Annual Report 2009/10

AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

Planting Seeds of Growth
We are AEON

Stock Code: 900

Corporate Branding
企業形象

New layout of Shatin branch
沙田分行新形象

Staff professional image
員工專業形象

UNICEF Young Envoys Programme 2009
聯合國兒童基金會青年使者計劃2009

"Heart to Heart Company" Award
「有心企業」標誌

"Caring Company" Award
「商界展關懷」標誌

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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
Fung Kam Shing, Barry
Pan Shu Pin, Ban

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

Independent Non-executive Directors
Hui Ching Shan
Wong Hin Wing
Tong Jun

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

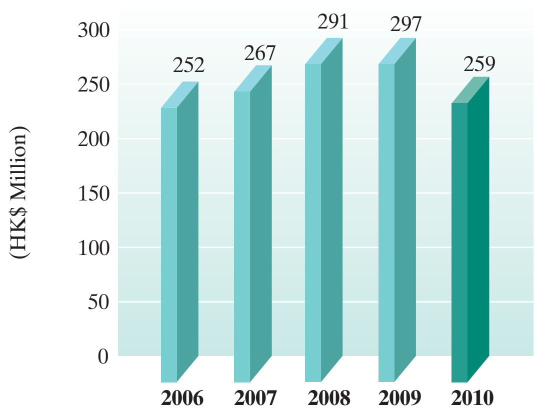
900

Shareholders' Calendar

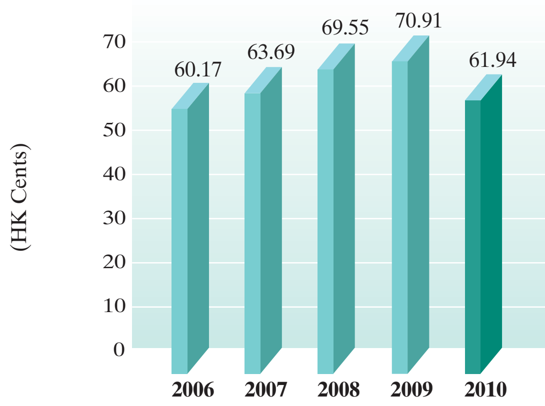
23rd September 2009	Announcement of interim results for the six months ended 20th August 2009
8th October 2009	Despatch of interim report for the six months ended 20th August 2009
9th – 14th October 2009	Book closing dates for interim dividend
20th October 2009	Payment of interim dividend of 16.0 HK cents per share
22nd April 2010	Announcement of final results for the year ended 20th February 2010
13th May 2010	Despatch of annual report for the year ended 20th February 2010
14th – 18th June 2010	Book closing dates for final dividend
18th June 2010	2010 AGM
30th June 2010	Payment of final dividend of 16.0 HK cents per share

Five-year Financial Summary

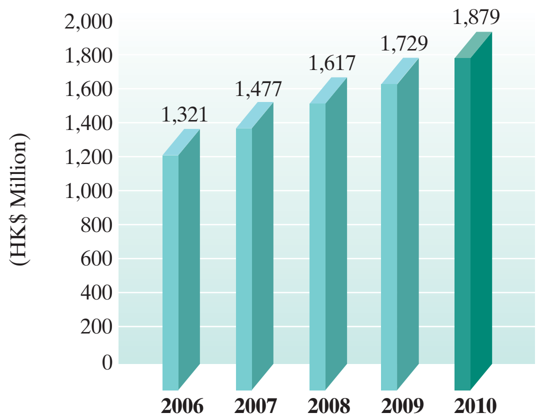
Profit for the year (note 1) ended 20th February



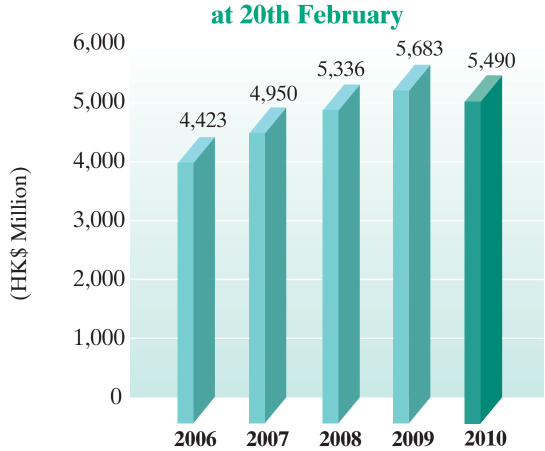
Earnings per share (note 2) for the year ended 20th February



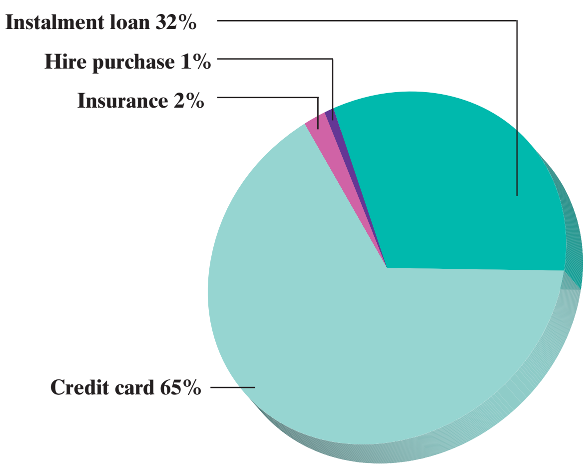
Total equity (note 3) at 20th February



Total assets (note 4) at 20th February



Segment revenue (note 5)



Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2006, 2007, 2008, 2009 and 2010.
2. Represents the consolidated earnings per share for the financial years ended 20th February 2006, 2007, 2008, 2009 and 2010.
3. Represents the consolidated total equity at 20th February 2006, 2007, 2008, 2009 and 2010.
4. Represents the consolidated total assets at 20th February 2006, 2007, 2008, 2009 and 2010.
5. Represents the respective percentage of revenue by operating segments for the financial year ended 20th February 2010.

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				
	2006 HK$'000 (Restated)	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Revenue	1,037,712	1,100,086	1,159,230	1,198,127	**1,163,449**
Profit before tax	305,949	319,750	340,859	353,824	**310,504**
Income tax expense	(53,966)	(53,054)	(49,598)	(56,861)	**(51,102)**
Profit for the year	251,983	266,696	291,261	296,963	**259,402**
Earnings per share	60.17 HK cents	63.69 HK cents	69.55 HK cents	70.91 HK cents	**61.94 HK cents**
Dividend per share	18.00 HK cents	26.00 HK cents	30.00 HK cents	32.00 HK cents	**32.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

	At 20th February				
	2006 HK$'000 (Restated)	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	4,423,392	4,949,661	5,336,192	5,682,781	**5,489,988**
Total liabilities	(3,102,847)	(3,472,667)	(3,719,233)	(3,953,783)	**(3,610,952)**
Total equity	1,320,545	1,476,994	1,616,959	1,728,998	**1,879,036**

Chairman's Statement

Yoshiki Mori
Chairman

Due to the Lehman after shock impact, the Japanese economy continued to struggle in 2009, resulting in more and more stagnant corporate activities. Even under these harsh conditions, ACS Japan had kept up with creative changes in the past one year, including: (i) integrating of sales and back office operations, (ii) creating unique financial services suitable for retail business; and (iii) developing e-money business.

In Hong Kong, the economy resumed growth in the second quarter of 2009, which technically marked an end to the year-long recession. Domestic demand and pricing power of retailers have been showing signs of return. The Group has taken prompt actions to capture the recovery by organising more frequent promotions and improving card benefits. As a result, sales transactions started to recover since June 2009. Amidst the negative impact of the ensuing recession in the first half, the Group reported a consolidated net profit of HK$259.4 million and earnings per share of 61.94 HK cents.

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. 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. We continue to build trust and meet expectations by paying special attention to cardholders' needs and providing carefully tailored financial services, such as insurance and electronic money. 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. At the same time, through its subsidiaries, ACS Japan broadens the scope of its credit peripheral businesses, including debt recovery, bank agency and credit guarantee business. ACS Japan aims to be a leading company in Asia's credit markets by continuing to develop and grow the business of overseas subsidiaries and by entering new services. 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 21.32 million cardholders across Asia.

Chairman's Statement

Aiming to improve the revenue structure, besides committing to credit card business and developing services fine-tuned to local requirements, ACS Japan will continue to develop and strengthen new income sources on agency business, cashless payment channel and credit guarantee business.

Furthermore, we continue to strengthen our corporate image and value by reinforcing our corporate governance system. Giving that consumers are now taking a more proactive view of corporate social responsibility, it is important for us to ensure and improve reliability if we want to be the first choice of our customers. Moreover, we actively participate in environmental protection and social contribution, including forest and global warming protection, 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.

PERFORMANCE OF THE GROUP

It is the strategy of the Group to build up a strong relationship with its merchants using their networks as the backbone for its card acquisition and sales. Regular communication with merchants is crucial in creating synergy and developing marketing campaigns and benefits that fulfill customers' requirements. During the year, the Group had held tailor-made marketing programmes with different business partners to stimulate sales on the co-branded cards, including the 10% rebate promotion and the AEON Ocean Park Halloween promotion. We aim to be one of the most popular credit card issuers in the market.

The Group is advancing the establishment of a fee-based business model from its credit peripheral businesses. With the establishment of AEON Brokers, the Group is now offering a variety of insurance products not only to its existing customers and business partners but also to the public. More internet functions have been developed to recruit new net-members and increase the usage of on-line shopping. Moreover, the Group has expanded its collection agency business to finance, telecommunications and utilities. Besides these, the Group has also entered into micro-payment business through contactless and prepaid cards.

For China business, AEON Card outsourcing business continued to grow in terms of number of cardholders and sales transactions. Moreover, AIS has successfully acquired insurance agency licences in different provinces in China and lined up with both life and general insurance companies in the Mainland to deliver a wide variety of products to target customers.

BUSINESS OUTLOOK

In Hong Kong, the gross domestic product has continued to improve on an annualised basis since the second half of 2009. Together with the drop in unemployment rate and an influx of hot money into property and stock markets, this has boosted consumer sentiment and spending in the past few months. Nevertheless, the operating environment for consumer finance business in Hong Kong is anticipated to remain very challenging in the coming one year, with keen competition amongst the market players to seek greater market share.

Chairman's Statement

As the Hong Kong economy is recovering, we believe it is a good timing for the Group to adopt a different marketing strategy in 2010 so as to create a sustainable growth in the long run. As the number of cardholders of the Group has reached a significant mass level, we have to reposition our corporate image to tap new market segment. Moreover, we have to develop new revenue sources by offering new services.

In addition to the insurance agency and broking and external collection businesses, the Group will put effort in enhancing its services offered through internet, including financial service, payment gateway and acquiring business. Moreover, the Group will explore new business channels for contactless and prepaid cards so as to diversify the settlement methods and tap the micro-payment market.

Moreover, the Group will ensure a 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 completed the testing on its policy of compliance on all business operations and will monitor its effectiveness in the coming one year.

Meanwhile, the Mainland is a market that no one can ignore. Riding on the experience and operation knowledge gained from AEON Card operation, the Group will continue to explore new business opportunities for its existing outsourcing services and study the feasibility of setting up consumer finance operations in the Mainland.

With these strategies, 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, 22nd April 2010

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 2010.

Hong Kong's economy showed signs of stabilising and gradual recovery since the second quarter of 2009, as well as the unemployment rate since the third quarter of 2009. With the adoption of lax monetary policies by various nations, this has resulted in tremendous influx of hot money to Hong Kong, boosting performance of the local stock and property markets. However, with unemployment rate stayed above 5% for most of the year, retail sales remained flat. Together with the deterioration of asset quality and intensified competition for business, the operating environment for consumer finance business was tough and challenging for the year under review. Participants had to strive for innovative products and service quality to maintain the loan portfolio while at the same time closely monitored its credit quality.

Faced with declining consumer spending and an increase in personal bankruptcies in the first half, the operating performance of the Group was under pressure. Although sales in the fourth quarter were better than last year, the growth magnitude could not compensate the shortage in the first three quarters. As a result, overall sales volume achieved 91% when compared with last year. This in turn pulled down the revenue by 3%. Together with an increase in impairment losses and impairment allowances, the Group recorded a net profit of HK$259.4 million, representing a decrease of 12.6% when compared with HK$297.0 million in the previous year. To maintain a constant return on shareholders' interest, the Board decided to maintain the absolute dividend amount at 32.0 HK cents, with a payout ratio of 51.7%.

