ÆON

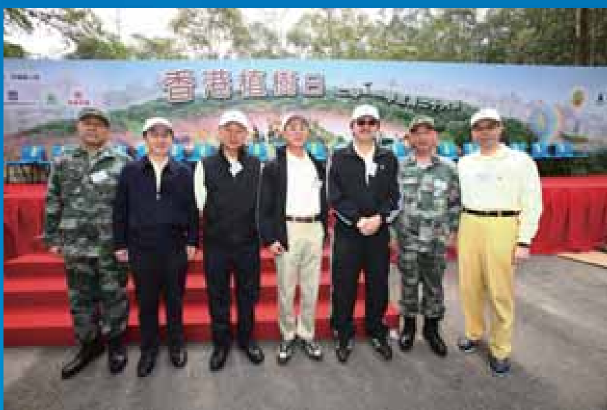
Annual Report 2010/11

AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

Stock Code: 900

Planting Seeds of Growth
We are ÆON

Corporate Social Responsibility
企業社會責任



Hong Kong Tree Planting Day 2011
香港植樹日2011

商界展關懷
caringcompany 2007-11
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

"Caring Company" Award 2007-11
「商界展關懷」標誌2007-11

"Peking University AEON Scholarship 2010"
Presentation Ceremony
「北京大學永旺獎學金2010」頒獎典禮

"Sun Yat-Sen University AEON Scholarship 2010"
Presentation Ceremony
「中山大學永旺獎學金2010」頒獎典禮

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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)*
Fung Kam Shing, Barry
Koh Yik Kung
Toshiya Shimakata

Non-executive Directors
Kazuhide Kamitani *(Chairman)*
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

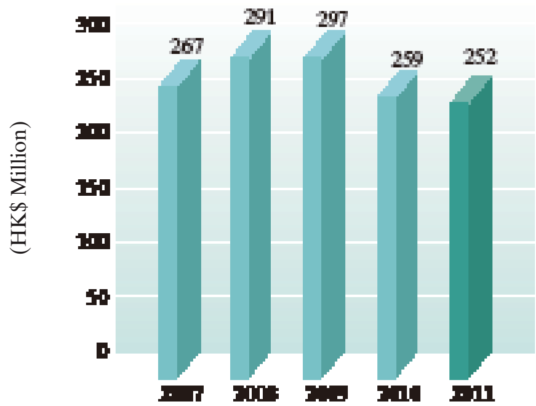
900

Shareholders' Calendar

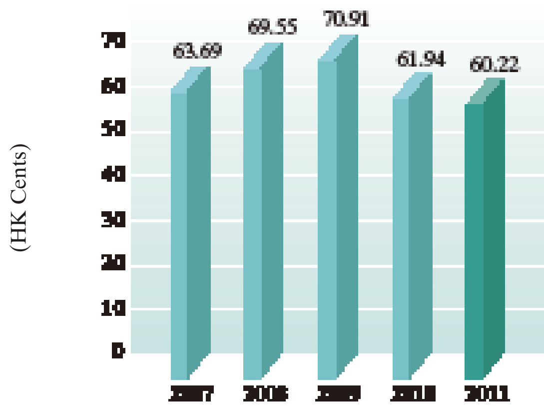
24th September 2010	Announcement of interim results for the six months ended 20th August 2010
8th October 2010	Despatch of interim report for the six months ended 20th August 2010
12th – 15th October 2010	Book closing dates for interim dividend
20th October 2010	Payment of interim dividend of 16.0 HK cents per share
20th April 2011	Announcement of final results for the year ended 20th February 2011
16th May 2011	Despatch of annual report for the year ended 20th February 2011
13th – 17th June 2011	Book closing dates for final dividend
17th June 2011	2011 AGM
30th June 2011	Payment of final dividend of 16.0 HK cents per share

Five-year Financial Summary

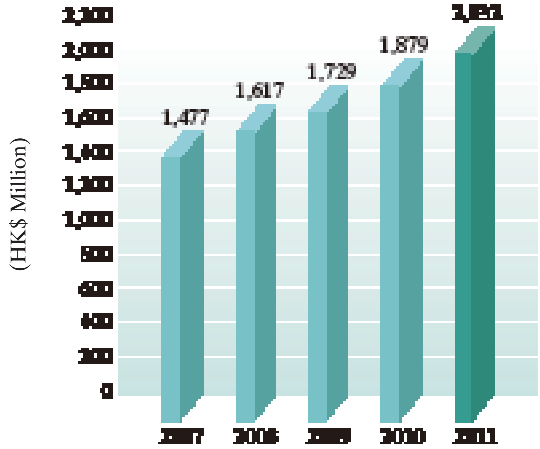
Profit for the year (note 1)
ended 20th February



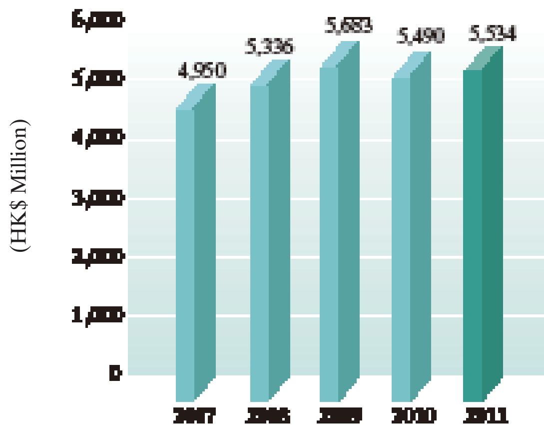
Earnings per share (note 2)
for the year ended 20th February



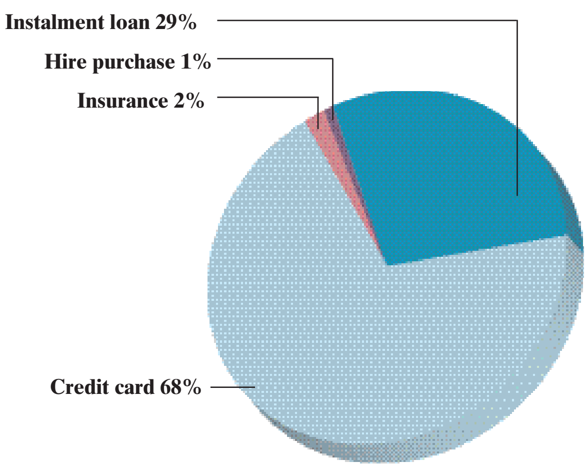
Total equity (note 3)
at 20th February



Total assets (note 4)
at 20th February



Segment revenue (note 5)



Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2007, 2008, 2009, 2010 and 2011.

2. Represents the consolidated earnings per share for the financial years ended 20th February 2007, 2008, 2009, 2010 and 2011.

3. Represents the consolidated total equity at 20th February 2007, 2008, 2009, 2010 and 2011.

4. Represents the consolidated total assets at 20th February 2007, 2008, 2009, 2010 and 2011.

5. Represents the respective percentage of revenue by operating and reportable segments for the financial year ended 20th February 2011.

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				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Revenue	1,100,086	1,159,230	1,198,127	1,163,449	**1,112,592**
Profit before tax	319,750	340,859	353,824	310,504	**303,796**
Income tax expense	(53,054)	(49,598)	(56,861)	(51,102)	**(51,614)**
Profit for the year	266,696	291,261	296,963	259,402	**252,182**
Earnings per share	63.69 HK cents	69.55 HK cents	70.91 HK cents	61.94 HK cents	**60.22 HK cents**
Dividend per share	26.00 HK cents	30.00 HK cents	32.00 HK cents	32.00 HK cents	**32.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

	At 20th February				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	4,949,661	5,336,192	5,682,781	5,489,988	**5,533,999**
Total liabilities	(3,472,667)	(3,719,233)	(3,953,783)	(3,610,952)	**(3,501,604)**
Total equity	1,476,994	1,616,959	1,728,998	1,879,036	**2,032,395**

Chairman's Statement

Kazuhide Kamitani
Chairman

The earthquake and tsunami in Northeastern, Japan has caused widespread damage in Tohoku area and also created power shortages in some areas including the Tokyo metropolitan district. ACS Japan has placed the highest priority on working diligently to maintain the safety of employees and their families in the affected area. Besides supporting the local communities during the emergency period, ACS Japan has also made the greatest effort in restoring all the operations amidst tremendous obstacles.

As future economic growth is anticipated to shift to Asia, ACS Japan will view Asia as a single market and accelerate its business expansion overseas through concerted efforts by all operations of the group. ACS Japan has been doing business in ten countries and regions in Asia and plan to extend the consumer finance business to new countries such as India, Philippines and Cambodia. By establishing such platforms as operation centers and system companies in Asian countries, ACS Japan would like to establish a competitive-edge through low cost and speed.

In Hong Kong, improved economic conditions and consumer confidence enabled the Group to adopt a more aggressive marketing strategy to generate more sales. In the coming year, despite the recent earthquake in Japan which may affect to a certain extent Hong Kong consumer sentiments, the Group will continue to focus on expanding its customer base cautiously with innovative new products and sound marketing strategies, as well as improvement in customer service to increase market share.

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. 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. Being the only credit card company that has a banking and 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, electronic money and mobile credit.

Chairman's Statement

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 most trusted credit card issuer in Asia's credit markets by continuing to develop new products and services. Besides Hong Kong, ACS Japan has overseas operations and offices in Thailand, Malaysia, Taiwan, Indonesia, China, Vietnam and the Philippines.

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, bank agency and credit guarantee businesses.

Furthermore, we continue to strengthen our corporate image and value by reinforcing our corporate governance system. We actively participate in environmental protection and social contribution, including forest and global warming protection, both in Japan and overseas. 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.

PERFORMANCE OF THE GROUP

It is the strategy of the Group to build up a strong relationship with its business partners using their networks as the backbone for its card acquisition and sales. Regular communication with business partners is crucial in creating synergy and developing marketing campaigns and benefits that fulfill customers' requirements. During the year, the Group had held several tailor-made marketing programmes to stimulate credit card sales. We aim to be one of the most popular credit card issuers in the market.

The Group continued to advance the establishment of a fee-based business model from its credit peripheral businesses. Through AEON Brokers, the Group is now offering a variety of insurance products to its existing customers, business partners and 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 is now providing foreign exchange services through remittance by credit card and foreign exchange counter in branches. On collection agency business, the Group is now serving different clients in the fields of finance, insurance, telecommunications and utilities.

For China business, AEON Card outsourcing business continued to grow in terms of number of card holders and sales transactions. Moreover, AIS has 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.

Chairman's Statement

BUSINESS OUTLOOK

The economy still faces a number of challenges in the coming year. This includes the continuing market volatility, rising inflation and the timing on the increases in interest rates, which may affect the recovery of the global economy. On the other hand, we see attractive prospects from the continuing economic development of the Mainland, together with the closer economic interaction and cooperation between Hong Kong, Macau and Guangdong province. As growth momentum in Hong Kong economy is still strong, we believe it is a good timing for the Group to adopt a more aggressive marketing strategy in 2011 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 segments. 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 more 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 channels and tap the micro-payment market.

Moreover, the Group will ensure a stable funding procurement by diversifying its funding tools. For internal control over financial reporting, the Group has successfully completed the current year's testing on its policy of compliance on all business operations and will continue monitor its effectiveness in the coming 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 set 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, I 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 and senior management for their dedication and commitment, and the staff for their hard work.

Kazuhide Kamitani
Chairman

Hong Kong, 20th April 2011

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 2011.

During the year, Hong Kong's economy remained strong. Total employment reached the highest level since the first quarter of 2009, while unemployment rate dropped to 4%, reflecting a general recovery in the labour market. Moreover, a low interest rate environment prevailed as advanced economies worldwide maintained accommodative monetary policies, stimulating the already heated Hong Kong asset market. On the other hand, the operating environment for consumer finance business was tough and challenging due to the intense competition for loan business. Participants had to strive for innovative products and service quality to maintain their loan portfolio.

