Annual Report
2008/09

AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

Stock Code: 900

Planting Seeds of Growth
We are AEON

AEON Credit Cards
AEON 信用卡

Mass Promotion Campaigns with Co-Branded Partners
與聯營卡夥伴合辦大型推廣活動

ISO 14001 - EMS 538444 ISO 10002 - CS / CMS 513194 ISO 9001 - QMS / FS 513193 ISO 27001 - ISMS / IS 500955

Contents

This report is printed on recycled paper

Corporate Information

Board of Directors

Executive Directors
Masanori Kosaka *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Tomoyuki Kawahara *(Senior Executive Director)*
Koh Yik Kung
Pan Shu Pin, Ban
Fung Kam Shing, Barry

Non-executive Directors
Yoshiki Mori *(Chairman)*
Kazuhide Kamitani
Takatoshi Ikenishi

Independent Non-executive Directors
Wong Hin Wing
Hui Ching Shan

Company Secretary

Koh Yik Kung

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Share Registrar

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Major Bankers

Mizuho Corporate Bank, Ltd.
Hong Kong Branch
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Hong Kong Branch
Citibank, N.A.
Hong Kong Branch

Registered Office

37/F, The World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong

Internet Address

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

Stock Code

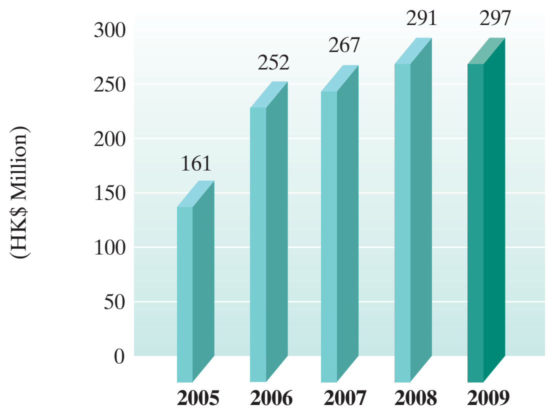
900

Shareholders' Calendar

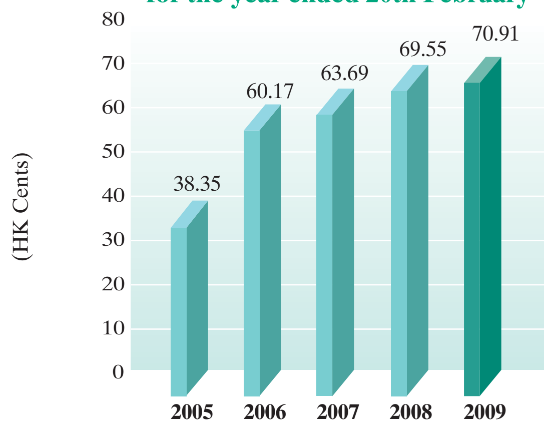
23rd September 2008	Announcement of interim results for the six months ended 20th August 2008
8th October 2008	Despatch of Interim Report for the six months ended 20th August 2008
15th – 21st October 2008	Book closing dates for interim dividend
24th October 2008	Payment of interim dividend of 16.0 HK cents per share
23rd April 2009	Announcement of the final results for the year ended 20th February 2009
15th May 2009	Despatch of Annual Report for the year ended 20th February 2009
15th – 19th June 2009	Book closing dates for final dividend
19th June 2009	2009 AGM
30th June 2009	Payment of final dividend of 16.0 HK cents per share

Five-year Financial Summary

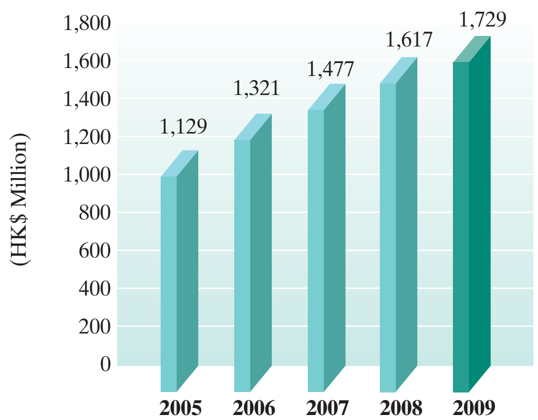
Profit for the Year (note 1)
ended 20th February



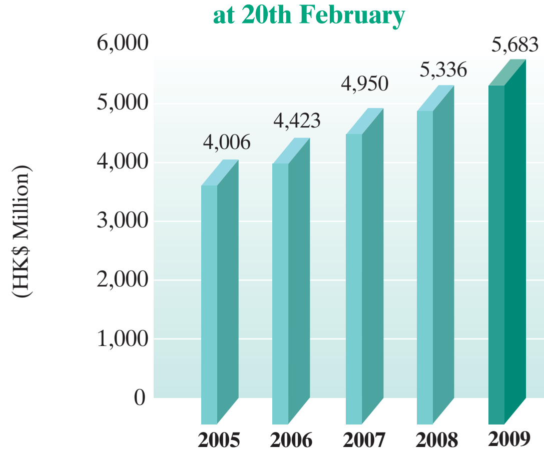
Earnings per Share (note 2)
for the year ended 20th February



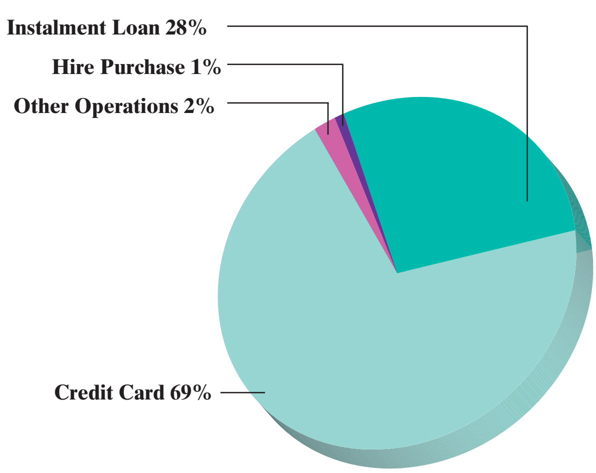
Shareholders' Equity (note 3)
at 20th February



Total Assets (note 4)
at 20th February



Segment Results (note 5)



Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2005, 2006, 2007, 2008 and 2009.

2. Represents the consolidated earnings per share for the financial years ended 20th February 2005, 2006, 2007, 2008 and 2009.

3. Represents the consolidated shareholders' equity at 20th February 2005, 2006, 2007, 2008 and 2009.

4. Represents the consolidated total assets at 20th February 2005, 2006, 2007, 2008 and 2009.

5. Represents the respective percentage of results by business segments for the financial year ended 20th February 2009.

Five-year Financial Summary

A summary of the consolidated results and of the consolidated assets and liabilities for the last five financial years, as extracted from the audited consolidated financial statements, is set out below:

CONSOLIDATED RESULTS

	For the year ended 20th February				
	2005 (Restated) HK$'000	2006 (Restated) HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Turnover	954,496	1,037,712	1,100,086	1,159,230	**1,198,127**
Profit before tax	195,155	305,949	319,750	340,859	**353,824**
Income tax expense	(34,538)	(53,966)	(53,054)	(49,598)	**(56,861)**
Profit for the year	160,617	251,983	266,696	291,261	**296,963**
Earnings per share	38.35 HK cents	60.17 HK cents	63.69 HK cents	69.55 HK cents	**70.91 HK cents**
Dividend per share	16.00 HK cents	18.00 HK cents	26.00 HK cents	30.00 HK cents	**32.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

	At 20th February				
	2005 (Restated) HK$'000	2006 (Restated) HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	4,005,887	4,423,392	4,949,661	5,336,192	**5,682,781**
Total liabilities	(2,876,668)	(3,102,847)	(3,472,667)	(3,719,233)	**(3,953,783)**
Shareholders' equity	1,129,219	1,320,545	1,476,994	1,616,959	**1,728,998**

Chairman's Statement

Yoshiki Mori
Chairman

In Japan, the non-bank finance industry is facing difficult operating conditions, owing to the sluggish personal spending and the stringent restrictions resulting from the amendments to relevant laws and regulations, including the Money-Lending Business Control and Regulation Law and the Instalment Sales Law. Under this environment, ACS Japan is shifting its business focus to new, potentially profitable business sectors such as bank agency, e-money and internet services.

In Hong Kong, the global financial tsunami and the slowdown of economic conditions in the second half have caused the operation environment of consumer finance business becoming difficult. The Company has taken prompt actions to tackle the changing operating conditions by strengthening its control on credit business on one hand, and developing fee-based business on the other. Amidst a backdrop of financial instability and uncertainty, I am pleased to report that the Group reported a consolidated net profit of HK$297.0 million, an increase of 2.0% when compared with last year.

MANAGEMENT PHILOSOPHY

The Company is a member of the AEON Group and a subsidiary of ACS Japan, which is listed on the main section of the Tokyo Stock Exchange.

ACS Japan's management philosophy in Japan and the rest of Asia is to support cardholders' lifestyles and enable each individual to maximize future opportunities through effective use of credit. We continue to build trust and meet expectations by paying special attention to cardholders' needs and providing carefully tailored financial services, such as prepaid cards and point systems. At the same time, we seek to earn cardholders' support by constantly working to raise standards of corporate behaviour in the financial service industry, adhering to a strict code of corporate ethics and engaging in activities that benefit society.

The core activities of ACS Japan are credit card and personal loan business. Being the only credit card company that has a retailing background, ACS Japan has a good understanding of consumers' mind and is able to offer benefits to customers in different regions who have different needs. At the same time, through its subsidiaries, ACS Japan broadens the scope of its credit peripheral businesses, including debt recovery, insurance brokerage and servicer operations. ACS Japan aims to be a top brand in the Asian credit card industry and become a comprehensive financial services company centered on the credit business. Besides Hong Kong, ACS Japan has overseas operations and offices in Thailand, Malaysia, Taiwan, Indonesia, China, Vietnam and the Philippines. Up to now, ACS Japan and its subsidiaries have a total of 20.03 million cardholders in Asia.

Chairman's Statement

Given that consumers' interest in corporate social responsibility has escalated, it is important for us to raise society's trust in the company if we want to be the first choice of our customers. Bearing this in mind, ACS Japan will further strengthen its security measures to protect customers' personal information. At the same time, we also remain socially and environmentally active as a corporate citizen through a broad range of activities both in Japan and overseas. We will continue to implement other environmental protection measures by fostering employee-based volunteer activities and through our environmental management system. Moving forward, ACS Japan will remain wholeheartedly focused on providing improved service, safety and reassurance in response to the needs and expectation of its customers.

PERFORMANCE OF THE GROUP

As a result of the aggressive card acquisition programs and sales stimulus campaigns with co-branded partners, the number of active cards recorded a continuous increase in the past one year. Moreover, as an initiative to expand the scope of its operation, the Group now lines up with its affinity merchant and provides internet shopping to its customers. In December 2008, the Company established AEON Brokers, a wholly owned subsidiary to source insurance products from different insurance companies and offer to its customers and business partners. Besides that, the Group has expanded its collection agency business and aims to be one of the most competitive service providers in the market.

The Group is advancing the establishment of a fee-based business model in the Mainland through reinforced card acquisition activities for the AEON Cards issued by our Chinese affiliated companies and the expansion of credit assessment, card issuance and credit guarantee operations. Moreover, the Group is utilizing its fellow subsidiary in the Philippines as an IT platform to support its software development and maintenance jobs.

NEW BUSINESS DEVELOPMENT

In order to create a new source of sales channel, the Group has started its on-line shopping site in March 2009. Cardholders can now enjoy shopping of electrical appliances at preferential prices and some exclusive products through our homepage. We are aggressively developing the merchant network and attracting more users for our internet services through card acquisition and statement insertion.

In addition, revenue from insurance related business has continued to increase during the year. With the set up of AEON Brokers, we can offer tailor-made products ranging from big ticket general insurance items, like employee benefits, marine cargo, and casualty products, to personal insurance items, like personal accident protection and education savings. The Group will utilize its telemarketing team, branch network and web to promote its products.

Chairman's Statement

Meanwhile, consumer finance business in the Mainland is a market that no one can ignore. As a first but important step to enter this market, our associates have commenced card outsourcing and guarantee business in the Mainland. Based on this foundation, we are studying the feasibility of extending the service to other areas of consumer finance business and necessary support will be given to the associates to ensure its successful operation.

OUTLOOK

Whilst the economy in China continues to record healthy rates of growth, and the government announced stimulus measures to support the economy, this may not be able to overcome the general global economic slowdown entirely. On one side, the fall of interest rate and asset prices will stimulate purchase initiatives and borrowing requirements. On the other hand, the unstable economic situation may increase the credit risk of receivables and reduce the availability of funds at reasonable costs to fund the business growth.

As the number of cardholders has reached a significant mass level, besides attracting more members, the Group will strengthen initiatives to sharpen its competitive edge and strive to reinforce credit peripheral businesses, such as the insurance agency and servicer businesses, and other consumer finance related business.

Moreover, the Group will ensure stable funding procurement by diversifying its structured finance tools. With the enforcement of the management assessment of internal control over financial reporting, the Group has already completed its policy of compliance and implemented it on all business operations and will ensure its effectiveness in the coming one year.

With all these measures, we aim to expand the Group's business further and increase its shareholders' value.

ACKNOWLEDGEMENT

On behalf of the Board, we hope that you, our stakeholders – a term that encompasses not only shareholders, business partners and employees but also the local community – will continue to support the Group. I also would like to thank the members of the Board for their diligent guidance and support, the management team for their sound leadership and management, and the staff for their hard work.

森 美樹

Yoshiki Mori
Chairman

Hong Kong, 23rd April 2009

Managing Director's Operational Review

Masanori Kosaka
Managing Director

On behalf of the Board, I am pleased to present to you the Annual Report of the Group for the year ended 20th February 2009.

During the year under review, the Hong Kong economy was being dragged down by the global crisis in the second half, with the prospect of stagnant activity and rising unemployment causing concern within Hong Kong. At the same time, a distressed stock market in the United States had resulted in a slump in both the stock market and property market in Hong Kong. Conditions in the finance sector globally have remained extremely difficult, with bailouts of a number of major global financial institutions having taken place.

The Group faced the challenge with decisive actions in both funding and operation areas, which included the entering of new long-term borrowings, the increase in size of existing collateralised debt obligation, and the restructuring of the marketing channels. As a result of these actions, the Group recorded, on an audited, consolidated basis, net profit of HK$297.0 million for the year ended 20th February 2009, representing an increase of 2.0% or HK$5.7 million when compared to HK$291.3 million in the previous year. On the operating side, a series of marketing campaigns were launched to stimulate the card usage and at the same time reinforce the brand image in the market. On corporate social responsibility, the Group has obtained the "Caring Company" award for two successful years in recognition of its continuous support to various community programs on environmental protection, education and cultural exchange. To maintain a constant return on shareholders' interests, the Board decided to increase the absolute dividend amount to 32.0 HK cents, with a payout ratio of 45.1%.

OPERATIONAL REVIEW

Marketing

During the year under review, the Group had launched a series of marketing initiatives to boost up card and personal loan sales, including the introduction of a prepaid card and co-operation with new partners.

New Credit Cards

On credit card business, the Group had designed tailor-made card acquisition programs with its affinity partners to increase the card base and card usage. To capture new market segments, a number of co-branded cards were launched during the year, including the KCP Visa Card, Choi Fook MasterCard Privilege and KFC Visa Card. The unique features of these cards are well-received by customers.

AEON Summer Night in Ocean Park

In addition, we had also launched a series of joint promotions directing towards card activation through the offering of seasonal discounts, gift redemptions and lucky draws. The AEON Summer Night in Ocean Park had received overwhelming response in the market. As a result, card credit purchase had increased by 14.2% when compared with last year.

With the promotion of cash advance services via ATMs installed inside convenience stores and cross-selling of personal loan products to suit new customer portfolio, we continued to maintain a stable growth in cash advance and personal loan sales.

