Annual Report 2011/12

AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

Stock Code: 900

Planting Seeds of Growth
We are ÆON

China Business Development
中國業務拓展


Card Processing Centres in China
於國內之卡處理中心

China AEON Card Promotions
永旺卡推廣活動



(From Left) Joint Hire Purchase Promotions with ISETAN、GOME and Jinrishun in Shenyang
（左起）與瀋陽依勢丹、國美電器及金日順合辦分期推廣活動

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

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This report is printed on recycled paper

Corporate Information

Board of Directors

Executive Directors
Fung Kam Shing, Barry *(Managing Director)*
Lai Yuk Kwong
Tomoyuki Kawahara
Koh Yik Kung
Toshiya Shimakata
Chan Fung Kuen, Dorothy

Non-executive Directors
Masao Mizuno *(Chairman)*
Masanori Kosaka

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

Units 2001-2004 & 2009-2018
20/F, Miramar Tower
132 Nathan Road
Tsimshatsui
Kowloon, Hong Kong

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Homepage: http://www.aeon.com.hk
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Stock Code

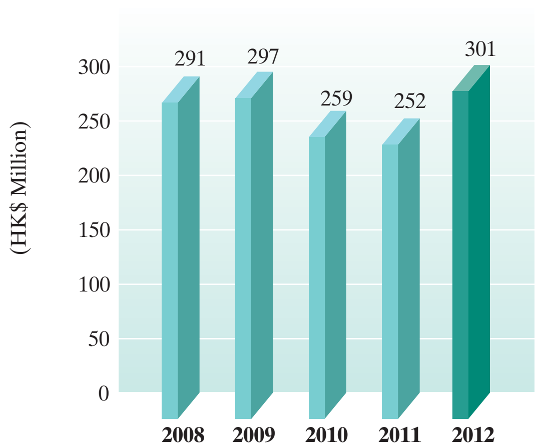
900

Shareholders' Calendar

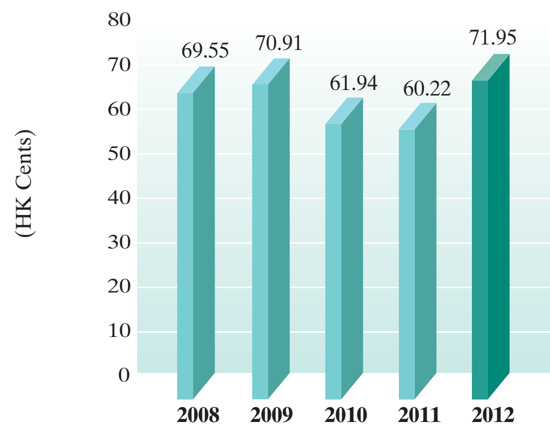
22nd September 2011	Announcement of interim results for the six months ended 20th August 2011
7th October 2011	Despatch of interim report for the six months ended 20th August 2011
10th – 13th October 2011	Book closing dates for interim dividend
19th October 2011	Payment of interim dividend of 16.0 HK cents per share
20th April 2012	Announcement of final results for the year ended 20th February 2012
15th May 2012	Despatch of annual report for the year ended 20th February 2012
13th – 15th June 2012	Book closing dates for 2012 AGM
15th June 2012	2012 AGM
21st – 22nd June 2012	Book closing dates for final dividend
29th June 2012	Payment of final dividend of 18.0 HK cents per share

Five-year Financial Summary

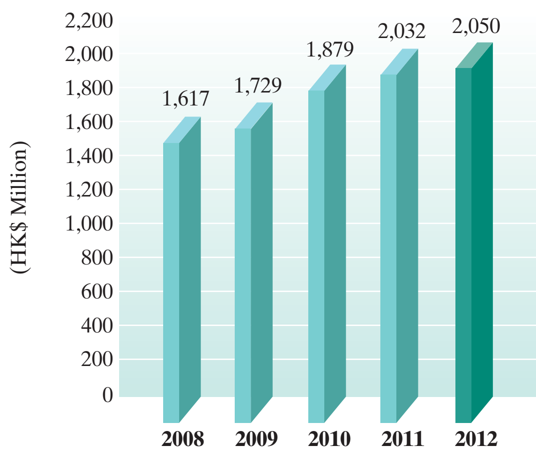
Profit for the year (note 1) ended 20th February



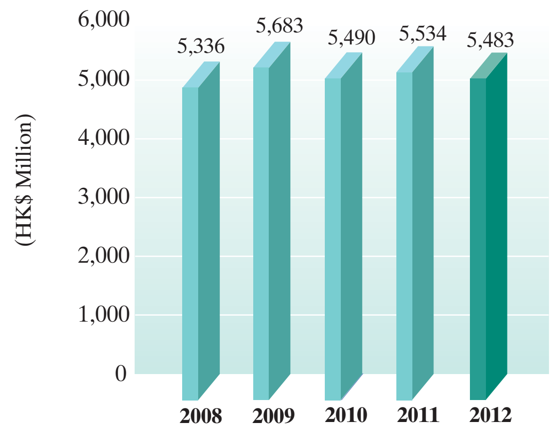
Earnings per share (note 2) for the year ended 20th February