Faced with slow recovery in demand for loans from its customer segment, the operating performance of the Group was under pressure. With our aggressive marketing activities to boost up card receivables, the Group recorded an increase in credit card sales. However, the decline in demand for personal loan had dragged down the increase in overall sales volume of the Group. On revenue side, the offer of competitive pricing to retain existing and broaden new customer base had resulted in a decrease in revenue by 4% to HK$1,112.6 million. The Group managed to reduce the impairment losses and impairment allowances this year, and as a result, profit for the year was HK$252.2 million, as compared with HK$259.4 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 53.1%.

During the year under review, the Group had taken decisive actions in both operation and funding. On the operation side, the Group had strengthened its card acquisition activities inside co-brand card partners' outlets to increase our card base. On the funding side, the Group had entered into a new collateralised debt obligation financing transaction and syndicated term loan agreement after the reporting date providing the Group with two new committed borrowing facilities. As a result, the Group had secured sufficient financial resources to meet its financial commitment and to fund its growth. On corporate social responsibility, the Company has obtained "Caring Company" award for the fourth year in recognition of its continuous support to various community programs on environmental protection, education and cultural exchange.

OPERATIONAL REVIEW

Marketing

On credit card business, the Group had launched a series of marketing activities, which included the AEON Ocean Park Halloween Promotion Night 2010, AEON Stores new store opening promotion, Five times bonus point promotion, Watami movie ticket promotion and Visa card promotion. In addition, the Group had strengthened its co-operation with co-brand card partners by organizing promotions inside their outlets. As a result, card credit purchase had increased by 11.7% when compared with last year. To maintain the credit quality, new members were mainly recruited through the outlets of co-brand partners.

Marketing programmes

For brand building, the Group had revamped its branch image to become a service and information centre, with branch staff starting to wear uniform since the beginning of this year. All these changes have received positive feedback from the customers.

To extend service coverage, a new branch was opened inside AEON Stores in Mega Box in Kowloon Bay in June 2010. To boost up cash advance sales, the Group launched ATM promotions with popular merchants and relocated its ATMs to better traffic locations. As part of its strategy to widen the web business, the Group has made great efforts in recruiting net-members. The number of net-members had reached 58,000 at 20th February 2011.

Instant credit card service

New Services

To provide speedy service, the Group launched instant credit card in Kowloon Bay branch to enable customers to enjoy immediate card benefits. This service will be extended to other branches in the coming year.

To facilitate the customers' needs for overseas remittance and foreign exchange services, the Group launched new remittance service through credit cards under the name of "MoneySend" and set up foreign exchange counter in its Mongkok branch. Besides, the Group continued to expand its AEON Visa Corporate Card's client base to capture sales from the corporate sector for settlement of their operating expenses.

Overseas remittance

Money exchange service

During the year under review, AEON Brokers utilised insurance consultants to promote insurance products to customers, and also focused on introducing corporate insurance to corporate clients and business partners. Besides, AEON Brokers also organised various seminars to promote insurance products on life, general and MPF scheme.

AEON Card promotion

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. So far, 270,000 AEON Cards were issued and handled by AIS. In addition, AIS has also expanded its collection services to corporate clients in China in the fields of auto, finance and insurance.

PROSPECTS

In the first quarter of 2011, the economic and labour market conditions in Hong Kong continued to improve thereby strengthening consumer confidence. In the coming year, better job and income prospects are expected to be the key drivers for further growth in consumption and investment. The positive economic policies and measures implemented in Hong Kong and the Mainland are expected to continue benefiting the targeted market segment of the Group and thus create more sales opportunities. With an expected increase in demand for loan products, the Group expects a gradual recovery in the sales of personal loan and card cash advance. However, the aftermath of the recent earthquake in Japan may affect Hong Kong consumer sentiments on Japan related products and service sectors, which in turn may affect consumption and sales. In light of the prevailing low interest rate situation, it is expected that the operating environment for consumer finance will continue to be challenging.

In the coming year, the Group will focus on expanding its credit card business through its enlarged merchant network, innovative product development and aggressive marketing strategies, while at the same time minimizing its credit risks and implementing appropriate cost savings measures. In order to increase its market share, the Group will strengthen its marketing efforts to expand its customer base and provide convenient and efficient services to the customers. On the other hand, the Group will continue closely monitor its portfolio and take a prudent approach to extend credit. Moreover, the Group will actively strengthen its brand image in the market as providing better life quality for customers and also as a responsible corporate citizen. In order to increase card usage by means of customer satisfaction, the Group will give top priority to customer voice. Given the low interest-rate environment, margins are expected to remain stable while cost-to-income ratio is likely to fall even under current inflationary environment.

Managing Director's Operational Review

Expand Card Base

In expanding its card base, the Group will widen its card recruitment channels by issuing different new co-brand cards to recruit new members. Since AEON JUSCO Card is always the core card for card member growth and usage stimulation, the Group will further strengthen the benefits of AEON JUSCO Card like introducing incremental spending programmes to encourage more spending inside AEON Stores. As co-brand cards registered good growth last year and in order to maintain such momentum, the Group will further strengthen its collaboration with co-brand card partners by providing instant benefits inside their outlets so as to encourage spending and increase card acquisition. Furthermore, the collaboration with different merchants in promoting recurrent transactions through credit cards has also successfully improved the active ratio. As a result, the Group will continue to promote recurrent transactions to its net-members through SMS mails.

Private Sale

With the well-acceptance of Visa payWave technology on the KFC Visa Card, the Group will apply this technology to other new co-brand cards to tap the micro-payment transactions and to enable cardholders to enjoy a fast and convenient usage.

Convenient and Efficient Services

The Group will continue to improve its customer service through diversification of its product lines and provision of convenient and efficient services. The Group will set up new branches to extend its geographic coverage and expand the instant card operation to different branches. Three new branches would be open this year. To provide more convenient service and increase its loan drawdown ratio, the Group is in the process of simplifying its loan drawdown procedures.

With the progressive change in customers' behaviour in purchasing through the internet, the Group will continue to enhance its net functions and develop new products to capture small amount purchases for daily usage. Moreover, the Group will extend its card remittance service to cover more countries and set up more foreign exchange counters in other branches for customers' convenience.

By using its vast customer and merchant base, the Group will continue to 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. For loan products, the Group will develop more purpose loan products to satisfy customers' marriage and property needs. To generate a stable fee income, the Group will continue extend its services in the areas of insurance, travel and collection services.

Web promotion

Managing Director's Operational Review

Enhancement of Corporate Branding

During the year under review, the Group set up a committee to provide brand strategies and guidelines on the design of marketing products and programmes to enhance its corporate branding. Marketing programmes such as AEON Ocean Park Halloween Promotion Night 2010 and several other promotions with AEON Stores helped the Group to enhance its brand image.

"Family" theme marketing programmes

To further strengthen our corporate brand image, apart from launching supplementary card to convey a "Family" concept, the Group will also develop other marketing programmes focusing on "Family" theme. Moreover, besides developing mobile applications for our customers, the Group will also make use of an icon to attract customer attention towards AEON brand.

Since the branch network is also an important media delivering the corporate image to the public, the Group has changed the branches into service and information centres so as to deliver a brand new experience to the customers.

Customer Satisfaction and Customer Data Protection

During the year, the Group implemented many improvement plans to enhance customer satisfaction including enhancement to complaint handling guidelines. In order to further improve the business by means of customer satisfaction, the Group gives top priority to customer voice. In the coming year, the Group will organize customer survey with focus on customer satisfaction and design customer survey questions to get feedback and deeper understanding of customer needs and expectations.

On customer data privacy and data protection, the Group has already established clear guidelines in relation to handling of customer personal data by staff. In order to further strengthen the security perimeter, the Group will further evaluate internal security controls on periodical basis and enhance its trainings to front-line staff in dealing with customer data. Moreover, the Group will implement ongoing review of security policies and procedures for control sufficiency and effectiveness in meeting compliance requirements.

Growth Strategy

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

For China business, AIS will continue to expand its operation centres in Shenzhen and Guangzhou to provide back-office operations on accounts management, customer services, telemarketing and credit assessment 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 enter the consumer finance market in the Mainland.

Managing Director's Operational Review

SYSTEMS DEVELOPMENT

During the year under review, data backup and synchronization platform was implemented for major operating sub-system, which further enhanced the business continuity plan. In the coming year, the Group will continue enhance backup data centre in order to cover the remaining sub-systems, including tele-marketing system, auto-call system and other back-office support systems. 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 campaign registration, rebate promotion, card remittance and e-statement enhancement. In order to enhance system availability, the replacement of web system platform with full redundant system will be completed in the coming year. Moreover, additional functions such as e-statement printing, opt-out paper statement and credit card account enquiry will be launched 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.

Other operating systems launched this year included instant card issuance, reloading of gift card in branches, card remittance service and MasterCard EMV functions.

The Group is working closely with ACTS on the new front end processing system which is expected to be ready this year to support the Group's business expansion and provide flexibility for future modification and enhancement. Moreover, the Group is in the process of enhancing the rule-based engine of its judgment system by incorporating behaviour and application scores for future marketing guidelines. Operating system for acquiring business will be developed within this year. In addition, the Group will continue to monitor and enhance the security of its operating systems.

HUMAN RESOURCES

The total number of staff at 20th February 2011 and 20th February 2010 was 355 and 334 respectively. Employees are remunerated according to the job nature and market trends, with a built-in-merit component incorporated in the annual increment to reward and motivate individual performance. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Company. The Company also provides in-housing training programs and external training sponsorships to strengthen its human resources.

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

CORPORATE SOCIAL RESPONSIBILITY

The Group's efforts and contributions to the local community have been recognized as this is the fourth year the Company has obtained "Caring Company" award in recognition of its continuous support to various community programs on environmental protection, education and cultural

Managing Director's Operational Review

exchange. In the past year, the Group continued to adopt the philosophy of the three key words, "peace", "people" and "community". 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.

To fulfill our mission of "Planting Seeds of Growth" and support the Government in "preventing hill fire", we are delighted to be the sponsor of this year's Hong Kong Tree Planting Day. This is the Group's fourth year as a sponsor and seventh year as a participant in this meaningful event.

Moreover, the Group had continued to sponsor charitable projects through AEON Education and Environment Fund. The new projects sponsored during the year included the full support to "UNICEF Young Envoys Programme 2011" and "The 23rd HKSAR Outstanding Students Selection 2010".

UNICEF Young Envoys Programme 2011

Scholarship programme in China

In China, the Group had continued to participate in the scholarship programs in different universities in Beijing and Guangdong provinces, including Tsinghua University, Sun Yat-Sen University, Peking University and Shenzhen University.

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

ACKNOWLEDGEMENT

On behalf of the Board, I 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 in both Hong Kong and China. Moreover, I would like to wholeheartedly thank our customers, business partners, and shareholders for their long-standing trust in and support for the Group.

Masanori KOSAKA
Managing Director

Hong Kong, 20th April 2011

Management Discussion and Analysis

For the year under review Hong Kong's economy experienced a steady recovery with unemployment rate continued to improve further. A low interest rate environment prevailed, stimulating the already heated Hong Kong asset market. As other nations globally still experienced slow growth and economic uncertainties, there remained uncertainties in the economic and market conditions in Hong Kong and the Mainland. Under these circumstances, the consumers generally took a cautious approach in their spending and borrowing activities. With intense competition for the loan business, the overall operating environment for consumer finance business in Hong Kong was challenging in the year under review. Moreover, the keen competition put pressure on net interest margins for market participants. In order to attract new customers and retain existing customer base, participants had to strive for innovative products and service quality while at the same time monitored the possible deteriorating in credit quality.

The Group faced the challenge of slow recovery in demand for loans from its customer segment. The growth in sales was mainly derived from spending on card credit purchase. As a result, total advances remained similar to that of last year.

KEY FINANCIAL HIGHLIGHTS

For the financial year ended 20th February 2011, on an audited basis, profit before tax was HK$303.8 million, a decrease of 2.2% or HK$6.7 million when compared with last year. After deducting income tax expense of HK$51.6 million, the Group recorded a profit drop of 2.8%, with profit for the year decreased from HK$259.4 million in the previous year to HK$252.2 million. Earnings per share decreased by 2.8% from 61.94 HK cents to 60.22 HK cents in 2010/11.