During the year under review, the Group had taken decisive actions in both operation and funding. On the operation side, the Group had adopted a conservative marketing approach and devoted more resources on the monitoring of existing portfolio performance. Although this resulted in a drop of total advances, the asset quality had noticeably improved at the end of the year. On the funding side, the Group had renewed its long-term borrowings with a lower funding cost and increased the size of collateralised debt obligation. As a result, the Group had secured sufficient banking facilities to meet its financial commitment and to fund its growth. On corporate social responsibility, the Company has been recognised as a "Caring Company" by the Hong Kong Council of Social Service for the third consecutive year for its continuous support to various community programmes on environmental protection, education and cultural exchange.

Managing Director's Operational Review

OPERATIONAL REVIEW

Marketing

On credit card business, the Group had launched a series of marketing activities to enhance the competitiveness of its card business, which included the 10% rebate promotion in affinity member-stores, the AEON Ocean Park Halloween promotion, five times bonus point and large scale lucky draw programmes. In addition, the Group had designed tailor-made card acquisition programmes with its affinity partners to increase card base and card usage. As a result, card credit purchase had increased by 1.6% when compared with last year. To maintain the credit quality, new members were mainly recruited through affinity member-stores.

Marketing programmes

Under the adverse business environment, the Group had redesigned its personal loan product features in order to increase its competitiveness in the market. Moreover, the Group had launched tax loan product earlier this year in order to increase its market share in tax loan.

To extend service coverage, the Group launched online shopping service to its customers and started mail orders through the web. This not only provides convenience to customers but also creates additional credit card sales to the Group.

AEON Brokers' website

New Service

With the set up of AEON Brokers, the Group can now line up with more insurance companies to offer unique insurance products to our widely diversified customer base and merchant networks. During the year under review, AEON Brokers had solicited life and general insurance products, such as travel, home content and property insurance. Through web, telemarketing and insurance consultants, AEON Brokers had successfully secured more than 40,000 insurance policies.

Besides insurance, the Group has recently launched AEON Visa Corporate Card to capture sales from the corporate sector for settlement of their operating expenses. This not only facilitates the corporate clients to centralize the control of expenses but also creates additional credit card sales to the Group. The Group can now offer a variety of different services to corporate clients including collection, financing, corporate card and insurance services.

Managing Director's Operational Review

China Business

Moving on to China business, AIS, an associate, has extended their services as processing agent for AEON Card operation in different provinces in China, including Guangdong, Beijing and Shandong. Besides outsourcing business, AIS has also successfully acquired insurance agency licences in Shenzhen, Guangdong and Beijing and lined up with eight insurance companies to market a wide variety of insurance products to target customers. In addition, AIS has also expanded its collection services to corporate clients in China in the fields of auto, finance and insurance.

AEON Card promotion

PROSPECTS

Looking ahead, the global economy has been showing signs of recovery. With hot money continues to flow into the property and stock markets, asset-price bubbles become one of the greatest risks for Hong Kong, as these gains have been mainly driven by extra liquidity in the financial system. Nevertheless, this has already boosted consumer sentiment and spending in the past few months, which in turn has helped Hong Kong's economy to recover at a faster pace than the Government previously forecast. In order to maintain a sustained and solid recovery, more stimuli are expected from the Hong Kong Government in 2010.

The operating environment for consumer finance business in Hong Kong is anticipated to remain challenging in the coming one year, with keen competition amongst the market players to seek greater market share. To enlarge its customer base, the Group will actively strengthen its corporate branding as providing better life quality for customers and also as a responsible corporate citizen. The Group will take a growth and yet conservative strategy to capture market potential with new innovative products and marketing strategies, while minimizing credit risks and implementing appropriate cost savings measures. At the same time, the Group will increase its revenue by increasing cross-selling activities, strengthening the web functions and enhancing product features. Given the low interest-rate environment, margins are expected to improve while cost-to-income ratio is likely to fall.

Managing Director's Operational Review

Increase Card Active Ratio

Since AEON JUSCO Card is always the core card for card member growth and usage stimulation, the Group will strengthen the benefits of AEON JUSCO Cards. Moreover, new marketing activities will be launched with affinity merchants, directing towards card activation through the offering of appealing cardholder privileges and affinity member benefits. The collaboration with different merchants in promoting recurrent transactions through credit cards has successfully improved the active ratio. As a result, the Group will continue to promote this service to its net members through SMS.

Private sale

Mass promotion campaigns

2010 is a year full of big events in Asia, including the Shanghai World Expo, the FIFA World Cup, and the Guangzhou Asian Games. In order to encourage customers to spend with their credit cards, the Group will ride on these events and organize mass promotion campaigns to increase both card sales and card members.

With the well-acceptance of Visa payWave technology on the KFC Visa Card, the Group will explore other business opportunities with co-branded partners to tap the micro-payment transactions and to allow cardholders to enjoy a fast and convenient usage.

Diversification of Product Lines

The Group will continue to widen its customer base and improve its customer service through diversification of its product lines to web, mortgage, remittance and add-value services. By using its vast customer and merchant base, the Group will enrich its web contents, including online shopping service, financial service, customer service and payment gateway so as to generate more fee-based income business opportunities through the web business. With the increase in demand for property financing, the Group will cross-sell mortgage products to its existing customers. Moreover, the Group plans to launch remittance service through internet and mobile phone and offer money exchange service in the branches. To generate a stable fee income, the Group will continue expand its service coverage in the areas of travel and collection services.

Enhancement of Corporate Branding

The branch network is not only an important sales channel, but is also an important media delivering the corporate brand image to the public. The Group is in the process of changing the branches into service and information centres so as to deliver a brand new experience to the customers. Flat screen panels will be installed in all branches which not only deliver messages on the product information but also financial and other news. Internet corner will also be set up in each branch so that customers can register as netmember and conduct online shopping.

Internet corner inside branch

Branch staff in uniform

To further strengthen the professional image, branch staff have started to wear uniforms. The objective is not only to show tidiness of the branch staff, but also to project an image of trustworthy and knowledgeable professional.

Customer Satisfaction and ISO Standards

The Group will continue upgrade its core and sub-systems to cater for the increase in sales transactions and shorten the enquiring time by customers. With the extension of backup data centre to cover sub-systems, the Group is able to ensure a continuous operating environment during times of emergency.

In the coming year, the Group will expand ISO 14001 on environmental management system and ISO 9001 on quality management system to cover the whole company. These certifications not only help the Company to ensure that the operations are up to international standards but also ensure the commitment to environmentally-friendly operating environment and the highest level of quality service.

Growth Strategy

The continuous improvement in asset quality and product features, as well as the vast customer base and merchant networks that have been built over these years, will provide the Group with a strong driving force to grow its market share in Hong Kong.

For 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. Moreover, riding on the experience and operation knowledge gained from AEON Card operation, the Group will continue to explore new business opportunities with potential partners to cater for growth of consumer finance market in the Mainland.

SYSTEMS DEVELOPMENT

During the year under review, data backup and synchronization platform was implemented, which significantly improved the business continuity plan. All business functions supported by backup data centre can now be resumed within 24 hours. In the coming year, the Group will continue enhance backup data centre in order to cover the remaining major sub-systems, including collection system, telemarketing system and back-office support systems. Systems enhancement in backup data centre will also be completed within this year. Annual disaster recovery drill will be conducted to ensure functionality and efficiencies of backup systems.

For web business, the Group had completed web system development on online shopping service, instant login account setup function and AEON Brokers' website. In order to enhance system availability, web system platform will be replaced by full redundant system in the coming year. Moreover, additional functions such as e-statement printing, opt-out paper statement and credit card account enquiry will be developed for the convenience of cardholders. The Group will further enhance the protection of customer data on internet by implementing additional framework such as web application firewall.

The Group has been relying on an overseas service provider for the development, modification, enhancement and maintenance of its existing card transaction processing system called front end processing (FEP) system, which has risk and limitation on its business expansion and business continuity. The Group has recently entered into a new FEP system agreement with AEON Philippines to acquire a new customized FEP system which not only can support the Group's business expansion but also can be modified and enhanced quickly and efficiently. The Group will put continuous efforts to monitor and enhance the security of its operating systems. In addition, the operating systems for internal operation enhancement such as scoring system will be completed in the second half of this year.

HUMAN RESOURCES

The total number of staff at 20th February 2010 and 20th February 2009 was 334 and 351 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 Group. The Group also provides in-housing training programmes and external training sponsorships to strengthen its human resources.

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

CORPORATE SOCIAL RESPONSIBILITY

Over the years, we emphasize on three key words, "peace", "people" and "community" in our Group's philosophy. Not only do we strive hard to provide a reasonable return to our shareholders, the Group also takes pride in making charitable contributions to the local community. The Group's efforts and contributions to the local community have been recognized as this is the third consecutive year we have been given a "Caring Company" award by the Hong Kong Council of Social Service for our continuous support to various community programmes on environmental protection, education and cultural exchange.

To fulfill the mission of "Planting Seeds of Growth" and support the government in "preventing hill fire", our staff volunteered to participate in the Hong Kong Tree Planting Days 2009 and 2010 and planting trees in both Ma On Shan and Sai Kung.

2010 Tree Planting Day

Moreover, the Group had continued to sponsor charitable projects through AEON Education and Environment Fund. The projects sponsored during the year included the full support to "The 22nd HKSAR Outstanding Students' Selection 2009" and "UNICEF Young Envoys Programme 2010".

Scholarship programme in China

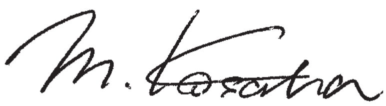
In China, the Group had continued to sponsor the scholarship and research programmes in Beijing and Guangdong Province, including Tsinghua University, Sun Yat-sen University, Guangdong University of Technology and South China Normal University.

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.

Managing Director's Operational Review

ACKNOWLEDGEMENT

On behalf of the Board, I would like to wholeheartedly thank 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, 22nd April 2010

Management Discussion and Analysis

Following a sharp contraction in Gross Domestic Product, Hong Kong's economy resumed growth in the second quarter of 2009, and there was a drop in the unemployment rate in the third quarter of 2009. With the influx of hot money to Hong Kong market, the Hang Seng Index surged by 52% in 2009 while the property market also became buoyant. However, with unemployment rate stayed above 5% for most of the year, retail sales remained flat. Together with the deterioration of asset quality and intensified competition for business, the operating environment for consumer finance business was tough and challenging for the year under review.

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 the size of collateralised debt obligation and the adoption of a cautious business approach in granting new credits. The core operating performance of the Group was under pressure during the year with the deterioration of credit quality in the first half and slow recovery of demand in the consumer finance. As a result of adopting a conservative approach in granting new credits, total advances contracted when compared with last year.

KEY FINANCIAL HIGHLIGHTS

For the financial year ended 20th February 2010, on an audited basis, profit before tax was HK$310.5 million, a decrease of 12.2% when compared with last year. After deducting income tax expense of HK$51.1 million, the Group faced a profit drop of 12.6%, with profit for the year decreased from HK$297.0 million in the previous year to HK$259.4 million. Earnings per share decreased by 12.6% from 70.91 HK cents to 61.94 HK cents in 2009/10.

Operating revenue before interest expense for the year was HK$1,174.3 million, as compared with HK$1,214.8 million in 2008/09.

Operating income was HK$1,030.4 million, a decrease of HK$33.7 million when compared with HK$1,064.1 million in 2008/09. Operating expenses increased by 1.7% from HK$371.3 million in 2008/09 to HK$377.5 million, with cost-to-income ratio moved from 34.9% in the previous year to 36.6%. At the operating level before impairment losses and impairment allowances, the Group recorded a decrease in operating profit by HK$40.0 million from HK$692.8 million in 2008/09 to HK$652.8 million.

The Group's impairment losses and impairment allowances recorded an increase of 6.8% from HK$384.8 million in the previous year to HK$410.8 million. On the other hand, recoveries of receivables written-off recorded an increase of 44.8% from HK$52.3 million in 2008/09 to HK$75.7 million in 2009/10.

