018,163
Repayment of bank loans	(49,365,900)	(17,994,562)
Net cash used in financing activities	(182,217)	(70,721)
Net decrease in cash and cash equivalents	(33,808)	(71,133)
Effect of changes in exchange rate	(3,299)	4,822
Cash and cash equivalents at 21st February	511,184	526,022
Cash and cash equivalents at 20th August	474,077	459,711
Being:		
Time deposits with maturity of three months or less	320,322	317,937
Bank balances and cash	157,359	146,834
Bank overdrafts	(3,604)	(5,060)
	474,077	459,711

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 20th August 2014

1. BASIS OF PREPARATION

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

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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 20th February 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

3. REVENUE

	Six months ended 20th August	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Interest income	570,361	502,207
Fees and commissions	33,921	37,674
Handling and late charges	26,328	24,907
	<hr/>	<hr/>
	630,610	564,788

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 2014 (Unaudited)

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	424,796	191,654	14,047	113	630,610
RESULT					
Segment results	152,599	24,875	3,727	54	181,255
Unallocated operating income					2,151
Unallocated expenses					(6,559)
Share of results of associates					(9,211)
Profit before tax					167,636

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 20th August 2013 (Unaudited)

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

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Advances	565,668	498,645
Impaired advances	3,450	2,235
Time deposits and bank balances	1,243	1,327
	<u>570,361</u>	<u>502,207</u>

6. INTEREST EXPENSE

	Six months ended 20th August	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	11,725	11,198
Interest on bank borrowings wholly repayable after five years	652	142
Interest on collateralised debt obligation wholly repayable within five years	3,082	3,198
Net interest expense on interest rate swap contracts	30,799	33,657
	<u>46,258</u>	<u>48,195</u>

7. OTHER OPERATING INCOME

	Six months ended 20th August	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	228	171
Fees and commissions		
Credit card	19,874	17,457
Insurance	14,047	20,217
Handling and late charges	26,328	24,907
Others	1,911	4,104
	<u>62,388</u>	<u>66,856</u>

8. OTHER GAINS AND LOSSES

	Six months ended 20th August	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange (loss) gain		
Exchange loss on hedging instrument released from cash flow hedge reserve	(200)	–
Exchange gain on a bank loan	200	–
Exchange losses, net	(156)	(333)
Hedge ineffectiveness on cash flow hedges	(105)	(105)
Net losses on disposal of property, plant and equipment	–	(174)
	<u>(261)</u>	<u>(612)</u>

9. OPERATING EXPENSES

	Six months ended 20th August	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	21,213	19,876
General administrative expenses	65,943	64,583
Marketing and promotion expenses	35,161	30,280
Operating lease rentals in respect of rented premises, advertising space and equipment	34,193	31,058
Other operating expenses	33,137	28,312
Staff costs including Directors' emoluments	77,825	65,171
	<u>267,472</u>	<u>239,280</u>

10. INCOME TAX EXPENSE

	Six months ended 20th August	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Current period	31,768	29,103
Deferred tax (<i>note 28</i>)		
– Current period	500	1,000
	<u>32,268</u>	<u>30,103</u>

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. DIVIDENDS

On 3rd July 2014, a dividend of **18.0 HK cents** (six months ended 20th August 2013: 18.0 HK cents) per share amounting to a total of **HK\$75,378,000** (six months ended 20th August 2013: HK\$75,378,000) was paid to shareholders as the final dividend for 2013/14.