Revenue for the year was HK$1,112.6 million, a decrease of 4.4% or HK$50.8 million when compared with HK$1,163.4 million in 2009/10.

Operating income was HK$985.0 million, a decrease of 4.4% or HK$45.3 million when compared with HK$1,030.4 million in 2009/10. Operating expenses increased by 0.9% from HK$377.5 million to HK$381.1 million, with cost-to-income ratio moved from 36.6% in the previous year to 38.7%. At the operating level before impairment losses and impairment allowances, the Group recorded a decrease in operating profit by 7.5% or HK$48.8 million from HK$652.8 million in 2009/10 to HK$604.0 million.

The Group's impairment losses and impairment allowances recorded a decrease of 17.3% or HK$71.2 million from HK$410.8 million in the previous year to HK$339.5 million. Recoveries of receivables written-off also recorded a decrease of 39.9% or HK$30.2 million from HK$75.7 million in 2009/10 to HK$45.5 million in 2010/11.

With the aggressive marketing activities to boost up credit purchase sales, there was an increase in card credit purchase receivables. However, given the slow recovery in demand for consumer loans, there was a reduction in gross advances of 0.4% during the year, mainly in instalment loans receivables and hire purchase debtors. Including accrued interest and other receivables, gross advances and receivables at 20th February 2011 was HK$4,856.2 million, as compared to HK$4,855.9 million at 20th February 2010.

Net asset value per share (after final dividend), compared with the net asset value per share at 20th February 2010, increased from HK$4.3 to HK$4.7.

The Board proposed the payment of a final dividend of 16.0 HK cents per share. Together with an interim dividend of 16.0 HK cents per share already paid, the total dividend for the year increased to 32.0 HK cents per share, representing a dividend payout ratio of 53.1%.

CONSOLIDATED INCOME STATEMENT ANALYSIS

Operating Income

Although there was an increase in interest income generating from credit card sales, the change in interest rate mix for instalment loans in order to maintain the Group's market share had resulted in a decrease of 3.6% in the overall interest income for the year from HK$1,048.9 million in 2009/10 to HK$1,011.2 million. With the continuous renewal of long-term borrowings with lower funding cost, interest expense for the year was HK$131.8 million, a decrease of 8.5% or HK$12.2 million when compared with last year, with average funding cost being 3.9% as compared with 4.1% in last year. Net interest income of the Group recorded a drop of 2.8% or HK$25.5 million to HK$879.4 million from HK$904.9 million in 2009/10.

The drop in handling and late charges received as well as annual fee had resulted in the decrease in other operating income by 11.5% from HK$120.0 million in 2009/10 to HK$106.2 million in 2010/11. Other gains and losses of HK$0.6 million represent the hedge ineffectiveness on cash flow hedges and net loss on disposal of property, plant and equipment.

Operating Expenses

Following the recruitment of more staff for its insurance and China businesses and the launch of a series of new direct sales and marketing programmes directing towards card acquisition and card activation, the Group had spent more on both staff expenses and management expenses. On the other hand, the Group exercised tight control on advertising expenses and facility expenses. As a result, operating expenses slightly increased by 0.9% or HK$3.5 million from HK$377.5 million in 2009/10 to HK$381.1 million in 2010/11. The Group's cost-to-income ratio was 38.7% in 2010/11.

Impairment Losses and Impairment Allowances

During the year under review, the Group lent conservatively and strived to continually maintain its asset quality. With a steady decline in the number of personal bankruptcies, coupled with prompt collection actions and exercise of cautious approval process, there were noticeable improvements in the collection ratios and write-off amount when compared with last year. Impairment losses and impairment allowances for the year decreased by 17.3% or HK$71.2 million from HK$410.7 million in 2009/10 to HK$339.5 million. Recoveries of receivables written-off was HK$45.5 million, a decrease of 39.9% or HK$30.2 million when compared with HK$75.7 million in 2009/10. Impairment allowances amounted to HK$134.3 million at 20th February 2011, as compared with HK$138.0 million at 20th February 2010.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total equity was strengthened by 8.2% to HK$2,032.4 million at 20th February 2011 mainly due to the increase in accumulated profits and reserves.

Advances and Receivables

With the aggressive marketing activities to boost up credit purchase sales, there was an increase in card credit purchase receivables. Although card cash advance receivables still could not reach the level of 20th February 2010, overall credit card receivables recorded a slight increase of HK$11.5 million from HK$3,100.8 million at 20th February 2010 to HK$3,112.3 million at 20th February 2011. On the other hand, the slow recovery in demand for consumer loans, instalment loans receivable at 20th February 2011 was HK$1,567.2 million, a decrease of HK$3.8 million when compared with last year. As card instalment plan was commonly accepted in the market, hire purchase debtors recorded a further drop from HK$70.1 million in the previous year to HK$43.1 million at 20th February 2011. Gross advances at 20th February 2011 were HK$4,722.6 million, as compared with HK$4,741.8 million at 20th February 2010. Together with accrued interest and other receivables, gross advances and receivables increased by HK$0.3 million, from HK$4,855.9 million at 20th February 2010 to HK$4,856.2 million at 20th February 2011.

With an improvement in unemployment rate and personal bankruptcies, percentage of overdue advances and receivables for 3 months or above to gross advances and receivables recorded a drop at 20th February 2011. As a result, the amount of impairment allowances at 20th February 2011 reduced slightly, especially for individual assessment. Impairment allowances amounted to HK$134.3 million at 20th February 2011, as compared with HK$138.0 million at 20th February 2010 and representing 2.8% of gross advances and receivables.

Collateralised Debt Obligation

The Company entered into a HK$1,100.0 million collateralised debt obligation transaction (the "Transaction") as long-term funding. Pursuant to this Transaction, the Company transferred credit card receivables to a trust established solely for this financing purpose. 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$1,099.0 million at 20th February 2011 and carried a fixed interest coupon. This was secured by credit card receivables of HK$1,873.5 million and restricted cash of HK$102.1 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 2011, 38.4% of its funding was derived from total equity, 20.8% from structured finance and 40.8% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th February 2011, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,158.1 million, with 12.0% being fixed in interest rates and 88.0% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 33.7% of these indebtedness will mature within one year, 39.0% between one and two years, 24.5% between two and five years and 2.8% over five years. The duration of indebtedness was around 1.7 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, 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.

The Group continued to maintain a strong financial position. The net debt to equity ratio at 20th February 2011 was as follows:

	2011	2010
	HK$'000	HK$'000
Debt	**3,257,083**	3,371,229
Cash and cash equivalents	**(260,664)**	(340,062)
Net debt	**2,996,419**	3,031,167
Equity	**2,032,395**	1,879,036
Net debt to equity ratio	**1.5**	1.6

The net asset of the Group at 20th February 2011 was HK$2,032.4 million, as compared with HK$1,879.0 million at 20th February 2010.

The Group's principal operations were transacted and recorded in HKD and therefore 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$31.7 million as compared to HK$34.8 million in the previous year. This was mainly related to the software development on the enhancement of the operating efficiencies. At 20th February 2011, capital commitments entered were mainly related to the purchase of property, plant and equipment.

After the reporting date, the Group entered into a new collateralised debt obligation financing transaction for a HK$1.1 billion financing facility and a syndicated term loan agreement for a US$50.0 million new term loan facility.

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 the 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 2011, and a payout out ratio of 53.1%.

SEGMENT INFORMATION

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, hire purchase and insurance. In 2010/11, credit card operation accounted for 68.3% of the Group's revenue, as compared to 65.6% in 2009/10. For segment results, credit card operation accounted for 76.3% of the Group's whole operations in 2010/11, as compared to 58.6% in 2009/10.

With the increase in sales from credit card operation, interest income recorded an increase when compared with last year. However, the improved economic situation had reduced the penalty and late charges, which resulted in a drop in revenue from credit card operation of 0.5% or 3.9 million from HK$763.8 million in 2009/10 to HK$759.9 million in 2010/11. With the improvement in personal bankruptcies and delinquencies, there was a noticeable decrease in the impairment losses and impairment allowances. Although there was a drop in recoveries of receivables written-off, the segment result for the year from credit card operation increased from HK$194.4 million in 2009/10 to HK$248.0 million in 2010/11.

Following the change in interest rate mix for instalment loan business to maintain the Group's market share, interest income recorded a decrease when compared with last year. Together with a drop in late charges, revenue from instalment loan operation recorded a decrease of 13.4% or HK$49.9 million from HK$372.0 million in 2009/10 to HK$322.1 million in 2010/11. With the exercise of a cautious credit assessment, impairment losses and impairment allowances increased moderately. Although there was a drop in interest expense, the segment result for the year from instalment loan operation decreased from HK$128.1 million in 2009/10 to HK$65.5 million in 2010/11.

With a continuous shift from hire purchase to card instalment plan, revenue for hire purchase operation recorded a decrease of HK$1.6 million, from HK$7.2 million in 2009/10 to HK$5.6 million in 2010/11. On the other hand, there was a drop in operating expenses and impairment losses and impairment allowances. As a result, segment result for the year from hire purchase operation was HK$0.9 million in 2010/11 as compared with HK$0.2 million in 2009/10.

Revenue for insurance operation recorded an increase of HK$4.5 million from HK$20.4 million in 2009/10 to HK$24.9 million in 2010/11. Although there was an increase in operating expenses in running the insurance broking company, segment result for the year from insurance operation increased from HK$9.0 million in 2009/10 to HK$10.8 million in 2010/11.

Management Discussion and Analysis

COMPETITIVE ADVANTAGES

Synergy

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

Know-how and Expertise

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

Customer Base

The customer base of the Group is widely diversified. Around 60% of the customers are in the age range of 30 to 50. The new cardholders recruited in this financial year were mainly related to merchants in the retail and catering industries. With the launch of more co-brand cards, the percentage of female cardholders is around 65%.

Convenient Service

The Group launched instant cards during the year to enable cardholders to enjoy immediate shopping privilege. Moreover, the Group will launch supplementary card to allow family members of cardholders to enjoy card benefits. 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.

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. Kazuhide KAMITANI, aged 54, was appointed a Non-executive Director and Chairman of the Company on 20th June 2002 and 18th June 2010 respectively. He was the Managing Director of the Company from June 1990 to June 2002. He is the President of ACS Japan and a director of AEON Thailand, AEON Credit Service (Taiwan) Co., Ltd. and AEON Credit Card (Taiwan) Co., Ltd. Mr. Kamitani holds a Bachelor's degree in Management from Ritsumeikan University.

Mr. Masanori KOSAKA, aged 54, 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 AIS and ACG. Mr. Kosaka holds a Bachelor's degree in Law from Kyoto Sangyo University.

Mr. LAI Yuk Kwong, aged 48, 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 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 50, 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.

Mr. FUNG Kam Shing, Barry, aged 48, was appointed an Executive Director of the Company on 14th June 2006. He is in charge of the Marketing Division of the Company. He joined the Company in May 2002. He is also a director of ACG. 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.

Ms. KOH Yik Kung, aged 55, 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.

Directors and Senior Management Profile

Mr. Toshiya SHIMAKATA, aged 39, was appointed as an Executive Director of the Company on 18th June 2010. He joined ACS Japan in 2000 and was the General Manager of the Corporate Planning Office prior to his transfer to the Company in May 2010. He is in charge of the Business Development Division of the Company. Mr. Shimakata holds a Bachelor's degree in Law from Nanzan University.

Mr. Takatoshi IKENISHI, aged 46, was appointed as a Non-executive Director of the Company on 23rd September 2008. He is also a director of ACS Japan, AEON Malaysia, AIS, ACG, 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 60, was appointed an Independent Non-executive Director of the Company 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 48, was appointed an Independent Non-executive Director of the Company on 13th October 2004. He holds a Master's degree in Executive Business Administration from Chinese University of Hong Kong. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Hong Kong Institute of Directors and the Association of Chartered Certified Accountants, as well as a member of the American Institute of Certified Public Accountants. He is also a fellow member of the Institute of Chartered Secretaries and Administrators and a chartered member of the Chartered Institute for Securities & Investment. He has been the Chief Executive Officer and responsible officer of Legend Capital Partners, Inc., a licensed corporation under the Securities and Futures Ordinance since 1997. Mr. Wong has 27 years of experience in accounting, finance, investment management and advisory.