New Service

In addition to the on-line bill payment service through the AEON Netmember Service, the internet services made available on the Company's website, the Company also launched on-line shopping service to its customers. Net-members can now register through the AEON Netmember Service and make purchases on a variety of different products. This not only provides convenience to our customers but also creates additional credit card sales to the Company.

Moreover, the Company utilized the latest Visa payWave technology and partnered with KFC to launch KFC Visa Card. Cardholders can simply tap their cards on the card readers at merchants accepting Visa payWave to make purchases and no signature is required. This makes transaction processes faster and more convenient than ever.

KFC Visa Card

Managing Director's Operational Review

Insurance Business

The Company has set up AEON Brokers to enter insurance brokerage business. With our widely diversified customer base and merchant network, AEON Brokers will line up with different insurance companies and solicit exclusive products for our cardholders and business partners.

China Business

As a major step for business expansion in the Mainland, the two associated companies, AIS and ACG had entered into an outsourcing agreement and a credit guarantee agreement respectively with related entities of AEON Stores in the Mainland whereby these entities would issue AEON Cards in the Mainland and outsource the card processing and card operation services to AIS, while the payment obligation of cardholders is guaranteed by ACG. Up to now, 80,000 AEON Cards were issued and handled by AIS. This co-operation is expected to provide not only a new revenue stream to the two associates but also a major step for the Group's entry into the consumer finance business in the Mainland.

AEON Card Promotions in China

Credit Rating and ISO

The Company was assigned 'A-' long-term and 'A2' short-term counterparty credit ratings by Standard & Poor's Rating Services. The ratings reflected the Company's solid capitalization, sound profitability and established franchise in Hong Kong. This not only provides confidence to our customers and also helps us to obtain cheaper funding in the market.

Moreover, the Company has successfully obtained ISO 14001 Environmental Management System certification in February 2009. This certification shows that the Company is committed to managing its operations in an environmentally-friendly manner by implementing energy-efficient measures such as reduction in paper and electricity usage. This in turn will help us to cut down on operating cost.

Managing Director's Operational Review

PROSPECTS

Looking forward, 2009 will be a year of challenges. The Asian market was dragged down by the fall of many developed economies and Hong Kong will likely experience economic recession. On the other hand, the Mainland and U.S. governments launched different stimulus packages to rebuild the confidence in finance market and to boost domestic demand and consumption. With the support from the Mainland, the local economy is expected to remain stable, efficient and in a good position to stimulate growth and strive through the current financial hard times. As a result, it is anticipated that the Hong Kong economy will recover when the external environment improves.

Under this operating environment, the challenges ahead for the market players will be the credit risk and funding requirements. The Group will actively strengthen its brand image in the market as providing better life quality for customers and also as a responsible corporate citizen. To this end, the Group will strive to explore new market segments for credit card and loan products, improve service quality, expand service coverage and maximize the returns of its shareholders.

Credit card business will continue to be the core business of the Group, with the primary aim to build in unique card features to suit cardholders' lifestyle. The Group aims to increase the active ratio of new customers and cross-sell other services with additional benefits to such customers. The Group will develop new financial products and cross-sell personal loan, trendy consumer and insurance products to the enlarged member base to ensure full service coverage. With the well-established infrastructure in Hong Kong and the Mainland, the Group will continue to source new business opportunities from companies outsourcing their small debt recovery functions and other credit-related services.

Increase Card Utilisation

AEON JUSCO Card is always the core card for card member growth and usage stimulation. The Company has started to strengthen the benefits of AEON JUSCO Cards by consolidating the benefits offered by co-branded cards as well as discount merchants into AEON JUSCO Cards. Moreover, the Group will continue to utilize temporary credit cards, referral promotion and gold card conversions to recruit new member base and stimulate sales.

Marketing Programs on Co-branded Cards

Under the current economic environment, consumers tend to spend prudently. In order to encourage customers to spend with their credit cards, the Company will conduct attractive mass promotion campaigns with its major business partners and discount merchants. The 10% rebate campaign launched with AEON Stores in March 2009 received overwhelming response in the market.

Mass Promotion Campaigns

The collaboration with different merchants in promoting recurrent transactions through credit cards has successfully improved the active ratio. The Group will continue to launch promotion programs on premium payments, bill payments, and automatic add-value services in the coming few months.

Provide Convenient and Reliable Services

The Group will enhance the Interactive Voice Response System to shorten the enquiring time by customers. The implementation of wireless Card Authorization Terminal will facilitate card acquisition activities using temporary credit cards. With this set up, new card applicants not only can enjoy instant credit facilities but it also speeds up the transaction processing time.

In addition to e-statements, new services will be launched to provide convenient services to customers and to increase net-member usage. This includes account balance enquiry, available limit checking, bonus point redemption, transaction details and payment details.

The Group will continue upgrade its core and sub-systems to cater for the increase in sales transactions and new services launched. With the full operation of backup data centre, the Group is able to ensure a continuous operating environment during times of emergency.

New Products and Services

In order to diversify the sources of sales channels, the Group launched on-line shopping site in March 2009. AEON cardholders can now enjoy shopping electrical appliances at preferential prices and some exclusive products through our homepage. Together with promotion through catalogue, this creates a one-stop solution for customers to purchase products at home through the Group's network.

Managing Director's Operational Review

AEON Gift Card

With the wide merchant network, the Group plans to launch corporate card for business usage purpose. Since AEON gift card has been commonly used by customers to celebrate special occasions, the Group plans to extend its usage for recurrent transactions, including salary payment and remittance.

To increase the attractiveness of loan products, the Group will consider embedding insurance products into loan products in order to reduce risks and increase approval amount. Moreover, the Group will expand the sales channel of loan and insurance products to branch and affinity merchant networks. Through direct contact with customers, staff can identify their personal and family needs in order to prepare tailor-made loan and insurance products for them.

Insurance Counter

New Business Development

Insurance Products

By using its vast customer base, the Group plans to explore more fee based income business opportunities. This not only can reduce the credit risk but also generate more cross-selling channels. With the set up of insurance brokerage company, the Group can line up with more insurance companies and offer unique life and general insurance products to our customers and merchants. Moreover, the Group will continue to solicit unique and exclusive travel related products for its card members.

The Group has been providing collection services to corporate clients in Hong Kong in the fields of telecommunications, insurance, education and finance. The Group aims to expand its service territory to the Mainland in the near future.

China Business

The operation centres in Shenzhen and Guangzhou now provide back-office operations on accounts management, customer services, telemarketing and credit assessment. Besides the group companies, AIS will continue to expand its business to provide these services to clients in both Hong Kong and the Mainland.

The processing agent and guarantee businesses for AEON Card operation will be extended to other provinces and with the existing infrastructure and operation knowledge, the Group will explore new business opportunities with potential partners to cater for the growth of consumer finance market in the Mainland.

SYSTEMS DEVELOPMENT

The Group will continue to enhance its systems to cater for risk monitoring, increase in transaction volume, customers' convenience and expectations and to improve on data and network security and efficiencies within the Group. Moreover, the Group will update its enterprise-wide contingency plan to cater for any unforeseen circumstances and to ensure a continuous operating environment. The measures in the business continuity plan will be tested on a recurrent basis to ensure their efficiencies in time of need.

During the year under review, the Group had continued to upgrade its business continuity plan and arrangement, with the backup for card transaction and call center operation systems being completed. Besides, the Group had enhanced the branch operation, hotline and telemarketing systems, netmember service, and card security. Other operating systems launched this year included online shopping, wireless terminal and Visa payWave.

In the coming year, the Group will put continuous efforts to monitor and enhance the security of its operating systems. Moreover, the Group will extend its business continuity plan to the remaining sub-systems. In addition, operating systems for new product features such as corporate cards will be completed this year. Further upgrade is planned in judgement and data-warehouse so as to improve the operating efficiencies.

Managing Director's Operational Review

HUMAN RESOURCES

The total number of staff as at 20th February 2009 and 20th February 2008 was 351 and 342 respectively. Employees are remunerated according to the job nature and market trends, with a built-in-merit component incorporated in the annual increment to reward and motivate individual performance. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Company. The Company also provides in-housing training programs and external training sponsorships to strengthen its human resources.

Annual Dinner

To foster a sense of belonging and team spirit among staff members, the Company issues staff newsletters and organize various activities for the staff.

COROPORATE SOCIAL RESPONSIBILITY

As a coral member of the "Caring Company" patron's club organized by the Hong Kong Council of Social Service, the Group takes pride in making charitable contributions to the local community. Not only do we strive hard to provide a reasonable return to our shareholders, we also emphasize on three key words, "peace", "people" and "community" in our Group's philosophy.


One Tonne Challenge Opening Ceremony

To fulfil the mission of "conserve the environment through reduction of carbon dioxide", both staff and customers participated in the One Tonne Challenge@NGO organized by Tai Po Environmental Association and over 600 tonnes of carbon dioxide had been saved.

The Group had continued to sponsor charitable projects of environmental conservation, education and cultural exchange through AEON Education and Environment Fund Limited. The new projects sponsored included the full support to "UNICEF Young Envoys Programme 2008", "21st HKSAR Outstanding Students Selection 2008" and "The Environmental Ambassadors Programme 2008", as well as the sponsorship to "Ngong Ping Charity Walk 2009".

Managing Director's Operational Review

In China, the Group had continued to involve in the scholarship and research programs in Beijing and Guangdong Province, including Tsinghua University and Sun Yat-sen University.

In the coming year, the Group will continue to practice good corporate citizenship to help the less privileged and work towards a green living environment.

2009 Tree Planting Day

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt gratitude to our customers, business partners, and shareholders for their long-standing trust in and support for the Group. I also wish to acknowledge the exemplary hard work carried out with commitment and passion at every level within the Group, especially the trustworthy management team and the members of the Board for their diligent guidance and support. This work attitude and spirit bode well for the Group's long term growth and expansion.

Masanori KOSAKA
Managing Director

Hong Kong, 23rd April 2009

Management Discussion and Analysis

Hit by the global financial tsunami, the Hong Kong economy slowed down significantly in 2008. Meanwhile, unemployment rate climbed to 5% by end of February 2009, while the stock market slumped with an accumulated fall in 2008 of over 46% in Hang Seng Index. The property market was weak. Following the Lehman shock in September 2008, HIBOR surged to 3% and with the efforts put together by different governments to cut interest rates to stabilize the economy, HIBOR come down to a level of 0.1%.

On sales side, the Group continued to record a growth in the sales volume of credit card and personal loan business. The launch of new marketing programs and the recruit of more co-branded cardholders had boosted up credit card sales. With the use of the Group's branch and merchant networks to cross-sell different loan products, personal loan sales continued to generate a stable contribution to the operation.

KEY FINANCIAL HIGHLIGHTS

For the financial year ended 20th February 2009, on an audited basis, profit before tax was HK$353.8 million, an increase of 3.8% when compared with last year. After deducting income tax expense of HK$56.9 million, the Group achieved a profit growth of 2.0%, with profit for the year increased from HK$291.3 million in the previous year to HK$297.0 million. Earnings per share increased by 2.0% from 69.55 HK cents to 70.91 HK cents in 2008/09.

Operating revenue before interest expense for the year was HK$1,214.8 million, as compared with HK$1,167.8 million in 2007/08.

Operating income was HK$1,064.1 million, an increase of HK$59.9 million when compared with HK$1,004.2 million in 2007/08. Operating expenses increased by 1.5% from HK$365.8 million to HK$371.3 million, with cost-to-income ratio moved from 36.4% in the previous year to 34.9%. At the operating level before impairment losses and impairment allowances, the Group recorded an increase in operating profit by HK$54.4 million from HK$638.4 million in 2007/08 to HK$692.8 million.

The Group's impairment losses and impairment allowances recorded an increase of 15.8% from HK$332.2 million in the previous year to HK$384.8 million. On the other hand, recoveries of receivables written-off recorded an increase of 41.1% from HK$37.0 million in 2007/08 to HK$52.3 million in 2008/09.

With a solid infrastructure and customer base, the Group was able to capitalize on market growth opportunities despite an adverse change in the operating conditions. At 20th February 2009, gross advances and receivables stood at HK$5,087.5 million, an increase of 4.4%, or HK$215.3 million, when compared with HK$4,872.2 million at 20th February 2008. Net asset value per share (after final dividend) at 20th February 2009 was HK$4.0, as compared to HK$3.7 at 20th February 2008.

Management Discussion and Analysis

The Board proposed the payment of a final dividend of 16.0 HK cents per share. Together with an interim dividend of 16.0 HK cents per share already paid, the total dividend for the year increased to 32.0 HK cents per share from 30.0 HK cents per share in 2007/08, representing a dividend payout ratio of 45.1%.

CONSOLIDATED INCOME STATEMENT ANALYSIS

Operating Income

The growth in sales transactions had resulted in the increase in interest income by 3.7% from HK$1,031.4 million in 2007/08 to HK$1,069.8 million. With the continuous drop in HIBOR, the Group locked in more fixed rate long-term borrowings with lower interest rates. As a result, the average funding cost moved down from 4.6% in the previous year to 4.2%. Despite an increase in funding requirement, interest expense was HK$150.7 million, a decrease of 7.8% when compared with last year. The Group's net interest income recorded an increase of 5.9% to HK$919.0 million from HK$867.8 million in 2007/08.

The growth in credit purchase sales had increased the commission income received and, together with an increase in fees from providing other consumer related services, other operating income increased by 2.4% from HK$130.5 million to HK$133.6 million.

Other gains and losses of HK$11.5 million mainly represent the gain on disposal of available-for-sale investment and hedge ineffectiveness on cash flow hedges. During the year, the Group disposed of its investment in shares listed overseas and the proceeds are for general working capital requirements.

Operating Expenses

With the change in the operating environment, additional resources had been devoted to the monitoring of portfolio performance. Moreover, the Group had spent more on card and loan processing expenses for the increase in cardholders recruited through new marketing programs. On the other hand, the Group had implemented stringent control on other operating expenses, including marketing expenses and staff costs. As a result, the operating expenses recorded a slight increase of 1.5% from HK$365.8 million in 2007/08 to HK$371.3 million. The Group's cost-to-income ratio was 34.9%, as compared with 36.4% in 2007/08.

Impairment Losses and Impairment Allowances

In light of the increase in credit risk in credit markets, the Group had taken appropriate steps to control impairment losses on advances and receivables. Together with the increase in advances recorded during the year, impairment losses and impairment allowances increased by 15.8% from HK$332.2 million in 2007/08 to HK$384.8 million in 2008/09, while recoveries of receivables written-off for the year amounted to HK$52.3 million as compared with HK$37.1 million in the previous year. Impairment allowances amounted to HK$169.0 million at 20th February 2009, as compared with HK$142.4 million at 20th February 2008.

CONSOLIDATED BALANCE SHEET ANALYSIS

The Group's shareholders' funds at 20th February 2009 were HK$1,729.0 million, representing a growth of 6.9%, or HK$112.0 million, when compared with the balance at 20th February 2008.

Advances and Receivables

With the issue of more cards and launch of different marketing programs, credit card receivables increased by HK$151.4 million from HK$3,270.6 million at 20th February 2008 to HK$3,422.0 million at 20th February 2009. The acquisition of new customer portfolio had expanded the base for cross-selling loan products. Instalment loans receivable reached HK$1,456.9 million, an increase of HK$69.3 million when compared with last year. As card instalment plan was commonly accepted in the market, hire purchase debtors recorded a further drop from HK$115.6 million in the previous year to HK$97.5 million at 20th February 2009. With the increase in advances, the accrued interest and other receivables increased by HK$12.7 million to HK$111.2 million at 20th February 2009. As a result, gross advances and receivables increased by 4.4% or HK$215.3 million, from HK$4,872.2 million at 20th February 2008 to HK$5,087.5 million at 20th February 2009.

With an increase in gross advances and receivables and the percentage of overdue advances and receivables, the Group increased the amount of impairment allowances. Impairment allowances amounted to HK$169.0 million at 20th February 2009, as compared with HK$142.4 million at 20th February 2008 and representing 3.3% of gross advances and receivables.