Although sales started to pick up in the fourth quarter, the growth magnitude cannot compensate the drop in advances in the first three quarters. As a result, the Group experienced a reduction in gross advances and receivables of 4.6% during the year mainly in credit card receivables and hire purchase debtors. Gross advances and receivables at 20th February 2010 was HK$4,855.9 million, as compared to HK$5,087.5 million at 20th February 2009.

Net asset value per share (after final dividend), compared with the net asset value per share as at 20th February 2009, increased from HK$4.0 to HK$4.3.

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 was 32.0 HK cents per share, representing a dividend payout ratio of 51.7%.

CONSOLIDATED INCOME STATEMENT ANALYSIS

Operating Income

With the adoption of a cautious business strategy, there was a drop in card cash advance receivables. As a result, interest income recorded a decrease of 2.0% or HK$20.9 million from HK$1,069.8 million in 2008/09 to HK$1,048.9 million. In order to secure more banking facilities under the uncertain market situation, the Group had fixed more long-term borrowings and increased the size of collateralised debt obligation. Nevertheless, interest expense for the year still recorded a decrease of 4.5% or HK$6.8 million to HK$144.0 million when compared with last year, with average funding cost being 4.1% as compared with 4.2% in the previous year. Net interest income of the Group recorded a drop of 1.5% to HK$904.9 million from HK$919.0 million in 2008/09.

The drop in annual fee received as well as handling and late charges had resulted in the decrease in other operating income by 10.2% or HK$13.6 million from HK$133.6 million in 2008/09 to HK$120.0 million in 2009/10. Other gains and losses of HK$5.4 million mainly represent the gain on disposal of property, plant and equipment.

Operating Expenses

With the change in operating environment for consumer finance, additional resources had been devoted to the monitoring of existing portfolio performance and recruitment of new customer base. As a result, the expenses on card and loan processing had increased. Together with the increase in depreciation related to computer equipment, operating expenses increased by 1.7% from HK$371.3 million in 2008/09 to HK$377.5 million for the full year in 2009/10. The Group's cost-to-income ratio was 36.6% in 2009/10.

Impairment Losses and Impairment Allowances

During the year under review, the Group lent conservatively and strived to continually maintain its asset quality. With a sharp increase in personal bankruptcies in the first half, the Group had taken prompt collection actions and exercised cautious approval process. As a result, there were noticeable improvements in collection ratios and write-off amount in the second half. Impairment losses and impairment allowances for the year increased by 6.8% or HK$26.0 million to HK$410.8 million, while impairment losses and impairment allowances for the second half recorded a drop of 2% when compared with last year. Recoveries of receivables written-off was HK$75.7 million, an increase of 44.8% or HK$23.4 million when compared with HK$52.3 million in 2008/09. Impairment allowances amounted to HK$138.0 million at 20th February 2010, as compared with HK$169.0 million at 20th February 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total equity was strengthened by 8.7% to HK$1,879.0 million at 20th February 2010 mainly due to the increase in accumulated profits and reserves.

Advances and Receivables

With the adoption of a cautious business strategy, there was a drop in card cash advance receivables. As a result, credit card receivables decreased by HK$321.2 million from HK$3,422.0 million at 20th February 2009 to HK$3,100.8 million at 20th February 2010. The early launch of tax loan product and acquisition of new customer portfolio had expanded the base for cross-selling loan products. Instalment loans receivable reached HK$1,571.0 million, an increase of HK$114.0 million when compared with last year. As card instalment plan is commonly accepted in the market, hire purchase debtors recorded a further drop from HK$97.5 million in the previous year to HK$70.1 million at 20th February 2010. With the increase in interest mix, the accrued interest and other receivables increased by HK$2.9 million to HK$114.1 million at 20th February 2010. Nevertheless, gross advances and receivables decreased by 4.6% or HK$231.6 million, from HK$5,087.5 million at 20th February 2009 to HK$4,855.9 million at 20th February 2010.

With an improvement in unemployment rate and personal bankruptcies in the fourth quarter, percentage of overdue to gross advances and receivables recorded a drop at 20th February 2010. As a result, the Group reduced the amount of impairment allowances, especially collective assessment. Impairment allowances amounted to HK$138.0 million at 20th February 2010, as compared with HK$169.0 million at 20th February 2009 and representing 2.8% of gross advances and receivables.

Collateralised Debt Obligation

The Company entered into a HK$850.0 million collateralised debt obligation transaction (the "Transaction") as long-term funding and the Transaction amount was increased to HK$1,100.0 million during the year. Pursuant to this Transaction, the Company transferred credit card receivables to a trust established solely for this financing purpose. The Transaction will last for two 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$1,098.1 million at 20th February 2010 and carried a fixed interest coupon. This was secured by credit card receivables of HK$2,095.2 million and restricted cash of HK$80.2 million.

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 2010, 35.8% of its funding was derived from shareholders' equity, 20.9% from structured finance and 43.3% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th February 2010, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,273.2 million, with 13.6% being fixed in interest rates and 82.3% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 21.5% of these indebtedness will mature within one year, 26.8% between one and two years, 37.6% between two and three years, 11.4% between three and four years and 2.7% over four years. The average duration of indebtedness was around 2.1 years.

The Group's bank borrowings and collateralised debt obligation were denominated in Hong Kong dollars, except for a syndicated term loan of JPY7.5 billion and a term loan of USD10.0 million which were hedged by cross-currency interest rate swaps.

Management Discussion and Analysis

The Group continued to maintain a strong financial position. The net debt to equity ratio at 20th February 2010 was as follows:

	2010	2009
	HK$'000	HK$'000
Debt	**3,371,229**	3,728,047
Cash and cash equivalents	**(340,062)**	(334,484)
Net debt	**3,031,167**	3,393,563
Equity	**1,879,036**	1,728,998
Net debt to equity ratio	**1.61**	1.96

The net asset of the Group at 20th February 2010 was HK$1,879.0 million, as compared with HK$1,729.0 million at 20th February 2009.

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$34.8 million as compared to HK$34.9 million in the previous year. This was mainly related to the software development on the enhancement of the operating efficiencies. At 20th February 2010, 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 China. 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 maintain the full year absolute dividend amount at 32.0 HK cents for the year ended 20th February 2010, and a payout ratio of 51.7%.

SEGMENT INFORMATION

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, hire purchase and insurance. In 2009/10, credit card operation accounted for 65.6% of the Group's revenue, as compared to 67.8% in 2008/09. For segment result, credit card operation accounted for 58.6% of the Group's whole operations in 2009/10, as compared to 62.2% in 2008/09.

For credit card operation, the adoption of a cautious business approach resulted in a drop in card cash advance sales and balances. Although more emphasis had been put on card credit purchase, interest income still recorded a decrease when compared with last year. Together with a drop in commission income and handling charges, revenue from credit card operation recorded a decrease of 6.0% or HK$48.8 million from HK$812.6 million in 2008/09 to HK$763.8 million in 2009/10. With the increase in personal bankruptcies, the impairment losses and impairment allowances had increased. Although this was compensated by an increase in recoveries of receivables written-off, the segment result for the year from credit card operation recorded a decrease of 13.3% or HK$29.7 million from HK$224.1 million in 2008/09 to HK$194.4 million in 2009/10.

With the vast customer base and distribution channels, the Group remained active in developing its instalment loan business. As a result, revenue from instalment loan operation recorded an increase of 5.0% or HK$17.8 million, from HK$354.2 million in 2008/09 to HK$372.0 million in 2009/10. With the exercise of a cautious credit assessment, impairment losses and impairment allowances increased moderately. Together with an increase in recoveries of receivables written-off, segment result for the year from instalment loan operation recorded an increase of 10.9% or HK$12.6 million from HK$115.5 million in 2008/09 to HK$128.1 million in 2009/10.

With a continuous shift of usage to card instalment plan, revenue from hire purchase operation recorded a decrease of HK$4.0 million, from HK$11.2 million in 2008/09 to HK$7.2 million in 2009/10. With a drop in operating expenses and impairment losses and impairment allowances, segment result for the year from hire purchase operation still recorded a drop from HK$2.0 million in 2008/09 to HK$0.2 million in 2009/10.

Revenue from insurance operation recorded a slight increase of HK$0.2 million from HK$20.2 million in 2008/09 to HK$20.4 million in 2009/10. With additional operating expenses incurred in the running of an insurance broking company, segment result for the year from insurance operation decreased from HK$18.5 million in 2008/09 to HK$9.0 million in 2009/10.

COMPETITIVE ADVANTAGES

Synergy

The Group continued to benefit from the strong connections with affiliated merchants by 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 and catering industries. Around 60% of the customers are in the age range of 30 to 50 while 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 online shopping and bill payment services allows cardholders to register through AEON's website and perform purchase or make payments.

Quality of 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 59, 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 53, 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 47, 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 49, 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 54, 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.

Mr. Fung Kam Shing, Barry, aged 47, 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.

Directors and Senior Management Profile

Dr. Pan Shu Pin, Ban, aged 42, 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.

Mr. Kazuhide Kamitani, aged 53, 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 45, 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.

Dr. Hui Ching Shan, aged 59, 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 a solicitor of Hong Kong. He is also a Certified Management Accountant of Canada and a member of the Hong Kong Institute of Chartered Secretaries. 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.

Mr. Wong Hin Wing, aged 47, was appointed as 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 member 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 since 1997. 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 26 years of experience in accounting, finance, investment management and advisory.

Directors and Senior Management Profile

Professor Tong Jun, aged 47, was appointed an Independent Non-executive Director on 23rd September 2009. He holds a Bachelor's degree in Japanese Major from Harbin Normal University, a Master's degree in Japanese Language and Literature from Okayama University and a Doctorate in Literature from Okayama University. He is currently a Professor of the School of Foreign Languages and Deputy Head of the Institute for Japanese Studies in Southeast China at Sun Yat-sen University. He is also the Chairman of Association for Japanese Returned Scholars of Guangzhou and Deputy Chairman of Guangdong, Hong Kong and Macau Universities Association for Japanese Studies.

SENIOR MANAGEMENT

Mr. Jamie S. S. Lei, aged 51, 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.

Ms. Tomoko Misaki, aged 46, is a Director of AEON Insurance Brokers (HK) Limited. She joined the Company in April 2002. She was in charge of the Customer Relationship Management Department of the Company for 7 years. She has over 10 years of experience in the service industry. Ms. Misaki holds a Bachelor's degree in Economics from Konan University and a Certificate in Chinese Language (Cantonese) from University of Hong Kong.

Corporate Governance Report

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 2010, except for the deviations from code provisions A.4.1, A.4.2, B.1.1 and E.1.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of 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 is now in compliance with code provision B.1.1 and Rules 3.10(1) and 3.21 of the Listing Rules following the appointment of Professor Tong Jun as an Independent Non-executive Director and member of the Audit Committee and Remuneration Committee of the Company on 23rd September 2009.

Code provision E.1.2. provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board was unable to attend the 2009 AGM as he was overseas.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own 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 twelve members, consisting of six Executive Directors and six Non-executive Directors, out of whom three 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 posses academic, professional and industry experience. 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 key 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 members of key 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
Fung Kam Shing, Barry	4/4
Pan Shu Pin, Ban	4/4
Non-executive Directors:	
Yoshiki Mori *(Chairman)*	1/4
Kazuhide Kamitani	0/4
Takatoshi Ikenishi	4/4
Independent Non-executive Directors:	
Hui Ching Shan	4/4
Wong Hin Wing	4/4
Tong Jun*	2/2

* *appointed on 23rd September 2009*

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 an Independent 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

As at the date of this report, the Remuneration Committee of the Company comprises two Non-executive Directors and three Independent Non-executive Directors, namely Mr. Yoshiki Mori, Mr. Kazuhide Kamitani, Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun. The principal duties of the Remuneration Committee are to review and determine 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 objective of the Company's remuneration policy is to provide remuneration in form and amount which will motivate and retain high calibre executives. The principal elements of executive remuneration package include basic salary and discretionary bonus. The emoluments of the Executive Directors and senior management are decided by the Remuneration Committee having regards to the Group's operating results, individual performance and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 12 to the financial statements.