Professor TONG Jun, aged 48, was appointed an Independent Non-executive Director of the Company 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 Federation for Japanese Returned Scholars of Guangzhou and Executive Director of Guangdong, Hong Kong and Macau Universities Association for Japanese Studies.

Directors and Senior Management Profile

SENIOR MANAGEMENT

Mr. Jamie S. S. LEI, aged 52, is the managing director of AEON Brokers. 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 47, is a director of AEON Brokers. 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 2011, except for the deviations from code provisions A.4.1, A.4.2 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.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the 2010 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 eleven members, consisting of six Executive Directors and five 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 possess 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 senior management are invited to attend Board meetings to make presentations or answer the Board's enquiries.

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

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

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

Directors	**Attendance**
Executive Directors:	
Masanori Kosaka	4/4
Lai Yuk Kwong	4/4
Tomoyuki Kawahara	4/4
Fung Kam Shing, Barry	4/4
Koh Yik Kung	4/4
Toshiya Shimakata*	3/3
Pan Shu Pin, Ban**	0/1
Non-executive Directors:	
Yoshiki Mori***	0/2
Kazuhide Kamitani *(Chairman)*	0/4
Takatoshi Ikenishi	4/4
Independent Non-executive Directors:	
Hui Ching Shan	3/4
Wong Hin Wing	4/4
Tong Jun	4/4

* *appointed on 18th June 2010*
** *resigned on 21st May 2010*
*** *retired on 18th June 2010*

CHAIRMAN AND CHIEF EXECUTIVE

The Chairman and Managing Director of the Company are Mr. Kazuhide Kamitani 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 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 comprises two Non-executive Directors and three Independent Non-executive Directors, namely Mr. Kazuhide Kamitani, Mr. Takatoshi Ikenishi, Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun. The principal duties of the Remuneration Committee are to review and make recommendations to the Board the individual remuneration packages of the Executive Directors and senior management. The Remuneration Committee meets at least once a year, and its terms of reference are posted on the Company's website. The 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 consolidated financial statements.

The Remuneration Committee held two meetings for the year ended 20th February 2011, 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
Takatoshi Ikenishi**	1/1
Wong Hin Wing	2/2
Tong Jun	2/2

* *retired on 18th June 2010*
** *appointed on 18th June 2010*

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises two Non-executive Directors and three Independent Non-executive Directors, namely Mr. Kazuhide Kamitani, Mr. Takatoshi Ikenishi, 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 2011, 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:

Member	**Attendance**
Hui Ching Shan *(Chairman)*	2/3
Yoshiki Mori*	0/1
Kazuhide Kamitani	0/3
Takatoshi Ikenishi**	2/2
Wong Hin Wing	3/3
Tong Jun	3/3

* *retired on 18th June 2010*
** *appointed on 18th June 2010*

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. 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.

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. 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.

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 reporting 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 2011, 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 three months and two 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 2010 AGM until the conclusion of the 2011 AGM.

During the year under review, a remuneration of HK$1,930,000 was paid or payable to Deloitte Touche Tohmatsu for the provision of audit services. In addition, the following remunerations were paid or payable to Deloitte Touche Tohmatsu for the provision of non-audit related services to the Company:

Services rendered	**Fees HK$'000**
Taxation compliance	70
Agreed upon procedures	677
Advisory services on brand risk management	500
J-SOX annual compliance review	723
Total	1,970

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Directors, senior management and external auditor make an effort to attend the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors. 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 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 2010 AGM was held on Friday, 18th June 2010. The notice of the 2010 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than twenty clear business days before the 2010 AGM. The majority of the Board members, together with the key executives and the external auditor attended the 2010 AGM. The Company Secretary explained the poll voting procedures at the commencement of the 2010 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2010 AGM. All the resolutions at the 2010 AGM were dealt with by poll. The poll results of the 2010 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 2011 was HK$2,721,976,400 (issued share capital: 418,765,600 shares at closing market price: HK$6.5 per share).

The 2011 Annual General Meeting will be held at Gloucester Room I, 3/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 17th June 2011 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 2011.

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 2011, the net debt to equity ratio was 1.5 (2010: 1.6).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 20th February 2011 are set out in the consolidated income statement on page 47.

An interim dividend of 16.0 HK cents (2010: interim dividend of 16.0 HK cents) per share amounting to HK$67,002,000 (2010: 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 (2010: 16.0 HK cents) per share to the shareholders on the register of members on 17th June 2011 amounting to HK$67,003,000 (2010: HK$67,003,000), and the retention of the remaining profit for the year of HK$118,177,000.

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 spent approximately HK$31,103,000 on computer equipment, HK$1,883,000 on leasehold improvements and HK$94,000 on furniture and fixtures.

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

Directors' Report

DIRECTORS

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

Executive Directors:

Masanori Kosaka *(Managing Director)*	
Lai Yuk Kwong *(Deputy Managing Director)*	
Tomoyuki Kawahara *(Senior Executive Director)*	
Fung Kam Shing, Barry	
Koh Yik Kung	
Toshiya Shimakata	(Appointed on 18th June 2010)
Pan Shu Pin, Ban	(Resigned on 21st May 2010)

Non-executive Directors:

Yoshiki Mori *(Chairman)*	(Retired on 18th June 2010)
Kazuhide Kamitani	(Appointed as Chairman on 18th June 2010)
Takatoshi Ikenishi	

Independent Non-executive Directors:

Hui Ching Shan
Wong Hin Wing
Tong Jun

In accordance with Article 102 of the Articles of Association, all Directors shall retire at the 2011 AGM and shall be eligible for re-election. Accordingly, all Directors, except Mr. Kazuhide Kamitani and Mr. Takatoshi Ikenishi, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2011 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 2011, 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
Kazuhide Kamitani	300,000	0.07
Masanori Kosaka	110,000	0.03

(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
Kazuhide Kamitani	16,014	0.01
Masanori Kosaka	9,096	0.01
Takatoshi Ikenishi	225	0.01

(c) 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
Kazuhide Kamitani	500,000	0.20
Masanori Kosaka	100,000	0.04

DIRECTORS' INTERESTS IN SHARES (Cont'd)

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

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Malaysia
Kazuhide Kamitani	180,000	0.15

Other than the holdings disclosed above, none of the Directors nor their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 20th February 2011.

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 2011, 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

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

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

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

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 20th February 2011.

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 2011 was HK$10,606,000, of which HK$6,662,000 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.

CONNECTED TRANSACTIONS (Cont'd)

(b) 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 23rd April 2010, the Company and AEON Stores entered into a new licence agreement to renew the previous licence agreement for the leasing of shop no. L302, 3/F, Kornhill Plaza (South), Kornhill Road, Quarry Bay, Hong Kong for a term commencing from 27th April 2010 to 30th November 2011 at a monthly licence fee of HK$167,508 (exclusive of rates and management fee). The monthly management fee is HK$9,306. The aggregate sum of the licence fee and management fee under the previous licence agreement and the new licence agreement for the year ended 20th February 2011 amounted to HK$345,974 and HK$1,743,018 respectively, which did not exceed the respective caps of HK$345,974 and HK$1,800,000 as disclosed in the Company's announcements dated 14th May 2008 and 23rd April 2010 respectively.

On 5th November 2010, the Company and AEON Stores entered into a new licence agreement to renew the previous licence agreement for the leasing of shop no. G5-16, G/F, JUSCO Whampoa Store, Sites 5 & 6 Whampoa Garden, Hung Hom, Kowloon, Hong Kong for a term of 2 years commencing from 1st November 2010 to 31st October 2012 at a monthly licence fee of HK$112,752 (exclusive of rates and management fee). The monthly management fee is HK$7,480. The aggregate sum of the licence fee and management fee under the previous licence agreement and the new licence agreement for the year ended 20th February 2011 amounted to HK$840,503 and HK$446,576 respectively, which did not exceed the respective caps of HK$860,000 and HK$500,000 as disclosed in the Company's announcements dated 2nd November 2009 and 5th November 2010 respectively.

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 2011 was HK$6,368,000.

CONNECTED TRANSACTIONS (Cont'd)

(c) On 20th October 2010, the Company and AIS, an associate, entered into a new master service agreement to replace the previous master service agreement dated 21st May 2003 (as supplemented and amended by supplemental agreements dated 15th April 2005, 18th January 2008 and 30th April 2009). Pursuant to the new master service agreement, the Company would pay service fees to AIS 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 2011 under the previous master service agreement and the new master service agreement amounted to HK$23,448,000 and HK$8,823,000 respectively, which did not exceed the respective caps of HK$27,800,000 and HK$9,000,000 as disclosed in the Company's announcements dated 30th April 2009 and 21st October 2010 respectively.

(d) Pursuant to a corporate expenses sharing agreement entered into between the Company and ACS Japan on 4th September 2008, 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 2011 amounted to HK$6,278,000, which did not exceed the revised cap of HK$7,600,000 as disclosed in the Company's announcement dated 16th February 2009.

(e) On 29th October 2010, the Company and ACTS entered into a new master service agreement to renew the previous master service agreement whereby the Company would pay service fees to ACTS for the provision of computer related services.

The total amount of service fees paid and payable by the Company to ACTS for the year ended 20th February 2011 under the previous master service agreement and the new master service agreement amounted to HK$5,493,000 and HK$2,679,000 respectively, which did not exceed the respective caps of HK$6,100,000 and HK$2,680,000 as disclosed in the Company's announcements dated 2nd November 2009 and 29th October 2010 respectively.

CONNECTED TRANSACTIONS (Cont'd)

(f) On 28th April 2010, the Company and ACTS entered into an agreement whereby ACTS agreed to grant to the Company a non-exclusive, non-transferable licence to use a new customized front end processing system for a consideration of USD1,926,000 (approximately HK$15,100,000). The consideration shall be payable by instalments after receipt of invoices issued by ACTS. The total amount of consideration paid by the Company to ACTS for the year ended 20th February 2011 amounted to HK$5,991,000.

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.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Listing Rule 14A.38. A copy of the auditor's letter will be provided by the Company to the Stock Exchange.

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

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

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

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

No repayment was made during the year of review and at 20th February 2011, 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.

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$777,000.

Directors' Report

EMOLUMENT POLICY

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

RETIREMENT BENEFITS SCHEME

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 20th February 2011.