Available-for-Sale Investments

During the year, the Group subscribed for 100,000 new shares in AEON Philippines, a fellow subsidiary, for a cash consideration of HK$1,839,000. Upon completion of the subscription, the Group owns 10.0% of the issued share capital of AEON Philippines. The investment is expected to bring good returns to the Group in the long run and thus enhancing the shareholders' value of the Group.

Moreover, the Group subscribed 1,000,000 shares in China UnionPay. The investment is expected to bring good returns to the Group and thus enhancing the shareholders' value of the Group.

Collateralised Debt Obligation

The Company entered into a HK$850.0 million collateralised debt obligation transaction (the "Transaction") as long-term funding. Pursuant to this Transaction, the Company transferred credit card receivables to a trust established solely for this financing purpose. The Transaction will last for three more years and commence amortization in 2012. According to HKAS 39, both assets transferred and debt issued under this Transaction have not been derecognised and remained in the Group's consolidated financial statements.

The collateralised debt obligation amounted to HK$847.3 million at 20th February 2009 and carried a fixed interest coupon. This was secured by credit card receivables of HK$1,387.9 million and restricted cash of HK$94.9 million.

To secure more direct funding, the Company had entered into a further agreement on 31st March 2009 to increase the size of the collateralised debt obligation to HK$1.1 billion.

Funding and Capital Management

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 20th February 2009, 31.7% of the funding was derived from shareholders' equity, 15.5% from structured finance and 52.8% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th February 2009, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,880.8 million, with 21.9% being fixed in interest rates and 60.9% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 28.4% of these indebtedness will mature within one year, 14.9% between one and two years, 23.7% between two and three years, 22.7% between three and four years and 10.3% over four years. The average duration of indebtedness was around 2.2 years.

The Group's bank borrowings were denominated in Hong Kong dollars, except for a syndicated term loan of JPY 7.5 billion which was hedged by a cross-currency interest rate swap.

The Group continued to maintain a strong financial position. The net debt to equity ratio at 20th February 2009 was as follows:

	2009 HK$'000	2008 HK$'000
Debt	**3,728,047**	3,500,812
Cash and cash equivalents	**(334,484)**	(242,842)
Net debt	**3,393,563**	3,257,970
Equity	**1,728,998**	1,616,959
Net debt to equity ratio	**1.96**	2.01

The net asset of the Group at 20th February 2009 was HK$1,729.0 million, as compared with HK$1,617.0 million at 20th February 2008.

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 year under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings.

Capital expenditure for the year amounted to HK$34.9 million as compared to HK$23.6 million in the previous year. This was mainly related to the software development on the enhancement of the operating efficiencies. At 20th February 2009, capital commitments entered were mainly related to the purchase of property, plant and equipment.

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.

In determining the dividend payment, the objective is to reward shareholders with dividend income while retaining funds for the changing operating environment in both Hong Kong and the Mainland. Under current stock market situation, shareholders generally expect a reasonable return on their investments and a stable share price. In order to meet shareholders' expectation, the Board decided to increase the full year absolute dividend amount from 30.0 HK cents to 32.0 HK cents for the year ended 20th February 2009, and a payout out ratio of 45.1%.

SEGMENT INFORMATION

The Group's business comprised mainly three operating divisions, namely credit card, instalment loans and hire purchase. In 2008/09, credit card operation accounted for 68.9% of the Group's turnover, as compared to 66.0% in 2007/08. For operating income after deducting impairment losses and impairment allowances, credit card operation accounted for 69.4% in 2008/09, as compared to 67.7% in 2007/08.

With the issue of more cards, the good response to different promotion campaigns and the lower funding costs, net interest income from credit card operation increased by HK$63.6 million, from HK$543.2 million in 2007/08 to HK$606.8 million in 2008/09. Since the increase in commission income received was offset by the drop in handling and late charges, other operating income just recorded a slight increase of HK$0.5 million from HK$107.4 million to HK$107.9 million in 2008/09. With the increase in unemployment rate, impairment losses and impairment allowances for credit card operation recorded an increase of 23.6% or HK$47.4 million from HK$200.8 million in 2007/08 and HK$248.2 million in 2008/09. On the other hand, recoveries of receivables written-off had reported an increase of 35.2% or HK$10.7 million from HK$30.4 million in 2007/08 to HK$41.1 million in 2008/09. As a result, the operating results from credit card operation recorded an increase of 5.7% or HK$27.4 million from HK$480.2 million in 2007/08 to HK$507.6 million in 2008/09.

With the enlarged customer base and distribution channels, the Group remained active in developing its instalment loan business. However, with the keen competition in the market, instalment loan operation accounted for 29.6% of the Group's turnover for the year ended 20th February 2009, as compared to 31.6% in 2007/08. Net interest income from instalment loan operation recorded a decrease of HK$6.0 million, from HK$318.8 million in 2007/08 to HK$312.8 million in 2008/09. Other operating income also recorded a decrease of HK$1.4 million from HK$14.3 million in 2007/08 to HK$12.8 million in 2008/09. With the exercise of a cautious credit assessment, impairment losses and impairment allowances recorded a moderate increase by HK$5.7 million from HK$128.0 million in 2007/08 to HK$133.7 million in 2008/09. This was compensated by the increase in the recoveries of receivables written-off by HK$3.4 million to HK$9.2 million in 2008/09. As a result, the operating results from instalment loan operation recorded a drop by 4.6% or HK$9.7 million from HK$210.8 million in 2007/08 to HK$201.1 million in 2008/09.

Hire purchase operation recorded a slight increase in interest income and other operating income by HK$0.2 million from HK$8.9 million in 2007/08 to HK$9.1 million in 2008/09. Impairment losses and impairment allowances recorded a drop from HK$3.4 million in 2007/08 to HK$2.9 million in 2008/09. Moreover, recoveries of receivables written-off were HK$2.0 million in 2008/09 and HK$0.9 million in 2007/08. As a result, the operating results from hire purchase operation increased from HK$6.3 million in 2007/08 to HK$8.2 million in 2008/09.

COMPETITIVE ADVANTAGES

Synergy

The Group continued to benefit from the strong connections with affiliated merchants by launching various co-branded cards and using the merchants' networks as card acquisition base and cross-selling channels.

Know-how and Expertise

ACS Japan has extensive know-how and expertise in the consumer finance industry and brings in innovative ideas on the marketing and card acquisition programmes.

Customer Base

The customer base of the Group is widely diversified. The new cardholders recruited in this financial year were mainly related to merchants in the retail, catering and travel industries. Around 60% of the customers are in the age range of 30 to 50. With the launch of more co-branded cards, the percentage of female cardholders is around 70%.

Convenient Service

For ease of payment, customers can settle their payments via branch counters, convenience stores networks, phone banking, internet banking and ATM networks. Customers can also have easy access to speedy and convenient cash advance and personal loan services via the extensive ATM networks as well as the Group's branch network and call centres. For card spending, the extensive discount merchant network continues to provide convenience and wide-ranging choices to cardholders. The launch of on-line shopping and bill payment services allows cardholders to register through AEON's website and perform purchase or make payments.

Quality Service

The Group obtained ISO 27001 certification for information security management system, ISO 9001 certification for quality management system, ISO 10002 certification for customer satisfaction – complaints management system and ISO 14001 certification for environmental management system. These certifications help ensure that the highest level of quality service is being offered to customers.

Directors and Senior Management Profile

DIRECTORS

Mr. Yoshiki Mori, aged 58, was appointed a Non-executive Director and Chairman of the Company on 16th May 1992 and 16th June 1999 respectively. He is also the Chairman of ÆON Credit Service Co., Ltd. and a director of ÆON Co., Ltd., AEON Thana Sinsap (Thailand) Public Company Limited, AEON Credit Service (M) Berhad, AEON Credit Service (Taiwan) Co., Ltd., AEON Credit Card (Taiwan) Co., Ltd. and ACS Capital Corporation Ltd. Mr. Mori holds a Bachelor's degree in Economics from Nanzan University.

Mr. Masanori Kosaka, aged 52, was appointed an Executive Director and Managing Director of the Company on 25th April 2002 and 20th June 2002 respectively. He was formerly with the Company from March 1993 to June 1996 and rejoined the Company in April 2002. He is also a director of AEON Information Service (Shenzhen) Co., Ltd. and AEON Credit Guarantee (China) Co., Ltd. Mr. Kosaka holds a Bachelor's degree in Law from Kyoto Sangyo University.

Mr. Lai Yuk Kwong, aged 46, was appointed an Executive Director and Deputy Managing Director of the Company on 16th June 1999 and 14th June 2006 respectively. He joined the Company in July 1996. He is in charge of the Accounts and Finance Division. Mr. Lai holds a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and the IT Accountants Association, and an associate member of the Institute of Chartered Accountants in England & Wales. Mr. Lai had worked with an international audit firm for six years.

Mr. Tomoyuki Kawahara, aged 48, was appointed an Executive Director and Senior Executive Director of the Company on 14th June 2006 and 15th June 2007 respectively. He joined the Company in September 2000. He is in charge of the Internal Operations Division of the Company. Mr. Kawahara holds a Bachelor's degree in Business Administration from Hokkaido University.

Ms. Koh Yik Kung, aged 53, was appointed an Executive Director of the Company on 21st June 2001. She is also the Company Secretary and in-house counsel. She is in charge of the Corporate Affairs Division of the Company. She was formerly with the Company from August 1992 to June 1994 and rejoined the Company in November 1998. Ms. Koh holds a Bachelor's degree in Law from South Bank University. She is a barrister.

Dr. Pan Shu Pin, Ban, aged 41, was appointed an Executive Director of the Company on 14th June 2006. He is responsible for the business planning and development of the China market. He was formerly with the Company from April 1993 to September 1996 and rejoined the Company in April 1998. He is also a director of AEON Credit Guarantee (China) Co., Ltd. Dr. Pan holds a Bachelor's degree in Computer Science and a Management Certificate in Management Information System from University of Lethbridge, a Master's degree in Business Administration from South Eastern University and a Doctorate in Business Administration from Wisconsin International University.

Directors and Senior Management Profile

Mr. Fung Kam Shing, Barry, aged 46, was appointed an Executive Director of the Company on 14th June 2006. He joined the Company in May 2002. He is in charge of the Marketing Division of the Company. He is also a director of AEON Credit Guarantee (China) Co., Ltd. Mr. Fung holds a Bachelor's degree in Business Administration from Yokohama National University. He is also a Chartered Financial Analyst. Prior to joining the Company, he worked for a number of major international banks in Hong Kong, Singapore and Japan.

Mr. Kazuhide Kamitani, aged 52, was the Managing Director of the Company from June 1990 to June 2002 and re-designated as Non-executive Director of the Company on 20th June 2002. He is the President of ÆON Credit Service Co., Ltd. Mr. Kamitani holds a Bachelor's degree in Management from Ritsumeikan University.

Mr. Takatoshi Ikenishi, aged 44, was appointed as a Non-executive Director of the Company on 23rd September 2008. He is also a director of ÆON Credit Service Co., Ltd., AEON Thana Sinsap (Thailand) Public Company Limited, AEON Credit Service (M) Berhad, AEON Information Service (Shenzhen) Co., Ltd., AEON Credit Guarantee (China) Co., Ltd., AEON Credit Card (Taiwan) Co., Ltd. and PT. AEON Credit Service Indonesia. He has over 20 years of experience in the banking and finance industry. Mr. Ikenishi holds a Bachelor's degree in Economics from Kwansei Gakuin University.

Mr. Wong Hin Wing, aged 46, was appointed an Independent Non-executive Director on 13th October 2004. He holds a Master's degree in Executive Business Administration from Chinese University of Hong Kong. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants, as well as a member of the American Institute of Certified Public Accountants. He is also a fellow member of the Institute of Chartered Secretaries and Administrators and a member of the Securities & Investment Institute. He is currently the Chief Executive Officer and responsible officer of Legend Capital Partners, Inc., a licensed corporation under the Securities and Futures Ordinance. He is also an independent non-executive director of Guangzhou Pharmaceutical Company Limited, a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange. Mr. Wong has 25 years of experience in accounting, finance, investment management and advisory.

Dr. Hui Ching Shan, aged 58, was appointed an Independent Non-executive Director on 26th June 2006. He holds a Bachelor's degree in Social Science from University of Hong Kong, a Master's degree in Business Administration from University of Toronto, a Doctorate in Business Administration from University of South Australia and a Postgraduate Certificate in Laws from University of Hong Kong. He is also a Certified Management Accountant of Canada and a member of the Hong Kong Institute of Chartered Secretaries. He is currently a director of Sun Wah Media Holdings Limited and Sun Wah Kadokawa (Hong Kong) Group Limited. Dr. Hui has over 15 years of experience in commercial and merchant banking and had held senior positions in a number of local and international merchant banks.

SENIOR MANAGEMENT

Mr. Ivan S. C. Wong, aged 48, is the General Manager responsible for the call centre operations in the Mainland. He joined the Company in May 1996. He is a Director of AEON Information Service (Shenzhen) Co., Ltd. Mr. Wong holds a Bachelor's degree in Business Administration from Royal Melbourne Institute of Technology University and a Diploma in Management Studies from Hong Kong Polytechnic University. Prior to joining the Company, he worked for a major bank in Hong Kong for 10 years.

Mr. Jamie S. S. Lei, aged 50, is the Managing Director of AEON Insurance Brokers (HK) Limited. He joined the Company in April 1998. Mr. Lei holds a Bachelor's degree in Economics from St. Francis Xavier University. Prior to joining the Company, he worked for a major U.S. bank in Hong Kong.

Mr. Yukio Matsumoto, aged 47, is the General Manager responsible for the system development in the Mainland. He was formerly with the Company from October 1996 to March 2001 and rejoined the Company in January 2003. Mr. Matsumoto holds a Bachelor's degree in Economics from Dokkyo University.

Ms. Dorothy F. K. Chan, aged 40, is the Financial Controller of the Company. She joined the Company in April 1995. Ms. Chan holds a Professional Diploma in Accountancy from Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England & Wales..

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers and employees. The Company has complied with the code provisions of the CG Code throughout the accounting year ended 20th February 2009, except for the deviations from code provisions A.4.1, A.4.2 and B.1.1 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 the 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.

The second limb of the code provision B.1.1 provides that a majority of the members of the remuneration committee should be independent non-executive directors.

The Company had three Independent Non-executive Directors and each of the Audit Committee and Remuneration Committee of the Company comprised three Independent Non-executive Directors and two Non-executive Directors. Following the resignation of an Independent Non-executive Director on 24th September 2008, the Company has only two Independent Non-executive Directors and each of the Audit Committee and Remuneration Committee comprises two Independent Non-executive Directors and two Non-executive Directors, which does not meet the requirements of Rules 3.10(1) and 3.21 of the Listing Rules and deviates from code provision B.1.1. The Company is actively looking for a suitable candidate to fill the vacancy in compliance with Rules 3.10(1) and 3.21 of the Listing Rules and code provision B.1.1.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD

The Board is charged with leading the Company in a responsible and effective manner. The Board has adopted formal terms of reference, which detail its functions and responsibilities. Its main responsibilities include, but not limited to, approving the Company's long-term objectives and commercial strategy, ensuring competent and prudent management, ensuring sound planning, ensuring the maintenance of an adequate system of internal control and the compliance with statutory and regulatory obligations. Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Company. Daily operations and administration are delegated to the management.

As at the date of this report, the Board comprises eleven members, consisting of six Executive Directors and five Non-executive Directors, out of whom two are Independent Non-executive Directors.