In respect of the current interim period, the Directors have declared an interim dividend of **18.0 HK cents** per share amounting to **HK\$75,378,000** payable to the shareholders of the Company whose names appear on the Register of Members on 14th October 2014. The interim dividend will be paid on or about 22nd October 2014. 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\$135,368,000** (six months ended 20th August 2013: HK\$133,447,000) and on the number of shares of **418,766,000** (six months ended 20th August 2013: 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\$17,991,000** (six months ended 20th August 2013: HK\$22,929,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	20th August	20th February
	2014	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Listed equity securities, at fair value		
– Hong Kong	17,316	16,961
Unlisted equity securities, at cost	9,144	9,144
	<u>26,460</u>	<u>26,105</u>

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 2014: 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 method 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 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Credit card receivables	3,501,382	3,520,833
Instalment loans receivable	1,813,264	1,775,736
Hire purchase debtors	1,834	2,545
	5,316,480	5,299,114
Accrued interest and other receivables	112,977	115,867
Gross advances and receivables	5,429,457	5,414,981
Impairment allowances (<i>note 16</i>)		
– individually assessed	(117,968)	(81,207)
– collectively assessed	(55,137)	(66,153)
	(173,105)	(147,360)
Current portion included under current assets	5,256,352 (3,955,505)	5,267,621 (3,975,192)
Amount due after one year	1,300,847	1,292,429

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK\$20,326,000** (20th February 2014: HK\$29,700,000) and **HK\$46,534,000** (20th February 2014: HK\$47,191,000) 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 2014: 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 2014, the carrying amount of the credit card receivables under this financing transaction is **HK\$1,766,959,000** (20th February 2014: HK\$1,858,759,000). The principal amount of the collateralised debt obligation is **HK\$1,100,000,000** (20th February 2014: HK\$1,100,000,000).

(b) Instalment loans receivable

The term of instalment loans entered with customers ranges from 6 months to 10 years. Most of the instalment loans receivable are denominated in HKD. The instalment loans receivable carry effective interest ranging from 3.2% to 46.9% (20th February 2014: 3.2% to 46.9%) per annum.

(c) Hire purchase debtors

	Minimum payments		Present value of minimum payments	
	20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000	20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Amounts receivable under hire purchase contracts:				
Within one year	1,675	2,379	1,636	2,325
In the second to fifth year inclusive	200	223	198	220
	<u>1,875</u>	<u>2,602</u>	<u>1,834</u>	<u>2,545</u>
Unearned finance income	(41)	(57)	–	–
	<u>(41)</u>	<u>(57)</u>	<u>–</u>	<u>–</u>
Present value of minimum payments receivable	<u>1,834</u>	<u>2,545</u>	<u>1,834</u>	<u>2,545</u>

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 ranging from 13.2% to 14.1% (20th February 2014: 13.2% to 14.1%) per annum.

16. IMPAIRMENT ALLOWANCES

	20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000	
Analysis by products as:			
Credit card receivables	68,327	61,084	
Instalment loans receivable	103,231	84,058	
Hire purchase debtors	28	57	
Accrued interest and other receivables	1,519	2,161	
	173,105	147,360	
	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
At 21st February 2014	81,207	66,153	147,360
Impairment losses and impairment allowances	179,487	(11,016)	168,471
Amounts written-off as uncollectable	(142,726)	–	(142,726)
	117,968	55,137	173,105
At 20th August 2014			
	Individual assessment HK\$'000	Collective assessment HK\$'000	Total 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)
	72,106	64,019	136,125
At 20th August 2013			

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 2014 (Unaudited)		20th February 2014 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	129,380	2.4	142,006	2.6
Overdue 2 months but less than 3 months	41,685	0.8	46,056	0.9
Overdue 3 months but less than 4 months	25,953	0.5	30,204	0.6
Overdue 4 months or above	127,247	2.3	84,384	1.5
	324,265	6.0	302,650	5.6

* Percentage of gross advances and receivables

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Deposits for property, plant and equipment	28,542	31,150
Rental and other deposits	22,707	22,543
Prepaid operating expenses	17,855	22,022
Other debtors	9,364	8,186
	78,468	83,901
Current portion included under current assets	(38,421)	(39,718)
	40,047	44,183

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 0.15% to 0.18% (six months ended 20th August 2013: 0.02% to 0.2%) per annum during the current interim period. Restricted deposits of **HK\$88,339,000** (20th February 2014: Nil) will be matured within one year from 20th August 2014.