AUDITOR

A resolution will be submitted to the 2011 AGM to reappoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Masanori Kosaka
Managing Director

Hong Kong, 20th April 2011

Deloitte.
德勤

TO THE MEMBERS OF AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
(incorporated in the 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 134, which comprise the consolidated and Company's statement of financial position as at 20th February 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 2011, 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, 20th April 2011

Consolidated Income Statement

For the year ended 20th February 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	5	**1,112,592**	1,163,449
Interest income	7	**1,011,171**	1,048,905
Interest expense	8	**(131,772)**	(143,976)
Net interest income		**879,399**	904,929
Other operating income	9	**106,194**	120,022
Other gains and losses	10	**(556)**	5,405
Operating income		**985,037**	1,030,356
Operating expenses	11	**(381,061)**	(377,513)
Operating profit before impairment allowances		**603,976**	652,843
Impairment losses and impairment allowances		**(339,508)**	(410,754)
Recoveries of receivables written-off		**45,510**	75,717
Share of results of associates	18	**(6,182)**	(7,302)
Profit before tax		**303,796**	310,504
Income tax expense	13	**(51,614)**	(51,102)
Profit for the year		**252,182**	259,402
Attributable to:			
Owners of the Company		**252,182**	259,402
Earnings per share	15	**60.22 HK cents**	61.94 HK cents

Consolidated Statement of Comprehensive Income

For the year ended 20th February 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**252,182**	259,402
Other comprehensive income		
Fair value gain on available-for-sale investments	**6,958**	22,348
Exchange difference arising from translation of foreign operations	**1,067**	260
Net adjustment on cash flow hedges	**27,157**	2,033
Other comprehensive income for the year	**35,182**	24,641
Total comprehensive income for the year	**287,364**	284,043
Total comprehensive income attributable to:		
Owners of the Company	**287,364**	284,043

Consolidated Statement of Financial Position

At 20th February 2011

	NOTES	20.2.2011 HK$'000	20.2.2010 HK$'000 (restated)	21.2.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	16	**82,383**	83,822	85,639
Investments in associates	18	**25,941**	31,056	38,098
Available-for-sale investments	19	**87,156**	80,198	57,851
Advances and receivables	20	**1,196,394**	1,145,108	952,097
Prepayments, deposits and other debtors	24	**39,400**	27,054	30,296
Derivative financial instruments	36	**380**	104,043	88,862
Deferred tax assets	25	**850**	300	6,200
Restricted deposits	26	**68,000**	68,000	68,000
		1,500,504	1,539,581	1,327,043
Current assets				
Advances and receivables	20	**3,525,524**	3,572,854	3,966,423
Prepayments, deposits and other debtors	24	**21,276**	21,775	23,021
Amount due from an associate	34	**–**	354	204
Derivative financial instrument	36	**186,672**	244	–
Restricted deposits	26	**34,149**	12,156	26,935
Time deposits	27	**201,967**	258,529	286,386
Fiduciary bank balances	28	**2,596**	1,133	–
Bank balances and cash	29	**61,311**	83,362	52,769
		4,033,495	3,950,407	4,355,738
Current liabilities				
Creditors and accruals	30	**147,879**	120,218	106,927
Amounts due to fellow subsidiaries	32	**36,087**	69,207	46,433
Amount due to immediate holding company	33	**–**	–	11
Amount due to ultimate holding company	33	**45**	52	60
Amount due to an associate	34	**397**	–	–
Bank borrowings	35	**1,098,120**	829,160	1,352,000
Bank overdrafts		**2,614**	1,829	4,671
Derivative financial instruments	36	**5,633**	7,103	3,127
Tax liabilities		**17,200**	363	15,924
		1,307,975	1,027,932	1,529,153
Net current assets		**2,725,520**	2,922,475	2,826,585
Total assets less current liabilities		**4,226,024**	4,462,056	4,153,628

Consolidated Statement of Financial Position

At 20th February 2011

	NOTES	**20.2.2011 HK$'000**	20.2.2010 HK$'000 (restated)	21.2.2009 HK$'000 (restated)
Capital and reserves				
Issued capital	37	**41,877**	41,877	41,877
Share premium and reserves	38	**1,990,518**	1,837,159	1,687,121
Total equity		**2,032,395**	1,879,036	1,728,998
Non-current liabilities				
Collateralised debt obligation	39	**1,098,963**	1,098,069	847,297
Bank borrowings	35	**1,060,000**	1,444,000	1,528,750
Derivative financial instruments	36	**34,666**	40,951	48,583
		2,193,629	2,583,020	2,424,630
		4,226,024	4,462,056	4,153,628

The consolidated financial statements on pages 47 to 134 were approved and authorised for issue by the Board on 20th April 2011 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Statement of Financial Position

At 20th February 2011

	NOTES	20.2.2011 HK$'000	20.2.2010 HK$'000 (restated)	21.2.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	16	**81,292**	83,822	85,639
Investments in subsidiaries	17	**1,000**	1,000	1,000
Investments in associates	18	**25,941**	31,056	38,098
Available-for-sale investments	19	**87,156**	80,198	57,851
Advances and receivables	20	**1,196,394**	1,145,108	952,097
Prepayments, deposits and other debtors	24	**39,400**	26,170	30,296
Derivative financial instruments	36	**380**	104,043	88,862
Deferred tax assets	25	**850**	300	6,200
Restricted deposits	26	**68,000**	68,000	68,000
		1,500,413	1,539,697	1,328,043
Current assets				
Advances and receivables	20	**3,525,524**	3,572,854	3,966,423
Prepayments, deposits and other debtors	24	**16,833**	19,453	21,814
Amount due from a subsidiary	31	**–**	–	1,881
Amount due from an associate	34	**–**	354	204
Derivative financial instrument	36	**186,672**	244	–
Tax recoverable		**–**	1,653	–
Restricted deposits	26	**34,149**	12,156	26,935
Time deposits	27	**201,867**	258,429	286,386
Bank balances and cash	29	**58,327**	82,090	51,737
		4,023,372	3,947,233	4,355,380
Current liabilities				
Creditors and accruals	30	**142,020**	117,143	106,899
Amount due to a subsidiary	31	**14,573**	9,939	–
Amounts due to fellow subsidiaries	32	**36,087**	69,207	46,433
Amount due to immediate holding company	33	**–**	–	11
Amount due to ultimate holding company	33	**45**	52	60
Amount due to an associate	34	**397**	–	–
Bank borrowings	35	**1,098,120**	829,160	1,352,000
Bank overdrafts		**2,614**	1,829	4,671
Derivative financial instruments	36	**5,633**	7,103	3,127
Tax liabilities		**16,750**	–	15,924
		1,316,239	1,034,433	1,529,125
Net current assets		**2,707,133**	2,912,800	2,826,255
Total assets less current liabilities		**4,207,546**	4,452,497	4,154,298

Statement of Financial Position

At 20th February 2011

	NOTES	**20.2.2011 HK$'000**	20.2.2010 HK$'000 (restated)	21.2.2009 HK$'000 (restated)
Capital and reserves				
Issued capital	37	**41,877**	41,877	41,877
Share premium and reserves	38	**1,972,040**	1,827,600	1,687,791
Total equity		**2,013,917**	1,869,477	1,729,668
Non-current liabilities				
Collateralised debt obligation	39	**1,098,963**	1,098,069	847,297
Bank borrowings	35	**1,060,000**	1,444,000	1,528,750
Derivative financial instruments	36	**34,666**	40,951	48,583
		2,193,629	2,583,020	2,424,630
		4,207,546	4,452,497	4,154,298

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 20th February 2011

	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 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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**252,182**	**252,182**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**6,958**	**–**	**–**	**–**	**6,958**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**1,067**	**–**	**1,067**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**27,157**	**–**	**–**	**27,157**
Total comprehensive income for the year	**–**	**–**	**–**	**6,958**	**27,157**	**1,067**	**252,182**	**287,364**
Final dividend paid for 2009/10	**–**	**–**	**–**	**–**	**–**	**–**	**(67,003)**	**(67,003)**
Interim dividend paid for 2010/11	**–**	**–**	**–**	**–**	**–**	**–**	**(67,002)**	**(67,002)**
	–	**–**	**–**	**6,958**	**27,157**	**1,067**	**118,177**	**153,359**
At 20th February 2011	**41,877**	**227,330**	**270**	**26,703**	**(50,513)**	**7,870**	**1,778,858**	**2,032,395**

Consolidated Statement of Cash Flows

For the year ended 20th February 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before tax	**303,796**	310,504
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	**894**	888
Depreciation	**34,447**	35,677
Dividends received on available-for-sale investments	**(1,808)**	(1,821)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**339,508**	410,754
Interest expense	**130,878**	143,088
Interest income	**(1,011,171)**	(1,048,905)
Net losses (gains) on disposal of property, plant and equipment	**72**	(5,863)
Share of results of associates	**6,182**	7,302
Operating cash flows before movements in working capital	**(197,202)**	(148,376)
Increase in advances and receivables	**(343,464)**	(210,196)
Decrease in prepayments, deposits and other debtors	**24,681**	5,616
Decrease (increase) in amount due from an associate	**354**	(150)
Increase in fiduciary bank balances	**(1,463)**	(1,133)
Increase in creditors and accruals	**28,618**	15,436
(Decrease) increase in amounts due to fellow subsidiaries	**(33,120)**	22,774
Decrease in amount due to immediate holding company	**–**	(11)
Decrease in amount due to ultimate holding company	**(7)**	(8)
Increase in amount due to an associate	**397**	–
Cash used in operations	**(521,206)**	(316,048)
Tax paid	**(35,327)**	(60,763)
Interest paid	**(132,918)**	(141,882)
Interest received	**986,515**	1,046,960
Net cash generated from operating activities	**297,064**	528,267

Consolidated Statement of Cash Flows

For the year ended 20th February 2011

	2011 HK$'000	2010 HK$'000
Investing activities		
Dividends received	**1,808**	1,821
Proceeds from disposal of property, plant and equipment	**–**	6,754
Purchase of property, plant and equipment	**(19,653)**	(18,555)
Deposits paid for acquisition of property, plant and equipment	**(25,298)**	(16,267)
Net cash used in investing activities	**(43,143)**	(26,247)
Financing activities		
Placement of restricted deposits	**(1,502,319)**	(1,438,974)
Withdrawal of restricted deposits	**1,480,326**	1,453,753
Dividends paid	**(134,005)**	(134,005)
Increase in collateralised debt obligation	**–**	250,772
New bank loans raised	**16,946,191**	10,359,012
Repayment of bank loans	**(17,123,512)**	(10,987,000)
Net cash used in financing activities	**(333,319)**	(496,442)
Net (decrease) increase in cash and cash equivalents	**(79,398)**	5,578
Cash and cash equivalents at beginning of the year	**340,062**	334,484
Cash and cash equivalents at end of the year	**260,664**	340,062
Being:		
Time deposits	**201,967**	258,529
Bank balances and cash	**61,311**	83,362
Bank overdrafts	**(2,614)**	(1,829)
	260,664	340,062

Notes to the Consolidated Financial Statements

For the year ended 20th February 2011

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")

New and revised Standards, Amendments and Interpretations applied in the current year

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements and the Company's statement of financial position.

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

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK – Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application.

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$295,000,000 and HK$105,000,000 have been reclassified from non-current liabilities to current liabilities at 21st February 2009 and 20th February 2010 respectively. At 20th February 2011, there is no bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause.

The application of HK – Int 5 has had no impact on the reported profit or loss for the current and prior years.

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

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" (Cont'd)

Summary of the effect of the changes in accounting polices

The effects of changes in accounting policies described above on the financial position at 21st February 2009 and 20th February 2010 are as follows:

	THE GROUP AND THE COMPANY					
	21.2.2009 (originally stated) HK$'000	Re-classification HK$'000	21.2.2009 (restated) HK$'000	20.2.2010 (originally stated) HK$'000	Re-classification HK$'000	20.2.2010 (restated) HK$'000
Bank borrowings due within one year	1,057,000	295,000	1,352,000	724,160	105,000	829,160
Bank borrowings due after one year	1,823,750	(295,000)	1,528,750	1,549,000	(105,000)	1,444,000
Total effects on net assets	2,880,750	–	2,880,750	2,273,160	–	2,273,160

Such term bank loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see notes 35 and 41(b) for details).

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

New and revised Standards, Amendments and Interpretations issued but not yet effective

The Group and the Company have not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[3]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] *Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate*
[2] *Effective for annual periods beginning on or after 1st July 2010*
[3] *Effective for annual periods beginning on or after 1st January 2011*
[4] *Effective for annual periods beginning on or after 1st July 2011*
[5] *Effective for annual periods beginning on or after 1st January 2012*
[6] *Effective for annual periods beginning on or after 1st January 2013*

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

New and revised Standards, Amendments and Interpretations issued but not yet effective (Cont'd)

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements and the Company's financial statements for financial year ending 20th February 2014. Based on the Group's and the Company's financial assets and financial liabilities at 20th February 2011, the Directors anticipate that the application of the new standard will affect the classification and measurement of the Group's and the Company's available-for-sale investments and may affect the classification and measurement of other financial assets. At the date of this report, the Directors are in the process of assessing the potential financial impact.

The amendments to HKFRS 7 titled "Disclosures – Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The Directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's and the Company's disclosures regarding transfers of advances previously effected.

