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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 31ST AUGUST 2015

The board (the “Board”) of directors (the “Directors”) of AEON Credit Service (Asia) Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st August 2015, together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31st August 2015

	Notes	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Revenue	3	<u>628,960</u>	<u>630,610</u>
Interest income	5	556,674	570,361
Interest expense	6	<u>(47,232)</u>	<u>(46,258)</u>
Net interest income		509,442	524,103
Other operating income	7	78,035	62,388
Other gains and losses	8	<u>(111)</u>	<u>(261)</u>
Operating income		587,366	586,230
Operating expenses	9	<u>(300,717)</u>	<u>(267,472)</u>
Other expenses		<u>(8,158)</u>	<u>–</u>
Operating profit before impairment allowances		278,491	318,758
Impairment losses and impairment allowances		<u>(159,359)</u>	<u>(168,471)</u>
Recoveries of advances and receivables written-off		27,287	26,560
Share of results of associates		<u>468</u>	<u>(9,211)</u>
Profit before tax		146,887	167,636
Income tax expense	10	<u>(27,139)</u>	<u>(32,268)</u>
Profit for the period		<u>119,748</u>	<u>135,368</u>
Profit for the period attributable to: Owners of the Company		<u>119,748</u>	<u>135,368</u>
Earnings per share – Basic	12	<u>28.60 HK cents</u>	<u>32.33 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31st August 2015

	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Profit for the period	<u>119,748</u>	<u>135,368</u>
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss) gain on available-for-sale investments	(1,404)	355
Exchange difference arising from translation of foreign operations	(13,559)	(1,567)
Net adjustment on cash flow hedges	<u>17,908</u>	<u>15,638</u>
Other comprehensive income for the period	<u>2,945</u>	<u>14,426</u>
Total comprehensive income for the period	<u>122,693</u>	<u>149,794</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>122,693</u>	<u>149,794</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2015

		31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	13	139,236	115,245
Investments in associates		43,943	49,647
Available-for-sale investments	14	23,103	24,507
Advances and receivables	15	1,163,866	1,224,888
Prepayments, deposits and other debtors	18	33,347	47,996
Derivative financial instruments	21	674	1,199
Restricted deposits		38,000	38,000
		<u>1,442,169</u>	<u>1,501,482</u>
Current assets			
Advances and receivables	15	4,065,185	4,064,751
Prepayments, deposits and other debtors	18	31,416	36,956
Amount due from intermediate holding company		554	298
Amounts due from fellow subsidiaries		234	490
Tax recoverable		1,100	874
Restricted deposits		45,012	–
Time deposits		95,718	113,528
Fiduciary bank balances		141	894
Bank balances and cash		236,203	232,156
		<u>4,475,563</u>	<u>4,449,947</u>
Current liabilities			
Creditors and accruals	19	266,227	210,200
Amounts due to fellow subsidiaries		52,593	48,901
Amount due to immediate holding company		246	6
Amount due to intermediate holding company		18	–
Amount due to ultimate holding company		35	50
Amounts due to associates		1,366	1,577
Bank borrowings	20	340,806	495,500
Bank overdrafts		1,208	1,794
Collateralised debt obligation	23	549,849	549,731
Derivative financial instruments	21	10,166	18,380
Tax liabilities		35,159	13,536
		<u>1,257,673</u>	<u>1,339,675</u>

		31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
	<i>Notes</i>		
Net current assets		3,217,890	3,110,272
Total assets less current liabilities		4,660,059	4,611,754
Capital and reserves			
Share capital		269,477	269,477
Reserves		2,225,181	2,177,866
Total equity		2,494,658	2,447,343
Non-current liabilities			
Collateralised debt obligation	23	699,687	699,592
Bank borrowings	20	1,337,500	1,332,800
Derivative financial instruments	21	116,620	126,050
Deferred tax liabilities	22	11,594	5,969
		2,165,401	2,164,411
		4,660,059	4,611,754