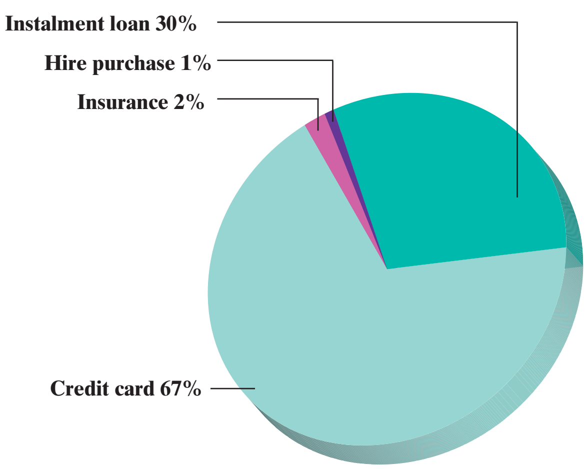
Total equity (note 3) at 20th February



Total assets (note 4) at 20th February



Segment revenue (note 5)



Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2008, 2009, 2010, 2011 and 2012.

2. Represents the consolidated earnings per share for the financial years ended 20th February 2008, 2009, 2010, 2011 and 2012.

3. Represents the consolidated total equity at 20th February 2008, 2009, 2010, 2011 and 2012.

4. Represents the consolidated total assets at 20th February 2008, 2009, 2010, 2011 and 2012.

5. Represents the respective percentage of revenue by operating and reportable segments for the financial year ended 20th February 2012.

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				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Revenue	1,159,230	1,198,127	1,163,449	1,112,592	**1,116,357**
Profit before tax	340,859	353,824	310,504	303,796	**356,095**
Income tax expense	(49,598)	(56,861)	(51,102)	(51,614)	**(54,776)**
Profit for the year	291,261	296,963	259,402	252,182	**301,319**
Earnings per share	69.55 HK cents	70.91 HK cents	61.94 HK cents	60.22 HK cents	**71.95 HK cents**
Dividend per share	30.00 HK cents	32.00 HK cents	32.00 HK cents	32.00 HK cents	**34.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

	At 20th February				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	5,336,192	5,682,781	5,489,988	5,533,999	**5,482,960**
Total liabilities	(3,719,233)	(3,953,783)	(3,610,952)	(3,501,604)	**(3,433,355)**
Total equity	1,616,959	1,728,998	1,879,036	2,032,395	**2,049,605**

Chairman's Statement

Masao Mizuno
Chairman

Growth in the business of ACS Group was strong in the first half of 2011, but the pace slowed down in the second half, mainly due to the earthquake and tsunami in Japan and the widespread flooding in Thailand. ACS Group placed the highest priority on working diligently to maintain the safety of employees and their families in the affected areas in Japan and Thailand. Besides supporting the local communities during the emergency period, ACS Group had also made the greatest effort in restoring all the operations in both Japan and Thailand amidst tremendous obstacles.

In the short-to-medium-term, Asia's growth prospects are constrained by the slow progress towards resolution of debt problems in Eurozone and also the impact of natural disasters. However, once volatility in global financial markets recedes, capital flows are likely to return to Asia. As future economic growth is anticipated to be in Asia, ACS Japan has set up its Asian Business Division in Hong Kong to recruit and train up a team of management people to cater for its overseas expansion plan, and to ensure proper compliance with the local regulatory operating environment. Up to now, ACS Japan has business operations in ten countries and regions in Asia and plan to extend the consumer finance business to other countries such as Vietnam, India and Philippines. By utilizing the platforms of operation centres and system companies set up in Asian countries, ACS Japan would like to establish a competitive-edge through low cost and speed.

In Hong Kong, retail and tourism industries continued to help Hong Kong in maintaining a low unemployment rate. Together with a low funding environment, Hong Kong operation continued to make a significant contribution to ACS Group in terms of revenue and profit. In the coming year, with the issue of more co-branded cards in Hong Kong and expansion of its micro-finance operations in China, the Group will focus on expanding its customer base in both Hong Kong and China with 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. Moreover, we work consciously to raise the standards of corporate behaviour in the financial service industry, adhere to a strict code of corporate ethics and engage in activities that benefit society. Being a credit card company with banking and retailing background, ACS Japan understands the consumers' mind and is able to offer benefits and carefully tailored financial services, such as insurance and electronic money, which befit customers in different areas with different needs.