The Remuneration Committee held two meetings for the year ended 20th February 2010, 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**
Hui Ching Shan *(Chairman)*	2/2
Yoshiki Mori	0/2
Kazuhide Kamitani	0/2
Wong Hin Wing	2/2
Tong Jun*	0/0

* *appointed on 23rd September 2009*

AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company comprises two Non-executive Directors and three Independent Non-executive Directors, namely Mr. Yoshiki Mori, Mr. Kazuhide Kamitani, Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun. 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 2010, 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**
Hui Ching Shan *(Chairman)*	3/3
Yoshiki Mori	1/3
Kazuhide Kamitani	0/3
Wong Hin Wing	3/3
Tong Jun*	2/2

* *appointed on 23rd September 2009*

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. This is further supplemented by the J-SOX audit performed by external auditor of which internal control procedures for key operating areas have been evaluated and tested for effectiveness. Such annual review and testing 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 2010, 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 2009 AGM until the conclusion of the 2010 AGM.

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

Services rendered	**Fees HK$'000**
Taxation compliance	50
Agreed upon procedures	645
Advisory services on internal control	733
J-SOX annual compliance review	777
Total	2,205

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, members of key 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. The notice of the meeting, the annual report and the circular containing information on the proposed resolutions are sent to shareholders at least twenty clear business days before the meeting. Voting at the annual general meeting is by way of a poll. Details of the poll voting procedures are explained to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures. The results of the poll is published on both the Stock Exchange's and the Company's websites.

The Company's 2009 AGM was held on Friday, 19th June 2009. The notice of the 2009 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 2009 AGM. The majority of the Board members, together with the key executives and the external auditor attended the 2009 AGM. The Company Secretary explained the poll voting procedures at the commencement of the 2009 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2009 AGM. All the resolutions at the 2009 AGM were dealt with by poll. The poll results of the 2009 AGM are available on the Stock Exchange and the Company's websites.

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 2010 was HK$2,680,100,000 (issued share capital: 418,765,600 shares at closing market price: HK$6.4 per share).

The 2010 AGM will be held at Gloucester Room I, 3/F, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 18th June 2010 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 2010.

PRINCIPAL ACTIVITIES

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 broking and agency business.

NET DEBT TO EQUITY RATIO

At 20th February 2010, the net debt to equity ratio was 1.61 (2009: 1.96).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 20th February 2010 are set out in the consolidated income statement on page 47.

An interim dividend of 16.0 HK cents (2009: interim dividend of 16.0 HK cents) per share amounting to HK$67,002,000 (2009: HK$67,002,000) was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 16.0 HK cents (2009: 16.0 HK cents) per share to the shareholders on the register of members on 18th June 2010 amounting to HK$67,003,000, and the retention of the remaining profit for the year of HK$125,397,000.

MAJOR CUSTOMERS

During the year, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group and the Company spent approximately HK$33,950,000 on computer equipment and HK$801,000 on leasehold improvements.

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
Fung Kam Shing, Barry
Pan Shu Pin, Ban

Non-executive Directors:

Yoshiki Mori *(Chairman)*
Kazuhide Kamitani
Takatoshi Ikenishi

Independent Non-executive Directors:

Hui Ching Shan
Wong Hin Wing
Tong Jun (Appointed on 23rd September 2009)

In accordance with Article 102 of the Articles of Association, all Directors shall retire at the 2010 AGM and shall be eligible for re-election. Accordingly, all Directors, except Mr. Yoshiki Mori and Dr. Pan Shu Pin, Ban, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2010 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 20th February 2010, 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	48,026	0.03
Masanori Kosaka	9,096	0.01
Kazuhide Kamitani	15,245	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

DIRECTORS' INTERESTS IN SHARES (Cont'd)

(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

(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 as 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 2010.

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 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 2010, 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	33,520,000	8.00
DJE Investment S.A. *(Note 3)*	30,132,000	7.20

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 at 20th February 2010.

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 2010 was HK$11,288,000, of which HK$7,254,000 is classified as interest income under HKAS 39. The commission amount did not exceed the cap of HK$15,800,000 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, 18th January 2008 and 30th April 2009), 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 and payable by the Company to AIS for the year ended 20th February 2010 amounted to HK$27,752,000, which did not exceed the cap of HK$27,800,000 as disclosed in the Company's announcement dated 30th April 2009.

(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 2 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 2010 amounted to HK$1,928,880, which did not exceed the cap of HK$1,928,880 as disclosed in the Company's announcement dated 14th May 2008.

CONNECTED TRANSACTIONS (Cont'd)

(c) (Cont'd)

On 29th October 2009, 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 commencing from 4th October 2009 to 31st October 2010 at a monthly licence fee of HK$93,960 (exclusive of rates and management fee). The monthly management fee is HK$6,800. The aggregate sum of the licence fee and management fee for the year ended 20th February 2010 amounted to HK$464,560, which did not exceed the cap of HK$490,000 as disclosed in the Company's announcement dated 2nd November 2009.

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 2010 was HK$6,673,000.

(d) Pursuant to a corporate expenses sharing agreement dated 4th September 2008 entered into between the Company and ACS Japan, ACS Japan 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.

During the year ended 20th February 2009, due to the appreciation of the JPY against HKD, the Company revised the cap, 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 2010 amounted to HK$6,367,000, which did not exceed the revised cap of HK$6,800,000 as disclosed in the Company's announcement dated 16th February 2009.

(e) The Company had entered into a new master service agreement dated 29th October 2009 with AEON Philippines to renew the previous master service agreement dated 24th November 2008 and expired on 31st October 2009, whereby 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 2010 under the previous master service agreement and the new master service agreement amounted to HK$5,751,000 and HK$2,009,000 respectively, which did not exceed the respective caps of HK$5,800,000 and HK$2,680,000 as disclosed in the Company's announcements dated 25th November 2008 and 2nd November 2009 respectively.

CONNECTED TRANSACTIONS (Cont'd)

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 Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board.

The auditor of the Company also confirmed that the above transactions (i) had been approved by the Board, (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 47 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 2010, 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' 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

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$820,000.

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 46 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 20th February 2010.

AUDITOR

A resolution will be submitted to the 2010 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, 22nd April 2010

Deloitte.
德勤

TO THE MEMBERS 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 124, which comprise the consolidated and Company's statements of financial position as at 20th February 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

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 2010 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, 22nd April 2010

Consolidated Income Statement

For the year ended 20th February 2010

	NOTES	**2010 HK$'000**	2009 HK$'000
Revenue	5	**1,163,449**	1,198,127
Interest income	7	**1,048,905**	1,069,790
Interest expense	8	**(143,976)**	(150,748)
Net interest income		**904,929**	919,042
Other operating income	9	**120,022**	133,587
Other gains and losses	10	**5,405**	11,468
Operating income		**1,030,356**	1,064,097
Operating expenses	11	**(377,513)**	(371,281)
Operating profit before impairment allowances		**652,843**	692,816
Impairment losses and impairment allowances		**(410,754)**	(384,756)
Recoveries of receivables written-off		**75,717**	52,274
Share of results of associates	18	**(7,302)**	(6,510)
Profit before tax		**310,504**	353,824
Income tax expense	13	**(51,102)**	(56,861)
Profit for the year		**259,402**	296,963
Attributable to:			
Owners of the Company		**259,402**	296,963
Earnings per share	15	**61.94 HK cents**	70.91 HK cents

Consolidated Statement of Comprehensive Income

For the year ended 20th February 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**259,402**	296,963
Other comprehensive income		
Fair value gain (loss) on available-for-sale investments	**22,348**	(22,283)
Exchange difference arising from translation of foreign operations	**260**	1,704
Net adjustment on cash flow hedges	**2,033**	(22,587)
Transfer to profit or loss on disposal of available-for-sale investment	**–**	(11,942)
Other comprehensive income (expense) for the year	**24,641**	(55,108)
Total comprehensive income for the year	**284,043**	241,855
Total comprehensive income attributable to:		
Owners of the Company	**284,043**	241,855

Consolidated Statement of Financial Position

At 20th February 2010

	NOTES	20.2.2010 HK$'000	20.2.2009 HK$'000 (Restated)	21.2.2008 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**83,822**	85,639	84,214
Investments in associates	18	**31,056**	38,098	42,904
Available-for-sale investments	19	**80,198**	57,851	87,406
Advances and receivables	20	**1,145,108**	952,097	716,587
Prepayments, deposits and other debtors	24	**27,054**	30,296	34,387
Derivative financial instrument	37	**104,043**	88,862	14,443
Deferred tax assets	25	**300**	6,200	4,500
Restricted deposits	26	**68,000**	68,000	68,000
		1,539,581	1,327,043	1,052,441
Current assets				
Advances and receivables	20	**3,572,854**	3,966,423	4,013,201
Prepayments, deposits and other debtors	24	**21,775**	23,021	24,714
Amount due from an associate	35	**354**	204	–
Derivative financial instrument	37	**244**	–	44
Restricted deposits	26	**12,156**	26,935	–
Time deposits	27	**258,529**	286,386	167,778
Fiduciary bank balances	28	**1,133**	–	–
Bank balances and cash	29	**83,362**	52,769	78,014
		3,950,407	4,355,738	4,283,751
Current liabilities				
Creditors and accruals	30	**120,218**	106,927	107,998
Amounts due to fellow subsidiaries	32	**69,207**	46,433	50,387
Amount due to immediate holding company	33	**–**	11	–
Amount due to ultimate holding company	34	**52**	60	57
Amount due to an associate	35	**–**	–	239
Bank borrowings	36	**724,160**	1,057,000	1,032,000
Bank overdrafts		**1,829**	4,671	2,950
Derivative financial instruments	37	**7,103**	3,127	2,146
Tax liabilities		**363**	15,924	28,259
		922,932	1,234,153	1,224,036
Net current assets		**3,027,475**	3,121,585	3,059,715
Total assets less current liabilities		**4,567,056**	4,448,628	4,112,156

Consolidated Statement of Financial Position

At 20th February 2010

	NOTES	20.2.2010 HK$'000	20.2.2009 HK$'000 (Restated)	21.2.2008 HK$'000 (Restated)
Capital and reserves				
Issued capital	38	**41,877**	41,877	41,877
Share premium and reserves	39	**1,837,159**	1,687,121	1,575,082
Total equity		**1,879,036**	1,728,998	1,616,959
Non-current liabilities				
Collateralised debt obligation	40	**1,098,069**	847,297	846,562
Bank borrowings	36	**1,549,000**	1,823,750	1,622,250
Derivative financial instruments	37	**40,951**	48,583	26,385
		2,688,020	2,719,630	2,495,197
		4,567,056	4,448,628	4,112,156

The financial statements on pages 47 to 124 were approved and authorised for issue by the Board on 22nd April 2010 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Statement of Financial Position

At 20th February 2010

	NOTES	**20.2.2010 HK$'000**	20.2.2009 HK$'000 (Restated)	21.2.2008 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**83,822**	85,639	84,214
Investments in subsidiaries	17	**1,000**	1,000	28
Investments in associates	18	**31,056**	38,098	42,904
Available-for-sale investments	19	**80,198**	57,851	87,406
Advances and receivables	20	**1,145,108**	952,097	716,587
Prepayments, deposits and other debtors	24	**26,170**	30,296	34,387
Derivative financial instrument	37	**104,043**	88,862	14,443
Deferred tax assets	25	**300**	6,200	4,500
Restricted deposits	26	**68,000**	68,000	68,000
		1,539,697	1,328,043	1,052,469
Current assets				
Advances and receivables	20	**3,572,854**	3,966,423	4,013,201
Prepayments, deposits and other debtors	24	**19,453**	21,814	24,714
Amount due from a subsidiary	31	**–**	1,881	–
Amount due from an associate	35	**354**	204	–
Derivative financial instrument	37	**244**	–	44
Tax recoverable		**1,653**	–	–
Restricted deposits	26	**12,156**	26,935	–
Time deposits	27	**258,429**	286,386	167,778
Bank balances and cash	29	**82,090**	51,737	77,986
		3,947,233	4,355,380	4,283,723
Current liabilities				
Creditors and accruals	30	**117,143**	106,899	107,998
Amount due to a subsidiary	31	**9,939**	–	–
Amounts due to fellow subsidiaries	32	**69,207**	46,433	50,387
Amount due to immediate holding company	33	**–**	11	–
Amount due to ultimate holding company	34	**52**	60	57
Amount due to an associate	35	**–**	–	239
Bank borrowings	36	**724,160**	1,057,000	1,032,000
Bank overdrafts		**1,829**	4,671	2,950
Derivative financial instruments	37	**7,103**	3,127	2,146
Tax liabilities		**–**	15,924	28,259
		929,433	1,234,125	1,224,036
Net current assets		**3,017,800**	3,121,255	3,059,687
Total assets less current liabilities		**4,557,497**	4,449,298	4,112,156