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 2015

	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 21.2.2014 (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 the year from 21.2.2013 to 20.2.2014	-	-	-	-	-	-	(75,378)	(75,378)
	227,600	(227,330)	(270)	355	15,638	(1,567)	59,990	74,416
Balance at 20.8.2014 (Unaudited)	269,477	-	-	800	(97,472)	16,940	2,230,246	2,419,991
Balance at 1.3.2015 (Audited)	269,477	-	-	(1,153)	(136,064)	13,179	2,301,904	2,447,343
Profit for the period	-	-	-	-	-	-	119,748	119,748
Fair value loss on available-for-sale investments	-	-	-	(1,404)	-	-	-	(1,404)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(13,559)	-	(13,559)
Net adjustment on cash flow hedges	-	-	-	-	17,908	-	-	17,908
Total comprehensive (expense) income for the period	-	-	-	(1,404)	17,908	(13,559)	119,748	122,693
Final dividend paid for the period from 21.2.2014 to 28.2.2015	-	-	-	-	-	-	(75,378)	(75,378)
	-	-	-	(1,404)	17,908	(13,559)	44,370	47,315
Balance at 31.8.2015 (Unaudited)	269,477	-	-	(2,557)	(118,156)	(380)	2,346,274	2,494,658

Note: Under the new Hong Kong Companies Ordinance which came into effect on 3rd March 2014, the concepts of par value of shares and authorised share capital have been abolished.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st August 2015

	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Net cash from operating activities	274,549	249,547
Dividends received	465	228
Purchase of property, plant and equipment	(3,409)	(13,215)
Deposits paid for acquisition of property, plant and equipment	(10,917)	(2,167)
Investment in an associate	–	(39,389)
Increase in time deposits with maturity of more than three months	(15,605)	(46,595)
Net cash used in investing activities	(29,466)	(101,138)
Placement of restricted deposits	(45,012)	(744,880)
Withdrawal of restricted deposits	–	656,541
Dividends paid	(75,378)	(75,378)
New bank loans raised	5,156,806	49,347,400
Repayment of bank loans	(5,306,500)	(49,365,900)
Net cash used in financing activities	(270,084)	(182,217)
Net decrease in cash and cash equivalents	(25,001)	(33,808)
Effect of changes in exchange rate	(2,441)	(3,299)
Cash and cash equivalents at beginning of the period	294,534	511,184
Cash and cash equivalents at end of the period	267,092	474,077
Being:		
Time deposits with maturity of three months or less	32,097	320,322
Bank balances and cash	236,203	157,359
Bank overdrafts	(1,208)	(3,604)
	267,092	474,077

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st August 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “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”). In preparing the condensed consolidated financial statements, the Group has not taken into account the amendments to Appendix 16 to the Listing Rules issued by the Stock Exchange in early 2015 that are effective for accounting period ending on or after 31st December 2015.

The financial information relating to the period from 21st February 2014 to 28th February 2015 that is included in the half-year interim report 2015 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that period but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the period from 21st February 2014 to 28th February 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Change of financial year end date

The financial year end date of the Company was changed from 20th February to 28th February in order to align the annual reporting period end date of the Company with that of its immediate holding company, AEON Financial Service (Hong Kong) Co., Limited. Accordingly, the condensed consolidated financial statements for the current period cover the six months ended 31st August 2015. The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the period from 21st February 2014 to 20th August 2014 and therefore may not be comparable with amounts shown for the current period.

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, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st August 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the period from 21st February 2014 to 28th February 2015.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

3. REVENUE

	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Interest income	556,674	570,361
Fees and commissions	38,157	33,921
Handling and late charges	34,129	26,328
	<u>628,960</u>	<u>630,610</u>

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 brokerage 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:

1.3.2015 to 31.8.2015 (Unaudited)