The core activities of ACS Japan are consumer finance, with its peripheral businesses extended to debt recovery, bank agency and credit guarantee business. ACS Japan aims to be the most trusted credit card issuer in Asia's credit markets by continuing to develop new products and provide new services.

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. Given 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 has been the strategy of the Group to build up a strong relationship with its business partners and utilise their networks as the backbone for its member acquisition and cross-selling channels. Regular communication with business partners is crucial in creating synergy and developing marketing campaigns and benefits that fulfill customers' requirements. In the past year, the Group has been riding on this successful operating model in Hong Kong to generate new sales and at the same time widening its operating activities in China. Besides the China AEON Card operation in different provinces in China, the Group has also extended its other operations, including call centre, credit guarantee and micro-finance businesses, to other cities in Beijing, Tsingtao and Shenyang.

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. On collection agency business, the present clientele has been extended to the finance, insurance, telecommunications and utilities sectors. Moreover, to increase the usage of on-line transactions, more internet functions have been developed to attract new net-members. Customers can now use AEON credit cards for foreign currency transactions at the money exchange counter in Mongkok branch.

BUSINESS OUTLOOK

2012 will continue to be a mixed year. The debt bubble in Europe presents a persistent threat to growth and recovery in the world economy. Many developed nations are reaching a point of no return, where even slight increases in interest rates could have dire implications. Asia is expected to maintain a growth momentum, especially in those emerging markets such as China, where there is still a strong demand for consumer finance.

Chairman's Statement

Going forward, the Group will ride on the growth momentum in Asia and further optimize its allocation of resources, enhance asset and liability management, and broaden the range of financial services provided to customers in both Hong Kong and China. Given the uncertainty in 2012, the Group maintains a cautious outlook, and anticipates that business will grow steadily. As the number of cardholders of the Group has reached a significant mass level, we have to reposition our corporate image to tap new market segment. Moreover, we also have to widen our customer base and develop new revenue sources by offering new services.

In addition to the insurance and 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.

The Group will continue to explore new funding tools to ensure a stable funding procurement. On compliance side, the Group has completed the testing on its policy of compliance on all business operations and will closely monitor its effectiveness and areas of improvement.

Mainland is a market that no one can ignore. Riding on the experience and operation knowledge gained from the China AEON Card operation, the Group has entered into micro-finance business this year and will continue to explore new business opportunities for its existing outsourcing and consumer finance operations in the Mainland.

With these strategies, we are confident of expanding the Group's business further and increasing shareholders' value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere thanks to our stakeholders – a term that encompasses not only shareholders, business partners and employees but also the local community – for the support extended to the Group. In addition, 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.

Masao Mizuno
Chairman

Hong Kong, 20th April 2012

Managing Director's Operational Review

Fung Kam Shing, Barry
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 2012.

The global economic growth has moderated visibly over the course of 2011, with the eurozone sovereign debt crisis emerging as an imminent source of threat to the global economy, coupled with the unsteady recovery in the U.S. During 2011, the US Federal Reserve Bank, the Bank of England and the Bank of Japan left interest rates unchanged, while the European Central Bank increased and then reduced its interest rates during the year, ending the year unchanged compared with 2010.

In the light of notable employment and income growth over the past year, local consumption spending will likely hold up relatively better and provide some buffer to the expected weakness in the external sector. Inflation in Hong Kong has largely stabilized towards the end of 2011. According to the current trend, underlying inflation should come down over the course of 2012. Nevertheless, consumer sentiments will also hinge on the performance of the asset markets. The Mainland factor will continue to be a key supportive factor for the Hong Kong economy.

On the other hand, competition in the banking and finance industry will intensify further with financial institutions seeking greater market share in loans and advances, and fee income. This competitive environment will continue to exert pressure on the pricing of banking and financial products. Participants have to offer competitive interest rates to attract new customers while closely monitoring the possible deterioration of credit quality.

With the launch of new credit cards and successful marketing programmes, the Group recorded an increase in credit card sales. Competitive interest rates offered to personal loan customers with reference to their background also helped to boost up personal loan sales. However, keen competition and customers' cautious approach to revolving transactions had dragged down the increase in the overall sales volume of the Group. Although the operating performance of the Group was under pressure, revenue still maintained at similar level as last year. The Group managed to reduce interest expense, impairment losses and impairment allowances this year, and as a result, profit for the year was HK$301.3 million, as compared with HK$252.2 million in the previous year. To improve the return on shareholders' interest, the Board has decided to increase the final dividend by 2.0 HK cents to 18.0 HK cents. The total dividend amount for the year increases to 34.0 HK cents, representing a payout ratio of 47.3%.