20. TIME DEPOSITS

Time deposits with maturity of three months or less of the Group carry fixed rates ranging from 0.01% to 2.9% (six months ended 20th August 2013: 0.2% to 2.9%) per annum during the current interim period.

Time deposits with maturity of more than three months of the Group carry fixed rates at 3.1% (six months ended 20th August 2013: Nil) per annum during the current interim period.

	HKD <i>HK\$'000</i>	RMB <i>HK\$'000</i>	Total <i>HK\$'000</i>
20th August 2014 (Unaudited)			
Time deposits with maturity of three months or less	228,265	92,057	320,322
Time deposits with maturity of more than three months	–	50,440	50,440
	<u>228,265</u>	<u>142,497</u>	<u>370,762</u>
Time deposits	<u>228,265</u>	<u>142,497</u>	<u>370,762</u>
20th February 2014 (Audited)			
Time deposits with maturity of three months or less	256,693	101,122	357,815
Time deposits with maturity of more than three months	–	3,845	3,845
	<u>256,693</u>	<u>104,967</u>	<u>361,660</u>
Time deposits	<u>256,693</u>	<u>104,967</u>	<u>361,660</u>

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 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 <i>HK\$'000</i>	RMB <i>HK\$'000</i>	USD <i>HK\$'000</i>	JPY <i>HK\$'000</i>	Total <i>HK\$'000</i>
20th August 2014 (Unaudited)					
Bank balances and cash	<u>126,556</u>	<u>30,688</u>	<u>108</u>	<u>7</u>	<u>157,359</u>
20th February 2014 (Audited)					
Bank balances and cash	<u>124,185</u>	<u>34,026</u>	<u>176</u>	<u>7</u>	<u>158,394</u>

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 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Current	69,562	53,842
Over 1 month but less than 3 months	8,722	4,169
Over 3 months	4,384	5,770
	<hr/> 82,668	<hr/> 63,781

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK\$10,329,000** (20th February 2014: HK\$7,591,000).

24. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand except **HK\$55,155,000** (20th February 2014: HK\$57,212,000) 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 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Current	44,411	46,276
Over 1 month but less than 3 months	10,722	10,936
Over 3 months	22	–
	<hr/> 55,155	<hr/> 57,212

25. BANK BORROWINGS

	20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Bank loans, unsecured	2,266,550	2,285,250
Carrying amount repayable (<i>Note</i>)		
Within one year	824,000	797,500
Between one and two years	290,000	330,000
Between two and five years	1,037,550	1,042,750
Over five years	115,000	115,000
	2,266,550	2,285,250
Amount repayable within one year included under current liabilities	(824,000)	(797,500)
Amount repayable after one year	1,442,550	1,487,750

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	Total HK\$'000
20th August 2014 (Unaudited)			
Bank loans	1,879,000	387,550	2,266,550
20th February 2014 (Audited)			
Bank loans	1,897,500	387,750	2,285,250

HKD bank loans of **HK\$400,000,000** (20th February 2014: HK\$320,000,000) are arranged at fixed interest rates ranging from 0.4% to 3.4% (20th February 2014: 1.2% to 3.4%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates of 0.40% plus HIBOR to 0.85% plus HIBOR (20th February 2014: 0.42% plus HIBOR to 0.85% plus HIBOR) per annum while the USD borrowings are arranged at floating interest rate at 0.7% plus LIBOR (20th February 2014: 0.7% plus LIBOR) per annum, thus exposing the Group to cash flow interest rate risk.