	Credit card HK\$'000	Instalment loan HK\$'000	Insurance HK\$'000	Hire purchase HK\$'000	Consolidated HK\$'000
REVENUE	<u>424,144</u>	<u>188,123</u>	<u>16,645</u>	<u>48</u>	<u>628,960</u>
RESULT					
Segment results	<u>132,316</u>	<u>14,444</u>	<u>2,845</u>	<u>–</u>	149,605
Unallocated operating income					3,850
Unallocated expenses					(7,036)
Share of results of associates					<u>468</u>
Profit before tax					<u>146,887</u>

21.2.2014 to 20.8.2014 (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	<u>424,796</u>	<u>191,654</u>	<u>14,047</u>	<u>113</u>	<u>630,610</u>
RESULT					
Segment results	<u>152,599</u>	<u>24,875</u>	<u>3,727</u>	<u>54</u>	181,255
Unallocated operating income					2,151
Unallocated expenses					(6,559)
Share of results of associates					<u>(9,211)</u>
Profit before tax					<u>167,636</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

	1.3.2015 to 31.8.2015 (Unaudited) <i>HK\$'000</i>	21.2.2014 to 20.8.2014 (Unaudited) <i>HK\$'000</i>
Advances	553,202	565,668
Impaired advances	1,750	3,450
Time deposits and bank balances	<u>1,722</u>	<u>1,243</u>
	<u>556,674</u>	<u>570,361</u>

6. INTEREST EXPENSE

	1.3.2015 to 31.8.2015 (Unaudited) <i>HK\$'000</i>	21.2.2014 to 20.8.2014 (Unaudited) <i>HK\$'000</i>
Interest on bank borrowings and overdrafts wholly repayable within five years	14,472	11,725
Interest on bank borrowings wholly repayable after five years	412	652
Interest on collateralised debt obligation wholly repayable within five years	3,916	3,082
Net interest expense on interest rate swap contracts	<u>28,432</u>	<u>30,799</u>
	<u>47,232</u>	<u>46,258</u>

7. OTHER OPERATING INCOME

	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	465	228
Fees and commissions		
Credit card	21,512	19,874
Insurance	16,645	14,047
Handling and late charges	34,129	26,328
Others	5,284	1,911
	<u>78,035</u>	<u>62,388</u>

8. OTHER GAINS AND LOSSES

	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Exchange (losses) gains		
Exchange losses on hedging instruments released from cash flow hedge reserve	(300)	(200)
Exchange gains on a bank loan	300	200
Other exchange losses, net	(6)	(156)
Hedge ineffectiveness on cash flow hedges	(105)	(105)
	<u>(111)</u>	<u>(261)</u>

9. OPERATING EXPENSES

	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Depreciation	22,521	21,213
General administrative expenses	80,515	65,943
Marketing and promotion expenses	39,388	35,161
Operating lease rentals in respect of rented premises, advertising space and equipment	36,211	34,193
Other operating expenses	28,049	33,137
Staff costs including Directors' emoluments	94,033	77,825
	<u>300,717</u>	<u>267,472</u>

10. INCOME TAX EXPENSE

	1.3.2015 to 31.8.2015 (Unaudited) HK\$'000	21.2.2014 to 20.8.2014 (Unaudited) HK\$'000
Current tax		
– Current period	21,514	31,768
Deferred tax (<i>note 22</i>)		
– Current period	5,625	500
	<u>27,139</u>	<u>32,268</u>

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

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits of the China subsidiaries for both periods.

11. DIVIDENDS

On 13th July 2015, a dividend of **18.0 HK cents** (six months ended 20th August 2014: 18.0 HK cents) per share amounting to a total of **HK\$75,378,000** (six months ended 20th August 2014: HK\$75,378,000) was paid to shareholders as the final dividend for 2014/15.

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 16th October 2015. The interim dividend will be paid on 27th October 2015. 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\$119,748,000** (six months ended 20th August 2014: HK\$135,368,000) and on the number of shares of **418,766,000** (six months ended 20th August 2014: 418,766,000) in issue during the period.