The Directors anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the Group's consolidated financial statements and the Company's statement of financial position.

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 in line with those used by other members of the Group.

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

Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

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.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in subsidiaries

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

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 consolidated 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 exchange rates prevailing on the dates of the transactions. At the end of each 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 translation 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 in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation.

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

Foreign currencies (Cont'd)

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. HKD) using exchange rates prevailing at the end of the reporting period, and their income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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 differences and they are expected to reverse in the foreseeable future.

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 in 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.

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

Financial instruments (Cont'd)

Financial assets

The Group's financial assets are classified into one of the two categories, 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.

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 ("FVTPL"), 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, amounts 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 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
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as advances and receivables that are assessed not to be impaired individually are, in addition, 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 an entity 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 the 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 cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, 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 and accumulated in equity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Impairment allowances on advances and receivables (Cont'd)

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

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

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

5. REVENUE

	2011	2010
	HK$'000	HK$'000
Interest income	**1,011,171**	1,048,905
Fees and commissions	**49,880**	44,075
Handling and late charges	**51,541**	70,469
	1,112,592	1,163,449

6. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

Credit card	–	Provide credit card services to individuals and acquiring services for member-stores
Instalment loan	–	Provide personal loan financing to individuals
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 and reportable segments:

For the year ended 20th February 2011

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
REVENUE	759,922	322,171	5,564	24,935	1,112,592
RESULT					
Segment results	247,986	65,523	856	10,818	325,183
Unallocated operating income					3,898
Unallocated expenses					(19,103)
Share of results of associates					(6,182)
Profit before tax					303,796
Income tax expense					(51,614)
Profit for the year					252,182

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

Segment revenue and results (Cont'd)

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

The accounting policies of operating and reportable 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), 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 and reportable segments:

At 20th February 2011

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,742,363	1,621,508	44,985	11,196	5,420,052
Investments in associates					25,941
Available-for-sale investments					87,156
Unallocated assets					850
Consolidated total assets					5,533,999
LIABILITIES					
Segment liabilities	2,847,594	594,687	25,318	16,805	3,484,404
Unallocated liabilities					17,200
Consolidated total liabilities					3,501,604

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

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

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

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

- all liabilities are allocated to operating and reportable segments other than tax liabilities.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

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

2011

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Insurance HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	**56,967**	**2,126**	**–**	**1,410**	**60,503**
Depreciation	**23,817**	**10,311**	**–**	**319**	**34,447**
Impairment losses and impairment allowances	**186,412**	**152,586**	**510**	**–**	**339,508**
Net losses on disposal of property, plant and equipment	**–**	**72**	**–**	**–**	**72**

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

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

	2011	2010
	HK$'000	HK$'000
Time deposits, bank balances and cash	**235**	284
Advances	**1,008,241**	1,040,776
Impaired advances	**2,695**	7,845
	1,011,171	1,048,905

8. INTEREST EXPENSE

	2011	2010
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**26,375**	40,425
Interest on bank borrowings and overdrafts wholly repayable after five years	**442**	–
Interest on collateralised debt obligation wholly repayable within five years	**50,329**	48,811
Net interest expense on interest rate swap contracts	**54,626**	54,740
	131,772	143,976

Amortisation of upfront cost of **HK$894,000** (2010: HK$888,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

9. OTHER OPERATING INCOME

	2011 HK$'000	2010 HK$'000
Dividends received on available-for-sale investments		
Listed equity securities	**1,565**	1,319
Unlisted equity securities	**243**	502
Fees and commissions		
Credit card	**24,945**	23,674
Insurance	**24,935**	20,401
Handling and late charges	**51,541**	70,469
Others	**2,965**	3,657
	106,194	120,022

10. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	**62,281**	20,398
Exchange losses on bank loans	**(62,281)**	(20,398)
Hedge ineffectiveness on cash flow hedges	**(484)**	(458)
Net (losses) gains on disposal of property, plant and equipment	**(72)**	5,863
	(556)	5,405

11. OPERATING EXPENSES

	2011 HK$'000	2010 HK$'000
Auditor's remuneration	**1,930**	1,850
Depreciation	**34,447**	35,677
General administrative expenses	**113,267**	106,975
Marketing and promotion expenses	**39,824**	42,499
Operating lease rentals in respect of rented premises, advertising space and equipment	**54,714**	60,337
Other operating expenses	**38,329**	38,757
Staff costs including Directors' emoluments	**98,550**	91,418
	381,061	377,513

Operating lease rentals in respect of Directors' and staff quarters of **HK$1,615,000** (2010: HK$1,155,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the thirteen (2010: twelve) Directors were as follows:

2011

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Yoshiki Mori (21.2.2010 – 18.6.2011)	–	–	–	–	–
Kazuhide Kamitani	–	–	–	–	–
Masanori Kosaka *(Note)*	–	1,783	400	3	2,186
Lai Yuk Kwong	–	1,415	139	12	1,566
Tomoyuki Kawahara	–	980	108	12	1,100
Fung Kam Shing, Barry	–	1,034	109	12	1,155
Koh Yik Kung	–	1,653	44	12	1,709
Toshiya Shimakata *(Note)* (18.6.2010 – 20.2.2011)	–	647	–	–	647
Pan Shu Pin, Ban (21.2.2010 – 21.5.2010)	–	241	–	3	244
Takatoshi Ikenishi	–	–	–	–	–
Hui Ching Shan	238	–	–	–	238
Wong Hin Wing	238	–	–	–	238
Tong Jun	238	–	–	–	238
	714	7,753	800	54	9,321

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

(a) Directors' emoluments (Cont'd)

2010

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Yoshiki Mori	–	–	–	–	–
Kazuhide Kamitani	–	–	–	–	–
Masanori Kosaka *(Note)*	–	1,792	–	12	1,804
Lai Yuk Kwong	–	1,381	–	12	1,393
Tomoyuki Kawahara	–	949	–	12	961
Fung Kam Shing, Barry	–	998	–	12	1,010
Koh Yik Kung	–	1,622	–	12	1,634
Pan Shu Pin, Ban	–	939	–	12	951
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

Note: Operating lease rentals in respect of Directors' accommodations of **HK$519,000** (2010: HK$399,000) are included under salaries and other benefits.

(b) Employees' emoluments

The five highest paid individuals in the Group in 2011 and 2010 were all Directors and details of their emoluments are set out above.

13. INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
Current tax:		
Hong Kong		
– Current year	**51,644**	44,980
– Underprovision in respect of prior years	**520**	222
	52,164	45,202
Deferred tax *(note 25)*		
– Current year	**(550)**	5,900
	51,614	51,102

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

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

	2011	2010
	HK$'000	HK$'000
Profit before tax	**303,796**	310,504
Tax at the applicable rate of 16.5% (2010: 16.5%)	**50,126**	51,233
Tax effect of share of results of associates	**1,020**	1,205
Tax effect of expenses not deductible for tax purpose	**2**	3
Tax effect of income not taxable for tax purpose	**(329)**	(340)
Tax effect of deferred tax assets previously not recognised	**(129)**	(523)
Underprovision in respect of prior years	**520**	222
Others	**404**	(698)
Tax charge for the year	**51,614**	51,102

14. DIVIDENDS

	2011 **HK$'000**	2010 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2010 of 16.0 HK cents (2009: 16.0 HK cents) per share	**67,003**	67,003
Interim dividend paid in respect of 2011 of 16.0 HK cents (2010: 16.0 HK cents) per share	**67,002**	67,002
	134,005	134,005
Final dividend proposed in respect of 2011 of 16.0 HK cents (2010: 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 2011. 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 17th June 2011.

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of **HK$252,182,000** (2010: HK$259,402,000) and on the number of shares of **418,766,000** (2010: 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					
COST					
At 21st 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**
Additions	**1,883**	**94**	**31,103**	**–**	**33,080**
Disposals/write-off	**(2,467)**	**(511)**	**(8,531)**	**–**	**(11,509)**
At 20th February 2011	**11,855**	**14,017**	**307,510**	**226**	**333,608**
DEPRECIATION					
At 21st 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**
Provided for the year	**1,129**	**592**	**32,681**	**45**	**34,447**
Eliminated on disposals/write-off	**(2,411)**	**(510)**	**(8,516)**	**–**	**(11,437)**
At 20th February 2011	**10,051**	**13,277**	**227,773**	**124**	**251,225**
CARRYING VALUES					
At 20th February 2011	**1,804**	**740**	**79,737**	**102**	**82,383**
At 20th February 2010	1,106	1,239	81,330	147	83,822

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

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY					
COST					
At 21st 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**
Additions	**1,883**	**94**	**29,693**	**–**	**31,670**
Disposals/write-off	**(2,467)**	**(511)**	**(8,531)**	**–**	**(11,509)**
At 20th February 2011	**11,855**	**14,017**	**306,100**	**226**	**332,198**
DEPRECIATION					
At 21st 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**
Provided for the year	**1,129**	**592**	**32,362**	**45**	**34,128**
Eliminated on disposals/write-off	**(2,411)**	**(510)**	**(8,516)**	**–**	**(11,437)**
At 20th February 2011	**10,051**	**13,277**	**227,454**	**124**	**250,906**
CARRYING VALUES					
At 20th February 2011	**1,804**	**740**	**78,646**	**102**	**81,292**
At 20th February 2010	1,106	1,239	81,330	147	83,822

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Cost of unlisted investments in subsidiaries	**1,000**	1,000

At 20th February 2011 and 2010, 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 2011	2010	Principal activities
AEON Insurance Brokers (HK) Limited	Hong Kong	HK$1,000,000	**100%**	100%	Insurance broking and agency services
AEON Education and Environment Fund Limited	Hong Kong	Limited by guarantee	**100%**	100%	Support community charity projects and activities

18. INVESTMENTS IN ASSOCIATES

	THE GROUP AND THE COMPANY	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Cost of unlisted investments in associates	**39,946**	39,946
Exchange difference arising from translation	**7,870**	6,803
Share of post-acquisition results	**(21,875)**	(15,693)
	25,941	31,056

18. INVESTMENTS IN ASSOCIATES (Cont'd)

At 20th February 2011 and 2010, 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 board member representative		Principal activities
		2011	2010	**2011**	2010	
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**33.3%**	33.3%	Provision of call centre services
AEON Credit Guarantee (China) Co., Ltd.	China	**50%**	50%	**50.0%**	37.5%	Credit guarantee business

The other shareholder of AIS and ACG is the Group's immediate holding company and hence the Group considers that the Group is only able to participate in the financial and operating policy decisions of AIS and ACG.

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 2011. 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	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Total assets	**79,108**	88,289
Total liabilities	**(27,226)**	(26,177)
Net assets	**51,882**	62,112
Share of associates' net assets	**25,941**	31,056

	2011	2010
	HK$'000	HK$'000
Revenue	**53,752**	44,533
Loss for the year	**12,364**	14,604
Share of associates' loss for the year	**6,182**	7,302

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Listed equity securities, at fair value		
Hong Kong	**27,883**	21,845
Overseas	**17,202**	16,282
	45,085	38,127
Unlisted equity securities, at cost	**42,071**	42,071
	87,156	80,198

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 9 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	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Credit card receivables	**3,112,312**	3,100,810
Instalment loans receivable	**1,567,169**	1,570,960
Hire purchase debtors	**43,084**	70,051
	4,722,565	4,741,821
Accrued interest and other receivables	**133,626**	114,098
Gross advances and receivables	**4,856,191**	4,855,919
Impairment allowances *(note 21)*		
– individually assessed	**(54,974)**	(60,290)
– collectively assessed	**(79,299)**	(77,667)
	(134,273)	(137,957)
	4,721,918	4,717,962
Current portion included under current assets	**(3,525,524)**	(3,572,854)
Amount due after one year	**1,196,394**	1,145,108

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$78,587,000** (20th February 2010: HK$47,100,000) and **HK$15,053,000** (20th February 2010: HK$5,797,000) 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 4 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.6% (20th February 2010: 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 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 39). At 20th February 2011, the carrying amount of the credit card receivables under this financing transaction is **HK$1,873,521,000** (20th February 2010: HK$2,095,187,000). The carrying amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2010: HK$1,100,000,000).