At 20th August 2014, the Group has available unutilised overdrafts and non-committed short term bank loan facilities of **HK\$628,620,000** (20th February 2014: HK\$516,120,000) and **HK\$215,189,000** (20th February 2014: HK\$208,200,000) respectively.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	20th August 2014 (Unaudited)		20th February 2014 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	280	102,784	1,025	119,034
Cross-currency interest rate swap	–	1,416	–	1,303
	<u>280</u>	<u>104,200</u>	<u>1,025</u>	<u>120,337</u>
Current portion	–	(1,048)	–	(1,740)
	<u>–</u>	<u>(1,048)</u>	<u>–</u>	<u>(1,740)</u>
Non-current portion	280	103,152	1,025	118,597
	<u>280</u>	<u>103,152</u>	<u>1,025</u>	<u>118,597</u>

All derivative financial instruments entered by the Group that remain outstanding at 20th August 2014 and 20th February 2014 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\$1,088,000,000** (20th February 2014: HK\$1,015,000,000) from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of **HK\$1,088,000,000** (20th February 2014: HK\$1,015,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.0% to 3.6% (20th February 2014: 1.3% to 3.6%) per annum and floating interest receipts quarterly ranging from 0.40% plus HIBOR to 0.85% plus HIBOR (20th February 2014: 0.42% plus HIBOR to 0.85% plus HIBOR) per annum for periods up until April 2020 (20th February 2014: until April 2020).

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 2014: HK\$550,000,000) each were entered by the Group to swap its **HK\$1,100,000,000** (20th February 2014: 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 2014: 3.7% to 3.9%) per annum and floating interest receipts monthly at 0.35% plus HIBOR (20th February 2014: 0.35% plus HIBOR) per annum for periods up until February 2016 and February 2017 (20th February 2014: 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\$15,551,000** (six months ended 20th August 2013: HK\$53,096,000) 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.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Cash flow hedges: (Continued)

Cross-currency interest rate swap

The Group uses cross-currency interest rate swap 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 2014: 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 2014: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (20th February 2014: 3.28%) per annum and floating interest receipts quarterly in USD at 0.7% plus LIBOR (20th February 2014: USD at 0.7% plus LIBOR) per annum for periods up until September 2016 (20th February 2014: until September 2016).

The cross-currency interest rate swap and the corresponding bank borrowing have the same terms and the Directors consider that the cross-currency interest rate swap is highly effective hedging instruments.

During the period, net adjustment on the above-mentioned cash flow hedges amounted to **HK\$87,000** (six months ended 20th August 2013: HK\$1,536,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swap is 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. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised		
At 21st February 2014		
– Ordinary shares of HK\$0.1 each	1,000,000,000	100,000
At 20th August 2014	<i>Note</i>	<i>Note</i>
Issued and fully paid		
At 21st February 2014		
– Ordinary shares of HK\$0.1 each	418,766,000	41,877
Transfer from share premium and capital redemption reserve upon abolition of par value	–	227,600
At 20th August 2014		
– Ordinary shares with no par value	418,766,000	269,477

Note: Under the Hong Kong Companies Ordinance (Cap. 622) with effect from 3rd March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

28. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during each of the two periods ended 20th August 2014 and 2013:

	Accelerated tax depreciation	Impairment allowances	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 21st February 2014	15,100	(10,300)	4,800
(Credit) charge to profit or loss for the period	(1,200)	1,700	500
	<hr/>	<hr/>	<hr/>
At 20th August 2014	13,900	(8,600)	5,300
	<hr/>	<hr/>	<hr/>
	Accelerated tax depreciation	Impairment allowances	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 21st February 2013	14,000	(11,600)	2,400
(Credit) charge to profit or loss for the period	(300)	1,300	1,000
	<hr/>	<hr/>	<hr/>
At 20th August 2013	13,700	(10,300)	3,400
	<hr/>	<hr/>	<hr/>

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 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Within one year	51,537	56,679
In the second to fifth year inclusive	41,583	47,777
	93,120	104,456

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 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	9,790	9,807

32. PLEDGE OF ASSETS

At 20th August 2014, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,766,959,000** and **HK\$156,339,000** respectively (20th February 2014: HK\$1,858,759,000 and HK\$68,000,000 (see notes 15(a) and 19)).