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent on computer equipment and leasehold improvements of approximately **HK\$47,190,000** (six months ended 20th August 2014: HK\$17,991,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Listed equity securities, at fair value		
Hong Kong	13,959	15,363
Unlisted equity securities, at cost	9,144	9,144
	<u>23,103</u>	<u>24,507</u>

15. ADVANCES AND RECEIVABLES

	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Credit card receivables	3,508,266	3,554,916
Instalment loans receivable	1,738,529	1,772,360
Hire purchase debtors	1,306	1,514
	<u>5,248,101</u>	<u>5,328,790</u>
Accrued interest and other receivables	106,519	109,166
	<u>5,354,620</u>	<u>5,437,956</u>
Gross advances and receivables		
Impairment allowances (<i>note 16</i>)		
– individually assessed	(77,098)	(92,403)
– collectively assessed	(48,471)	(55,914)
	<u>(125,569)</u>	<u>(148,317)</u>
	<u>5,229,051</u>	<u>5,289,639</u>
Current portion included under current assets	(4,065,185)	(4,064,751)
	<u>1,163,866</u>	<u>1,224,888</u>

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of **HK\$7,820,000** (28.2.2015: HK\$11,182,000) and **HK\$19,201,000** (28.2.2015: HK\$35,785,000) respectively. The Group holds collateral over these balances. The Directors consider the exposure of credit risk of the 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. 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 to different departments responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio.

16. IMPAIRMENT ALLOWANCES

	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000	
Analysis by products as:			
Credit card receivables	34,984	48,577	
Instalment loans receivable	89,172	98,116	
Hire purchase debtors	13	23	
Accrued interest and other receivables	1,400	1,601	
	<u>125,569</u>	<u>148,317</u>	
	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
At 1.3.2015	92,403	55,914	148,317
Impairment losses and impairment allowances	166,802	(7,443)	159,359
Amounts written-off as uncollectable	<u>(182,107)</u>	<u>–</u>	<u>(182,107)</u>
At 31.8.2015	<u>77,098</u>	<u>48,471</u>	<u>125,569</u>
	Individual assessment HK\$'000	Collective assessment HK\$'000	Total HK\$'000
At 21.2.2014	81,207	66,153	147,360
Impairment losses and impairment allowances	179,487	(11,016)	168,471
Amounts written-off as uncollectable	<u>(142,726)</u>	<u>–</u>	<u>(142,726)</u>
At 20.8.2014	117,968	55,137	173,105

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:

	31.8.2015 (Unaudited) HK\$'000	%*	28.2.2015 (Audited) HK\$'000	%*
Overdue 1 month but less than 2 months	86,041	1.6	90,731	1.7
Overdue 2 months but less than 3 months	41,776	0.8	44,743	0.8
Overdue 3 months but less than 4 months	26,962	0.5	28,749	0.5
Overdue 4 months or above	75,965	1.4	97,208	1.8
	230,744	4.3	261,431	4.8

* Percentage of gross advances and receivables

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Deposits for property, plant and equipment	16,744	39,953
Rental and other deposits	21,022	23,106
Prepaid operating expenses	22,330	14,584
Other debtors	4,667	7,309
	<u>64,763</u>	<u>84,952</u>
Current portion included under current assets	<u>(31,416)</u>	<u>(36,956)</u>
Amount due after one year	<u>33,347</u>	<u>47,996</u>

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:

	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Current	95,823	84,235
Over 1 month but less than 3 months	3,490	3,976
Over 3 months	3,686	5,235
	<u>102,999</u>	<u>93,446</u>

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK\$11,116,000** (28.2.2015: HK\$8,162,000).