Statement of Financial Position

At 20th February 2010

	NOTES	20.2.2010 HK$'000	20.2.2009 HK$'000 (Restated)	21.2.2008 HK$'000 (Restated)
Capital and reserves				
Issued capital	38	**41,877**	41,877	41,877
Share premium and reserves	39	**1,827,600**	1,687,791	1,575,082
Total equity		**1,869,477**	1,729,668	1,616,959
Non-current liabilities				
Collateralised debt obligation	40	**1,098,069**	847,297	846,562
Bank borrowings	36	**1,549,000**	1,823,750	1,622,250
Derivative financial instruments	37	**40,951**	48,583	26,385
		2,688,020	2,719,630	2,495,197
		4,557,497	4,449,298	4,112,156

DIRECTOR DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 20th February 2010

	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 2008	41,877	227,330	270	31,622	(57,116)	4,839	1,368,137	1,616,959
Profit for the year	–	–	–	–	–	–	296,963	296,963
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)
Transfer to profit or loss on disposal of available-for-sale investment	–	–	–	(11,942)	–	–	–	(11,942)
Total comprehensive (expense) 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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**259,402**	**259,402**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**22,348**	**–**	**–**	**–**	**22,348**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**260**	**–**	**260**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**2,033**	**–**	**–**	**2,033**
Total comprehensive income for the year	**–**	**–**	**–**	**22,348**	**2,033**	**260**	**259,402**	**284,043**
Final dividend paid for 2008/09	**–**	**–**	**–**	**–**	**–**	**–**	**(67,003)**	**(67,003)**
Interim dividend paid for 2009/10	**–**	**–**	**–**	**–**	**–**	**–**	**(67,002)**	**(67,002)**
	–	**–**	**–**	**22,348**	**2,033**	**260**	**125,397**	**150,038**
At 20th February 2010	**41,877**	**227,330**	**270**	**19,745**	**(77,670)**	**6,803**	**1,660,681**	**1,879,036**

Consolidated Statement of Cash Flows

For the year ended 20th February 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Profit before tax	**310,504**	353,824
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	**888**	856
Depreciation	**35,677**	33,403
Dividends received on available-for-sale investments	**(1,821)**	(1,750)
Gain on disposal of available-for-sale investment	**–**	(11,942)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**410,754**	384,756
Interest expense	**143,088**	149,892
Interest income	**(1,048,905)**	(1,069,790)
Net (gains) losses on disposal of property, plant and equipment	**(5,863)**	22
Share of results of associates	**7,302**	6,510
Operating cash flows before movements in working capital	**(148,376)**	(154,219)
Increase in advances and receivables	**(210,196)**	(573,488)
Decrease in prepayments, deposits and other debtors	**5,545**	2,028
Increase in amount due from an associate	**(150)**	(204)
Increase in fiduciary bank balances	**(1,133)**	–
Increase in creditors and accruals	**15,436**	328
Increase (decrease) in amounts due to fellow subsidiaries	**22,774**	(3,954)
(Decrease) increase in amount due to immediate holding company	**(11)**	11
(Decrease) increase in amount due to ultimate holding company	**(8)**	3
Decrease in amount due to an associate	**–**	(239)
Cash used in operations	**(316,119)**	(729,734)
Tax paid	**(60,763)**	(70,896)
Interest paid	**(141,882)**	(148,003)
Interest received	**1,046,960**	1,073,425
Net cash generated from operating activities	**528,196**	124,792

Consolidated Statement of Cash Flows

For the year ended 20th February 2010

	2010 HK$'000	2009 HK$'000
Investing activities		
Dividends received	**1,821**	1,750
Proceeds from disposal of available-for-sale investment	**–**	11,942
Proceeds from disposal of property, plant and equipment	**6,754**	79
Purchase of property, plant and equipment	**(34,751)**	(34,929)
Purchase of available-for-sale investments	**–**	(4,670)
Net cash used in investing activities	**(26,176)**	(25,828)
Financing activities		
Decrease (increase) in restricted deposits	**14,779**	(26,935)
Dividends paid	**(134,005)**	(130,387)
Increase in collateralised debt obligation	**250,772**	–
New bank loans raised	**10,359,012**	22,404,200
Repayment of bank loans	**(10,987,000)**	(22,254,200)
Net cash used in financing activities	**(496,442)**	(7,322)
Net increase in cash and cash equivalents	**5,578**	91,642
Cash and cash equivalents at beginning of the year	**334,484**	242,842
Cash and cash equivalents at end of the year	**340,062**	334,484
Being:		
Time deposits	**258,529**	286,386
Bank balances and cash	**83,362**	52,769
Bank overdrafts	**(1,829)**	(4,671)
	340,062	334,484

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 broking and agency business.

The consolidated financial statements are presented in HKD, 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 new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentations and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 21st February 2008 as the Group and the Company have reclassified certain items in its statements of financial position during the current financial year.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the adoption of HKFRS 8 has changed the measurement basis of segment result, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
Amendments to HKFRS 7 Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

New and revised HKFRSs affecting presentations and disclosure only (Cont'd)

HK(IFRIC) – Int 13 Customer Loyalty Programmes

HK(IFRIC) – Int 13 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. It requires companies to account for such transactions as "multiple element transactions" and allocate the proceeds of the initial sale to the award credits. The portion allocated to award credits is recognised as revenue only when the Group and the Company have fulfilled their obligations to provide goods or services. In the past, the Group and the Company accounted for the bonus point obligation under marketing expenses based on actual bonus points rewarded and accruals with reference to historical redemption experience. The effect of the adoption of HK(IFRIC) – Int 13 was not considered to be material for the Group and the Company and therefore, the prior year figures have not been restated.

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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

[1] *Effective for annual periods beginning on or after 1st July 2009*
[2] *Amendments that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate*
[3] *Effective for annual periods beginning on or after 1st January 2010*
[4] *Effective for annual periods beginning on or after 1st February 2010*
[5] *Effective for annual periods beginning on or after 1st July 2010*
[6] *Effective for annual periods beginning on or after 1st January 2011*
[7] *Effective for annual periods beginning on or after 1st January 2013*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 21st February 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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 on initial recognition.

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

Credit card transactions that result in award credits (often called "bonus points") for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the commission received or receivable is allocated between the credit card transactions and the award credits granted. The commission allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such commission is not recognised as revenue at the time of the initial credit card transactions – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Annual fee is recognised on a time proportion basis.

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

Broking income and agency fee received or receivable is recognised as revenue when the underlying transaction has been completed.

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 cost 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 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 included in profit or loss in the period in which the item is derecognised.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Where the financial statements of an associate used in applying the equity method prepared are of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Under the equity method, investments in associates are carried in the consolidated statement of financial position 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 equal 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

Operating lease payments are recognised as an expense 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 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 exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period which the liability is settled or the asset is realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

Financial assets

The Group's financial assets are classified into one of the two categories, available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

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 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, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including credit card receivables and instalment loans receivable, accrued interest and other receivables, other debtors, amount due from an associate and a subsidiary, restricted deposits, time deposits, fiduciary bank balances 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).

Impairment of financial assets (including hire purchase debtors)

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where 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 an 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 (including hire purchase debtors) (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 that 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 other comprehensive income and accumulated in investment revaluation reserve.

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 the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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 hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to 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. Any cumulative gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

Financial assets are derecognised when the rights to receive the cash flows from the asset expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. 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 in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 – non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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, but so 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 advances and receivables

The Group establishes, through charges against the consolidated income statement, impairment allowances in respect of estimated incurred loss in advances 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 statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When an advance 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.

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.

5. REVENUE

	2010	2009
	HK$'000	HK$'000
Interest income	**1,048,905**	1,069,790
Fees and commissions	**44,075**	47,332
Handling and late charges	**70,469**	81,005
	1,163,449	1,198,127

6. SEGMENT INFORMATION

Adoption of HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 21st February 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Executive Directors) for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. As the Executive Directors regularly review segment information based on different business activities in resources allocation and performance assessment of each operating segment, the application of HKFRS 8 has not resulted in a re-designation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. However, the adoption of HKFRS 8 has changed the measurement basis of segment result, segment assets and segment liabilities.

6. SEGMENT INFORMATION (Cont'd)

Services from which operating segments derive their revenues

In prior years, income derived from insurance agency business through credit card transactions and other payment means was grouped under "credit card" and "other operations" under HKAS 14. Starting from the current year, insurance broking and agency business has been identified as an additional operating segment and presented in the internal reports that regularly reviewed by the chief operating decision maker for the purposes of assessment of performance and future resources planning. In addition, certain items previously included in the "unallocated operating expenses" are allocated to respective operating segments under HKFRS 8 as they are included in the respective operating segments in the internal reports. In order to conform with current year's presentation, prior year information has been restated. The Group's operating segments under HKFRS 8 are therefore 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
Insurance	–	Provide insurance broking and agency business

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 20th February 2010

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
REVENUE	763,785	372,016	7,247	20,401	1,163,449
RESULT					
Segment results	194,421	128,138	220	9,012	331,791
Unallocated operating income					3,607
Unallocated expenses					(17,592)
Share of results of associates					(7,302)
Profit before tax					310,504
Income tax expense					(51,102)
Profit for the year					259,402

6. **SEGMENT INFORMATION (Cont'd)**

Segment revenue and results (Cont'd)

For the year ended 20th February 2009

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
REVENUE	812,553	354,190	11,212	20,172	1,198,127
RESULT					
Segment results	224,141	115,519	1,984	18,519	360,163
Unallocated operating income					17,327
Unallocated expenses					(17,156)
Share of results of associates					(6,510)
Profit before tax					353,824
Income tax expense					(56,861)
Profit for the year					296,963

The accounting policies of operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of certain income (including dividend income and gain on disposal of available-for-sale investment), unallocated head office expenses and share of results of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 20th February 2010

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	**3,687,925**	**1,612,782**	**72,045**	**5,682**	**5,378,434**
Investments in associates					**31,056**
Available-for-sale investments					**80,198**
Unallocated assets					**300**
Consolidated total assets					**5,489,988**
LIABILITIES					
Segment liabilities	**2,853,163**	**698,174**	**45,522**	**13,730**	**3,610,589**
Unallocated liabilities					**363**
Consolidated total liabilities					**3,610,952**

At 20th February 2009

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,984,631	1,497,021	96,771	2,209	5,580,632
Investments in associates					38,098
Available-for-sale investments					57,851
Unallocated assets					6,200
Consolidated total assets					5,682,781
LIABILITIES					
Segment liabilities	2,980,708	915,189	31,104	10,858	3,937,859
Unallocated liabilities					15,924
Consolidated total liabilities					3,953,783

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

At 21st February 2008

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,677,268	1,409,954	114,160	–	5,201,382
Investments in associates					42,904
Available-for-sale investments					87,406
Unallocated assets					4,500
Consolidated total assets					5,336,192
LIABILITIES					
Segment liabilities	2,715,864	928,992	37,329	8,789	3,690,974
Unallocated liabilities					28,259
Consolidated total liabilities					3,719,233

For the purposes of monitoring segment performance and allocating resources amongst segments:

- all assets are allocated to operating segments other than investments in associates, available-for-sale investments and deferred tax assets.
- all liabilities are allocated to operating segments other than tax liabilities.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure to segment profit or segment assets:

2010

	Credit card HK$'000	**Instalment loan HK$'000**	**Hire purchase HK$'000**	**Insurance HK$'000**	**Consolidated HK$'000**
Additions to non-current assets *(Note)*	**52,764**	**493**	**–**	**–**	**53,257**
Depreciation	**26,363**	**8,858**	**456**	**–**	**35,677**
Impairment losses and impairment allowances	**263,642**	**145,741**	**1,371**	**–**	**410,754**
Net gains on disposal of property, plant and equipment	**5,863**	**–**	**–**	**–**	**5,863**

2009

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	46,044	3,099	–	–	49,143
Depreciation	24,593	8,649	161	–	33,403
Impairment losses and impairment allowances	248,184	133,649	2,923	–	384,756
Net losses on disposal of property, plant and equipment	–	22	–	–	22

Note: Non-current assets exclude investments in associates, financial instruments and deferred tax assets.