33. RELATED PARTY TRANSACTIONS

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

	Six months ended 20th August (Unaudited)									
	Fellow subsidiaries		Immediate holding company		Intermediate holding company		Ultimate holding company		Associates	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income received	3,264	3,002	-	-	-	-	-	-	-	-
Commission received	3,403	3,456	-	-	-	-	-	-	-	-
Dividends received	228	171	-	-	-	-	-	-	-	-
Licence fees received	-	-	251	347	-	-	-	-	-	-
Service fees received	-	-	-	-	-	-	-	-	-	120
Licence fees paid	4,865	4,705	-	-	-	15	18	20	366	592
Service fees paid	-	-	-	-	-	16	-	-	21,316	20,229
Development fees paid (Note)	4,252	3,928	-	-	-	-	-	-	-	-

On 27th February 2014, the Company entered into a capital injection agreement with its intermediate holding company, AFS, pursuant to which the Company and AFS agreed to inject an aggregate amount of RMB62,000,000 into the capital of ACG, an associate of the Company. The Company and AFS have each contributed RMB31,000,000, which is in proportion to their respect interests in ACG.

Note: For the computer system development fees paid during the period, **HK\$606,000** (six months ended 20th August 2013: HK\$591,000) is recognised as administrative expenses, **HK\$2,691,000** (six months ended 20th August 2013: HK\$3,939,000) and capitalised under property, plant and equipment and **HK\$955,000** is included in prepayments, deposits and other debtors (six months ended 20th August 2013: HK\$602,000 was transferred from prepayments, deposits and other debtors to property, plant and equipment).

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	2,996	4,322
Post-employment benefits	21	45
	3,017	4,367

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	Share capital/ paid-up capital		Proportion of ownership interest directly held by the Company		Principal activities
		20th August 2014	20th February 2014	20th August 2014	20th February 2014	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	
AEON Micro Finance (Shenyang) Co., Ltd	China	HK\$124,221,000	HK\$124,221,000	100%	100%	Microfinance business
AEON Micro Finance (Tianjin) Co., Ltd	China	RMB100,000,000	RMB50,000,000	100%	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd	China	RMB100,000,000	RMB100,000,000	100%	100%	Microfinance business
AEON Insurance Brokers (HK) Limited	Hong Kong	HK\$1,000,000	HK\$1,000,000	100%	100%	Insurance broking services
AEON Education and Environment Fund Limited	Hong Kong	Limited by guarantee	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. At 20th August 2014, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

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 2014 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at fair value through profit or loss ("FVTPL")				
Derivative financial assets	–	280	–	280
Available-for-sale financial assets				
Listed equity securities	17,316	–	–	17,316
Total	17,316	280	–	17,596
Financial liabilities at FVTPL				
Derivative financial liabilities	–	104,200	–	104,200
	20th February 2014 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at FVTPL				
Derivative financial assets	–	1,025	–	1,025
Available-for-sale financial assets				
Listed equity securities	16,961	–	–	16,961
Total	16,961	1,025	–	17,986
Financial liabilities at FVTPL				
Derivative financial liabilities	–	120,337	–	120,337

There were no transfers between Levels 1 and 2 during the six-month period ended 20th August 2014.

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 2014 (Unaudited)		20th February 2014 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Bank borrowings	2,266,550	2,276,981	2,285,250	2,298,485

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 10th October 2014 to 14th October 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9th October 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 20th August 2014, the Group recorded a profit attributable to owners of HK\$135.4 million, representing an increase of 1.4% or HK\$2.0 million when compared to HK\$133.4 million in the previous corresponding period. The Group's basic earnings per share increased from 31.87 HK cents per share in 2013/14 to 32.33 HK cents per share.