20. BANK BORROWINGS

	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Bank loans, unsecured	<u>1,678,306</u>	<u>1,828,300</u>
Carrying amount repayable (<i>Note</i>)		
Within one year	340,806	495,500
Between one and two years	607,500	527,800
Between two and five years	645,000	680,000
Over five years	85,000	125,000
	<u>1,678,306</u>	<u>1,828,300</u>
Amount repayable within one year included under current liabilities	<u>(340,806)</u>	<u>(495,500)</u>
Amount repayable after one year	<u>1,337,500</u>	<u>1,332,800</u>

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2015 (Unaudited)		28.2.2015 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	87	126,071	166	143,640
Cross-currency interest rate swap	–	715	–	790
Interest rate caps	587	–	1,033	–
	674	126,786	1,199	144,430
Current portion	–	(10,166)	–	(18,380)
Non-current portion	674	116,620	1,199	126,050

All derivative financial instruments entered by the Group that remain outstanding at 31st August 2015 and 28th February 2015 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 (assets) recognised by the Group and movements thereon during each of the two periods ended 31st August 2015 and 20th August 2014:

	Accelerated tax depreciation HK\$'000	Impairment allowances HK\$'000	Total HK\$'000
At 1st March 2015	15,308	(9,339)	5,969
Charge to profit or loss for the period	4,220	1,405	5,625
At 31st August 2015	19,528	(7,934)	11,594
	Accelerated tax depreciation HK\$'000	Impairment allowances HK\$'000	Total HK\$'000
At 21st February 2014	15,100	(10,300)	4,800
(Credit) charge to profit or loss for the period	(1,200)	1,700	500
At 20th August 2014	13,900	(8,600)	5,300

23. COLLATERALISED DEBT OBLIGATION

- a) The Company entered into a HK\$1,250,000,000 collateralised debt obligation financing transaction (the “Transaction”). The Transaction consists of three tranches – Tranche A, Tranche B and Tranche C. The amount under Tranche A and Tranche B is HK\$550,000,000 each while the amount under Tranche C is HK\$150,000,000. The revolving periods for Tranche A, Tranche B and Tranche C will end in January 2016, January 2017 and July 2020 respectively. The three tranches are arranged at floating interest rates from 0.35% plus HIBOR per annum to 0.55% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Three 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 three tranches from floating rates to fixed rates from 3.2% to 3.9% per annum.
- b) In September 2014, the Company extended the revolving periods of Tranche A and Tranche B by entering into two new tranches – New Tranche A and New Tranche B. The amount under New Tranche A and New Tranche B is HK\$550,000,000 each. The revolving periods for New Tranche A and New Tranche B will start from February 2016 and February 2017 respectively and both end in August 2019. The two tranches under New Tranche A and New Tranche B are arranged at floating interest rates of 0.40% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Two corresponding new 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 new tranches from floating rates to fixed rates at 3.5% to 3.8% per annum. The effective interest rate after taking into account the executed interest rate swaps was 3.7% (six months ended 20th August 2014: 3.8%) per annum during the period.
- c) 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.

24. PLEDGE OF ASSETS

At 31st August 2015, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,599,853,000** and **HK\$83,012,000** respectively (28.2.2015: HK\$1,697,384,000 and HK\$38,000,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on 16th October 2015 on which date 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 15th October 2015.

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 31st August 2015, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions 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 31st August 2015, the Group recorded a profit attributable to owners of HK\$119.7 million, representing a decrease of 11.5% or HK\$15.7 million when compared to HK\$135.4 million for the six months ended 20th August 2014. The Group's basic earnings per share decreased from 32.33 HK cents per share in 2014/15 to 28.60 HK cents per share.

During the period under review, the Group continued to focus on asset quality management and credit control by extending credit prudently. This led to a slow down on the growth of advances and receivables. As a result, the Group recorded a decrease in interest income from HK\$570.4 million in 2014/15 to HK\$556.7 million. Although there was a reduction in the total indebtedness, the average funding cost increased from 2.8% in the previous period to 3.1% in the first half of this year. As a result, interest expense increased by HK\$0.9 million to HK\$47.2 million when compared with HK\$46.3 million in the previous period. Net interest income of the Group recorded a decrease of HK\$14.7 million to HK\$509.4 million from HK\$524.1 million in 2014/15. Following the enhancement in sales procedures in insurance business last year, there was an increase in fees and commissions from insurance operation. Together with the increase in handling and late charges, other operating income increased by HK\$15.6 million from HK\$62.4 million in 2014/15 to HK\$78.0 million for the first six months in 2015/16.