During the year under review, the Group has taken proactive actions in both operation and funding. On the operation side, the Group has strengthened its card acquisition activities by issuing new card products so as to increase the card base. On the funding side, the Group had entered into a new collateralised debt obligation financing transaction, a syndicated term loan agreement and a global committed banking facility. The three new committed borrowing facilities will provide the Group with sufficient resources to meet its financial commitment and to fund its growth. On corporate social responsibility, the Company was awarded the "Caring Company" accolade for the fifth consecutive year in recognition of its continuous support to various community programmes on environmental protection, education and cultural exchange.

Managing Director's Operational Review

OPERATIONAL REVIEW

Marketing

On credit card business, the Group had launched a series of marketing activities to enhance the competitiveness of its portfolio. The AEON Happy Family Day at Ocean Park, point club promotion, JUSCO 25 times bonus point promotion and Watami summer set menu promotion all received positive response from our customers. In addition, the Group had formulated tailor-made acquisition programmes with its co-branded partners to increase card base and card usage. To further diversify the market segment, the Group launched AEON JUSCO Visa Corporate Card, Circle K Visa payWave Card and supplementary cards. These not only attracted new customers but also increased the overall card utilisation.

Marketing programme and new card

To widen the service coverage, the Group opened three new branches in Central, Tsim Sha Tsui and Lai Chi Kok. Instant credit card issuance service has been expanded to 7 branches. For web services, internet corners were set up in 7 branches to facilitate net-member registrations and to encourage the use of web-based services such as e-statement, bill payment, shopping and card application.

Supplementary Card


AEON Smartphone Apps

New Services

In order to attract new customers and diversify market segments, supplementary cards have been issued. It extends our card service to include younger and elderly customers who previously would not qualify for a card on their own. Moreover, the Group has recently launched mobile web service and e-statement promotion to encourage web usage and promote environmental protection. To explore new fee income sources, the Group ventured into the acquiring business in November 2011.

During the year under review, AEON Brokers continued to expand its customer base by introducing company insurance to business partners and corporate clients, and promoting life protection and savings insurance to individual customers by its insurance consultants. Moreover, AEON Brokers also organised seminars and road-shows to promote insurance products on life, general and MPF scheme.

China Business

Moving on to China business, AIS, an associate, has been acting as processing agent for China AEON Card operation in different areas, including Beijing, Guangdong Province and Shandong Province. At the same time, AIS continues to extend its collection services to new clients in China in the fields of auto, finance and insurance. In order to conduct business directly with Chinese consumers, the Group has started its micro-finance business in Shenyang which offers instalment loans for purchasing durable consumer goods. The experience and operation knowledge gained from China AEON Card and micro-finance operations will provide the Group with a strong driving force to capture the growth potential in the China consumer finance market.

Marketing promotion with GOME in Shenyang

PROSPECTS

The European sovereign debts issue presents a threat to global economic growth in 2012. Asia is expected to maintain a growth momentum, especially in those emerging markets where there is still a strong demand for consumer finance. Going forward, the Group will ride on the growth momentum in Asia and further optimize its allocation of resources, and broaden the range of financial services provided to customers in both Hong Kong and China. Given the uncertainty in 2012, the Group maintains a cautious outlook. The Group will reposition its corporate image to tap new market segment and widen its customer base and develop new revenue sources by offering new services.

On credit card business, the Group will continue to collaborate with potential merchants with sizable customer base and issue new co-branded cards to tap new market segments and to widen its merchant network. Since the Group has been taking prudent approach to extend credit, its asset quality remains fundamentally sound. At the same time, the Group will actively strengthen its brand image in the market by providing high quality service to its customers and exercising corporate social responsibilities.

For web business, the Group will organize on-line events and offer incentives to attract customers to register as its net-members. More frequent visits to our homepage mean more opportunities for cross-selling. The Group will offer on-line group purchase so that customers can buy popular goods at a preferential price which in turn will increase its card sales. In addition, customers can enjoy special benefits when making on-line purchase at JUSCO City. Meanwhile, the Group is studying the feasibility of opening up its ATM network to other institutions.

To ride on the existing operating platform, the Group will continue to explore other fee based income business opportunities in the areas of insurance, travel and collection services. Moreover, the Group will continue to utilise its on-line marketing channels to promote recurrent transactions through credit cards to its net-members. For China business, riding on the experience and operation knowledge gained from China AEON Card operation, the Group will expand its current micro-finance business in Shenyang to other provinces to tap into the huge and fast growing consumer finance market in China.

Increase Card Base

This year marks the 25th anniversary of the Group's operation in Hong Kong. The Group will organise mass promotions jointly with AEON Stores to increase the usage and strengthen the benefits of AEON JUSCO Card, which is always the core card for card member growth and usage stimulation. Under the current economic situation, the Group will line up with new types of merchants to issue co-branded cards in order to extend its reach to new market segments. The Group intends to issue 2 or more new co-branded cards during the year. On the other hand, the Group will study the marketing strategies of its existing co-branded cards and implement re-positioning if necessary in order to develop new customer base.