With the increase in demand for revolving transaction, the Group recorded an increase in interest income from HK\$502.2 million in 2013/14 to HK\$570.4 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\$46.3 million, a decrease of HK\$1.9 million when compared with HK\$48.2 million in the previous year. The average funding cost was 2.8% in the first half of this year, as compared with 3.1% in the previous year. Net interest income of the Group recorded an increase of HK\$70.1 million to HK\$524.1 million from HK\$454.0 million in 2013/14. The decrease in fees and commissions from insurance operation had resulted in the decrease in other operating income by HK\$4.5 million from HK\$66.9 million in 2013/14 to HK\$62.4 million for the first six months in 2014/15.

The launch of a series of strategic marketing activities to augment the competitiveness of the card and personal loan businesses led to an increase in marketing and promotion expenses. Following the hiring of more staff members in China for expansion of business, there was a corresponding increase in staff costs. The running costs of microfinance subsidiaries in China also contributed to an increase in the overall operating expenses. As a result, operating expenses increased by 11.8% from HK\$239.3 million in 2013/14 to HK\$267.5 million for the first six months in 2014/15.

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$318.8 million for the six months ended 20th August 2014, representing an increase of 13.4% from HK\$281.0 million in the previous corresponding period. With the slow-down in economic growth and increase in personal bankruptcies, impairment losses and impairment allowances for the first half of 2014, the Group recorded an increase of 23.6% or HK\$32.2 million from HK\$136.3 million in 2013/14 to HK\$168.5 million. Recoveries of advances and receivables written-off were HK\$26.6 million, an increase of HK\$4.5 million when compared with HK\$22.1 million in 2013/14.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Despite a keen competition in the market, the Group still managed to record growth in its receivables. This led to an increase in gross advances by HK\$17.4 million to HK\$5,316.5 million, as compared to HK\$5,299.1 million at 20th February 2014. Impairment allowances amounted to HK\$173.1 million at 20th August 2014, as compared with HK\$147.4 million at 20th February 2014. Total equity was strengthened by 3.2% to HK\$2,420.0 million at 20th August 2014 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after interim dividend) was HK\$5.6 as at 20th August 2014, as compared with the net asset value per share of HK\$5.4 as at 20th February 2014.

Business Review

During the period, total sales improved by 6% compared to same period of last year. The Group continued to drive new acquisitions and customer engagement by enhancing the competitiveness of the core credit card business. We adopted specific measures to focus on value-added enhancements to new and existing customers. In addition to mass promotions, the Group had deployed multiple campaigns utilizing area-based strategies and as a result, new card applications recorded a mild single-digit growth despite fierce competition from other institutions.

The Group's credit purchase sales achieved a double-digit growth despite Hong Kong's lackluster retail sales performance in the first half. Notable promotions launched to drive credit purchase sales included the Noah Ark Park Movie promotion, a two-phase FIFA World Cup promotion, and the AEON Festival promotion.

Incessant collaboration with AEON Stores has continued to deliver a unique and rewarding shopping experience to our customers. The Baby Fair, TopValu promotion, Super Weekend and Summer Set Sales promotion were welcomed by customers and strengthened our mechanism to encourage consistent spending on a regular basis. Because of this strategic partnership, AEON Card sales volume continued to increase.

For card cash advance and loan products, the Group continued to promote its competitive edge through various channels. From traditional face-to-face selling to state of the art e-marketing campaigns, the Group successfully acquired new customers and increased product penetration for different customer segments. The Group further enhanced its position as a prominent online financial service provider and recorded satisfactory growth in terms of AEON Netmember acquisitions and online sales.

The China Unicom Visa Card was launched in the first half of 2014. This innovative credit card not only created new revenue streams, but also captured new opportunities. The synergies between the Group and co-brand partners have proven once again to be an integral part of the Group's growth strategies.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects

Looking ahead, we expect the global economy to continue at its moderate pace of recovery. The potential downside risks in the market are arising from uncertainty over the United States monetary policy normalization. The impact of correcting economic policy by the government of China will continue to trickle down, benefiting Hong Kong's economic growth and business opportunities. The Group will closely observe and adjust to the changes in this dynamic operating environment.