The launch of a series of marketing activities to expand card acquisition and stimulate card activation had resulted in the increase in credit purchase sales. At the same time, there was a corresponding increase in the marketing and promotion expenses. Following the hiring of more staff in China for business expansion, 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 12.4% from HK\$267.5 million in 2014/15 to HK\$300.7 million for the first six months in 2015/16.

During the period under review, the Company invested in the establishment of prepaid card business. However, due to the uncertainty and various other considerations surrounding the proposed regulatory regime for stored-value facilities, this project has been suspended, resulting in the recording of all incurred expenses. This one-time expenditure contributed to an increase in other expenses. With the restructuring of the business model of our associates, the Group shared HK\$0.5 million profit of these associates during the first half of this financial year compared to HK\$9.2 million loss of these associates for the first half of last financial year.

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$278.5 million for the six months ended 31st August 2015, representing a decrease of 12.6% from HK\$318.8 million for the first half of last financial year. During the period under review, the Group lent conservatively and strived to continually maintain its asset quality. With prompt collection actions and exercise of cautious approval process, there were continued improvements in the collection ratios when compared with the previous period. The Group recorded a decrease of 5.4% or HK\$9.1 million from HK\$168.5 million in 2014/15 to HK\$159.4 million on the impairment losses and impairment allowances. Recoveries of advances and receivables written-off amounted to HK\$27.3 million, representing an increase of HK\$0.7 million when compared with HK\$26.6 million in 2014/15.

The Group recorded a decrease in its receivables by HK\$80.7 million to HK\$5,248.1 million, as compared to HK\$5,328.8 million at 28th February 2015. Impairment allowances amounted to HK\$125.6 million at 31st August 2015, as compared with HK\$148.3 million at 28th February 2015. Total equity was strengthened by 1.9% to HK\$2,494.7 million at 31st August 2015 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after interim dividend) was HK\$5.8 as at 31st August 2015, as compared with the net asset value per share of HK\$5.7 as at 28th February 2015.

Business Review

As a leading credit card issuer with a strong branch, ATM, customer and merchant network, the Company strives to sustain its competitive advantage while continuing to deliver value to its customers through its comprehensive and diversified portfolio of consumer finance products and services. Despite volatile domestic demand and uncertainties clouding other economies, the Group's total sales still grew by 8% when compared to the same period last year.

Growth in credit purchase and personal loan sales increased by 14% and 11% respectively when compared with the same period last year. Cash advance sales saw year-on-year decline of 8% due to intensifying competition among market players in light of incessant low interest rates.

During the period under review, the Group focused on driving new card acquisitions and improving the overall user experience by enhancing and adding value to our products. By popular demand, we increased the number of overseas spending promotions and offered extra bonus points for credit purchases made abroad. Exclusive AEON card promotions continued to present our customers with a unique and rewarding shopping experience. Despite fierce competition from other credit card issuers, the Group managed to register a stable growth of new card customers. The number of cards issued increased by 3.8% year-on-year in the first half of 2015, slightly down from 4.5% in the same period last year.

The Group's branches and frontline channels contributed the bulk of all new card acquisitions while web and telemarketing channels provided customers with alternative methods of card application.

The year 2015 marks the Company's 20th Listing Anniversary on the Stock Exchange. A series of uniquely themed sales and card acquisitions events have been launched to celebrate this milestone with its customers. By these campaigns, brand awareness and customer engagement are expected to be raised among all new, existing and potential customers.

The Group's co-branded card portfolio welcomed the addition of the DR-MAX Titanium MasterCard. The partnership with DR-MAX, one of the largest providers of English learning services and materials in Hong Kong, extends the benefits of flexible instalment plans to customers who are interested in the full English learning experience.

In-house credit purchase and instalment sales attributed to AEON Stores edged up 4% year-on-year for the period under review. The Group's partnership with AEON Stores has created a unique opportunity in an otherwise saturated retail segment. The Group has continued to utilize and leverage group synergies through increased collaboration to drive desired results.