The Non-executive Directors bring a wide range of expertise and knowledge in the consumer finance sector to the Company. The Independent Non-executive Directors are persons with extensive experience as well as academic and professional qualifications in the fields of finance and accounting. They provide valuable advice to the Board towards the effective discharge of its duties and responsibilities. The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

The Company has in place established Board process. Regular Board meetings are scheduled one year in advance and held at least four times a year, and, if necessary, additional meetings will be arranged. At least fourteen days notice of all Board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The agenda and the accompanying Board materials are normally sent to all Directors three days in advance of the Board meetings to facilitate informed discussion and decision-making. Management provides appropriate and sufficient information to the Board and its committees in a timely manner to enable them to make informed decisions. Members of the senior management are invited to attend Board meetings to make presentations or answer the Board's enquiries.

The Company Secretary is responsible for taking minutes of the Board and committee meetings. Minutes of the Board and committee meetings record in sufficient detail of matters and concerns discussed are kept by the Company Secretary and open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of Board and committee meetings are sent to Directors for their comments and records within a reasonable time after each meeting. All Directors have access to the advice and services of the Company Secretary, and are allowed to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and maintain good corporate governance practice.

Newly appointed Directors will receive an orientation package including key legal requirements, the Company's Memorandum and Articles of Association and the Company's policies and guidelines. Executive Directors and senior management will meet with the new Directors to provide them with more detailed knowledge of the Company's business and operations.

During the year, four regular Board meetings were held, and details of Directors' attendance record are set out below:

Directors	**Attendance**
Executive Directors:	
Masanori Kosaka	4/4
Lai Yuk Kwong	4/4
Tomoyuki Kawahara	4/4
Koh Yik Kung	4/4
Pan Shu Pin, Ban	4/4
Fung Kam Shing, Barry	4/4
Non-executive Directors:	
Yoshiki Mori (*Chairman*)	3/4
Kazuhide Kamitani	1/4
Takatoshi Ikenishi*	2/2
Independent Non-executive Directors:	
Tsang Wing Hong**	3/3
Wong Hin Wing	4/4
Hui Ching Shan	4/4

* *appointed on 23rd September 2008*
** *resigned on 24th September 2008*

CHAIRMAN AND CHIEF EXECUTIVE

The Chairman and Managing Director of the Company are Mr. Yoshiki Mori and Mr. Masanori Kosaka. The roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual. The division of responsibilities between the Chairman and the Managing Director have been clearly established and set out in writing.

The Chairman is responsible for the effective running of the Board, while the Managing Director is delegated with the authorities to manage the business of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association, all Directors are subject to retirement at each annual general meeting of the Company. Any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

The Company does not have a Nomination Committee as the role and function of such committee is performed by the Board. The Board as a whole is responsible for the procedure for agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. The Board will identify individuals suitably qualified to become its members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account his experience, qualification and other relevant factors. All candidates must also meet the standards set out in the Listing Rules. A candidate who is to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

During the year, the Company appointed a Non-executive Director who shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The annual general meeting circular contains information on re-election of Directors including detailed biography of all Directors standing for re-election to enable shareholders to make an informed decision on their election.

REMUNERATION COMMITTEE

The salary and annual incentive of the Executive Directors and senior management are determined by the Remuneration Committee. No Director is involved in deciding his own remuneration.

As at the date of this report, the Remuneration Committee of the Company comprises two Non-executive Directors and two Independent Non-executive Directors, namely Mr. Yoshiki Mori, Mr. Kazuhide Kamitani, Mr. Wong Hin Wing and Dr. Hui Ching Shan. The principal duties of the Remuneration Committee are to review and make recommendations to the Board the individual remuneration packages of the Executive Directors and senior management. The Remuneration Committee meets at least once a year, and its terms of reference are posted on the Company's website. The emoluments payable to the Executive Directors are decided with the objective to provide remuneration in form and amount, which will motivate and retain high calibre executives. Details of the Directors' emoluments are set out in note 12 to the consolidated financial statements.

The Remuneration Committee held one meeting for the year ended 20th February 2009, during which the Committee reviewed the salaries and performance bonuses for the Executive Directors and senior management and recommended to the Board the Directors' fees for the Independent Non-executive Directors. Details of attendance record of members of the Remuneration Committee are set out below:

Members	**Attendance**
Tsang Wing Hong *(Chairman)***	1/1
Yoshiki Mori	1/1
Kazuhide Kamitani	0/1
Wong Hin Wing	1/1
Hui Ching Shan	1/1

** *resigned on 24th September 2008*

AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company comprises two Non-executive Directors and two Independent Non-executive Directors, namely Mr. Yoshiki Mori, Mr. Kazuhide Kamitani, Mr. Wong Hin Wing and Dr. Hui Ching Shan. Members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management expertise. The principal duties of the Audit Committee include the review of the nature and scope of audit performed, the review of financial information of the Company, as well as the oversight of the Company's financial reporting system and internal control procedures. The Audit Committee will also discuss matters raised by external auditor to ensure that appropriate recommendations are implemented. The Audit Committee meets at least twice a year, and its terms of reference are posted on the Company's website.

The Audit Committee held three meetings for the year ended 20th February 2009, and the meetings were attended by external auditor and the qualified accountant. The work performed by the Audit Committee included:

- Met with external auditor to discuss the general scope of their audit work;
- Reviewed external auditor's management letter and management's response;
- Reviewed management representation letter;
- Reviewed the effectiveness of internal control system;
- Reviewed and approved internal audit plan;

- Reviewed and approved the engagement of external auditor for providing non-audit services;
- Reviewed and approved the remuneration in respect of audit and non-audit services provided by external auditor;
- Reviewed the independence and objectivity of external auditor;
- Met with external auditor to discuss issues arising from the audit of annual accounts and review of interim accounts;
- Reviewed the annual report and accounts and half-year interim report;
- Recommended to the Board the appointment of external auditor;
- Reviewed the continuing connected transactions.

Details of attendance record of members of the Audit Committee are set out below:

Members	**Attendance**
Tsang Wing Hong *(Chairman)***	2/2
Yoshiki Mori	2/3
Kazuhide Kamitani	1/3
Wong Hin Wing	3/3
Hui Ching Shan	3/3

** *resigned on 24th September 2008*

INTERNAL CONTROL

The Board and senior management are responsible for establishing, maintaining and operating a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems and achievement of the Company's objectives.

The internal control system of the Company includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The internal control system has been designed to safeguard the Company's assets against unauthorized use or disposition; to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standard.

The key processes that have been established in ensuring the adequacy and integrity of the system of internal controls include the following:

- Management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose;

- Systems and procedures are laid down to identify, measure, manage and control different risks, including legal, credit, market, concentration, operational, environmental, behavioural and systematic risks that may have an impact on the consumer finance business in Hong Kong;

- Division heads are involved in preparing the strategic plan in accordance with the corporate strategies to be pursued in the next three years for achieving the annual operating plan and operational targets. Based on the strategic plan, the annual operating plan and annual budget will be prepared and approved by the Board on an annual basis. The budget will be reviewed on a half-year basis with reference to the market situation, and the business and financial performance;

- The Company's Audit and Assurance Department monitors the Company's internal governance and strives to provide objective assurance to the Board that a sound internal control system is maintained and operated by the management in compliance with agreed processes and standards by performing periodic checking. Significant issues in the management letters from both internal and external auditors will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time. Annual internal audit plan is designed with audit resources to focus on higher risk areas and submitted to the Audit Committee for review and approval.

The Board, through the Audit Committee, assesses the effectiveness of the Company's internal control system which covers all material controls, including financial, operational and compliance controls as well as risk management functions, on an annual basis. Such annual review will also consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. During the year under review, no major issue but areas for improvement have been identified by internal and external auditors and appropriate measures taken. The Board is of the view that the system of internal controls in place for the year and up to the date of issuance of the annual report is sound and is sufficient to safeguard the interests of the shareholders, the customers, the employees and of the Company's assets.

ACCOUNTABILITY AND AUDIT

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information presented before the Board for approval.

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 20th February 2009, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The Group has announced its annual and interim results in a timely manner within the limits of four months and three months respectively after the end of the relevant period, as laid down in the Listing Rules.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the Company's external auditor at the 2008 AGM until the conclusion of the 2009 AGM.

During the year under review, a remuneration of HK$1,850,000 was paid or payable to Deloitte Touche Tohmatsu for the provision of audit services. In addition, the following remunerations were paid or payable to Deloitte Touche Tohmatsu for the provision of non-audit related services to the Company:

Services rendered	**Fees HK$'000**
Taxation compliance	130
Agreed upon procedures	621
Advisory services on internal control	768
Total	1,519

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with shareholders and investors. The Company establishes various communication channels with its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, announcements, circulars, the Company's website and meetings with investors and analysts.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Directors, senior management and external auditor make an effort to attend the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors. To ensure compliance with the newly amended CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least twenty clear business days before the meeting. Voting at the 2009 AGM will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures. The results of the poll will be published on both the Stock Exchange's and the Company's websites.

The 2008 AGM was held on Friday, 20th June 2008. The notice of the 2008 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than twenty one days before the 2008 AGM. Details of the rights of shareholders to demand a poll were set out in the circular. The Chairman of the Board and Chairman of the Audit Committee and Remuneration Committee attended the 2008 AGM and were available to answer shareholders' questions. The Managing Director who took the chair explained the procedures for demanding a poll at the commencement of the 2008 AGM. All the resolutions at the 2008 AGM were dealt with on a show of hands and the Chairman of the meeting also indicated to the meeting the level of proxies lodged on each resolution after it had been dealt with on a show of hands.

The management personnel responsible for investor relations holds regular meetings with equity research analysts, fund managers and institutional shareholders and investors. In addition, press conferences and investors' and analysts' presentations are held after the interim and final results announcements.

The market capitalization of the Company as at 20th February 2009 was HK$1,340,050,000 (issued share capital: 418,765,600 shares at closing market price: HK$3.2 per share).

The 2009 AGM will be held at Harbour View Room I & II, 3/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 19th June 2009 at 10:00 a.m.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 20th February 2009.

PRINCIPAL ACTIVITIES

The Group are engaged in the provision of consumer credit finance services, which include the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products, and insurance brokerage business.

NET DEBT TO EQUITY RATIO

At 20th February 2009, the net debt to equity ratio was 1.96 (2008: 2.01).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 20th February 2009 are set out in the consolidated income statement on page 47.

An interim dividend of 16.0 HK cents (2008: interim and special dividend of 10.0 HK cents and 5.0 HK cents) per share amounting to HK$67,002,000 (2008: HK$62,815,000) was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 16.0 HK cents (2008: 15.0 HK cents) per share to the shareholders on the Register of Members on 19th June 2009 amounting to HK$67,003,000, and the retention of the remaining profit for the year of HK$162,958,000.

MAJOR CUSTOMERS

During the year, the Group derived less than 30% of its income from its five largest customers.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group and the Company spent approximately HK$33,089,000 on computer equipment, HK$1,385,000 on motor vehicles, HK$230,000 on leasehold improvements and HK$225,000 on furniture and fixtures.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the consolidated financial statements.

Directors' Report

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Masanori Kosaka *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Tomoyuki Kawahara *(Senior Executive Director)*
Koh Yik Kung
Pan Shu Pin, Ban
Fung Kam Shing, Barry

Non-executive Directors:

Yoshiki Mori *(Chairman)*
Kazuhide Kamitani
Takatoshi Ikenishi (Appointed on 23rd September 2008)

Independent Non-executive Directors:

Tsang Wing Hong (Resigned on 24th September 2008)
Wong Hin Wing
Hui Ching Shan

In accordance with Article 102 of the Articles of Association, all Directors shall retire at the 2009 AGM and, being eligible, offer themselves for re-election.

Following the resignation of Mr. Tsang Wing Hong on 24th September 2008, the Company has only two Independent Non-executive Directors, which falls below the minimum number required under Rule 3.10(1) of the Listing Rules. The Company is actively looking for a suitable candidate to fill the vacancy in compliance with Rule 3.10(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2009 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' INTERESTS IN SHARES

At 20th February 2009, 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
Yoshiki Mori	280,000	0.07
Masanori Kosaka	110,000	0.03
Kazuhide Kamitani	1,000,000	0.24

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

Directors	Number of shares held under personal interests	Percentage of the issued share capital of ACS Japan
Yoshiki Mori	42,126	0.03
Masanori Kosaka	9,096	0.01
Kazuhide Kamitani	12,645	0.01
Takatoshi Ikenishi	100	0.01

(c) AEON Japan – ultimate holding company of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Japan
Yoshiki Mori	7,500	0.01

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

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AEON Thailand
Yoshiki Mori	1,402,600	0.56
Masanori Kosaka	100,000	0.04
Kazuhide Kamitani	500,000	0.20

DIRECTORS' INTERESTS IN SHARES (Cont'd)

(e) AEON Malaysia – a fellow subsidiary of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AEON Malaysia
Yoshiki Mori	480,000	0.40
Masanori Kosaka	90,000	0.08
Kazuhide Kamitani	180,000	0.15

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 February 2009.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 20th February 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company:

Name	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	277,288,000	66.22
ACS Japan *(Note 2)*	217,514,000	51.94
Aberdeen Asset Management Plc and its Associates	29,672,000	7.08
DJE Investment S.A. *(Note 3)*	25,240,000	6.03

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

(1) AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 45.60% and 71.64% of the issued share capital of ACS Japan and AEON Stores respectively, was deemed to be interested in the 217,514,000 shares and 3,784,000 shares owned by ACS Japan and AEON Stores respectively.

(2) Out of 217,514,000 shares, 213,114,000 shares were held by ACS Japan and 4,400,000 shares were held by Nomura Securities (HK) Limited, as a nominee on behalf of ACS Japan.

(3) DJE Investment S.A. was a company 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn was 68.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 20th February 2009.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions which are subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(a) Pursuant to an agreement entered into between the Company and AEON Stores on 15th April 2005 (as supplemented and amended by a renewal agreement dated 14th April 2008), the Company would receive commission from this fellow subsidiary in respect of certain purchases made by customers with the use of certain credit cards issued by the Company and certain purchases made by customers which are financed by interest-free hire purchase and card instalment facilities provided by the Company.

The total amount of commission received and receivable by the Company from AEON Stores for the year ended 20th February 2009 was HK$11,856,000, of which HK$8,721,000 is classified as interest income under HKAS 39. The commission amount did not exceed the cap of HK$13,500,000 as disclosed in the Company's announcement dated 15th April 2008.

(b) Pursuant to a service agreement dated 21st May 2003 entered into between the Company and AIS (as supplemented and amended by supplemental agreements dated 15th April 2005 and 18th January 2008 respectively), the Company would pay service fees to AIS, an associate, for the provision of call centre services to the Company.

The total amount of service fees paid by the Company to AIS for the year ended 20th February 2009 amounted to HK$27,785,000, which did not exceed the cap of HK$27,800,000 as disclosed in the Company's announcement dated 21st January 2008.

CONNECTED TRANSACTIONS (Cont'd)

(c) The Company had entered into a number of licence agreements with AEON Stores for the operation of branches and ATMs inside the stores of AEON Stores under which the Company would pay to AEON Stores a fixed monthly licence fee. All licences were for a fixed term with no options for renewal.

On 14th May 2008, the Company entered into a licence agreement with AEON Stores for the leasing of shop no. L302, 3/F, Kornhill Plaza (South), Kornhill Road, Quarry Bay, Hong Kong for a term of two years from 27th April 2008 to 26th April 2010 at a monthly licence fee of HK$152,280 (exclusive of rates and management fee). The monthly management fee is HK$8,460. The aggregate sum of the licence fee and management fee for the year ended 20th February 2009 amounted to HK$1,582,906, which did not exceed the cap of HK$1,582,906 as disclosed in the Company's announcement dated 14th May 2008.

On 30th September 2008, the Company entered into a licence agreement with AEON Stores for the leasing of shop no. G5-16, G/F, JUSCO Whampoa Store, Sites 5 & 6 Whampoa Garden, Hung Hom, Kowloon, Hong Kong for a term of 14 months from 4th August 2008 to 3rd October 2009 at a monthly licence fee of HK$87,000 (exclusive of rates and management fee). The monthly management fee is HK$6,120. The aggregate sum of the licence fee and management fee for the year ended 20th February 2009 amounted to HK$620,723, which did not exceed the cap of HK$650,000 as disclosed in the Company's announcement dated 3rd October 2008.