In the second half of 2014, the Group will continue to focus on customer engagement and card acquisitions. In addition to the traditional recruitment channels, more resources will be allocated to area-based recruitment and marketing campaigns. Social networking promotions will help further drive sales from distinctive segments. The AEON Ocean Park Halloween Joyful Event and other mass promotions will continue to build customer loyalty and drive sales.

In addition, further promotions with co-brand card partners will be arranged throughout the second half of 2014 to stimulate card usage.

The development of new products and services will provide the Group with favorable conditions to diversity its business by demographics and products. The collaboration with AEON Stores will continue to offer customers a unique and rewarding shopping experience.

On cost side, the Group will further improve the operating efficiencies through modification of the auto-judgment system, launch of tablet service for card acquisition, provide on-line limit up service and capitalize on the Qing Yuan call center for back-office services. While striving to capture business opportunities, risk management remains a major focus in the Group's operation.

Shareholders' interests are always the Group's top priority. The Group will continue to drive long term sustainable growth by strengthening its portfolio while capitalizing on business opportunities and opening new revenue streams. The Group will continue to innovate while building on existing initiatives. The Group is confident in its business prospects and is looking forward to an overall satisfactory performance for the year 2014/15.

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 2014/15, credit card operation accounted for 67.4% of the Group's revenue, as compared to 63.8% in 2013/14. For segment result, credit card operation accounted for 84.2% of the Group's whole operations in 2014/15, as compared to 80.8% in 2013/14.

With the increase in sales from credit card business and revolving transactions, interest income from credit card operation recorded an increase when compared with last year. Revenue from credit card operation had an increase of 17.8% or HK\$64.3 million from HK\$360.5 million in 2013/14 to HK\$424.8 million in 2014/15. Following the increase in personal bankruptcy cases in the first half year, there was an increase in the impairment losses and impairment allowances. Nevertheless, the segment result for the period from credit card operation recorded an increase of HK\$15.0 million from HK\$137.6 million in 2013/14 to HK\$152.6 million in 2014/15.

During the period under review, competition in personal loan market was fierce. The Group strived to acquire quality customers with higher return. Together with the business growth in microfinance subsidiaries, interest income recorded an increase when compared with last year. Revenue from instalment loan operation increased by 4.3% or HK\$7.9 million from HK\$183.8 million in 2013/14 to HK\$191.7 million in 2014/15. Due to the running costs of China microfinance subsidiaries, segment result for the period from instalment loan operation remained at similar level of HK\$24.9 million.

Revenue from insurance operation recorded a decrease of HK\$6.2 million from HK\$20.2 million in 2013/14 to HK\$14.0 million in 2014/15. After deducting the operating expenses including fixed overhead expenses, segment result for the period from insurance operation decreased from HK\$7.8 million in 2013/14 to HK\$3.7 million in 2014/15.

Due to the continuous shift of usage to card instalment plan, revenue from hire purchase operation recorded a decrease of HK\$0.1 million, from HK\$0.2 million in 2013/14 to HK\$0.1 million in 2014/15. Segment result for the period from hire purchase operation remained at similar level of HK\$0.1 million.

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 share 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 2014	20th February 2014
	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Audited)</i>
Debt (note a)	3,365,650	3,384,137
Cash and cash equivalents	(474,077)	(511,184)
Net debt	2,891,573	2,872,953
Equity (note b)	2,419,991	2,345,575
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 2014, 41.8% of its funding was derived from total equity, 39.2% from bank borrowings and 19.0% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 20th August 2014, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$2,266.6 million, with 17.6% being fixed in interest rates and 65.1% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 17.3% being renewed overnight. Including the collateralised debt obligation, 24.5% of these indebtedness will mature within one year, 24.9% between one and two years, 47.2% between two and five years and 3.4% over five years. The duration of indebtedness was around 2.0 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD50.0 million which was hedged by cross-currency interest rate swap.