To further facilitate better understanding of customers' needs and expectations, the Company's Facebook fan page was launched in April 2015. It not only increases exposure to potential customers and builds brand loyalty, but also allows the Group to reach out to the community, further drive engagement and improve customer experience.

Prospects

The slowdown in external demand continues to cloud Hong Kong's economic performance. The Mainland economy is showing some weakness and European Union member countries continue to struggle for recovery in the first half of 2015. Similarly, the strong US dollar is also holding back recovery in the United States. The negative contribution of external demand is expected to weigh down the local GDP growth in the second half of 2015.

While Hong Kong is not isolated from economic factors outside the region, the market in which the Group operates is well-positioned to withstand the challenges. The low unemployment rate and a robust consumer finance sector are all contributing to an economy that remains the envy of most developed markets. With continuous government measures and contained import prices owing to the strong dollar, inflationary pressure is expected to ease further in the near term.

Inbound tourism growth is expected to be restrained due to the strong Hong Kong dollar and a more restrictive visa policy implemented earlier this year targeted at Mainland visitors. The slower growth in tourist arrivals and weaker tourist spending attribute to a meagre retail sales growth forecast of only 0.9% for the third quarter. The Group is closely monitoring the ever-changing market conditions and making necessary adjustments to its business strategy to better suit the needs of a dynamic market.

The Group's ongoing focus on long term strategic priorities will centre on people, technology, compliance and productivity. The Group's vision is to excel at securing the financial well-being of people and communities. Promotional planning is carried out with our customers interest in mind at all times. Research through customer feedback and surveys allows us to obtain relevant indicators to wider views of consumer behaviour and market shifts.

The quality of our branch services is assessed regularly. We aim to reduce the number of queues or lines by understanding and measuring the balance between customer service and resource utilization. Effective management and techniques, such as balancing customer demand and branch capacity, would significantly reduce or eliminate the time it takes for counter service or credit card issuing.

The Group's focus on mass promotions will continue to drive sales. Special events such as the AEON Ocean Park Halloween Joyful Event continue to receive overwhelming positive responses from the public.

The Group will continue to invest in technology to streamline business processes and maximize cost savings. Whereas meeting in-house productivity goals is imperative, complete customer satisfaction is equally vital. Implementations and enhancements are continuously made across the Group's digital platforms to simplify business processes and improve the overall user experience.

We believe the commitment to service excellence is paramount and customer satisfaction is the cornerstone of business success and sustainable growth. Therefore, the Group will continue to leverage analytics to promote the discoverability and selection of products to ensure we meet our customers' needs and interests. And at the same time, understand what resonates with our customers and where we can improve, ultimately delivering innovative ideas and capturing revenue opportunities.

The Group will strive to grow the customer base amid fierce market competitions, and at the same time reduce the number of attritions through a series of specific campaigns. We intend to balance our customer base with more male and young customers.

A diverse mix of products is scheduled for the second half of the year. Two co-branded credit cards catered to distinct consumer segments will be unveiled. The AEON Card JAL MasterCard in collaboration with Japan Airlines, targeted at frequent flyers will be launched in September 2015. This card will offer cardholders a great opportunity to earn mileage points every time the customer flies or makes a purchase. The other card, which is expected to be launched later this year, will open up a new, health-conscious segment.

The implementation of LiveChat is scheduled for October 2015. LiveChat is a convenient tool for instant communication with the Company. According to Forrester Research, businesses with LiveChat on their websites have consistently demonstrated the capability to reduce service costs and increase sales.

For China business, although the microfinance subsidiaries are still operating at a loss, sales and revenues are seeing upward movements. These subsidiaries will continue to focus on personal loan sales and improve operational efficiency. Reductions in net loss can be expected. The Tianjin explosion in August 2015 has had no material impact on the Group's China business.

The primary objective of the Group is to enhance long-term total return for our shareholders. To achieve this objective, the Group will continue to drive long-term sustainable growth by strengthening its portfolio while capitalizing on new business opportunities and exercising cost-cutting measures. The Group will continue to focus on innovation 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 2015/16.