The total amount of licence fees for all the licence agreements paid and payable by the Company to AEON Stores for the year ended 20th February 2009 was HK$6,310,000.

(d) Pursuant to a corporate expenses sharing agreement dated 4th September 2008 entered into between the Company and ACS Japan, the Company would provide various advisory services to the Company and the Company would share the corporate expenses incurred by ACS Japan in providing the advisory services.

Due to the appreciation of Japanese Yen against Hong Kong dollars, the estimated annual cap of HK$5,500,000 for the year ended 20th February 2009 would be exceeded. In view thereof, the Company revised the cap and complied with the Listing Rules, details of which were disclosed in the Company's announcement dated 16th February 2009.

The total amount of expenses paid by the Company to ACS Japan for the year ended 20th February 2009 amounted to HK$6,066,000, which did not exceed the revised cap of HK$6,100,000 as disclosed in the Company's announcement dated 16th February 2009.

CONNECTED TRANSACTIONS (Cont'd)

(e) Pursuant to a master service agreement dated 24th November 2008 entered into between the Company and AEON Philippines, the Company would pay service fees to AEON Philippines for the provision of computer related services.

The total amount of service fees paid and payable by the Company to AEON Philippines for the year ended 20th February 2009 amounted to HK$1,938,000, which did not exceed the cap of HK$4,600,000 as disclosed in the Company's announcement dated 25th November 2008.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a), (b), (c), (d) and (e) above which constituted continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company, (ii) on normal commercial terms, and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the external auditor also confirmed that the above transactions (i) had been approved by the Board of Directors the Company, (ii) had been entered into in accordance with the relevant agreements governing them, and (iii) had not exceeded the caps disclosed in the relevant announcements.

The related party transactions as disclosed in note 46 to the consolidated financial statements also fell under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

LOAN FACILITY WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On 27th September 2006, the Company obtained a syndicated term loan of JPY7,500,000,000 (the "Facility") with the repayment date falling on 20th September 2011.

Under the Facility, the Company has made certain representations and warranties, including the Company is a consolidated subsidiary of ACS Japan, which is a controlling shareholder of the Company currently holding 51.94% of the issued share capital of the Company. It shall be an event of default under the terms of the Facility if the representation and warranty shall become untrue. As a result, the Facility will become due and payable on demand.

No repayment was made during the year of review and at 20th February 2009, the outstanding loan principal was JPY7,500,000,000 and the circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continued to exist.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or its subsidiaries of the Company's listed securities.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$1,278,000.

EMOLUMENT POLICY

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

RETIREMENT BENEFITS SCHEME

Details of the Company's retirement benefits scheme are set out in note 45 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 20th February 2009.

AUDITOR

A resolution will be submitted to the 2009 AGM to reappoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

M. Kosaka

Masanori Kosaka
Managing Director

Hong Kong, 23rd April 2009

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the 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 47 to 116, which comprise the consolidated and Company's balance sheets as at 20th February 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (Cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 20th February 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 23rd April 2009

Consolidated Income Statement

For the year ended 20th February 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	5	**1,198,127**	1,159,230
Interest income	7	**1,069,790**	1,031,383
Interest expense	8	**(150,748)**	(163,573)
Net interest income		**919,042**	867,810
Other operating income	9	**133,587**	130,471
Other gains and losses	10	**11,468**	5,930
Operating income		**1,064,097**	1,004,211
Operating expenses	11	**(371,281)**	(365,769)
Operating profit before impairment allowances		**692,816**	638,442
Impairment losses and impairment allowances		**(384,756)**	(332,247)
Recoveries of receivables written-off		**52,274**	37,045
Share of results of associates	18	**(6,510)**	(2,381)
Profit before tax		**353,824**	340,859
Income tax expense	13	**(56,861)**	(49,598)
Profit for the year		**296,963**	291,261
Dividends paid	14	**129,816**	136,099
Earnings per share	15	**70.91 HK cents**	69.55 HK cents
Final dividend per share proposed	14	**16.00 HK cents**	15.00 HK cents

Consolidated Balance Sheet

At 20th February 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**85,639**	84,214
Investments in associates	18	**38,098**	42,904
Available-for-sale investments	19	**57,851**	87,406
Advances and receivables	20	**952,097**	716,587
Derivative financial instruments	36	**88,862**	14,443
Deferred tax assets	25	**6,200**	4,500
Restricted deposits	26	**68,000**	68,000
		1,296,747	1,018,054
Current assets			
Advances and receivables	20	**3,966,423**	4,013,201
Prepayments, deposits and other debtors	24	**53,317**	59,101
Amount due from an associate	34	**204**	–
Derivative financial instruments	36	**–**	44
Restricted deposits	26	**26,935**	–
Time deposits	27	**286,386**	167,778
Bank balances and cash	28	**52,769**	78,014
		4,386,034	4,318,138
Current liabilities			
Creditors and accrued charges	29	**106,927**	107,998
Amounts due to fellow subsidiaries	31	**46,433**	50,387
Amount due to immediate holding company	32	**11**	–
Amount due to ultimate holding company	33	**60**	57
Amount due to an associate	34	**–**	239
Bank borrowings	35	**1,057,000**	1,032,000
Bank overdrafts		**4,671**	2,950
Derivative financial instruments	36	**3,127**	2,146
Tax liabilities		**15,924**	28,259
		1,234,153	1,224,036
Net current assets		**3,151,881**	3,094,102
Total assets less current liabilities		**4,448,628**	4,112,156

Consolidated Balance Sheet

At 20th February 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Issued capital	*37*	**41,877**	41,877
Share premium and reserves	*38*	**1,687,121**	1,575,082
		1,728,998	1,616,959
Non-current liabilities			
Collateralised debt obligation	*39*	**847,297**	846,562
Bank borrowings	*35*	**1,823,750**	1,622,250
Derivative financial instruments	*36*	**48,583**	26,385
		2,719,630	2,495,197
		4,448,628	4,112,156

The consolidated financial statements on pages 47 to 116 were approved and authorised for issue by the Board of Directors on 23rd April 2009 and are signed on its behalf by:

Director *Director*

Balance Sheet

At 20th February 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**85,639**	84,214
Investments in subsidiaries	17	**1,000**	28
Investments in associates	18	**38,098**	42,904
Available-for-sale investments	19	**57,851**	87,406
Advances and receivables	20	**952,097**	716,587
Derivative financial instruments	36	**88,862**	14,443
Deferred tax assets	25	**6,200**	4,500
Restricted deposits	26	**68,000**	68,000
		1,297,747	1,018,082
Current assets			
Advances and receivables	20	**3,966,423**	4,013,201
Prepayments, deposits and other debtors	24	**52,110**	59,101
Amount due from a subsidiary	30	**1,881**	–
Amount due from an associate	34	**204**	–
Derivative financial instruments	36	**–**	44
Restricted deposits	26	**26,935**	–
Time deposits	27	**286,386**	167,778
Bank balances and cash	28	**51,737**	77,986
		4,385,676	4,318,110
Current liabilities			
Creditors and accrued charges	29	**106,899**	107,998
Amounts due to fellow subsidiaries	31	**46,433**	50,387
Amount due to immediate holding company	32	**11**	–
Amount due to ultimate holding company	33	**60**	57
Amount due to an associate	34	**–**	239
Bank borrowings	35	**1,057,000**	1,032,000
Bank overdrafts		**4,671**	2,950
Derivative financial instruments	36	**3,127**	2,146
Tax liabilities		**15,924**	28,259
		1,234,125	1,224,036
Net current assets		**3,151,551**	3,094,074
Total assets less current liabilities		**4,449,298**	4,112,156

Balance Sheet

At 20th February 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Issued capital	*37*	**41,877**	41,877
Share premium and reserves	*38*	**1,687,791**	1,575,082
		1,729,668	1,616,959
Non-current liabilities			
Collateralised debt obligation	*39*	**847,297**	846,562
Bank borrowings	*35*	**1,823,750**	1,622,250
Derivative financial instruments	*36*	**48,583**	26,385
		2,719,630	2,495,197
		4,449,298	4,112,156

M. Kosaka　　　　　　　Derek Lai

Director　　　　　　　*Director*

Consolidated Statement of Changes in Equity

For the year ended 20th February 2009

	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
At 21st February 2007	41,877	227,330	270	1,066	(6,524)	–	1,212,975	1,476,994
Fair value gain on available-for-sale investments	–	–	–	30,556	–	–	–	30,556
Exchange difference arising from translation of foreign operations	–	–	–	–	–	4,839	–	4,839
Net adjustment on cash flow hedges	–	–	–	–	(50,592)	–	–	(50,592)
Net income (expense) recognised directly in equity	–	–	–	30,556	(50,592)	4,839	–	(15,197)
Profit for the year	–	–	–	–	–	–	291,261	291,261
Total recognised income for the year	–	–	–	30,556	(50,592)	4,839	291,261	276,064
Final dividend paid for 2006/07	–	–	–	–	–	–	(73,284)	(73,284)
Interim and special dividend paid for 2007/08	–	–	–	–	–	–	(62,815)	(62,815)
	–	–	–	30,556	(50,592)	4,839	155,162	139,965
At 20th February 2008	**41,877**	**227,330**	**270**	**31,622**	**(57,116)**	**4,839**	**1,368,137**	**1,616,959**
Fair value loss on available-for-sale investments	**–**	**–**	**–**	**(22,283)**	**–**	**–**	**–**	**(22,283)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**1,704**	**–**	**1,704**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**(22,587)**	**–**	**–**	**(22,587)**
Net (expense) income recognised directly in equity	**–**	**–**	**–**	**(22,283)**	**(22,587)**	**1,704**	**–**	**(43,166)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**296,963**	**296,963**
Transfer to profit or loss on disposal of available-for-sale investment	**–**	**–**	**–**	**(11,942)**	**–**	**–**	**–**	**(11,942)**
Total recognised income for the year	**–**	**–**	**–**	**(34,225)**	**(22,587)**	**1,704**	**296,963**	**241,855**
Final dividend paid for 2007/08	**–**	**–**	**–**	**–**	**–**	**–**	**(62,814)**	**(62,814)**
Interim dividend paid for 2008/09	**–**	**–**	**–**	**–**	**–**	**–**	**(67,002)**	**(67,002)**
	–	**–**	**–**	**(34,225)**	**(22,587)**	**1,704**	**167,147**	**112,039**
At 20th February 2009	**41,877**	**227,330**	**270**	**(2,603)**	**(79,703)**	**6,543**	**1,535,284**	**1,728,998**

Consolidated Cash Flow Statement

For the year ended 20th February 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before tax	**353,824**	340,859
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	**856**	858
Depreciation	**33,403**	37,755
Dividends received on available-for-sale investments	**(1,750)**	(1,403)
Gain on disposal of available-for-sale investment	**(11,942)**	(6,489)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**384,756**	332,247
Interest expense	**149,892**	162,715
Interest income	**(1,069,790)**	(1,031,383)
Net loss on disposal of property, plant and equipment	**22**	106
Share of results of associates	**6,510**	2,381
Operating cash flows before movements in working capital	**(154,219)**	(162,354)
Increase in advances and receivables	**(573,488)**	(750,874)
Decrease (increase) in prepayments, deposits and other debtors	**2,028**	(28,866)
Increase in amount due from an associate	**(204)**	–
Increase (decrease) in creditors and accrued charges	**328**	(8,532)
Decrease in amounts due to fellow subsidiaries	**(3,954)**	(635)
Increase (decrease) in amount due to immediate holding company	**11**	(380)
Increase (decrease) in amount due to ultimate holding company	**3**	(3)
Decrease in amount due to an associate	**(239)**	(60)
Cash used in operations	**(729,734)**	(951,704)
Tax paid	**(70,896)**	(41,489)
Interest paid	**(148,003)**	(168,692)
Interest received	**1,073,425**	1,038,847
Net cash generated from (used in) operating activities	**124,792**	(123,038)

Consolidated Cash Flow Statement

For the year ended 20th February 2009

	2009 HK$'000	2008 HK$'000
Investing activities		
Dividends received	**1,750**	1,403
Proceeds from disposal of available-for-sale investment	**11,942**	6,489
Proceeds from disposal of property, plant and equipment	**79**	–
Purchase of property, plant and equipment	**(34,929)**	(23,623)
Purchase of available-for-sale investments	**(4,670)**	(4,475)
Net cash used in investing activities	**(25,828)**	(20,206)
Financing activities		
(Increase) decrease in restricted deposits	**(26,935)**	52,000
Dividends paid	**(130,387)**	(135,530)
New bank loans raised	**22,404,200**	14,465,200
Repayment of bank loans	**(22,254,200)**	(14,274,200)
Net cash (used in) generated from financing activities	**(7,322)**	107,470
Net increase (decrease) in cash and cash equivalents	**91,642**	(35,774)
Cash and cash equivalents at beginning of the year	**242,842**	278,616
Cash and cash equivalents at end of the year	**334,484**	242,842
Being:		
Time deposits	**286,386**	167,778
Bank balances and cash	**52,769**	78,014
Bank overdrafts	**(4,671)**	(2,950)
	334,484	242,842

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange. Its immediate holding company is ACS Japan and its ultimate holding company is AEON Japan, both companies are incorporated in Japan and listed on the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 37/F, The World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Group is engaged in the provision of consumer credit finance services, which include the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products, and insurance brokerage business.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company have applied the following amendments to Hong Kong Accounting Standard ("HKAS") and Hong Kong Financial Reporting Standard ("HKFRS") and new Hong Kong (IFRIC) Interpretations ("HK(IFRIC) – Int") (collectively the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group and the Company for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

The Group and the Company have not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

[1] *Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009*
[2] *Effective for annual periods beginning on or after 1st January 2009*
[3] *Effective for annual periods beginning on or after 1st July 2009*
[4] *Effective for annual periods ending on or after 30th June 2009*
[5] *Effective for annual periods beginning on or after 1st July 2008*
[6] *Effective for annual periods beginning on or after 1st October 2008*
[7] *Effective for transfers on or after 1st July 2009*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the Group's financial year beginning on or after 21st February 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)**

HK(IFRIC) – Int 13 is effective for the Group's financial year beginning on or after 21st February 2009. It addresses how companies that grant their customers loyalty award credits (often called 'bonus points') when selling goods or services should account for their obligation to provide free or discounted goods and services, if and when the customers redeem the bonus points. The Group and the Company currently account for the bonus point obligation under marketing expenses based on actual bonus points rewarded and accruals with reference to historical redemption experience. HK(IFRIC) – Int 13 requires companies to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations to provide goods or services. The Directors have assessed the potential impact and confirm that the application of HK(IFRIC) – Int 13 will not have material impact on the results and financial position of the Group and the Company.

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

3. **SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Annual fees on credit cards are recognised on a time proportion basis.

Commission income, handling charge and late charge are recognised when earned.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the costs of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	$33^1/_3$%
Furniture and fixtures	20%
Computer equipment	20% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from customers in respect of hire purchase contracts are classified under finance leases and are recorded as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Company's net investment outstanding in respect of the contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

The Group's financial assets are classified into one of the two categories – loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including advances and receivables, other debtors, amount due from a subsidiary, amount due from an associate, restricted deposits, time deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated listed and unlisted equity securities as available-for-sale investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Financial assets* (Cont'd)**

Available-for-sale financial assets (Cont'd)

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as advances and receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Financial assets* (Cont'd)**

Impairment of financial assets (Cont'd)

Individual impairment allowances are assessed by a discounted cash flow method for loans and receivables that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

On collective impairment, individually insignificant loans and receivables or loans and receivables where no impairment has been identified individually are assessed on a portfolio basis. Evaluation is made by reference to the credit risk characteristics that are indicative of borrowers' ability to pay all amounts in accordance with the contractual terms. Expected future cash flows of loans and receivables that are assessed collectively for impairment are estimated on the basis of prior loan loss experience.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. When advances and receivables are considered to be uncollectible, the amounts are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities including bank borrowings, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, immediate holding company, ultimate holding company and an associate are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at proceeds received, net of direct issue cost.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Hedge accounting

The Group designates certain derivatives as hedges of its exposure against foreign exchange and interest rate movements (cash flow hedges).