(b) Instalment loans receivable

The term of instalment loans entered with customers ranges from 6 months to 10 years. All instalment loans receivable are denominated in HKD. The instalment loans receivable carry effective interest ranging from 3.9% to 46.8% (20th February 2010: 3.7% to 46.8%) per annum.

20. ADVANCES AND RECEIVABLES (Cont'd)

(c) Hire purchase debtors

	THE GROUP AND THE COMPANY			
	Minimum payments		Present value of minimum payments	
	20.2.2011	20.2.2010	**20.2.2011**	20.2.2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**39,228**	63,020	**38,353**	61,443
In the second to fifth year inclusive	**4,815**	8,796	**4,731**	8,608
	44,043	71,816	**43,084**	70,051
Unearned finance income	**(959)**	(1,765)	**–**	–
Present value of minimum payments receivable	**43,084**	70,051	**43,084**	70,051

The term of hire purchase contracts entered with customers ranges from 5 months to 3 years. All hire purchase agreements are denominated in HKD. The hire purchase debtors carry effective interest ranging from 4.4% to 15.7% (20th February 2010: 4.4% to 15.7%) per annum.

21. IMPAIRMENT ALLOWANCES

	THE GROUP AND THE COMPANY	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**64,825**	66,155
Instalment loans receivable	**57,308**	55,939
Hire purchase debtors	**823**	1,240
Accrued interest and other receivables	**11,317**	14,623
	134,273	137,957

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
At 21st February 2010	**60,290**	**77,667**	**137,957**
Impairment losses and impairment allowances	**337,876**	**1,632**	**339,508**
Amounts written-off as uncollectable	**(343,192)**	**–**	**(343,192)**
At 20th February 2011	**54,974**	**79,299**	**134,273**

	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

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			
	20.2.2011		20.2.2010	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**137,153**	**2.8**	128,158	2.6
Overdue 2 months but less than 3 months	**32,508**	**0.7**	29,463	0.6
Overdue 3 months but less than 4 months	**18,234**	**0.4**	20,490	0.4
Overdue 4 months or above	**55,131**	**1.1**	55,877	1.2
	243,026	**5.0**	233,988	4.8

* *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	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**58,962**	62,214
– Current	**398**	2,174
Impairment allowances under individual assessment	**(54,974)**	(60,290)
Net impaired advances	**4,386**	4,098
Gross impaired advances as a percentage of gross advances	**1.2%**	1.3%

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	THE GROUP		THE COMPANY	
	20.2.2011	20.2.2010	**20.2.2011**	20.2.2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepaid cost for property, plant and equipment	**34,048**	22,177	**34,048**	21,293
Rental deposits	**13,224**	13,444	**13,224**	13,444
Prepaid operating expenses	**8,298**	9,705	**8,223**	9,705
Other debtors	**5,106**	3,503	**738**	1,181
	60,676	48,829	**56,233**	45,623
Current portion included under current assets	**(21,276)**	(21,775)	**(16,833)**	(19,453)
Amount due after one year	**39,400**	27,054	**39,400**	26,170

25. DEFERRED TAX ASSETS

The followings 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 2011 and 2010:

	THE GROUP AND THE COMPANY		
	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 21st 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**
Credit to profit or loss for the year	**300**	**250**	**550**
At 20th February 2011	**(12,300)**	**13,150**	**850**

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 0.3% (0.01% to 0.2% for the year ended 20th February 2010) per annum during the year. Restricted deposits of **HK$34,149,000** (20th February 2010: HK$12,156,000) will be matured within one year from 20th February 2011.

27. TIME DEPOSITS

Time deposits of the Group and the Company carry fixed rates ranging from 0.001% to 0.2% (0.01% to 0.3% for the year ended 20th February 2010) 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
20.2.2011				
Bank balances and cash	**60,927**	**376**	**8**	**61,311**
20.2.2010				
Bank balances and cash	83,074	280	8	83,362

THE COMPANY

	HKD HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
20.2.2011				
Bank balances and cash	**57,943**	**376**	**8**	**58,327**
20.2.2010				
Bank balances and cash	81,802	280	8	82,090

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	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Current	**54,840**	43,055
Over 1 month but less than 3 months	**1,944**	736
Over 3 months	**2,807**	2,361
	59,591	46,152

	THE COMPANY	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Current	**53,635**	40,595
Over 1 month but less than 3 months	**623**	736
Over 3 months	**1,693**	2,361
	55,951	43,692

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK$5,141,000** (20th February 2010: HK$3,920,000).

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/ULTIMATE HOLDING COMPANY

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

34. AMOUNT DUE FROM/TO AN ASSOCIATE

During the year, the Directors reviewed the carrying value of the amount due from an associate. The recoverable amount of the amount due from an associate is determined with reference to the assets of the associate as at 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.

35. BANK BORROWINGS

	THE GROUP AND THE COMPANY		
	20.02.2011	20.02.2010	21.02.2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Bank loans, unsecured	**2,158,120**	2,273,160	2,880,750
Carrying amount repayable *(Note)*			
Within one year	**993,120**	534,160	737,000
Between one and two years	**170,000**	799,000	365,000
Between two and five years	**800,000**	645,000	1,163,750
Over five years	**90,000**	–	–
	2,053,120	1,978,160	2,265,750
Carrying amount of unsecured bank loans that contain a repayment on demand clause			
– repayable within one year	**105,000**	190,000	320,000
– repayable after one year (shown under current liabilities)	**–**	105,000	295,000
	2,158,120	2,273,160	2,880,750
Amount repayable within one year included under current liabilities	**(1,098,120)**	(829,160)	(1,352,000)
Amount repayable after one year	**1,060,000**	1,444,000	1,528,750

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

35. BANK BORROWINGS (Cont'd)

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 HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
20.2.2011				
Bank loans	**1,379,000**	**77,870**	**701,250**	**2,158,120**
20.2.2010				
Bank loans	1,556,500	77,660	639,000	2,273,160

HKD bank loans of **HK$260,000,000** (20th February 2010: HK$310,000,000) are arranged at fixed interest rates ranging from 2.6% to 3.3% (20th February 2010: 2.7% to 5.2%) 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 0.6% plus HIBOR (20th February 2010: 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 0.75% plus LIBOR per annum, thus exposing the Group and the Company to cash flow interest rate risk.

The Group and the Company did not have available undrawn committed borrowing facilities at 20th February 2011 and 20th February 2010.

At 20th February 2011, the Group and the Company have available unutilised overdrafts and non-committed short term bank loan facilities of **HK$708,620,000** (20th February 2010: HK$620,120,000) and **HK$750,000,000** (20th February 2010: HK$774,000,000) respectively.

36. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY			
	20.2.2011		20.2.2010	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Interest rate swaps	**380**	**40,255**	–	48,054
Cross-currency interest rate swaps	**186,672**	**44**	104,287	–
	187,052	**40,299**	104,287	48,054
Current portion	**(186,672)**	**(5,633)**	(244)	(7,103)
Non-current portion	**380**	**34,666**	104,043	40,951

All derivative financial instruments entered by the Group and the Company that remain outstanding at 20th February 2011 and 20th February 2010 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

Cash flow hedges:

Interest rate swaps

The Group and the Company use interest rate swaps to minimise its 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$1,095,000,000** from floating rates to fixed rates. The interest rate swaps of the Group and the Company with aggregate notional amount of **HK$1,095,000,000** have fixed interest payments at fixed interest rates ranging from 2.4% to 5.4% (20th February 2010: 2.2% to 5.7%) per annum and floating interest receipts ranging from 0.3% plus HIBOR to 0.6% plus HIBOR (20th February 2010: 0.3% plus HIBOR to 0.8% plus HIBOR) per annum for periods up until June 2017 (2010: 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.

36. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

***Interest rate swaps* (Cont'd)**

During the year, net adjustment on the above-mentioned cash flow hedges amounted to **HK$7,097,000** (2010: HK$7,006,000) 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 USD10,000,000 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 HKD 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 USD10,000,000 (equivalent to HK$77,691,000 at the date of inception of the loan) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.77, fixed interest payments in HKD at 1.3% per annum and floating interest receipts in USD at 0.7% plus LIBOR per annum for periods up until December 2011. 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.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to **HK$20,060,000** (2010: HK$4,973,000) 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.

37. ISSUED CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares 20.2.2011 & 20.2.2010	**Share capital 20.2.2011 & 20.2.2010 HK$'000**
Ordinary shares of HK$0.1 each		
Authorised		
At beginning and end of year	1,000,000,000	100,000
Issued and fully paid		
At beginning and end of year	418,766,000	41,877

38. RESERVES

The reserves of the Group and the Company available for distribution to shareholders at 20th February 2011 amounted to **HK$1,778,858,000** and **HK$1,760,380,000** respectively (20th February 2010: HK$1,660,681,000 and HK$1,651,122,000 respectively), representing the accumulated profits.

39. COLLATERALISED DEBT OBLIGATION

(a) The Company entered into a HK$1,100,000,000 collateralised debt obligation financing transaction (the "Transaction"). Pursuant to this Transaction, the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HK(SIC)-Int 12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under this Transaction have not been derecognised and remained in the Group's and the Company's financial statements.

(b) The collateralised debt obligation is backed by the credit card receivables transferred (see note 20) and with the carrying amount denominated in Hong Kong dollars. The revolving period of the Transaction will end in February 2012. The monthly interest of the collateralised debt obligation is fixed at 4.5% 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% (2010: 4.5%) per annum during the year.

40. CAPITAL RISK MANAGEMENT

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

- the Group and the Company will be able to continue as a going concern;
- Maximise the return to shareholders through the optimisation of the debt and equity balance and by pricing products commensurately with the level of risk; and
- Funds are available at competitive costs to meet all contractual financial commitments, to fund debtor balance growth and to generate reasonable funds from available funds.

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

40. CAPITAL RISK MANAGEMENT (Cont'd)

Net debt to equity ratio

The Group's and the Company's management review the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group and the Company have a target net debt to equity ratio of 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	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Debt *(note a)*	**3,257,083**	3,371,229
Cash and cash equivalents	**(260,664)**	(340,062)
Net debt	**2,996,419**	3,031,167
Equity *(note b)*	**2,032,395**	1,879,036
Net debt to equity ratio	**1.5**	1.6

	THE COMPANY	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Debt *(note a)*	**3,257,083**	3,371,229
Cash and cash equivalents	**(257,580)**	(338,690)
Net debt	**2,999,503**	3,032,539
Equity *(note b)*	**2,013,917**	1,869,477
Net debt to equity ratio	**1.5**	1.6

40. CAPITAL RISK MANAGEMENT (Cont'd)

Net debt to equity ratio (Cont'd)

Notes:

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

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

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**87,156**	80,198
Advances and receivables (excluding hire purchase debtors)	**5,052,516**	5,075,868
Derivative instruments in designated hedge accounting relationships	**187,052**	104,287
Financial liabilities		
Amortised cost	**3,364,669**	3,498,278
Derivative instruments in designated hedge accounting relationships	**40,299**	48,054

41. FINANCIAL INSTRUMENTS (Cont'd)

(a) Categories of financial instruments (Cont'd)

	THE COMPANY	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Financial assets		
Available-for-sale financial assets	**87,156**	80,198
Advances and receivables (excluding hire purchase debtors)	**5,042,468**	5,071,041
Derivative instruments in designated hedge accounting relationships	**187,052**	104,287
Financial liabilities		
Amortised cost	**3,375,602**	3,505,757
Derivative instruments in designated hedge accounting relationships	**40,299**	48,054

(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 assets, 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.

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

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

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 enter 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 mitigate the cash flow interest rate risk.

Market risk exposures are measured using sensitivity analysis.

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

(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 2011 was **HK$779,120,000** (20th February 2010: HK$716,660,000). 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

(ii) Interest rate risk management

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's and the Company's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings 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, 35 and 39.

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 35).