6. SEGMENT INFORMATION (Cont'd)

Geographical information

All the Group's interest income, fees and commissions, handling and late charges and profit are derived from operations carried out in Hong Kong. In addition, all the Group's non-current assets (excluding financial assets and deferred tax assets) are located in Hong Kong. Accordingly, no analysis of the Group's segmental information by geographical segments is presented.

Information about major customers

During both years, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

	2010	2009
	HK$'000	HK$'000
Time deposits, bank balances and cash	**284**	4,638
Advances	**1,040,776**	1,061,979
Impaired advances	**7,845**	3,173
	1,048,905	1,069,790

8. INTEREST EXPENSE

	2010	2009
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**40,425**	74,115
Interest on collateralised debt obligation wholly repayable within five years	**48,811**	42,242
Net interest expense on interest rate swap contracts	**54,740**	34,391
	143,976	150,748

Amortisation of upfront cost of **HK$888,000** (2009: HK$856,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

9. OTHER OPERATING INCOME

	2010 HK$'000	2009 HK$'000
Dividends received on available-for-sale investments		
Listed equity securities	**1,319**	1,298
Unlisted equity securities	**502**	452
Fees and commissions		
Credit card	**23,674**	27,160
Insurance	**20,401**	20,172
Handling and late charges	**70,469**	81,005
Others	**3,657**	3,500
	120,022	133,587

10. OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	**20,398**	76,500
Exchange losses on bank loans	**(20,398)**	(76,500)
Gain on disposal of available-for-sale investment	**–**	11,942
Hedge ineffectiveness on cash flow hedges	**(458)**	(452)
Net gains (losses) on disposal of property, plant and equipment	**5,863**	(22)
	5,405	11,468

11. OPERATING EXPENSES

	2010	2009
	HK$'000	HK$'000
Administrative expenses		
Auditor's remuneration	**1,850**	1,850
Depreciation	**35,677**	33,403
General administrative expenses	**106,975**	101,465
Operating lease rentals in respect of rented premises, advertising space and equipment	**60,337**	65,051
Other operating expenses	**38,757**	37,316
Staff costs including Directors' emoluments	**91,418**	90,651
	335,014	329,736
Marketing expenses	**42,499**	41,545
	377,513	371,281

Operating lease rentals in respect of staff quarters of **HK$756,000** (2009: HK$742,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the twelve (2009: twelve) Directors were as follows:

2010

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)*	–	1,792	12	1,804
Lai Yuk Kwong	–	1,381	12	1,393
Tomoyuki Kawahara	–	949	12	961
Koh Yik Kung	–	1,622	12	1,634
Fung Kam Shing, Barry	–	998	12	1,010
Pan Shu Pin, Ban	–	939	12	951
Kazuhide Kamitani	–	–	–	–
Takatoshi Ikenishi	–	–	–	–
Hui Ching Shan	230	–	–	230
Wong Hin Wing	230	–	–	230
Tong Jun (23.9.2009 – 20.2.2010)	94	–	–	94
	554	7,681	72	8,307

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

(a) Directors' emoluments (Cont'd)

2009

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)*	–	2,283	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
Fung Kam Shing, Barry	–	1,102	12	1,114
Pan Shu Pin, Ban	–	1,042	12	1,054
Kazuhide Kamitani	–	–	–	–
Takatoshi Ikenishi (23.9.2008 – 20.2.2009)	–	–	–	–
Tsang Wing Hong (21.2.2008 – 24.9.2008)	154	–	–	154
Hui Ching Shan	230	–	–	230
Wong Hin Wing	230	–	–	230
	614	8,633	72	9,319

Note: Operating lease rentals in respect of director's accommodation of **HK$399,000** (2009: HK$394,000) are included under salaries and other benefits.

(b) Employees' emoluments

The five highest paid individuals in the Group in 2010 and 2009 were all Directors and details of their emoluments are set out above.

13. INCOME TAX EXPENSE

	2010	2009
	HK$'000	HK$'000
Current tax:		
Hong Kong		
– Current year	**44,980**	59,306
– Under (over) provision in respect of prior years	**222**	(745)
	45,202	58,561
Deferred tax *(note 25)*		
– Current year	**5,900**	(1,957)
– Attributable to change in tax rate	**–**	257
	5,900	(1,700)
	51,102	56,861

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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:

	2010 HK$'000	2009 HK$'000
Profit before tax	**310,504**	353,824
Tax at the applicable rate of 16.5% (2009: 16.5%)	**51,233**	58,381
Tax effect of share of results of associates	**1,205**	1,074
Tax effect of expenses not deductible for tax purpose	**3**	80
Tax effect of income not taxable for tax purpose	**(340)**	(2,821)
Tax effect of deferred tax assets previously not recognised	**(523)**	–
Under (over) provision in respect of prior years	**222**	(745)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	**–**	257
Others	**(698)**	635
Tax charge for the year	**51,102**	56,861

14. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2009 of 16.0 HK cents (2008: 15.0 HK cents) per share	**67,003**	62,814
Interim dividend paid in respect of 2010 of 16.0 HK cents (2009: 16.0 HK cents) per share	**67,002**	67,002
	134,005	129,816
Final dividend proposed in respect of 2010 of 16.0 HK cents (2009: 16.0 HK cents) per share	**67,003**	67,003

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 2010. This dividend is subject to approval by shareholders at the forthcoming annual general meeting 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 18th June 2010.

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of **HK$259,402,000** (2009: HK$296,963,000) and on the number of shares of **418,766,000** (2009: 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 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**
Additions	**801**	**–**	**33,950**	**–**	**34,751**
Disposals/write-off	**(7,287)**	**(42)**	**(20,300)**	**(1,159)**	**(28,788)**
At 20th February 2010	**12,439**	**14,434**	**284,938**	**226**	**312,037**
DEPRECIATION					
At 21st 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**
Provided for the year	**1,722**	**959**	**32,738**	**258**	**35,677**
Eliminated on disposals/write-off	**(7,151)**	**(42)**	**(20,300)**	**(404)**	**(27,897)**
At 20th February 2010	**11,333**	**13,195**	**203,608**	**79**	**228,215**
CARRYING VALUES					
At 20th February 2010	**1,106**	**1,239**	**81,330**	**147**	**83,822**
At 20th February 2009	2,163	2,198	80,118	1,160	85,639
At 21st February 2008	6,065	3,006	75,143	–	84,214

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Cost of unlisted investments in subsidiaries	**1,000**	1,000	28

At 20th February 2010 and 2009, 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 2010**	**2009**	**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%**	100%	Insurance broking and agency business

18. INVESTMENTS IN ASSOCIATES

	THE GROUP AND THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Cost of unlisted investments in associates	**39,946**	39,946	39,946
Exchange difference arising from translation	**6,803**	6,543	4,839
Share of post-acquisition results	**(15,693)**	(8,391)	(1,881)
	31,056	38,098	42,904

18. INVESTMENTS IN ASSOCIATES (Cont'd)

At 20th February 2010 and 2009, 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
		2010	2009	**2010**	2009	
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%**	33.3%	Provision of call centre services

The financial year end date for both associates is 31st December. For the purpose of applying the equity method of accounting, the financial statements of both associates for the year ended 31st December have been used as the Group considers that it is impracticable for both associates to prepare a separate set of financial statements as of 20th February. The Directors consider that there was no significant transaction between the financial year end date of the associates and 20th February 2010. Accordingly, no adjustment was made.

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	
	2010	2009
	HK$'000	HK$'000
Total assets	**88,289**	84,864
Total liabilities	**(26,177)**	(8,669)
Net assets	**62,112**	76,195
Share of associates' net assets	**31,056**	38,098
Revenue	**44,533**	36,864
Loss for the year	**14,604**	13,020
Share of associates' loss for the year	**7,302**	6,510

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Listed equity securities, at fair value			
Hong Kong	**21,845**	15,629	27,315
Overseas	**16,282**	10,151	13,858
	38,127	25,780	41,173
Unlisted equity securities, at cost	**42,071**	32,071	46,233
	80,198	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 reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

The Directors also conducted a review of those unlisted investments by using discounted cash flow method based on the latest financial budgets prepared by investees' management covering a period of 3 to 10 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. No impairment loss was charged for the current year.

20. ADVANCES AND RECEIVABLES

	THE GROUP AND THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Credit card receivables	**3,100,810**	3,421,998	3,270,554
Instalment loans receivable	**1,570,960**	1,456,930	1,387,591
Hire purchase debtors	**70,051**	97,459	115,649
	4,741,821	4,976,387	4,773,794
Accrued interest and other receivables	**114,098**	111,160	98,424
Gross advances and receivables	**4,855,919**	5,087,547	4,872,218
Impairment allowances *(note 21)*			
– individually assessed	**(60,290)**	(53,029)	(45,323)
– collectively assessed	**(77,667)**	(115,998)	(97,107)
	(137,957)	(169,027)	(142,430)
	4,717,962	4,918,520	4,729,788
Current portion included under current assets	**(3,572,854)**	(3,966,423)	(4,013,201)
Amount due after one year	**1,145,108**	952,097	716,587

20. ADVANCES AND RECEIVABLES (Cont'd)

Included in the advances and receivables of the Group and the Company, there are secured credit card receivables and instalment loans receivable of **HK$47,100,000** (20th February 2009: HK$20,806,000) and **HK$5,797,000** (20th February 2009: HK$19,062,000) respectively. The Group and the Company hold collateral over these balances. Other advances and receivables are unsecured.

(a) Credit card receivables

The term of credit 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% (20th February 2009: 26.8% to 43.6%) per annum.

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 transaction does not meet the "transfer of assets" tests under HKAS 39 Financial Instruments: Recognition and Measurement for the derecognition 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 40). At 20th February 2010, the carrying amount of the credit card receivables under this financing transaction is **HK$2,095,187,000** (20th February 2009: HK$1,387,865,000). The carrying amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2009: 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 3.7% to 51.4% (20th February 2009: 4.2% to 51.7%) per annum.

20. ADVANCES AND RECEIVABLES (Cont'd)

(c) Hire purchase debtors

	THE GROUP AND THE COMPANY			
	Minimum payments		Present value of minimum payments	
	20.2.2010	20.2.2009	**20.2.2010**	20.2.2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**63,020**	87,158	**61,443**	84,700
In the second to fifth year inclusive	**8,796**	13,066	**8,608**	12,759
	71,816	100,224	**70,051**	97,459
Unearned finance income	**(1,765)**	(2,765)	**–**	–
Present value of minimum payments receivable	**70,051**	97,459	**70,051**	97,459

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 15.7% (20th February 2009: 4.4% to 14.8%) per annum.