SEGMENT INFORMATION

The Group's business comprises four operating divisions, namely credit card, instalment loans, insurance and hire purchase. In the first half of both 2014/15 & 2015/16, credit card operation accounted for 67.4% of the Group's revenue. For segment result, credit card operation accounted for 88.4% of the Group's whole operations in 2015/16, as compared to 84.2% in 2014/15.

Although there was a sluggish growth on card cash advance portfolio, it was compensated by the increase in card credit purchase sales and income generated from handling and late charges. Revenue from credit card operation in 2015/16 was similar to last year level at HK\$424.1 million. With the increase in marketing and promotion expenses and one-time expenditure on prepaid card business, the segment result for the period from credit card operation recorded a decrease of HK\$20.3 million from HK\$152.6 million in 2014/15 to HK\$132.3 million in 2015/16.

The instalment loan business in China recorded a healthy growth. However, it was offset by the slow pace of the loan business in Hong Kong. Revenue from instalment loan operation decreased by 1.8% or HK\$3.6 million from HK\$191.7 million in 2014/15 to HK\$188.1 million in 2015/16. Due to the hiring of more manpower in China for business expansion coupled with the running costs, segment result for the period from instalment loan operation recorded a decrease of HK\$10.5 million from HK\$24.9 million in 2014/15 to HK\$14.4 million in 2015/16.

Revenue from insurance operation recorded an increase of HK\$2.6 million from HK\$14.0 million in 2014/15 to HK\$16.6 million in 2015/16 following the enhancement in the sale procedures. After taking into account the increase in operating expenses, the segment result for the period from insurance operation decreased from HK\$3.7 million in 2014/15 to HK\$2.8 million in 2015/16.

Due to the continuous shift of usage to card instalment plan, revenue from hire purchase operation accounted for an insignificant portion of the Group's revenue and segment result.

FUNDING AND CAPITAL MANAGEMENT

The Group manages its capital to ensure that:

- the Group will 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) and equity attributable to owners of the Group (comprising share capital and reserves).

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/year end was as follows:

	31.8.2015 (Unaudited) HK\$'000	28.2.2015 (Audited) HK\$'000
Debt (<i>note a</i>)	2,927,842	3,077,623
Cash and cash equivalents	(267,092)	(294,534)
Net debt	2,660,750	2,783,089
Equity (<i>note b</i>)	2,494,658	2,447,343
Net debt to equity ratio	1.1	1.1

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 31st August 2015, 46.0% of its funding was derived from total equity, 31.0% from bank borrowings and 23.0% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 31st August 2015, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$1,678.3 million, with 37.4% being fixed in interest rates and 58.8% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 3.8% being renewed overnight and floating rates. Including the collateralised debt obligation, 30.5% of these indebtedness will mature within one year, 39.5% between one and two years, 27.1% between two and five years and 2.9% over five years. The duration of indebtedness was around 1.9 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, coupled with short term loans of RMB14.0 million.

The net asset of the Group at 31st August 2015 was HK\$2,494.7 million, as compared with HK\$2,447.3 million at 28th February 2015. 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 31st August 2015, capital commitments entered were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff of the Group at 31st August 2015 and 28th February 2015 was 719 and 756 respectively. The Group continues to recognize and reward its staff in the manner similar to that disclosed in its 2014/15 Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the periods, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF UNAUDITED FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 31st August 2015. In addition, the condensed consolidated financial statements for the six months ended 31st August 2015 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, 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 HKICPA and an unqualified review report is issued.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2015 Interim Report, containing the relevant information required by the Listing Rules, will be published on the respective websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Mr. Lai Yuk Kwong, Ms. Koh Yik Kung and Mr. Kiyoshi Wada as Executive Directors; Mr. Masanori Kosaka (Chairman) as Non-executive Director; and Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun as Independent Non-executive Directors.

By order of the Board
HIDEO TANAKA
Managing Director

Hong Kong, 25th September 2015