25th anniversary marketing promotion

Convenient and Efficient Services

For convenient and efficient services, the Group will continue to set up new branches to extend its geographic coverage and expand its instant card operation to different branches. To extend its marketing channels, the Group will maintain an extensive ATM network in Hong Kong with more sophisticated ATMs. Another major growth strategy is to ride on new technologies for card acquiring, product promotions and service improvements. The Group will launch smartphone apps this year. This will extend our reach to new customer segments, the young generation in particular.

SYSTEMS DEVELOPMENT

During the year under review, acquiring business support system was implemented for internet platform, which enables customers to make transactions over the internet at selected merchants using any credit card. Other major system enhancements were related to web business, including net-member account information and web content management system.

The Group is upgrading its call centre (IP phone) system so as to manage customer interactions in an integrated manner. This will help to serve customers in an efficient and effective manner. Besides, the Group is in the process of implementing a scoring system and rule-based engine of judgment system by having a mathematical model for evaluating customer's risk level and incorporating behaviour scores for future marketing guidelines. The new system would also facilitate a more precise judgment and timely adjustment of judgment rules in accordance with financial and economic conditions. Additionally, the Group is working closely with ACTS on the new front end processing (FEP) system which is expected to support the Group's business expansion and provide flexibility for future modification and enhancement.

The Group will replace its existing ATMs and supporting systems by more sophisticated ones which can offer new services to its cardholders. Barcode reader for bill payment will be one of the new functions. By utilising the latest generation of ATM management system, the Group will be able to manage ATM in a more analytical manner. For example, profitability of each ATM will be monitored and analyzed when making decision for ATM deployment and relocation. Real-time monitoring and automatic support service despatching features would maximize ATM availability.

In addition, the Group will continue to monitor and enhance the security of its operating systems.

HUMAN RESOURCES

Staff Training

The total number of staff at 20th February 2012 and 20th February 2011 was 431 and 355 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 programmes and external training sponsorships to strengthen its human resources. The Company's efforts and resources on staff training and development have been recognized as the Company has obtained "Manpower Developer" award from the Employees Retraining Board this year.

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

Managing Director's Operational Review

CORPORATE SOCIAL RESPONSIBILITY

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

Hong Kong Tree Planting Day 2012

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

Moreover, the Group has continued to sponsor charitable projects through AEON Education and Environment Fund. The projects sponsored during the year included "UNICEF Young Envoys Programme 2012" and "Used Book Recycling Campaign 2011."

UNICEF Young Envoys Programme 2012

Scholarship programme in China

In China, the Group has continued to participate in the scholarship programmes of different universities, including Peking University, Tsinghua University, Nankai University, Sun Yat-Sen University, Shenzhen University, South China Normal University and Guangdong University of Technology.

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

Managing Director's Operational Review

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.

Fung Kam Shing, Barry
Managing Director

Hong Kong, 20th April 2012

Management Discussion and Analysis

During the year under review, stock markets around the world were volatile and global economies slowed down as the European sovereign debt crisis deepened. The situation was exacerbated by the gigantic earthquake in March in Japan, which caused damage to some major manufacturing plants in Japan, and the prolonged flooding in Thailand during the third quarter, which slowed down the production of agricultural products and many electronic products.

On the other hand, record number of tourist arrivals in 2011 boosted up overall consumption in Hong Kong which in turn pushed down the unemployment rate from 3.4% at the beginning of the year to 3.2% at the end of the year.

As HKD continued its depreciation during 2011 as a result of its peg with the USD and overall consumption increased from HK$325 billion in 2010 to HK$406 billion in 2011, inflation rose from 2010's 2.4% to 2011's 5.3%. Both low unemployment rate and inflation put pressure on staff costs as well as other operating expenses.

Meanwhile, as there was abundant liquidity in the market on one hand, and a slowdown in trade finance as a result of the sluggish world economy on the other, banks in Hong Kong were more eager to expand into the consumer finance sector, thus intensifying competition.

Under this kind of business environment, the Group took more aggressive marketing initiatives by launching two new co-branded cards during the year, i.e. the B&N Titanium MasterCard and the Circle K Visa payWave Card. On top of that, the Group has launched a number of mass spending promotions and improved the benefits for its cardholders, making its credit cards more popular among the public and thus managed to increase both sales and revenues. Meanwhile, the Group has further enhanced its low-cost operation policy by placing stringent control on its expenses. As a result, the Group has managed to increase both its revenue and net profit.

KEY FINANCIAL HIGHLIGHTS

Through the launch of new services and co-branded cards, the Group overcame the challenges of keen competition and slow recovery in demand for consumer loans from its customer segment. Despite the overall difficult conditions experienced during the year, the Group continued to record a growth in sales and total advances.