The net asset of the Group at 20th August 2014 was HK\$2,420.0 million, as compared with HK\$2,345.6 million at 20th February 2014. 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 2014, 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 2014, 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, 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, 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 exchange 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 2014 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 of the Group at 20th August 2014 and 20th February 2014 was 684 and 639 respectively. The Group continues to recognize and reward its staff members in manner similar to that disclosed in the Company's 2013/14 Annual Report.

DIRECTORS' INTERESTS IN SHARES

At 20th August 2014, 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
Fong Chung Leung, Gerald	15,000	0.01

(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 2014.

SUBSTANTIAL SHAREHOLDERS

At 20th August 2014, 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 (<i>Note 1</i>)	280,588,000	67.00
AFS (<i>Note 2</i>)	220,814,000	52.73
AFS (HK) (<i>Note 3</i>)	220,814,000	52.73
DJE Investment S.A. (<i>Note 4</i>)	33,488,000	8.00
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 41.57% 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 2014.

INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 20th August 2014. The Group's interim report for the six months ended 20th August 2014 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 CG Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 20th August 2014, with the exceptions of code provisions A.4.1 (specific term of non-executive directors) and A.4.2 (retirement by rotation of directors).

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 of the Company considers that Company's corporate governance practices are no less exacting than those in the CG Code.

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 2013/14 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Biographical Details of Directors

Mr. Masanori Kosaka

- Resigned as a director of AEON Thailand on 12th June 2014.
- Resigned as a director of AEON Credit Service (M) Berhad on 19th June 2014.

Mr. Fung Kam Shing, Barry

- Resigned as a director of AEON Brokers on 27th May 2014.

Ms. Tomoko Misaki

- Resigned as a Non-executive Director on 17th June 2014.

Mr. Tomoyuki Kawahara

- Appointed as an Executive Director on 17th June 2014.

Mr. Fong Chung Leung, Gerald

- Appointed as an Executive Director on 17th June 2014.

CHANGES IN INFORMATION OF DIRECTORS *(Continued)*

Biographical Details of Directors *(Continued)*

Mr. Ip Yuk Keung

- Appointed as an executive director and chief executive officer of LHIL Manager Limited and Langham Hospitality Investments Limited on 9th June 2014.
- Re-designated from an independent non-executive director to a non-executive director of Eagle Asset Management (CP) Limited (manager of Champion Real Estate Investment Trust) on 9th June 2014.
- Resigned as a Council Member of Cornell University on 30th June 2014.
- Appointed as a Member of the Legal Aid Services Council on 1st September 2014.

Mr. Wong Hin Wing

- Appointed as an independent non-executive director of Dongjiang Environmental Company Limited on 10th June 2014.

Directors' Emoluments

- Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun each would receive a Director's fee of HK\$270,000 per annum with effect from 21st February 2014.
- The annual base salary of Ms. Koh Yik Kung, Mr. Tomoyuki Kawahara and Mr. Fong Chung Leung, Gerald is HK\$1,752,000, HK\$1,056,000 and HK\$1,320,000 respectively with effect from 21st June 2014.
- Mr. Fung Kam Shing, Barry and Ms. Koh Yik Kung received a discretionary bonus of HK\$330,000 and HK\$100,000 respectively in June 2014.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(B) 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, 19th September 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 2014 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

19th September 2014

CORPORATE INFORMATION

Board of Directors

Executive Directors

Fung Kam Shing, Barry (*Managing Director*)
Koh Yik Kung
Tomoyuki Kawahara
Fong Chung Leung, Gerald

Non-executive Directors

Masanori Kosaka (*Chairman*)
Lai Yuk Kwong

Independent Non-executive Directors

Ip Yuk Keung
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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

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	ÆON 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.
AFS (HK)	AEON Financial Service (Hong Kong) 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
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

GLOSSARY *(Continued)*

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 (Chapter 571 of the laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD or US\$	United States Dollars