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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable rate financial instruments (excluding variable rate borrowings which are hedged by interest rate swaps) and interest component of 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 2011 would decrease/increase by HK$700,000 (for the year ended 20th February 2010: decrease/increase by HK$1,377,000); and

- other comprehensive income would increase/decrease by HK$37,153,000 (for the year ended 20th February 2010: increase/decrease by HK$33,054,000) mainly as a result of the changes in the fair value of derivative financial instruments, excluding the impact of foreign exchange component for the cross-currency interest rate swaps.

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk **(Cont'd)**

(iii) Other price risks

The Group and the Company are exposed to equity price risk through its available-for-sale investments. The Group's and the Company's equity price risk is mainly concentrated on equity securities operating in consumer credit finance services and related business. The management will monitor the price movements and take appropriate actions when it is required.

Sensitivity analysis

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

If equity prices had been 10% higher/lower:

- other comprehensive income would increase/decrease by HK$4,508,000 (for the year ended 20th February 2010: increase/decrease by HK$3,813,000) as a result of the changes in fair value of listed equity securities.

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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 2011 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.

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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Neither past due nor individually impaired	**4,612,767**	4,619,757
Past due but not individually impaired	**184,064**	171,774
Individually impaired	**59,360**	64,388
	4,856,191	4,855,919
Less: impairment allowances *(note 21)*	**(134,273)**	(137,957)
	4,721,918	4,717,962

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

(i) Advances and receivables past due but not individually impaired

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

	THE GROUP AND THE COMPANY 20.2.2011			
	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	68,714	66,927	221	135,862
Over 2 months but less than 3 months	13,303	15,650	62	29,015
Over 3 months but less than 4 months	8,654	8,844	40	17,538
Over 4 months or above	215	1,434	–	1,649
	90,886	92,855	323	184,064
Less: collectively impaired	(52,015)	(26,961)	(323)	(79,299)
	38,871	65,894	–	104,765

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

(i) Advances and receivables past due but not individually impaired (Cont'd)

	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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

(ii) Advances and receivables individually impaired

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

	THE GROUP AND THE COMPANY			
	Credit card HK$'000	**Instalment loan HK$'000**	**Hire purchase HK$'000**	**Total HK$'000**
20.2.2011				
Individually impaired	**23,608**	**35,313**	**439**	**59,360**
20.2.2010				
Individually impaired	31,487	32,358	543	64,388

There are no related collateral held by the Group and the Company as security. Impairment allowances of **HK$54,974,000** (20th February 2010: HK$60,290,000) have been provided *(note 21)*.

41. 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 below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group and the Company are entitled and intend to repay the liabilities before their maturities. 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	THE GROUP 20.2.2011					
	On demand or less than 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	1,102,632	–	1,152,066
Bank borrowings						
– fixed rate	20,138	297	85,822	33,724	141,341	281,322
– variable rate	131,251	4,903	910,205	739,725	223,045	2,009,129
Bank overdrafts	2,614	–	–	–	–	2,614
Other financial liabilities	96,250	7,029	247	1,446	–	104,972
Total undiscounted financial liabilities	254,373	20,468	1,033,349	1,877,527	364,386	3,550,103

	THE GROUP 20.2.2010 (restated)					
	On demand or less than 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	30,794	51,686	166,011	71,233	–	319,724
– variable rate	358,086	26,195	263,258	1,355,644	91,359	2,094,542
Bank overdrafts	1,829	–	–	–	–	1,829
Other financial liabilities	115,091	7,767	2,362	–	–	125,220
Total undiscounted financial liabilities	509,920	93,887	468,706	2,578,750	91,359	3,742,622

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	THE COMPANY 20.2.2011					
	On demand or less than 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	1,102,632	–	1,152,066
Bank borrowings						
– fixed rate	20,138	297	85,822	33,724	141,341	281,322
– variable rate	131,251	4,903	910,205	739,725	223,045	2,009,129
Bank overdrafts	2,614	–	–	–	–	2,614
Other financial liabilities	107,183	7,029	247	1,446	–	115,905
Total undiscounted financial liabilities	265,306	20,468	1,033,349	1,877,527	364,386	3,561,036

	THE COMPANY 20.2.2010 (restated)					
	On demand or less than 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	30,794	51,686	166,011	71,233	–	319,724
– variable rate	358,086	26,195	263,258	1,355,644	91,359	2,094,542
Bank overdrafts	1,829	–	–	–	–	1,829
Other financial liabilities	122,570	7,767	2,362	–	–	132,699
Total undiscounted financial liabilities	517,399	93,887	468,706	2,578,750	91,359	3,750,101

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

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

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

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. At 20th February 2011 and 20th February 2010, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$105,000,000 and HK$295,000,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment.

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's and the Company's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 – 12 months HK$'000	1 – 4 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
20.2.2011							
Bank borrowings with a repayment on demand clause	**30,234**	**503**	**76,741**	**–**	**–**	**107,478**	**105,000**
20.2.2010							
Bank borrowings with a on repayment demand clause	40,521	31,024	126,676	107,478	–	305,699	295,000

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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.

41. 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 20.2.2011				
	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	–	–	–	87,156	87,156
Advances and receivables	2,658,316	867,208	1,093,451	102,943	4,721,918
Restricted deposits	34,149	–	68,000	–	102,149
Derivative financial instruments	62,241	124,500	207	104	187,052
Time deposits	201,967	–	–	–	201,967
Fiduciary bank balances	2,596	–	–	–	2,596
Bank balances and cash	61,311	–	–	–	61,311
Other assets	5,106	–	–	–	5,106
Total assets	3,025,686	991,708	1,161,658	190,203	5,369,255
LIABILITIES					
Collateralised debt obligation	–	–	1,098,963	–	1,098,963
Bank borrowings					
– fixed rate	20,000	80,000	20,000	140,000	260,000
– variable rate	54,000	944,120	685,000	215,000	1,898,120
Bank overdrafts	2,614	–	–	–	2,614
Derivative financial instruments	5,748	13,634	20,852	65	40,299
Other liabilities	103,279	247	1,446	–	104,972
Total liabilities	185,641	1,038,001	1,826,261	355,065	3,404,968
Net liquidity gap	2,840,045	(46,293)	(664,603)	(164,862)	1,964,287

41. 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				
	20.2.2010				
	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	122,858	2,362	–	–	125,220
Total liabilities	368,289	505,914	2,581,724	90,405	3,546,332
Net liquidity gap	2,671,815	445,570	(1,422,141)	87,908	1,783,152

41. 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 20.2.2011				
	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	–	–	–	87,156	87,156
Advances and receivables	2,658,316	867,208	1,093,451	102,943	4,721,918
Restricted deposits	34,149	–	68,000	–	102,149
Derivative financial instruments	62,241	124,500	207	104	187,052
Time deposits	201,867	–	–	–	201,867
Bank balances and cash	58,327	–	–	–	58,327
Other assets	738	–	–	–	738
Total assets	3,015,638	991,708	1,161,658	190,203	5,359,207
LIABILITIES					
Collateralised debt obligation	–	–	1,098,963	–	1,098,963
Bank borrowings					
– fixed rate	20,000	80,000	20,000	140,000	260,000
– variable rate	54,000	944,120	685,000	215,000	1,898,120
Bank overdrafts	2,614	–	–	–	2,614
Derivative financial instruments	5,748	13,634	20,852	65	40,299
Other liabilities	114,212	247	1,446	–	115,905
Total liabilities	196,574	1,038,001	1,826,261	355,065	3,415,901
Net liquidity gap	2,819,064	(46,293)	(664,603)	(164,862)	1,943,306

41. 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	130,337	2,362	–	–	132,699
Total liabilities	375,768	505,914	2,581,724	90,405	3,553,811
Net liquidity gap	2,659,509	445,570	(1,422,141)	87,908	1,770,846

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value of financial instruments

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid 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 to their fair values:

	THE GROUP AND THE COMPANY			
	20.2.2011		20.2.2010	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**2,158,120**	**1,965,478**	2,273,160	2,145,314
Collateralised debt obligation	**1,098,063**	**1,158,675**	1,098,069	1,199,932

41. 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. 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 date (unobservable inputs).

	THE GROUP AND THE COMPANY			
	20.2.2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Derivataive financial assets	**–**	**187,052**	**–**	**187,052**
Available-for-sale financial assets				
Listed equity securities	**45,085**	**–**	**–**	**45,085**
Total	**45,085**	**187,052**	**–**	**232,137**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**40,299**	**–**	**40,299**

41. FINANCIAL INSTRUMENTS (Cont'd)

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

***Fair value measurements recognised in the statement of financial position* (Cont'd)**

	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.

42. 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	
	20.2.2011	20.2.2010
	HK$'000	HK$'000
Within one year	**35,608**	38,823
In the second to fifth year inclusive	**12,399**	26,630
	48,007	65,453

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.

43. CAPITAL COMMITMENTS

	THE GROUP AND THE COMPANY	
	20.2.2011	20.2.2010
	HK\$'000	HK\$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**24,669**	14,069

44. PLEDGE OF ASSETS

At 20th February 2011, the collateralised debt obligation of the Group and the Company was secured by credit card receivables and restricted deposits of **HK\$1,873,521,000** and **HK\$102,149,000** respectively (20th February 2010: HK\$2,095,187,000 and HK\$80,156,000) *(see notes 20 and 26)*.

45. 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\$2,797,000** (for the year ended 20th February 2010: HK\$2,837,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting year. As at 20th February 2011, contributions of the Group and the Company amounting to **HK\$446,000** and **HK\$413,000** respectively (20th February 2010: HK\$441,000 and HK\$418,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

46. RELATED PARTY TRANSACTIONS

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

	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associates	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income received	**6,662**	7,254	**–**	–	**–**	–	**–**	–
Commission received	**3,944**	4,034	**–**	–	**–**	–	**–**	–
Dividends received	**1,780**	1,811	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**240**	290
Licence fees paid	**6,368**	6,673	**219**	170	**35**	40	**–**	–
Service fees paid	**–**	–	**6,278**	6,367	**–**	–	**32,271**	27,752
Development fees paid *(Note)*	**14,163**	7,760	**–**	–	**–**	–	**–**	–

Note: For the development fees paid during the year, HK$1,411,000 (for the year ended 20th February 2010: HK$934,000) is recognised as administrative expenses, HK$4,867,000 (for the year ended 20th February 2010: HK$4,907,000) is capitalised under property, plant and equipment and HK$7,885,000 (for the year ended 20th February 2010: HK$1,919,000) is included in prepayments, deposits and other debtors.

46. RELATED PARTY TRANSACTIONS (Cont'd)

Compensation of key management personnel

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

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**10,731**	9,583
Post-employment benefits	**78**	96
	10,809	9,679

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

47. PARTICULARS OF A MASTER TRUST OF THE COMPANY

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. At 20th February 2011, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

48. EVENTS AFTER THE REPORTING PERIOD

The Company entered into two committed borrowing facilities after the reporting date:

(a) On 29th March 2011, the Company entered into a new collateralised debt obligation financing transaction for a HK$1,100,000,000 financing facility (the "New Collateralised Debt Obligation Transaction"). The New Collateralised Debt Obligation Transaction consists of two Tranches – Tranche A and Tranche B. The transaction amount under each Tranche is HK$550,000,000 each. The New Collateralised Debt Obligation Transaction will be drawn down on 6th February 2012, with revolving periods for Tranche A and Tranche B ending on 20th January 2016 and 20th January 2017 respectively.

(b) On 31st March 2011, the Company entered into a syndicated term loan agreement for a US$50,000,000 new term loan facility (the "New Facility"). The New Facility will be drawn down on 20th September 2011 and repaid on 20th September 2016.

49. COMPARATIVE FIGURES

Bank borrowings of HK$105,000,000 at 20th February 2010 (21st February 2009: HK$295,000,000) were reclassified from non-current liabilities to current liabilities in order to conform with the current year's presentation.

Glossary

2010 AGM	Annual general meeting held on 18th June 2010
2011 AGM	Annual general meeting to be held on 17th June 2011
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
ACTS	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 Goverance 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

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