For the financial year ended 20th February 2012, on an audited basis, profit before tax was HK$356.1 million, an increase of 17.2% or HK$52.3 million when compared with last year. After deducting income tax expense of HK$54.8 million, the Group recorded a profit growth of 19.5%, with profit for the year increased from HK$252.2 million in the previous year to HK$301.3 million. Basic earnings per share increased by 19.5% from 60.22 HK cents to 71.95 HK cents in 2011/12.

Revenue for the year was HK$1,116.4 million, an increase of 0.3% or HK$3.8 million when compared with HK$1,112.6 million in 2010/11.

Operating income was HK$1,039.5 million, an increase of 5.5% or HK$54.5 million when compared with HK$985.0 million in 2010/11. Operating expenses increased by 5.8% from HK$381.1 million to HK$403.3 million, with cost-to-income ratio moved from 38.7% in the previous year to 38.8%. At the operating level before impairment losses and impairment allowances, the Group recorded an increase in operating profit by 5.3% or HK$32.2 million from HK$604.0 million in 2010/11 to HK$636.2 million.

The Group's impairment losses and impairment allowances recorded a decrease of 6.6% or HK$22.4 million from HK$339.5 million in the previous year to HK$317.1 million. Recoveries of advances and receivables written-off also recorded a decrease of 8.7% or HK$4.0 million from HK$45.5 million in 2010/11 to HK$41.5 million in 2011/12.

With the aggressive marketing activities to boost up card credit purchase and instalment loans sales, there was an increase in card credit purchase and instalment loans receivables. The Group experienced an increase in gross advances of 1.1% during the year. Including accrued interest and other receivables, gross advances and receivables at 20th February 2012 was HK$4,893.6 million, as compared to HK$4,856.2 million at 20th February 2011.

Net asset value per share (after final dividend), compared with the net asset value per share as at 20th February 2011, maintained at HK$4.7.

The Board proposed the payment of a final dividend of 18.0 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 34.0 HK cents per share, representing a dividend payout ratio of 47.3%.

CONSOLIDATED INCOME STATEMENT ANALYSIS

Operating Income

Despite the keen competition and customers' cautious approach to revolving transactions, the Group still maintained similar level of interest income as last year of HK$1,010.3 million. With the renewal of long-term borrowings, including syndicated term loans and collateralised debt obligation, coupled with lower funding cost, interest expense for the year was HK$117.9 million, a decrease of 10.5% or HK$13.9 million when compared with last year, with average funding cost being 3.5% as compared with 3.9% in the previous year. Net interest income of the Group recorded a growth of 1.5% or HK$13.0 million to HK$892.4 million from HK$879.4 million in 2010/11.

The increase in fees and commissions from credit card and insurance had resulted in the increase in other operating income by 7.7% from HK$106.2 million in 2010/11 to HK$114.4 million in 2011/12. Other gains and losses of HK$32.7 million represented mainly the gain on disposal of available-for-sale investments.

Operating Expenses

Following the recruit of more staff for the expansion of branch network and insurance business, coupled with the opening of a micro-finance company in Shenyang, the Group had spent more on staff expenses, rentals and administrative expenses. As a result, operating expenses increased by 5.8% or HK$22.2 million from HK$381.1 million in 2010/11 to HK$403.3 million in 2011/12. The Group's cost-to-income ratio was 38.8% in 2011/12.

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 6.6% or HK$22.4 million from HK$339.5 million in 2010/11 to HK$317.1 million. Recoveries of advances and receivables written-off was HK$41.5 million, a decrease of 8.7% or HK$4.0 million when compared with HK$45.5 million in 2010/11. Impairment allowances amounted to HK$129.5 million at 20th February 2012, as compared with HK$134.3 million at 20th February 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total equity at 20th February 2012 was HK$2,049.6 million, representing a growth of 0.8% or HK$17.2 million, when compared with the balance at 20th February 2011.

Advances and Receivables

With the aggressive marketing activities to boost up card credit purchase receivables, the Group recorded an increase in card credit purchase receivables. However, the keen competition in consumer lending market had resulted in a decrease of card cash advance receivables in 2011/12. Overall credit card receivables recorded a decrease of HK$12.8 million from HK$3,112.3 million at 20th February 2011 to HK$3,099.5 million at 20th February 2012. Nevertheless, competitive interest rates offered to personal loan customers with reference to their background continued to boost up the instalment loans receivable. Instalment loans receivable at 20th February 2012 was HK$1,657.2 million, an increase of HK$90.0 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$43.1 million in the previous year to HK$18.7 million at 20th February 2012. Gross advances at 20th February 2012 were HK$4,775.4 million, as compared with HK$4,722.6 million at 20th February 2011. Together with accrued interest and other receivables, gross advances and receivables increased by HK$37.4 million, from HK$4,856.2 million at 20th February 2011 to HK$4,893.6 million at 20th February 2012.

