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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 RESULTS FOR THE SIX MONTHS ENDED 20TH AUGUST 2014

The Directors of AEON Credit Service (Asia) Company Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 20th August 2014, together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 20th August 2014

		Six months ended 20th August	
		2014	2013
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	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	<u>135,368</u>	<u>133,447</u>
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	<u>15,638</u>	<u>51,560</u>
Other comprehensive income for the period	<u>14,426</u>	<u>44,777</u>
Total comprehensive income for the period	<u>149,794</u>	<u>178,224</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>149,794</u>	<u>178,224</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th August 2014

	<i>Notes</i>	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	21	280	1,025
Restricted deposits		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		88,339	–
Time deposits		370,762	361,660
Fiduciary bank balances		2,438	3,074
Bank balances and cash		157,359	158,394
		4,612,824	4,539,506
Current liabilities			
Creditors and accruals	19	218,942	170,094
Amounts due to fellow subsidiaries		58,235	59,854
Amount due to ultimate holding company		33	49
Amount due to an associate		3,531	1,434
Bank borrowings	20	824,000	797,500
Bank overdrafts		3,604	5,025
Derivative financial instruments	21	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

		20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Capital and reserves			
Share capital		269,477	41,877
Reserves		2,150,514	2,303,698
		<hr/>	<hr/>
Total equity		2,419,991	2,345,575
		<hr/>	<hr/>
Non-current liabilities			
Collateralised debt obligation	23	1,099,100	1,098,887
Bank borrowings	20	1,442,550	1,487,750
Derivative financial instruments	21	103,152	118,597
Deferred tax liabilities	22	5,300	4,800
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		2,650,102	2,710,034
		<hr/>	<hr/>
		5,070,093	5,055,609
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 20th August 2014

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

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

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
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	630,610	564,788

4. SEGMENT INFORMATION

Services from which operation 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

For the six months ended 20th August 2013 (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	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

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 22</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. DIVIDEND

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

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)
	5,256,352	5,267,621
Current portion included under current assets	(3,955,505)	(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.

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)
At 20th August 2014	117,968	55,137	173,105
	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)
At 20th August 2013	72,106	64,019	136,125

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. 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
	82,668	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).

20. 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

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.

22. 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 <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21st February 2014	15,100	(10,300)	4,800
(Credit) charge to profit or loss for the period	<u>(1,200)</u>	<u>1,700</u>	<u>500</u>
At 20th August 2014	<u>13,900</u>	<u>(8,600)</u>	<u>5,300</u>

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

23. 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 Hong Kong dollars.

24. 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).

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.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (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 Directors (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 for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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.

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.

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.

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.

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 (Hong Kong) Co., Ltd. ("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.

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 diversify 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.

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.

Net debt to equity ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

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

	20th August 2014 (Unaudited) HK\$'000	20th February 2014 (Audited) HK\$'000
Debt (<i>note a</i>)	3,365,650	3,384,137
Cash and cash equivalents	(474,077)	(511,184)
Net debt	2,891,573	2,872,953
Equity (<i>note b</i>)	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 20 and 23 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. As 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 average duration of indebtedness was around 2.0 years.

The Group's bank borrowings and collateralised debt obligation were denominated in Hong Kong Dollars, 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 Hong Kong Dollars 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. As at 20th August 2014, capital commitments entered into were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff members 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 manners similar to what were disclosed in the Company's 2013/14 Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 included in the interim report to be sent to shareholders.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2014/15 interim report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

At the date of this announcement, the Executive Directors are Mr. Fung Kam Shing, Barry (Managing Director), Ms. Koh Yik Kung, Mr. Tomoyuki Kawahara and Mr. Fong Chung Leung, Gerald; the Non-executive Directors are Mr. Masanori Kosaka (Chairman) and Mr. Lai Yuk Kwong; and the Independent Non-executive Directors are Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun.

By order of the Board
Fung Kam Shing, Barry
Managing Director

Hong Kong, 19th September 2014