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred as equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedge relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the transferred asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Derecognition* (Cont'd)**

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the accounting policies

There are no significant effects on amounts recognised in the consolidated financial statements arising from the judgements used by the management in the process of applying the Group's accounting policies.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment allowances on loans and receivables

The Group establishes, through charges against the consolidated income statement, impairment allowances in respect of estimated incurred loss in loans and receivables. The allowances consist of individual impairment allowances and collective impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write down its loan portfolio in order to state it in the consolidated balance sheet at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment allowances on loans and receivables (Cont'd)

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Details of the impairment allowances movements are disclosed in note 21.

Fair value of available-for-sale investments

As described in notes 19, the management of the Group use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

The Group's unlisted shares issued by corporate entities with carrying amount of **HK$32,071,000** (2008: HK$46,233,000) are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

5. TURNOVER

	2009 HK$'000	2008 HK$'000
Interest income	**1,069,790**	1,031,383
Fees and commissions	**47,332**	43,627
Handling and late charges	**81,005**	84,220
	1,198,127	1,159,230

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions – credit card, instalment loan and hire purchase. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Credit card	–	Provide credit card services to individuals and acquiring services for member-stores
Instalment loan	–	Provide personal loan financing to individuals
Hire purchase	–	Provide vehicle financing and hire purchase financing for household products and other consumer products to individuals

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

Segment information about these businesses is presented below:

2009

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Other operations HK$'000	Consolidated HK$'000
CONSOLIDATED INCOME STATEMENT					
TURNOVER	824,974	354,190	11,212	7,751	1,198,127
RESULT					
Net interest income (expense)	606,836	312,803	4,563	(5,160)	919,042
Other operating income	107,884	12,829	4,511	8,363	133,587
Other gains and losses	–	–	–	11,468	11,468
Impairment losses and impairment allowances	(248,184)	(133,711)	(2,861)	–	(384,756)
Recoveries of receivables written-off	41,103	9,186	1,985	–	52,274
Segment results	507,639	201,107	8,198	14,671	731,615
Unallocated operating expenses					(371,281)
Share of results of associates					(6,510)
Profit before tax					353,824
Income tax expense					(56,861)
Profit for the year					296,963

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Other operations HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	3,670,375	1,433,691	95,775	438,642	5,638,483
Investments in associates					38,098
Unallocated corporate assets					6,200
Consolidated total assets					5,682,781
LIABILITIES					
Segment liabilities	2,908,292	878,977	30,426	96,901	3,914,596
Unallocated corporate liabilities					39,187
Consolidated total liabilities					3,953,783
OTHER INFORMATION					
Additions to property, plant and equipment	–	–	–	34,929	34,929
Depreciation	–	–	–	33,403	33,403
Net loss on disposal of property, plant and equipment	–	–	–	22	22

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

2008

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Other operations HK$'000	Consolidated HK$'000
CONSOLIDATED INCOME STATEMENT					
TURNOVER	765,078	365,984	11,666	16,502	1,159,230
RESULT					
Net interest income	543,234	318,751	4,358	1,467	867,810
Other operating income	107,394	14,278	4,553	4,246	130,471
Other gains and losses	–	–	–	5,930	5,930
Impairment losses and impairment allowances	(200,815)	(127,991)	(3,441)	–	(332,247)
Recoveries of receivables written-off	30,391	5,777	877	–	37,045
Segment results	480,204	210,815	6,347	11,643	709,009
Unallocated operating expenses					(365,769)
Share of results of associates					(2,381)
Profit before tax					340,859
Income tax expense					(49,598)
Profit for the year					291,261

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Other operations HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	3,488,652	1,363,403	113,511	323,222	5,288,788
Investments in associates					42,904
Unallocated corporate assets					4,500
Consolidated total assets					5,336,192
LIABILITIES					
Segment liabilities	2,649,398	891,110	36,577	113,889	3,690,974
Unallocated corporate liabilities					28,259
Consolidated total liabilities					3,719,233
OTHER INFORMATION					
Additions to property, plant and equipment	–	–	–	23,623	23,623
Depreciation	–	–	–	37,755	37,755
Net loss on disposal of property, plant and equipment	–	–	–	106	106

(b) Geographical segments

All the Group's interest income, fee and commission income and profit are derived from operations carried out in Hong Kong. In addition, less than 10% of the assets of the Group are located outside Hong Kong. Accordingly, no analysis of the Group's segmental information by geographical segments is presented.

7. INTEREST INCOME

	2009 HK$'000	2008 HK$'000
Time deposits, bank balances and cash	**4,638**	13,931
Advances and receivables	**1,061,979**	1,015,130
Impaired advances and receivables	**3,173**	2,322
	1,069,790	1,031,383

8. INTEREST EXPENSE

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**74,115**	98,968
Interest on bank borrowings and overdrafts wholly repayable after five years	**–**	1,440
Interest on collateralised debt obligation wholly repayable within five years	**42,242**	42,336
Net interest expense on interest rate swap contracts	**34,391**	20,829
	150,748	163,573

Amortisation of upfront cost of **HK$856,000** (2008: HK$858,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

9. OTHER OPERATING INCOME

	2009 HK$'000	2008 HK$'000
Dividends received on available-for-sale investments		
Listed equity securities	**1,298**	1,124
Unlisted equity securities	**452**	279
Fees and commissions	**47,332**	43,627
Handling and late charges	**81,005**	84,220
Others	**3,500**	1,221
	133,587	130,471

10. OTHER GAINS AND LOSSES

	2009 HK$'000	2008 HK$'000
Exchange gains/losses		
Exchange loss on bank loan	**(76,500)**	(43,072)
Exchange gain on hedging instrument released from cash flow hedge reserve	**76,500**	43,072
Gain on disposal of available-for-sale investment	**11,942**	6,489
Hedge ineffectiveness on cash flow hedges	**(452)**	(453)
Net loss on disposal of property, plant and equipment	**(22)**	(106)
	11,468	5,930

11. OPERATING EXPENSES

	2009 HK$'000	2008 HK$'000
Administrative expenses		
Auditor's remuneration	**1,850**	1,880
Depreciation	**33,403**	37,755
General administrative expenses	**101,465**	85,308
Operating lease rentals in respect of rented premises, advertising space and equipment	**65,051**	62,796
Other operating expenses	**37,316**	38,026
Staff costs including directors' emoluments	**90,651**	96,717
	329,736	322,482
Marketing expenses	**41,545**	43,287
	371,281	365,769

Operating lease rentals in respect of staff quarters of **HK$742,000** (2008: HK$733,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the twelve (2008: eleven) Directors were as follows:

2009

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Yoshiki Mori	–	–	–	–
Masanori Kosaka *(Note)*	–	2,283	12	2,295
Lai Yuk Kwong	–	1,504	12	1,516
Tomoyuki Kawahara	–	1,040	12	1,052
Koh Yik Kung	–	1,662	12	1,674
Pan Shu Pin, Ban	–	1,042	12	1,054
Fung Kam Shing, Barry	–	1,102	12	1,114
Kazuhide Kamitani	–	–	–	–
Takatoshi Ikenishi (23.9.2008 – 20.2.2009)	–	–	–	–
Tsang Wing Hong (21.2.2008 – 24.9.2008)	154	–	–	154
Wong Hin Wing	230	–	–	230
Hui Ching Shan	230	–	–	230
	614	8,633	72	9,319

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

2008

Name of Directors	Fees	Salaries and other benefits	Mandatory provident fund contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Yoshiki Mori	–	–	–	–
Masanori Kosaka *(Note)*	–	2,077	12	2,089
Lai Yuk Kwong	–	1,455	12	1,467
Tomoyuki Kawahara	–	1,004	12	1,016
Koh Yik Kung	–	1,660	12	1,672
Pan Shu Pin, Ban	–	1,004	12	1,016
Fung Kam Shing, Barry	–	1,064	12	1,076
Kazuhide Kamitani	–	–	–	–
Tsang Wing Hong	250	–	–	250
Wong Hin Wing	220	–	–	220
Hui Ching Shan	210	–	–	210
	680	8,264	72	9,016

Note: Operating lease rentals in respect of Director's accommodation of **HK$394,000** (2008: HK$342,000) are included under salaries and other benefits.

(b) Employees' emoluments

The five highest paid individuals in the Group in 2009 and 2008 were all Directors and details of their emoluments are set out above.

13. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax		
– Current year	**59,306**	62,012
– Overprovision in respect of prior years	**(745)**	(8,914)
	58,561	53,098
Deferred tax *(note 25)*		
– Current year	**(1,957)**	(3,500)
– Attributable to change in tax rate	**257**	–
	(1,700)	(3,500)
	56,861	49,598

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/09. The effect of such decrease has been reflected in measuring the current and deferred tax for the year. The deferred tax balance has been adjusted to reflect the tax rate that is expected to apply in the respective periods when the liability is settled.

13. INCOME TAX EXPENSE (Cont'd)

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Profit before tax	**353,824**	340,859
Tax at the applicable rate of 16.5% (2008: 17.5%)	**58,381**	59,650
Tax effect of share of results of associates	**1,074**	417
Tax effect of expenses not deductible for tax purpose	**80**	40
Tax effect of income not taxable for tax purpose	**(2,821)**	(2,575)
Overprovision in respect of prior years	**(745)**	(8,914)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	**257**	–
Others	**635**	980
Tax charge for the year	**56,861**	49,598

14. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividend recognised as distribution during the year:		
Final dividend paid in respect of 2008 of 15.0 HK cents (2007: 17.5 HK cents) per share	**62,814**	73,284
Interim dividend paid in respect of 2009 of 16.0 HK cents (2008: interim and special dividend of 15.0 HK cents) per share	**67,002**	62,815
	129,816	136,099
Final dividend proposed in respect of 2009 of 16.0 HK cents (2008: 15.0 HK cents) per share	**67,003**	62,814

The final dividend of 16.0 HK cents per share has been proposed by the Directors and will be paid to shareholders on 30th June 2009. This dividend is subject to approval by shareholders at the 2009 AGM and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 19th June 2009.

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of **HK$296,963,000** (2008: HK$291,261,000) and on the number of shares of **418,766,000** (2008: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP AND THE COMPANY					
COST					
At 21st February 2007	18,339	15,692	252,281	352	286,664
Additions	2,679	228	20,716	–	23,623
Disposals/write-off	(682)	(40)	(25,346)	–	(26,068)
At 20th February 2008	**20,336**	**15,880**	**247,651**	**352**	**284,219**
Additions	**230**	**225**	**33,089**	**1,385**	**34,929**
Disposals/write-off	**(1,641)**	**(1,629)**	**(9,452)**	**(352)**	**(13,074)**
At 20th February 2009	**18,925**	**14,476**	**271,288**	**1,385**	**306,074**
DEPRECIATION					
At 21st February 2007	10,606	11,864	165,478	264	188,212
Provided for the year	4,241	1,050	32,376	88	37,755
Eliminated on disposals/write-off	(576)	(40)	(25,346)	–	(25,962)
At 20th February 2008	**14,271**	**12,874**	**172,508**	**352**	**200,005**
Provided for the year	**4,031**	**1,033**	**28,114**	**225**	**33,403**
Eliminated on disposals/write-off	**(1,540)**	**(1,629)**	**(9,452)**	**(352)**	**(12,973)**
At 20th February 2009	**16,762**	**12,278**	**191,170**	**225**	**220,435**
CARRYING VALUES					
At 20th February 2009	**2,163**	**2,198**	**80,118**	**1,160**	**85,639**
At 20th February 2008	6,065	3,006	75,143	–	84,214

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group and the Company have reviewed the residual values used for the purposes of depreciation calculations. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior years. These residual values will be reviewed and updated annually in the future.

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Cost of unlisted investments in subsidiaries	**1,000**	28

At 20th February 2009 and 2008, the Company had interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation and operation	Issued share capital/paid-up capital	Proportion of ownership interest deemed to be held by the Company 2009	2008	Principal activities
AEON Education and Environment Fund Limited	Hong Kong	Limited by guarantee	**100%**	100%	Support community charity projects and activities
AEON Insurance Brokers (HK) Limited	Hong Kong	HK$1,000,000	**100%**	N/A	Insurance brokerage business

AEON Brokers was incorporated on 14th October 2008.

18. INVESTMENTS IN ASSOCIATES

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Cost of unlisted investments in associates	**39,946**	39,946
Exchange difference arising from translation	**6,543**	4,839
Share of post-acquisition results	**(8,391)**	(1,881)
	38,098	42,904

At 20th February 2009 and 2008, the Group and the Company had interests in the following associates:

Name of associates	Place of incorporation and operation	Proportion of ownership interest deemed to be held by the Company		Proportion of voting power held		Principal activities
		2009	2008	**2009**	2008	
AEON Credit Guarantee (China) Co., Ltd.	China	**50%**	50%	**37.5%**	37.5%	Credit guarantee business
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**33.3%**	40%	Provision of call centre services

The above associates are also fellow subsidiaries of the Group and the Company.

18. INVESTMENTS IN ASSOCIATES (Cont'd)

The summarised financial information in respect of the Group and the Company's associates is set out below:

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Total assets	**84,864**	89,331
Total liabilities	**(8,669)**	(3,523)
Net assets	**76,195**	85,808
Share of associates' net assets	**38,098**	42,904
Revenue	**36,864**	19,395
Loss for the year	**13,020**	4,762
Share of associates' loss for the year	**6,510**	2,381

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Listed equity securities		
Hong Kong	**15,629**	27,315
Overseas	**10,151**	13,858
	25,780	41,173
Unlisted equity securities	**32,071**	46,233
	57,851	87,406

19. AVAILABLE-FOR-SALE INVESTMENTS (Cont'd)

The investments included above represent investments in both listed and unlisted equity securities that offer the Group and the Company the opportunity for return through dividend income and fair value gains. The fair values of listed equity securities are based on quoted market bid prices. The above unlisted investments represent equity interest in six private entities incorporated overseas engaged in consumer credit finance services and related business. The unlisted investments are measured at cost less impairment at each balance sheet 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 8 years. Budgeted net profit projections have been determined based on the historical records and the management's expectations for the growth potential and market development.

20. ADVANCES AND RECEIVABLES

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Credit card receivables	**3,421,998**	3,270,554
Instalment loans receivable	**1,456,930**	1,387,591
Hire purchase debtors	**97,459**	115,649
	4,976,387	4,773,794
Accrued interest and other receivables	**111,160**	98,424
Gross advances and receivables	**5,087,547**	4,872,218
Impairment allowances *(note 21)*		
– individually assessed	**(53,029)**	(45,323)
– collectively assessed	**(115,998)**	(97,107)
	(169,027)	(142,430)
	4,918,520	4,729,788
Current portion included under current assets	**(3,966,423)**	(4,013,201)
Amount due after one year	**952,097**	716,587

20. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables

The term of card instalment plans entered with customers ranges from 3 months to 5 years.

All credit card receivables are denominated in Hong Kong dollars. The credit card receivables carry effective interest ranging from 26.8% to 43.6% per annum (2008: 20.2% to 43.3%).

Asset backed financing transaction

The Group and the Company entered into asset backed financing transaction, which is collateralised by the Group's and the Company's revolving credit card receivables portfolio. The transactions do not meet the "transfer of assets" tests under HKAS 39 Financial Instruments: Recognition and Measurement for the decognition of the financial assets. Accordingly, the Group and the Company continue to recognise the full carrying amount of the receivables and have recognised the cash received as collateralised debt obligation (see note 39). At 20th February 2009, the carrying amount of the credit card receivables under this financing transaction is **HK$1,387,865,000** (2008: HK$1,435,766,000). The carrying amount of the collateralised debt obligation is **HK$850,000,000** (2008: HK$850,000,000).