With an improvement in unemployment rate and personal bankruptcies, percentage of overdue advances and receivables to gross advances and receivables recorded a drop at 20th February 2012. As a result, the amount of impairment allowances reduced slightly at 20th February 2012. Impairment allowances amounted to HK$129.5 million at 20th February 2012, as compared with HK$134.3 million at 20th February 2011 and representing 2.6% of gross advances and receivables.

New Collateralised Debt Obligation

During the year, the Company entered into a HK$1,100,000,000 new collateralised debt obligation financing transaction (the "New Transaction"). It was used to repay the previous collateralised debt obligation financing transaction. The New Transaction consists of two Tranches – Tranche A and Tranche B. The amount under each Tranche is HK$550,000,000 each. Pursuant to the New 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 the New Transaction have not been derecognised and remained in the Group's consolidated financial statements.

The new collateralised debt obligation amounted to HK$1,098.0 million at 20th February 2012. This was secured by credit card receivables of HK$1,825.5 million and restricted deposits of HK$68.0 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 2012, 40.6% of its funding was derived from total equity, 21.7% from structured finance and 37.7% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th February 2012, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$1,907.2 million, with 14.2% being fixed in interest rates and 85.8% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 9.2% of these indebtedness will mature within one year, 15.7% between one and two years, 71.1% between two and five years and 4.0% over five years. The duration of indebtedness was around 3.4 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD50.0 million 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 2012 was as follows:

	2012	2011
	HK$'000	HK$'000
Debt	**3,005,275**	3,257,083
Cash and cash equivalents	**(354,273)**	(260,664)
Net debt	**2,651,002**	2,996,419
Equity	**2,049,605**	2,032,395
Net debt to equity ratio	**1.3**	1.5

The net asset of the Group at 20th February 2012 was HK$2,049.6 million, as compared with HK$2,032.4 million at 20th February 2011.

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 of the Group for the year amounted to HK$43.6 million as compared to HK$33.1 million in the previous year. This was mainly related to the software development on the enhancement of the operating efficiencies. At 20th February 2012, capital commitments entered were mainly related to the purchase of property, plant and equipment.

Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

In determining the dividend payment, the objective is to reward shareholders with dividend income while retaining funds for the changing operating environment in both Hong Kong and China. Under 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 has decided to increase the final dividend by 2.0 HK cents to 18.0 HK cents. The total dividend amount increases to 34.0 HK cents for the year ended 20th February 2012, representing a payout out ratio of 47.3%.

SEGMENT INFORMATION

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, insurance and hire purchase. In 2011/12, credit card operation accounted for 66.9% of the Group's revenue, as compared to 68.3% in 2010/11. For segment results, credit card operation accounted for 69.6% of the Group's whole operations in 2011/12, as compared to 76.3% in 2010/11.

Although there was an increase in credit card sales, interest income on credit card operation recorded a drop when compared with last year due to customers' cautious approach to revolving transactions. Additionally, the improved economic situation had reduced the penalty and late charges, which resulted in an overall drop in revenue from credit card operation of 1.8% or 13.3 million from HK$759.9 million in 2010/11 to HK$746.6 million in 2011/12. With the exercise of prompt collection actions, there was a moderate decrease in the impairment losses and impairment allowances. The segment result for the year from credit card operation decreased by 5.0% or HK$12.3 million from HK$248.0 million in 2010/11 to HK$235.7 million in 2011/12.

To attract new instalment loan customers, the Group offered competitive interest rates with reference to customer background. This successfully boosted up the instalment loan sales and interest income recorded an increase when compared with last year. Together with an increase in late charges, revenue from instalment loan operation recorded an increase of 5.1% or HK$16.3 million from HK$322.2 million in 2010/11 to HK$338.5 million in 2011/12. With the exercise of cautious credit approval process, there was a noticeable decrease in impairment losses and impairment allowances. Notwithstanding the additional operation cost incurred for a newly set-up micro-finance company in Shenyang, the segment result for the year from instalment loan operation still recorded an increase of 37.8% or HK$24.8 million from HK$65.5 million in 2010/11 to HK$90.3 million in 2011/12.

Revenue for insurance operation recorded an increase of HK$3.7 million from HK$24.9 million in 2010/11 to HK$28.6 million in 2011/12. With the exercise of tight control on the operating expenses, segment result for the year from insurance operation increased by 11.6% or HK$1.3 million from HK$10.8 million in 2010/11 to HK$12.1 million in 2011/12.

With a continuous shift from hire purchase to card instalment plan, revenue for hire purchase operation recorded a decrease of HK$3.0 million, from HK$5.6 million in 2010/11 to HK$2.6 million in 2011/12. Even though there was a drop in operating expenses and impairment losses and impairment allowances, segment result for the year from hire purchase operation was HK$0.4 million in 2011/12 as compared with HK$0.9 million in 2010/11.