21. IMPAIRMENT ALLOWANCES

	THE GROUP AND THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Analysis by products as:			
Credit card receivables	**66,155**	98,363	81,432
Instalment loans receivable	**55,939**	56,159	52,246
Hire purchase debtors	**1,240**	2,342	2,249
Accrued interest and other receivables	**14,623**	12,163	6,503
	137,957	169,027	142,430

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
At 21st February 2009	**53,029**	**115,998**	**169,027**
Impairment losses and impairment allowances	**449,085**	**(38,331)**	**410,754**
Amounts written-off as uncollectable	**(441,824)**	**–**	**(441,824)**
At 20th February 2010	**60,290**	**77,667**	**137,957**

	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

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					
	20.2.2010		20.2.2009		21.2.2008	
	HK$'000	**%***	HK$'000	%*	HK$'000	%*
Overdue 1 month but less than 2 months	**128,158**	**2.6**	143,277	2.8	140,371	2.8
Overdue 2 months but less than 3 months	**29,463**	**0.6**	60,847	1.2	29,757	0.6
Overdue 3 months but less than 4 months	**20,490**	**0.4**	34,798	0.7	20,685	0.4
Overdue 4 months or above	**55,877**	**1.2**	48,935	1.0	41,538	0.9
	233,988	**4.8**	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		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Gross impaired advances			
– Overdue for more than 1 month (included in note 22)	**62,214**	55,562	45,869
– Current	**2,174**	443	1,816
Impairment allowances under individual assessment	**(60,290)**	(53,029)	(45,323)
Net impaired advances	**4,098**	2,976	2,362
Gross impaired advances as a percentage of gross advances	**1.3%**	1.1%	1.0%

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	THE GROUP			THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008	**20.2.2010**	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Prepaid cost for property, plant and equipment	**22,177**	22,105	26,284	**21,293**	22,105	26,284
Rental deposits	**13,444**	14,658	14,362	**13,444**	14,658	14,362
Prepaid operating expenses	**9,705**	13,884	16,962	**9,705**	13,884	16,962
Other debtors	**3,503**	2,670	1,493	**1,181**	1,463	1,493
	48,829	53,317	59,101	**45,623**	52,110	59,101
Current portion included under current assets	**(21,775)**	(23,021)	(24,714)	**(19,453)**	(21,814)	(24,714)
Amount due after one year	**27,054**	30,296	34,387	**26,170**	30,296	34,387

25. DEFERRED TAX ASSETS

The following are the major deferred tax assets (liabilities) recognised by the Group and the Company and movements thereon during each of the two years ended 20th February 2010 and 2009:

	THE GROUP AND THE COMPANY		
	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 21st February 2008	(12,500)	17,000	4,500
(Charge) credit to profit or loss 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**
Charge to profit or loss for the year	**(300)**	**(5,600)**	**(5,900)**
At 20th February 2010	**(12,600)**	**12,900**	**300**

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 0.01% to 0.2% (0.1% to 3.5% for the year ended 20th February 2009) per annum during the year. Restricted deposits of **HK$12,156,000** (20th February 2009: HK$26,935,000) will be matured within one year from 20th February 2010.

27. TIME DEPOSITS

Time deposits of the Group and the Company carry fixed rates ranging from 0.01% to 0.3% (0.01% to 3.7% for the year ended 20th February 2009) per annum during the year.

28. FIDUCIARY BANK BALANCES

The fiduciary bank balances of the Group are in relation to the money deposited by clients in the course of the conduct of the regulated activities under insurance broking and agency business. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding payables to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed. The interest income derived from these balances belongs to the clients and therefore it is recognised in the clients' accounts.

29. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

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

THE GROUP

	HKD HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
20.2.2010				
Bank balances and cash	**83,074**	**280**	**8**	**83,362**
20.2.2009				
Bank balances and cash	52,686	83	–	52,769

29. BANK BALANCES AND CASH (Cont'd)

THE COMPANY

	HKD HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
20.2.2010				
Bank balances and cash	**81,802**	**280**	**8**	**82,090**
20.2.2009				
Bank balances and cash	51,654	83	–	51,737

30. CREDITORS AND ACCRUALS

The aged analysis of creditors presented based on the invoice date at the end of the reporting period is as follows:

	THE GROUP	
	20.2.2010	20.2.2009
	HK$'000	HK$'000
Current	**43,055**	31,731
Over 1 month but less than 3 months	**736**	969
Over 3 months	**2,361**	2,082
	46,152	34,782

	THE COMPANY	
	20.2.2010	20.2.2009
	HK$'000	HK$'000
Current	**40,595**	31,731
Over 1 month but less than 3 months	**736**	969
Over 3 months	**2,361**	2,082
	43,692	34,782

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK$3,920,000** (20th February 2009: HK$3,339,000).

31. AMOUNT DUE FROM/TO 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 end of the reporting period. No impairment loss has been recognised by the Company during the year.

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

32. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

33. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

34. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

35. 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 the end of the reporting period. No impairment loss has been recognised by the Company during the year.

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

36. BANK BORROWINGS

	THE GROUP AND THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Bank loans, unsecured	**2,273,160**	2,880,750	2,654,250
The maturity of bank borrowings is as follows:			
Within one year	**724,160**	1,057,000	1,032,000
Between one and two years	**904,000**	555,000	410,000
Between two and five years	**645,000**	1,268,750	1,182,250
Over five years	**–**	–	30,000
	2,273,160	2,880,750	2,654,250
Amount repayable within one year included under current liabilities	**(724,160)**	(1,057,000)	(1,032,000)
Amount repayable after one year	**1,549,000**	1,823,750	1,622,250

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

	HKD	**USD**	**JPY**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
20.2.2010				
Bank loans	**1,556,500**	**77,660**	**639,000**	**2,273,160**
20.2.2009				
Bank loans	2,262,000	–	618,750	2,880,750

HKD bank loans of **HK$310,000,000** (20th February 2009: HK$632,000,000) are arranged at fixed interest rates ranging from 2.7% to 5.2% (20th February 2009: 2.7% to 5.3%) per annum and expose the Group and the Company to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates ranging from 0.3% plus HIBOR to 0.8% plus HIBOR (20th February 2009: 0.3% plus HIBOR to 0.8% plus HIBOR) per annum while the JPY borrowing is arranged at floating interest rate of 0.4% plus JPY-LIBOR-BBA per annum and the USD borrowing is arranged at floating interest rate of 0.2% plus LIBOR per annum, thus exposing the Group and the Company to cash flow interest rate risk.

36. BANK BORROWINGS (Cont'd)

The Group and the Company did not have available undrawn committed borrowing facilities at 20th February 2010 and 20th February 2009.

At 20th February 2010, the Group and the Company have available unutilised overdrafts and non-committed short term bank loan facilities of **HK$620,120,000** (20th February 2009: HK$16,900,000) and **HK$774,000,000** (20th February 2009: HK$836,720,000) respectively.

37. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY					
	20.2.2010		20.2.2009		21.2.2008	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Interest rate swaps	**–**	**48,054**	–	51,710	44	28,531
Cross-currency interest rate swaps	**104,287**	**–**	88,862	–	14,443	–
	104,287	**48,054**	88,862	51,710	14,487	28,531
Current portion	**(244)**	**(7,103)**	–	(3,127)	(44)	(2,146)
Non-current portion	**104,043**	**40,951**	88,862	48,583	14,443	26,385

All derivative financial instruments entered by the Group and the Company that remain outstanding at 20th February 2010, 20th February 2009 and 21st 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.

37. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges:

Interest rate swaps

The Group and the Company use interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain Hong Kong dollar floating-rate bank borrowings with aggregate principal of **HK$1,155,000,000** from floating rates to fixed rates. The interest rate swaps of the Group and the Company with aggregate notional amount of **HK$1,155,000,000** have fixed interest payments at fixed interest rates ranging from 2.2% to 5.7% (20th February 2009: 2.2% to 5.7%) per annum and floating interest receipts ranging from 0.3% plus HIBOR to 0.8% plus HIBOR (20th February 2009: 0.3% plus HIBOR to 0.8% plus HIBOR) per annum for periods up until August 2014. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to **HK$7,006,000** (2009: HK$20,506,000) are included in other comprehensive income.

The fair value of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at the end of the reporting period.

Cross-currency interest rate swaps

The Group and the Company use cross-currency interest rate swaps designated as highly effective hedging instruments to minimise its exposures to foreign currency and cash flow interest rate risk of its floating-rate JPY syndicated bank borrowing and USD bank borrowing by swapping the floating-rate JPY bank borrowing and USD bank borrowing with principal of JPY7,500,000,000 and US$10,000,000 to fixed-rate HKD bank borrowings. 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 JPY to HKD at 15.0, fixed interest payments in HKD at 4.9% per annum and floating interest receipts in JPY at 0.4% plus JPY-LIBOR-BBA per annum for periods up until September 2011. The cross-currency interest rate swap of the Group and the Company with notional amount of US$10,000,000 (equivalent to HK$77,512,000 at the date of inception of the loan) has fixed currency payments in Hong Kong dollars at exchange rate of USD to HKD at 7.75, fixed interest payments in HKD at 1.5% per annum and floating interest receipts in USD at 0.2% plus LIBOR per annum for periods up until December 2010. The cross-currency interest rate swaps and the corresponding bank borrowings have the same terms and the Directors consider that the cross-currency interest rate swaps are highly effective hedging instruments.

37. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

***Cross-currency interest rate swaps* (Cont'd)**

During the year, net adjustment on the above-mentioned cash flow hedge amounted to **HK$4,973,000** (2009: HK$2,081,000) are included in other comprehensive income.

The fair value of the cross-currency interest rate swaps are determined by using the discounted cash flow method based on JPY-LIBOR-BBA and LIBOR yield curves and the forward exchange rates amongst JPY, USD and HKD estimated at the end of the reporting period.

38. ISSUED CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares 20.2.2010 & 20.2.2009	**Share capital 20.2.2010 & 20.2.2009 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

39. RESERVES

The reserves of the Group and the Company available for distribution to shareholders at 20th February 2010 amounted to **HK$1,660,681,000** and **HK$1,651,122,000** respectively (20th February 2009: HK$1,535,284,000 and HK$1,535,954,000 respectively), representing the accumulated profits.

40. COLLATERALISED DEBT OBLIGATION

(a) The Company entered into a HK$850,000,000 collateralised debt obligation financing transaction (the "Transaction") in 2007 and the Transaction amount was increased to HK$1,100,000,000 during the year. 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 consolidated financial statements.

(b) The collateralised debt obligation is backed by the credit card receivables transferred (see notes 20) and with the carrying amount denominated in Hong Kong dollars. The revolving period of the Transaction will end in February 2012. The interest of the collateralised debt obligation is fixed at 4.5% per annum during the revolving period, thus exposing the Group and the Company to fair value interest rate risk. The effective interest rate is 4.5% (2009: 4.9%) per annum during the year.

41. 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 return 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.

41. 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 1.5 to 2.0 determined as the proportion of net debt to equity.

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

		THE GROUP	
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Debt *(note a)*	**3,371,229**	3,728,047	3,500,812
Cash and cash equivalents	**(340,062)**	(334,484)	(242,842)
Net debt	**3,031,167**	3,393,563	3,257,970
Equity *(note b)*	**1,879,036**	1,728,998	1,616,959
Net debt to equity ratio	**1.61**	1.96	2.01

		THE COMPANY	
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Debt *(note a)*	**3,371,229**	3,728,047	3,500,812
Cash and cash equivalents	**(338,690)**	(333,452)	(242,814)
Net debt	**3,032,539**	3,394,595	3,257,998
Equity *(note b)*	**1,869,477**	1,729,668	1,616,959
Net debt to equity ratio	**1.62**	1.96	2.01

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 36 and 40 respectively.

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

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Financial assets			
Available-for-sale investments	**80,198**	57,851	87,406
Advances and receivables (excluding hire purchase debtors)	**5,075,868**	5,259,811	4,931,602
Derivative instruments in designated hedge accounting relationships	**104,287**	88,862	14,487
Financial liabilities			
Amortised cost	**3,488,470**	3,814,004	3,594,042
Derivative instruments in designated hedge accounting relationships	**48,054**	51,710	28,531

	THE COMPANY		
	20.2.2010	20.2.2009	21.2.2008
	HK$'000	HK$'000	HK$'000
Financial assets			
Available-for-sale investments	**80,198**	57,851	87,406
Advances and receivables (excluding hire purchase debtors)	**5,071,039**	5,257,572	4,931,574
Derivative instruments in designated hedge accounting relationships	**104,287**	88,862	14,487
Financial liabilities			
Amortised cost	**3,495,948**	3,814,004	3,594,042
Derivative instruments in designated hedge accounting relationships	**48,054**	51,710	28,531

42. **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, advances and receivables, other debtors, amounts due from a subsidiary and an associate, bank deposits, bank balances and cash and derivative financial asset, bank borrowings, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, subsidiary, immediate holding company, ultimate holding company and an associate and derivative financial liabilities. 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 risk by using derivative financial instruments to hedge the cash flow risk 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 swaps to convert the foreign currency debts to the functional currency of the relevant group entity; and

- interest rate swaps to minimise 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.