(b) Instalment loans receivable

The term of instalment loans entered with customers ranges from 4 months to 5 years. All instalment loans receivable are denominated in Hong Kong dollars. The instalment loans receivable carry effective interest ranging from 4.2% to 51.7% per annum (2008: 5.6% to 51.7%).

20. ADVANCES AND RECEIVABLES (Cont'd)

(c) Hire purchase debtors

	THE GROUP AND THE COMPANY			
	Minimum payments		Present value of minimum payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**87,158**	102,229	**84,700**	98,590
In the second to fifth year inclusive	**13,066**	17,593	**12,759**	17,059
	100,224	119,822	**97,459**	115,649
Unearned finance income	**(2,765)**	(4,173)	**–**	–
Present value of minimum payments receivable	**97,459**	115,649	**97,459**	115,649

The term of hire purchase contracts entered with customers ranges from 5 months to 3 years. All hire purchase agreements are denominated in Hong Kong dollars. The hire purchase debtors carry effective interest ranging from 4.4% to 14.8% per annum (2008: 3.8% to 14.8%).

21. IMPAIRMENT ALLOWANCES

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**98,363**	81,432
Instalment loans receivable	**56,159**	52,246
Hire purchase debtors	**2,342**	2,249
Accrued interest and other receivables	**12,163**	6,503
	169,027	142,430

21. IMPAIRMENT ALLOWANCES (Cont'd)

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21st February 2008	**45,323**	**97,107**	**142,430**
Impairment losses and impairment allowances	**365,865**	**18,891**	**384,756**
Amounts written-off as uncollectable	**(358,159)**	**–**	**(358,159)**
At 20th February 2009	**53,029**	**115,998**	**169,027**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21st February 2007	44,675	89,535	134,210
Impairment losses and impairment allowances	324,675	7,572	332,247
Amounts written-off as uncollectable	(324,027)	–	(324,027)
At 20th February 2008	45,323	97,107	142,430

22. 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:

	THE GROUP AND THE COMPANY			
	2009		2008	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**143,277**	**2.8**	140,371	2.8
Overdue 2 months but less than 3 months	**60,847**	**1.2**	29,757	0.6
Overdue 3 months but less than 4 months	**34,798**	**0.7**	20,685	0.4
Overdue 4 months or above	**48,935**	**1.0**	41,538	0.9
	287,857	**5.7**	232,351	4.7

* *Percentage of gross advances and receivables*

23. IMPAIRED ADVANCES

Details of the advances assessed for impairment individually are as follows:

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month (included in note 22)	**55,562**	45,869
– Current	**443**	1,816
Impairment allowances under individual assessment	**(53,029)**	(45,323)
Net impaired advances	**2,976**	2,362
Gross impaired advances as a percentage of gross advances	**1.1%**	1.0%

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

Other debtors for the Group and the Company are unsecured, interest-free and repayable on demand.

25. DEFERRED TAX ASSETS

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the two years ended 20th February 2009 and 2008:

	THE GROUP AND THE COMPANY		
	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 21st February 2007	(14,800)	15,800	1,000
Credit to consolidated income statement for the year	2,300	1,200	3,500
At 20th February 2008	**(12,500)**	**17,000**	**4,500**
(Charge) credit to consolidated income statement for the year	**(514)**	**2,471**	**1,957**
Attributable to change in tax rate	**714**	**(971)**	**(257)**
At 20th February 2009	**(12,300)**	**18,500**	**6,200**

26. RESTRICTED DEPOSITS

The restricted deposits of the Group and the Company are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying at fixed rates ranging from 0.1% to 3.5% (2.0% to 5.3% for the year ended 20th February 2008) during the year. Restricted deposits of HK$26,935,000 will be matured within one year.

27. TIME DEPOSITS

Time deposits of the Group and the Company carry fixed rates ranging from 0.01% to 3.7% (1.0% to 5.6% for the year ended 20th February 2008) during the year.

28. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

Functional currency of relevant group entity is Hong Kong dollars. The carrying amounts of the bank balances and cash are denominated in the following currencies:

THE GROUP

	Hong Kong dollars HK$'000	United States dollars HK$'000	Total HK$'000
2009			
Bank balances and cash	**52,686**	**83**	**52,769**
2008			
Bank balances and cash	77,654	360	78,014

THE COMPANY

	Hong Kong dollars HK$'000	United States dollars HK$'000	Total HK$'000
2009			
Bank balances and cash	**51,654**	**83**	**51,737**
2008			
Bank balances and cash	77,626	360	77,986

29. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors and accrued charges is as follows:

THE GROUP

	2009 HK$'000	2008 HK$'000
Current	**103,876**	104,615
Over 1 month but less than 3 months	**969**	592
Over 3 months	**2,082**	2,791
	106,927	107,998

THE COMPANY

	2009 HK$'000	2008 HK$'000
Current	**103,848**	104,615
Over 1 month but less than 3 months	**969**	592
Over 3 months	**2,082**	2,791
	106,899	107,998

30. AMOUNT DUE FROM A SUBSIDIARY

During the year, the Directors reviewed the carrying value of the amount due from a subsidiary. The recoverable amount of the amount due from a subsidiary is determined with reference to the assets of the subsidiary as at the balance sheet date. No impairment loss has been recognised by the Company during the year.

The amount is unsecured, non-interest bearing and is repayable on demand.

31. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

32. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and is repayable on demand.

33. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and is repayable on demand.

34. AMOUNT DUE FROM/TO AN ASSOCIATE

During the year, the Directors reviewed the carrying value of the amount due from an associate. The recoverable amount of the amount due from an associate is determined with reference to the assets of the associate as at balance sheet date. No impairment loss has been recognised by the Group and the Company during the year.

The amount is unsecured, non-interest bearing and is repayable on demand.

35. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Bank loans, unsecured	**2,880,750**	2,654,250
The maturity of bank borrowings is as follows:		
Within one year	**1,057,000**	1,032,000
Between one and two years	**555,000**	410,000
Between two and five years	**1,268,750**	1,182,250
Over five years	**–**	30,000
	2,880,750	2,654,250
Amount repayable within one year included under current liabilities	**(1,057,000)**	(1,032,000)
Amount repayable after one year	**1,823,750**	1,622,250

35. BANK BORROWINGS (Cont'd)

Functional currency of relevant group entity is Hong Kong dollars. The carrying amounts of the Group's and the Company's bank borrowings are denominated in the following currencies:

	Hong Kong dollars HK$'000	Japanese Yen HK$'000	Total HK$'000
2009			
Bank loans	**2,262,000**	**618,750**	**2,880,750**
2008			
Bank loans	2,112,000	542,250	2,654,250

Hong Kong dollar bank loans of **HK$632,000,000** (2008: HK$570,000,000) are at fixed interest rates ranging from 2.7% to 5.3% (2008: 2.9% to 5.3%) and expose the Group and the Company to fair value interest rate risk. Other Hong Kong dollar bank loans are arranged at floating interest rates of 0.5% plus HIBOR (2008: 0.4% plus HIBOR to 0.5% plus HIBOR) while the Japanese Yen borrowing is arranged at floating interest rate of 0.4% plus JPY-LIBOR-BBA, thus exposing the Group and the Company to cash flow interest rate risk.

The Group and the Company did not have available undrawn committed borrowing facilities at 20th February 2009 and 20th February 2008.

At 20th February 2009, the Group and the Company have available unutilised overdrafts and non-committed short term bank loan facilities of **HK$16,900,000** (2008: HK$16,900,000) and **HK$836,720,000** (2008: HK$650,720,000) respectively.

36. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Interest rate swaps	**–**	**51,710**	44	28,531
Cross-currency interest rate swap	**88,862**	**–**	14,443	–
	88,862	**51,710**	14,487	28,531
Current portion	**–**	**(3,127)**	(44)	(2,146)
Non-current portion	**88,862**	**48,583**	14,443	26,385

All derivative financial instruments entered by the Group and the Company at 20th February 2009 and 20th February 2008 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, the designated hedged items.

Cash flow hedges:

Interest rate swaps

The Group and the Company use interest rate swaps to minimise its exposure to cash flow changes of its floating-rate by swapping certain Hong Kong dollar floating-rate bank borrowings with aggregate principal of **HK$1,135,000,000** from floating rates to fixed rates. The interest rate swaps of the Group and the Company with aggregate notional amount of **HK$1,135,000,000** have fixed interest payments at fixed interest rates ranging from 2.2% to 5.7% (2008: 3.2% to 5.7%) and floating interest receipts ranging from 0.3% plus HIBOR to 0.8% plus HIBOR (2008: 0.4% plus HIBOR to 0.8% plus HIBOR) for periods up until July 2013. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, 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 year, net adjustment on cash flow hedges amounted to **HK$20,506,000** (2008: HK$32,096,000) are included in equity.

The fair value of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at balance sheet date.

36. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Cross-currency interest rate swap

The Group and the Company use a cross-currency interest rate swap designated as highly effective hedging instrument to minimise its exposure to foreign currency and cash flow interest rate risk of its floating-rate Japanese Yen syndicated bank borrowing by swapping the floating-rate Japanese Yen bank borrowing with principal of JPY7,500,000,000 to fixed-rate Hong Kong dollar bank borrowing. The cross-currency interest rate swap of the Group and the Company with notional amount of JPY7,500,000,000 (equivalent to HK$499,178,000 at the date of inception of the loan) has fixed currency payments in Hong Kong dollars at exchange rate of Japanese Yen to Hong Kong dollars at 15.0, fixed interest payments in Hong Kong dollars at 4.9% and floating interest receipts in Japanese Yen at 0.4% plus JPY-LIBOR-BBA for periods up until September 2011. The cross-currency interest rate swap and the corresponding syndicated bank borrowing have the same terms and the Directors consider that the cross-currency interest rate swap is highly effective hedging instrument.

During the year, net adjustment on cash flow hedge amounted to **HK$2,081,000** (2008: HK$18,496,000) are included in equity.

The fair value of the cross-currency interest rate swap is determined by using the discounted cash flow method based on JPY-LIBOR-BBA yield curve and the forward exchange rate between Japanese Yen and Hong Kong dollars estimated at balance sheet date.

37. ISSUED CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares 2009 & 2008	**Share capital 2009 & 2008 HK$'000**
Ordinary shares of HK$0.1 each		
Authorised		
At beginning and end of year	1,000,000,000	100,000
Issued and fully paid		
At beginning and end of year	418,766,000	41,877

38. RESERVES

The reserves of the Group and the Company available for distribution to shareholders at 20th February 2009 amounted to **HK$1,535,284,000** and **HK$1,535,954,000** respectively (2008: HK$1,368,137,000 and HK$1,368,137,000 respectively), representing the accumulated profits.

39. COLLATERALISED DEBT OBLIGATION

(a) The Company entered into a HK$850,000,000 collateralised debt obligation financing transaction (the "Transaction"). Pursuant to this Transaction, the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKAS-INT-12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under this Transaction have not been derecognised and remained in the Group's and the Company's financial statements.

(b) The collateralised debt obligation is backed by the credit card receivables transferred (see note 20) and with the carrying amount denominated in Hong Kong dollars. The revolving period of the Transaction will end in February 2012. The monthly interest of the collateralised debt obligation is fixed at 4.9% during the revolving period, thus exposing the Group and the Company to fair value interest rate risk. The effective interest rate is 4.9% for both years.

40. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that:

- the Group and the Company 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 and the Company consist of debt (which includes bank borrowings and collateralised debt obligation), net of cash and cash equivalents and equity attributable to shareholders of the Group and the Company, comprising issued capital, reserves and accumulated profits.

40. CAPITAL RISK MANAGEMENT (Cont'd)

Net debt to equity ratio

The Group's and the Company's management review the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group and the Company have a target net debt to equity ratio of 2.0 to 2.5 determined as the proportion of net debt to equity.

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

THE GROUP

	2009	2008
	HK$'000	HK$'000
Debt *(note a)*	**3,728,047**	3,500,812
Cash and cash equivalents	**(334,484)**	(242,842)
Net debt	**3,393,563**	3,257,970
Equity *(note b)*	**1,728,998**	1,616,959
Net debt to equity ratio	**1.96**	2.01

THE COMPANY

	2009	2008
	HK$'000	HK$'000
Debt *(note a)*	**3,728,047**	3,500,812
Cash and cash equivalents	**(333,452)**	(242,814)
Net debt	**3,394,595**	3,257,998
Equity *(note b)*	**1,729,668**	1,616,959
Net debt to equity ratio	**1.96**	2.01

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 35 and 39 respectively.

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

41. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

THE GROUP

	2009	2008
	HK$'000	HK$'000
Financial assets		
Derivative instruments in designated hedge accounting relationships	**88,862**	14,487
Loans and receivables	**5,355,485**	5,045,073
Available-for-sale financial assets	**57,851**	87,406
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**51,710**	28,531
Amortised cost	**3,814,004**	3,594,042

THE COMPANY

	2009	2008
	HK$'000	HK$'000
Financial assets		
Derivative instruments in designated hedge accounting relationships	**88,862**	14,487
Loans and receivables	**5,354,453**	5,045,045
Available-for-sale financial assets	**57,851**	87,406
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**51,710**	28,531
Amortised cost	**3,814,004**	3,594,042

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include available-for-sale investments, derivative financial assets, advances and receivables, other debtors, amount due from a subsidiary, amount due from an associate, bank deposits, bank borrowings, collateralised debt obligation, creditors, derivative financial liabilities and amounts due to fellow subsidiaries, immediate holding company, ultimate holding company and an associate. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group and the Company seek to minimise the effects of cash flow interest rate risk and foreign exchange risk by using derivative financial instruments to hedge these exposures. The use of financial derivatives is governed by the Company's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, and the use of derivative financial instruments. Compliance with policies on effectiveness of hedging activities is reviewed by internal auditors on a regular basis. The Group and the Company do not enter into or trade derivative financial instruments for speculative purposes.

Market risk

The Group's and the Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk. The Group and the Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including:

- currency swap to convert the foreign currency debt to the functional currency of the relevant group entity; and

- interest rate swaps to mitigate the cash flow interest rate risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's and the Company's exposures to market risks or the manner in which it manages and measures the risk.

41. **FINANCIAL INSTRUMENTS (Cont'd)**

b. **Financial risk management objectives and policies (Cont'd)**

Market risk **(Cont'd)**

(i) Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's and the Company's position as a result of a change in foreign currency exchange rates. Certain equity investments and a bank borrowing of the Group and the Company are denominated in foreign currencies, which expose the Group and the Company to foreign currency risk.

The Group's and the Company's foreign currency risk exposure primarily relates to its Japanese Yen denominated bank borrowing. The carrying amount of such bank borrowing as at 20th February 2009 was **HK$618,750,000** (2008: HK$542,250,000). To minimise the foreign currency risk in relation to the bank borrowing, the Group and the Company have been using a cross-currency interest rate swap designed to hedge against the debt which is highly effective to convert the foreign currency debt to the functional currency of the relevant group entity. The critical terms of this currency swap is similar to those of hedged borrowing. Hence, the net foreign currency risk after taking derivative financial instrument into consideration is not material to the Group and the Company. In this regard, no sensitivity analysis is presented.

(ii) 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 and the Company's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings. All interest-bearing financial assets are exposed to fair value interest rate risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Group and the Company are disclosed in notes 20, 35 and 39.

The Group's and the Company's cash flow interest rate risk relates primarily to floating-rate financial liabilities excluding Hong Kong dollar bank borrowings and Japanese Yen bank borrowing as the Group and the Company have been using interest rate swap to convert its variable rate debt to fixed rate (see note 35).

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

***Market risk* (Cont'd)**

(ii) Interest rate risk management (Cont'd)

The Group and the Company monitor 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 and the Company have 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for derivative and non-derivative financial instruments at the balance sheet date. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's and the Company's:

- profit for the year ended 20th February 2009 would decrease/increase by HK$5,231,000 (2008: decrease/increase by HK$4,693,000). This is mainly attributable to the Group's and the Company's exposures to interest rates on its variable bank borrowings; and

- other equity reserves would increase/decrease by HK$40,704,000 (2008: increase/decrease by HK$37,125,000) mainly as a result of the changes in the fair value of derivative financial instruments.

The Group's and the Company's sensitivity to interest rates has not changed significantly from prior year.

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

***Market risk* (Cont'd)**

(iii) Other price risks

The Group and the Company are exposed to equity price risk through its available-for-sale investments. The Group's and the Company'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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk on listed equity securities at the reporting date.

If equity prices had been 10% higher/lower:

- other equity reserves would increase/decrease by HK$2,578,000 (2008: increase/decrease by HK$4,117,000) as a result of the changes in fair value of listed equity securities.

The Group's and the Company's sensitivity to equity prices has not changed significantly from prior year.

Credit risk

The Group's and the Company's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations at 20th February 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group's and the Company's credit risk are primarily attributable to its advances and receivables. In order to minimise the credit risk, the Group and the Company have 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 and collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's and the Company's credit risk is significantly reduced.

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

***Credit risk* (Cont'd)**

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds and derivative financial instruments which are entered with two major banks with high credit-ratings, the Group and the Company do not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's and the Company'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 balance sheet date 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 the historical loss experience, experienced judgment and statistical techniques to provide.

Credit quality

Credit quality of advances and receivables of the Group's and the Company's are summarised as follows:

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Neither past due nor individually impaired	**4,799,247**	4,638,052
Past due but not individually impaired	**232,295**	186,481
Individually impaired	**56,005**	47,685
	5,087,547	4,872,218
Less: impairment allowances *(note 21)*	**(169,027)**	(142,430)
	4,918,520	4,729,788

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

Credit quality **(Cont'd)**

(i) Advances and receivables past due but not impaired

Gross amount of advances and receivables that were past due but not individually impaired, of which assessment for impairment has been performed on collectively basis, were as follows:

THE GROUP AND THE COMPANY

	2009			
	Credit card HK$'000	**Instalment loan HK$'000**	**Hire purchase HK$'000**	**Total HK$'000**
Over 1 month but less than 2 months	**92,387**	**49,407**	**831**	**142,625**
Over 2 months but less than 3 months	**37,933**	**20,973**	**750**	**59,656**
Over 3 months but less than 4 months	**15,629**	**12,456**	**338**	**28,423**
Over 4 months or above	**821**	**770**	**–**	**1,591**
	146,770	**83,606**	**1,919**	**232,295**
Less: collectively impaired	**(75,569)**	**(38,997)**	**(1,432)**	**(115,998)**
	71,201	**44,609**	**487**	**116,297**

	2008			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
Over 1 month but less than 2 months	85,654	50,917	1,742	138,313
Over 2 months but less than 3 months	15,939	11,205	410	27,554
Over 3 months but less than 4 months	11,821	7,565	222	19,608
Over 4 months or above	341	665	–	1,006
	113,755	70,352	2,374	186,481
Less: collectively impaired	(60,644)	(34,968)	(1,495)	(97,107)
	53,111	35,384	879	89,374

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

Credit quality **(Cont'd)**

(ii) Advances and receivables individually impaired

The breakdown of the gross amount of individually impaired advances and receivables by class are as follows:

	THE GROUP AND THE COMPANY			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
2009				
Individually impaired	**33,929**	**21,088**	**988**	**56,005**
2008				
Individually impaired	27,364	19,526	795	47,685

There are no related collateral held by the Group and the Company as security. Impairment allowances of **HK$53,029,000** (2008: HK$45,323,000) have been provided (note 21).

Liquidity risk management

The Group and the Company have 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 and the Company manage 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

Liquidity risk management **(Cont'd)**

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group and the Company are entitled and intend to repay the liabilities before their maturities.

THE GROUP AND THE COMPANY

2009

	Up to 1 month HK$'000	1 – 3 months HK$'000	3 – 12 months HK$'000	1 – 4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Collateralised debt obligation	3,442	6,885	30,983	934,044	–	975,354
Bank borrowings						
– fixed rate	9,026	64,805	269,907	320,471	–	664,209
– variable rate	545,839	1,580	254,172	1,114,294	394,258	2,310,143
Bank overdrafts	4,671	–	–	–	–	4,671
Other financial liabilities	74,078	5,125	1,401	682	–	81,286
Total undiscounted financial liabilities	637,056	78,395	556,463	2,369,491	394,258	4,035,663

2008

	Up to 1 month HK$'000	1 – 3 months HK$'000	3 – 12 months HK$'000	1 – 4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Collateralised debt obligation	3,457	6,913	31,110	124,440	853,719	1,019,639
Bank borrowings						
– fixed rate	1,973	4,149	157,931	455,169	–	619,222
– variable rate	380,389	286,912	291,645	1,230,847	30,717	2,220,510
Bank overdrafts	2,950	–	–	–	–	2,950
Other financial liabilities	83,163	4,326	2,791	–	–	90,280
Total undiscounted financial liabilities	471,932	302,300	483,477	1,810,456	884,436	3,952,601

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

Liquidity risk management **(Cont'd)**

The following table details the Group's and the Company's expected maturity of their derivative financial liabilities. The table has been drawn up based on the undiscounted net cash inflow (outflow) on the derivative financial liabilities that settles on a net basis. When the net amount payable is not fixed, the amount disclosed has been determined by reference to the interest rates existing at the reporting date.

	THE GROUP AND THE COMPANY				
	Up to 1 month HK$'000	**1 – 3 months HK$'000**	**3 – 12 months HK$'000**	**1 – 4 years HK$'000**	**Over 4 years HK$'000**
2009					
Derivatives settled net in respect of interest rate swap contracts	**(1,936)**	**(4,159)**	**(16,486)**	**(35,993)**	**(4,630)**
2008					
Derivatives settled net in respect of interest rate swap contracts	(687)	(1,451)	(6,217)	(14,361)	(260)

41. **FINANCIAL INSTRUMENTS (Cont'd)**

b. **Financial risk management objectives and policies (Cont'd)**

Liquidity risk management **(Cont'd)**

Analysis of financial assets and liabilities by remaining maturity

In addition to the liquidity tables presented above, the tables below analyse the carrying amounts of the Group's and the Company's financial assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity dates:

THE GROUP

	2009				
	Up to 3 months HK$'000	3 – 12 months HK$'000	1 – 4 years HK$'000	Over 4 years HK$'000	Total HK$'000
ASSETS					
Available-for-sale investments	–	–	–	57,851	57,851
Advances and receivables	3,010,195	956,229	922,586	29,510	4,918,520
Restricted deposits	26,935	–	68,000	–	94,935
Derivative financial instruments	–	–	88,862	–	88,862
Time deposits	286,386	–	–	–	286,386
Bank balances and cash	52,769	–	–	–	52,769
Other assets	2,875	–	–	–	2,875
Total assets	3,379,160	956,229	1,079,448	87,361	5,502,198
LIABILITIES					
Collateralised debt obligation	–	–	847,297	–	847,297
Bank borrowings					
– fixed rate	72,000	250,000	310,000	–	632,000
– variable rate	545,000	190,000	1,128,750	385,000	2,248,750
Bank overdrafts	4,671	–	–	–	4,671
Derivative financial instruments	242	2,885	24,776	23,807	51,710
Other liabilities	79,203	1,401	682	–	81,286
Total liabilities	701,116	444,286	2,311,505	408,807	3,865,714
Net liquidity gap	2,678,044	511,943	(1,232,057)	(321,446)	1,636,484

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

Liquidity risk management **(Cont'd)**

Analysis of financial assets and liabilities by remaining maturity (Cont'd)

THE GROUP (Cont'd)

	2008				
	Up to 3 months HK$'000	3 – 12 months HK$'000	1 – 4 years HK$'000	Over 4 years HK$'000	Total HK$'000
ASSETS					
Available-for-sale investments	5,092	–	–	82,314	87,406
Advances and receivables	3,081,759	931,442	706,443	10,144	4,729,788
Restricted deposits	–	–	–	68,000	68,000
Derivative financial instruments	44	–	14,443	–	14,487
Time deposits	167,778	–	–	–	167,778
Bank balances and cash	78,014	–	–	–	78,014
Other assets	1,493	–	–	–	1,493
Total assets	3,334,180	931,442	720,886	160,458	5,146,966
LIABILITIES					
Collateralised debt obligation	–	–	–	846,562	846,562
Bank borrowings					
– fixed rate	–	140,000	430,000	–	570,000
– variable rate	657,000	235,000	1,162,250	30,000	2,084,250
Bank overdrafts	2,950	–	–	–	2,950
Derivative financial instruments	–	2,146	23,331	3,054	28,531
Other liabilities	87,489	2,791	–	–	90,280
Total liabilities	747,439	379,937	1,615,581	879,616	3,622,573
Net liquidity gap	2,586,741	551,505	(894,695)	(719,158)	1,524,393

41. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

Liquidity risk management **(Cont'd)**

Analysis of financial assets and liabilities by remaining maturity (Cont'd)

THE COMPANY

	2009				
	Up to 3 months HK$'000	3 – 12 months HK$'000	1 – 4 years HK$'000	Over 4 years HK$'000	Total HK$'000
ASSETS					
Available-for-sale investments	–	–	–	57,851	57,851
Advances and receivables	3,010,195	956,229	922,586	29,510	4,918,520
Restricted deposits	26,935	–	68,000	–	94,935
Derivative financial instruments	–	–	88,862	–	88,862
Time deposits	286,386	–	–	–	286,386
Bank balances and cash	51,737	–	–	–	51,737
Other assets	2,875	–	–	–	2,875
Total assets	3,378,128	956,229	1,079,448	87,361	5,501,166
LIABILITIES					
Collateralised debt obligation	–	–	847,297	–	847,297
Bank borrowings					
– fixed rate	72,000	250,000	310,000	–	632,000
– variable rate	545,000	190,000	1,128,750	385,000	2,248,750
Bank overdrafts	4,671	–	–	–	4,671
Derivative financial instruments	242	2,885	24,776	23,807	51,710
Other liabilities	79,203	1,401	682	–	81,286
Total liabilities	701,116	444,286	2,311,505	408,807	3,865,714
Net liquidity gap	2,677,012	511,943	(1,232,057)	(321,446)	1,635,452

41. **FINANCIAL INSTRUMENTS (Cont'd)**

b. **Financial risk management objectives and policies (Cont'd)**

Liquidity risk management **(Cont'd)**

Analysis of financial assets and liabilities by remaining maturity (Cont'd)

THE COMPANY (Cont'd)

	2008				
	Up to 3 months HK$'000	3 – 12 months HK$'000	1 – 4 years HK$'000	Over 4 years HK$'000	Total HK$'000
ASSETS					
Available-for-sale investments	5,092	–	–	82,314	87,406
Advances and receivables	3,081,759	931,442	706,443	10,144	4,729,788
Restricted deposits	–	–	–	68,000	68,000
Derivative financial instruments	44	–	14,443	–	14,487
Time deposits	167,778	–	–	–	167,778
Bank balances and cash	77,986	–	–	–	77,986
Other assets	1,493	–	–	–	1,493
Total assets	3,334,152	931,442	720,886	160,458	5,146,938
LIABILITIES					
Collateralised debt obligation	–	–	–	846,562	846,562
Bank borrowings					
– fixed rate	–	140,000	430,000	–	570,000
– variable rate	657,000	235,000	1,162,250	30,000	2,084,250
Bank overdrafts	2,950	–	–	–	2,950
Derivative financial instruments	–	2,146	23,331	3,054	28,531
Other liabilities	87,489	2,791	–	–	90,280
Total liabilities	747,439	379,937	1,615,581	879,616	3,622,573
Net liquidity gap	2,586,713	551,505	(894,695)	(719,158)	1,524,365

41. FINANCIAL INSTRUMENTS (Cont'd)

c. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid (if only for financial assets) prices;

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative financial instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

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 and the Company's financial statements approximate to their fair values:

	THE GROUP AND THE COMPANY			
	2009		2008	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**2,880,750**	**2,787,371**	2,654,250	2,630,188
Collateralised debt obligation	**847,297**	**960,287**	846,562	905,290

42. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, advertising space and computer equipment, which fall due as follows:

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Within one year	**46,086**	44,159
In the second to fifth year inclusive	**45,196**	30,683
	91,282	74,842

Leases for rented premises, including head office and data centre, are negotiated for an average term of three years and rentals are fixed throughout the lease period. Leases for other rented premises and advertising space are negotiated for an average term of two years and rentals are fixed for an average of one year. Leases for computer equipment are negotiated for an average term of six years and rentals are fixed throughout the lease period.

43. CAPITAL COMMITMENTS

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Purchase of property, plant and equipment	**7,851**	14,677
Purchase of available-for-sale investments	**–**	2,273
	7,851	16,950

44. PLEDGE OF ASSETS

At 20th February 2009, the collateralised debt obligation of the Group and the Company was secured by credit card receivables and restricted deposits of **HK$1,387,865,000** and **HK$94,935,000** respectively (2008: HK$1,435,766,000 and HK$68,000,000) (see notes 20 and 26).

45. RETIREMENT BENEFITS SCHEME

The Company operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The total cost charged to income of **HK$2,827,000** (2008: HK$2,792,000) represents contributions payable to the MPF Scheme by the Company in respect of the current accounting year. As at 20th February 2009, contributions of **HK$471,000** (2008: HK$459,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

46. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transactions with related parties:

	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associates	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income received	**8,721**	9,520	**–**	–	**–**	–	**–**	–
Commission received	**3,135**	3,119	**–**	–	**–**	–	**–**	–
Dividends received	**1,750**	1,391	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**385**	–
Licence fees paid	**6,310**	6,013	**147**	155	**45**	45	**–**	–
Service fees paid	**–**	–	**6,066**	–	**–**	–	**27,785**	18,727
Development fees paid	**1,938**	–	**–**	–	**–**	–	**–**	–

46. RELATED PARTY TRANSACTIONS (Cont'd)

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**12,613**	12,405

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the Group's and the Company's operating results, performance of individuals and market trends.

47. PARTICULARS OF A MASTER TRUST OF THE COMPANY

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. At 20th February 2009, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

48. POST BALANCE SHEET EVENTS

On 31st March 2009, the Company entered into an amendment deed to extend the facility under the collateralised debt obligation from existing HK$850 million to HK$1,100 million. Revolving period of the facility will remain to end in February 2012.

49. COMPARATIVE FIGURES

Accrued interest and other receivables of HK$98,424,000 included in prepayments, deposits, interest receivables and other debtors in prior year have been reclassified to advances and receivables in order to conform with the current year's presentation.

Glossary

2008 AGM	Annual general meeting held on 20th June 2008
2009 AGM	Annual general meeting to be held on 19th June 2009
ACG	AEON Credit Guarantee (China) Co., Ltd.
ACS Japan	ÆON Credit Service Co., Ltd.
AEON Brokers	AEON Insurance Brokers (HK) Limited
AEON Japan	ÆON Co., Ltd.
AEON Malaysia	AEON Credit Service (M) Berhad
AEON Philippines	AEON Credit Technology Systems (Philippines) Inc.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AEON Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles of Association	Articles of Association of the Company
Board	Board of Directors of the Company
CG Code	Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
China or Mainland	People's Republic of China
Company	AEON Credit Service (Asia) Company Limited
Director(s)	Director(s) of the Company
Group	Company and its subsidiaries
HK$	Hong Kong dollars

Glossary

HIBOR	Hong Kong Interbank Offered Rate
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
ISO	International Organization for Standardization
JPY	Japanese Yen
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
SFO	Securities and Futures Ordinance
Stock Exchange	The Stock Exchange of Hong Kong Limited

New Products Launch
推出新產品

On-line Shopping and Bill Payment Service
網上購物及繳付賬單服務

ISO 14001 - EMS 538444 ISO 10002 - CS / CMS 513194 ISO 9001 - QMS / FS 513193 ISO 27001 - ISMS / IS 500955