42. 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 bank borrowings 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 JPY and USD denominated bank borrowings. The carrying amount of such bank borrowings as at 20th February 2010 was **HK$716,660,000** (20th February 2009: HK$618,750,000). To minimise the foreign currency risk in relation to the bank borrowings, the Group and the Company have been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk after taking derivative financial instruments into consideration is not material to the Group 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 fair 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 including variable rate borrowings under hedge accounting to change from variable rate to fixed rate. All interest-bearing financial assets are exposed to fair value interest rate risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Group and the Company are disclosed in notes 20, 36 and 40.

The Group's and the Company's cash flow interest rate risk relates primarily to floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed rate (see note 36).

42. **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 analysis below have been determined based on the exposure to interest rates for variable-rate non-derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the reporting 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 2010 would decrease/increase by HK$1,377,000 (for the year ended 20th February 2009: decrease/increase by HK$5,231,000). 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$33,054,000 (for the year ended 20th February 2009: increase/decrease by HK$40,704,000) 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.

42. 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 analysis below have been determined based on the exposure to equity price risk on equity securities at the reporting date.

If equity prices had been 10% higher/lower:

- other equity reserves would increase/decrease by HK$3,813,000 (for the year ended 20th February 2009: increase/decrease by HK$2,578,000) 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 2010 and 20th February 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. 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 or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's and the Company's credit risk is significantly reduced.

42. 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 end of the reporting period on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: i) portfolios of homogenous assets that are not assessed individually: and ii) losses incurred but not yet identified, by using 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	
	20.2.2010	20.2.2009
	HK$'000	HK$'000
Neither past due nor individually impaired	**4,619,757**	4,799,247
Past due but not individually impaired	**171,774**	232,295
Individually impaired	**64,388**	56,005
	4,855,919	5,087,547
Less: impairment allowances *(note 21)*	**(137,957)**	(169,027)
	4,717,962	4,918,520

42. 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 analysed as follows:

	THE GROUP AND THE COMPANY 20.2.2010			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
Overdue for:				
Over 1 month but less than 2 months	53,462	71,021	661	125,144
Over 2 months but less than 3 months	13,252	12,911	143	26,306
Over 3 months but less than 4 months	9,548	8,977	70	18,595
Over 4 months or above	343	1,386	–	1,729
	76,605	94,295	874	171,774
Less: collectively impaired	(49,644)	(27,255)	(768)	(77,667)
	26,961	67,040	106	94,107

42. 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 (Cont'd)

	20.2.2009			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
Overdue for:				
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

(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**
20.2.2010				
Individually impaired	**31,487**	**32,358**	**543**	**64,388**
20.2.2009				
Individually impaired	33,929	21,088	988	56,005

There are no related collateral held by the Group and the Company as security. Impairment allowances of **HK$60,290,000** (20th February 2009: HK$53,029,000) have been provided (note 21).

42. FINANCIAL INSTRUMENTS (Cont'd)

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

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.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest yield curve at the end of the reporting period.

	THE GROUP 20.2.2010					
	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	4,120	8,239	37,075	1,151,873	–	1,201,307
Bank borrowings						
– fixed rate	911	51,942	196,385	71,233	–	320,471
– variable rate	133,490	56,963	359,561	1,463,121	91,359	2,104,494
Bank overdrafts	1,829	–	–	–	–	1,829
Other financial liabilities	110,552	2,497	2,362	–	–	115,411
Total undiscounted financial liabilities	250,902	119,641	595,383	2,686,227	91,359	3,743,512

42. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	THE COMPANY 20.2.2010					
	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	**4,120**	**8,239**	**37,075**	**1,151,873**	**–**	**1,201,307**
Bank borrowings						
– fixed rate	**911**	**51,942**	**196,385**	**71,233**	**–**	**320,471**
– variable rate	**133,490**	**56,963**	**359,561**	**1,463,121**	**91,359**	**2,104,494**
Bank overdrafts	**1,829**	**–**	**–**	**–**	**–**	**1,829**
Other financial liabilities	**108,092**	**2,497**	**2,362**	**–**	**–**	**112,951**
Total undiscounted financial liabilities	**248,442**	**119,641**	**595,383**	**2,686,227**	**91,359**	**3,741,052**

	THE GROUP AND THE COMPANY 20.2.2009					
	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	2,083	–	–	81,286
Total undiscounted financial liabilities	637,056	78,395	557,145	2,368,809	394,258	4,035,663

When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. In the opinion of the Directors, the contractual maturity of the Group's and the Company's derivative financial instruments drawn up based on discounted net cash inflow (outflow) on the derivative instrument that settles on a net basis (presented below) would approximate their undiscounted amounts. As a result, no further analysis is presented.

42. FINANCIAL INSTRUMENTS (Cont'd)

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

Analysis of assets and liabilities by remaining maturity

The table below analyses the carrying amount of the Group's and the Company's assets and liabilities into the relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

	THE GROUP 20.2.2010				
	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	–	–	–	80,198	80,198
Advances and receivables	2,666,143	906,711	1,046,993	98,115	4,717,962
Restricted deposits	12,156	–	68,000	–	80,156
Derivative financial instruments	14,924	44,773	44,590	–	104,287
Time deposits	258,529	–	–	–	258,529
Fiduciary bank balances	1,133	–	–	–	1,133
Bank balances and cash	83,362	–	–	–	83,362
Other assets	3,857	–	–	–	3,857
Total assets	3,040,104	951,484	1,159,583	178,313	5,329,484
LIABILITIES					
Collateralised debt obligation	–	–	1,098,069	–	1,098,069
Bank borrowings					
– fixed rate	50,000	190,000	70,000	–	310,000
– variable rate	186,500	297,660	1,389,000	90,000	1,963,160
Bank overdrafts	1,829	–	–	–	1,829
Derivative financial instruments	7,102	15,892	24,655	405	48,054
Other liabilities	113,049	2,362	–	–	115,411
Total liabilities	358,480	505,914	2,581,724	90,405	3,536,523
Net liquidity gap	2,681,624	445,570	(1,422,141)	87,908	1,792,961

42. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	THE GROUP 20.2.2009				
	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	5,227	15,682	67,953	–	88,862
Time deposits	286,386	–	–	–	286,386
Bank balances and cash	52,769	–	–	–	52,769
Other assets	2,874	–	–	–	2,874
Total assets	3,384,386	971,911	1,058,539	87,361	5,502,197
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	6,089	14,551	27,690	3,380	51,710
Other liabilities	79,203	2,083	–	–	81,286
Total liabilities	706,963	456,634	2,313,737	388,380	3,865,714
Net liquidity gap	2,677,423	515,277	(1,255,198)	(301,019)	1,636,483

42. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	THE COMPANY 20.2.2010				
	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	–	–	–	80,198	80,198
Advances and receivables	2,666,143	906,711	1,046,993	98,115	4,717,962
Restricted deposits	12,156	–	68,000	–	80,156
Derivative financial instruments	14,924	44,773	44,590	–	104,287
Time deposits	258,429	–	–	–	258,429
Bank balances and cash	82,090	–	–	–	82,090
Other assets	1,535	–	–	–	1,535
Total assets	3,035,277	951,484	1,159,583	178,313	5,324,657
LIABILITIES					
Collateralised debt obligation	–	–	1,098,069	–	1,098,069
Bank borrowings					
– fixed rate	50,000	190,000	70,000	–	310,000
– variable rate	186,500	297,660	1,389,000	90,000	1,963,160
Bank overdrafts	1,829	–	–	–	1,829
Derivative financial instruments	7,102	15,892	24,655	405	48,054
Other liabilities	120,528	2,362	–	–	122,890
Total liabilities	365,959	505,914	2,581,724	90,405	3,544,002
Net liquidity gap	2,669,318	445,570	(1,422,141)	87,908	1,780,655

42. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	THE COMPANY 20.2.2009				
	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	5,227	15,682	67,953	–	88,862
Time deposits	286,386	–	–	–	286,386
Bank balances and cash	51,737	–	–	–	51,737
Other assets	1,667	–	–	–	1,667
Total assets	3,382,147	971,911	1,058,539	87,361	5,499,958
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	6,089	14,551	27,690	3,380	51,710
Other liabilities	79,203	2,083	–	–	81,286
Total liabilities	706,963	456,634	2,313,737	388,380	3,865,714
Net liquidity gap	2,675,184	515,277	(1,255,198)	(301,019)	1,634,244

42. 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 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 values of derivative financial instruments are calculated using quoted prices. Where such prices are not available, reference is based on 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 their fair values:

	THE GROUP AND THE COMPANY			
	20.2.2010		20.2.2009	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**2,273,160**	**2,145,314**	2,880,750	2,787,371
Collateralised debt obligation	**1,098,069**	**1,199,932**	847,297	960,287

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

c. **Fair value of financial instruments (Cont'd)**

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

	THE GROUP AND THE COMPANY			
	20.2.2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Derivative financial assets	–	**104,287**	–	**104,287**
Available-for-sale financial assets				
Listed equity securities	**38,127**	–	–	**38,127**
Total	**38,127**	**104,287**	–	**142,414**
Financial liabilities at FVTPL				
Derivative financial liabilities	–	**48,054**	–	**48,054**

There were no transfers between Level 1 and 2 in the current year.

43. OPERATING LEASE COMMITMENTS

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

	THE GROUP AND THE COMPANY	
	20.2.2010	20.2.2009
	HK$'000	HK$'000
Within one year	**38,823**	46,086
In the second to fifth year inclusive	**26,630**	45,196
	65,453	91,282

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.

44. CAPITAL COMMITMENTS

	THE GROUP AND THE COMPANY	
	20.2.2010	20.2.2009
	HK$'000	HK$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**14,069**	7,851

45. PLEDGE OF ASSETS

At 20th February 2010, the collateralised debt obligation of the Group and the Company was secured by credit card receivables and restricted deposits of **HK$2,095,187,000** and **HK$80,156,000** respectively (20th February 2009: HK$1,387,865,000 and HK$94,935,000) (see notes 20 and 26).

46. RETIREMENT BENEFITS SCHEME

The Group 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 Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The total cost charged to income of **HK$2,837,000** (for the year ended 20th February 2009: HK$2,827,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting year. At 20th February 2010, contributions of the Group and the Company amounting to **HK$441,000** and **HK$418,000** respectively (20th February 2009: HK$471,000 and HK$471,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

47. 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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income received	**7,254**	8,721	**–**	–	**–**	–	**–**	–
Commission received	**4,034**	3,135	**–**	–	**–**	–	**–**	–
Dividends received	**1,811**	1,750	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**290**	385
Licence fees paid	**6,673**	6,310	**170**	147	**40**	45	**–**	–
Service fees paid	**–**	–	**6,367**	6,066	**–**	–	**27,752**	27,785
Development fees paid *(Note)*	**7,760**	1,938	**–**	–	**–**	–	**–**	–

Note: For the development fees paid, HK$934,000 (for the year ended 20th February 2009: HK$Nil) is recognised as general administrative expenses, HK$4,907,000 (for the year ended 20th February 2009: HK$Nil) is capitalised in property, plant and equipment and HK$3,857,000 (for the year ended 20th February 2009: HK$1,938,000) is included in prepayments, deposits and other debtors.

47. 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:

	2010 HK$'000	2009 HK$'000
Short-term benefits	9,671	12,603
Post-employment benefits	8	10
	9,679	12,613

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.

48. 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 2010, net assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

49. COMPARATIVE FIGURES

Prepaid cost for property, plant and equipment and rental deposits of HK$30,296,000 at 20th February 2009 (21st February 2008: HK$34,387,000) included in prepayments, deposits and other debtors were reclassified from currents assets to non-current assets in order to conform with the current year's presentation.

Glossary

2009 AGM	Annual general meeting held on 19th June 2009
2010 AGM	Annual general meeting to be held on 18th June 2010
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

Glossary

HKD or HK$	Hong Kong dollars
HIBOR	Hong Kong Interbank Offered Rate
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
JPY	Japanese Yen
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by the 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
USD	United States Dollars

Insurance Business
保險業務

Insurance products offer
提供保險產品

Insurance products privilege
保險產品優惠

AEON Insurance Pleasure Life
Lucky Draw
AEON 保險生活無憂大抽獎

Insurance seminar
保險講座

Insurance counter
保險專櫃

ISO 14001 - EMS 538444
ISO 9001 - QMS / FS 513183
ISO 27001 - ISMS / IS 500955