COMPETITIVE ADVANTAGES

Synergy

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

Know-how and Expertise

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

Customer Base

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

Convenient Service

The Group issued instant cards and supplementary cards to enable cardholders to enjoy immediate shopping privilege and 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 9001 certification for quality management system, ISO 14001 certification for environmental management system, ISO 27001 certification for information security management system and ISO 10002 certification for customer satisfaction – complaints 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. Masao MIZUNO, aged 53, was appointed as the Chairman and a Non-executive Director on 17th June 2011. He is also a director of a subsidiary of the Company and a director of ACS Japan and AEON Thailand. He was the Vice Chairman (July 2001 – June 2011) and Managing Director (September 1992 – June 2011) of AEON Thailand. He was formerly with the Company from 1991 to 1992 and rejoined the Company in June 2011. Mr. Mizuno holds a Bachelor's degree in Law from Aichi Gakuin University.

Mr. FUNG Kam Shing, Barry, aged 49, was appointed as an Executive Director and the Managing Director on 14th June 2006 and 17th June 2011 respectively. He joined the Company in May 2002. He is also a director of all of the Company's subsidiaries in Hong Kong and China. Mr. Fung holds a Bachelor's degree in Business Administration from Yokohama National University. He is also a Chartered Financial Analyst. Prior to joining the Company, he worked for a number of major international banks in Hong Kong, Singapore and Japan.

Mr. LAI Yuk Kwong, aged 49, was appointed as an Executive Director on 16th June 1999. He was the Deputy Managing Director from 14th June 2006 to 17th June 2011. He joined the Company in July 1996. He is currently in charge of the Corporate Social Responsibility Division and the Audit and Assurance Department of the Company. He is also a director of a subsidiary of the Company. 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 51, was appointed as an Executive Director on 14th June 2006. He was the Senior Executive Director from 15th June 2007 to 17th June 2011. He joined the Company in September 2000. He is in charge of the Internal Operations Division of the Company. Mr. Kawahara holds a Bachelor's degree in Business Administration from Hokkaido University.

Ms. KOH Yik Kung, aged 56, was appointed an Executive Director on 21st June 2001. She is also the Company Secretary and in-house counsel. She is in charge of the Corporate Affairs Division of the Company. She was formerly with the Company from August 1992 to June 1994 and rejoined the Company in November 1998. Ms. Koh holds a Bachelor's degree in Law from South Bank University. She is a barrister.

Mr. Toshiya SHIMAKATA, aged 40, was appointed as an Executive Director 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 Marketing Division of the Company. He is also a director of a subsidiary of the Company. Mr. Shimakata holds a Bachelor's degree in Law from Nanzan University.

Directors and Senior Management Profile

Ms. CHAN Fung Kuen, Dorothy, aged 43, was appointed as an Executive Director on 17th June 2011. She joined the Company in April 1995. She is in charge of the Accounts and Finance Division of the Company. She holds a Professional Diploma in Accountancy from Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales.

Mr. Masanori KOSAKA, aged 55, was the Managing Director from June 2002 to June 2011 and re-designated as a Non-executive Director on 17th June 2011. He is also a director of ACS Japan and AEON Insurance Service Co., Ltd. He was formerly with the Company from March 1993 to June 1996 and rejoined the Company in April 2002. Mr. Kosaka holds a Bachelor's degree in Law from Kyoto Sangyo University.

Dr. HUI Ching Shan, aged 61, was appointed as an Independent Non-executive Director on 26th June 2006. He holds a Bachelor's degree in Social Science from University of Hong Kong, a Master's degree in Business Administration from University of Toronto, a Doctorate in Business Administration from University of South Australia and a Postgraduate Certificate in Laws from University of Hong Kong. He is a solicitor of Hong Kong. He is also a Certified Management Accountant of Canada and a member of the Hong Kong Institute of Chartered Secretaries. Dr. Hui has over 15 years of experience in commercial and merchant banking and had held senior positions in a number of local and international merchant banks.

Mr. WONG Hin Wing, aged 49, was appointed as an Independent Non-executive Director on 13th October 2004. He holds a Master's degree in Executive Business Administration from Chinese University of Hong Kong. He is a fellow 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. Prior to this, he had worked with an international audit firm for four years and then a listed company as Chief Financial Officer for seven years. Mr. Wong has 28 years of experience in accounting, finance, investment management and advisory.

Professor TONG Jun, aged 49, was appointed as an Independent Non-executive Director on 23rd September 2009. He holds a Bachelor's degree in Japanese Major from Harbin Normal University, a Master's degree in Japanese Language and Literature from Okayama University and a Doctorate in Literature from Okayama University. He is currently a Professor of the School of Foreign Languages and Deputy Head of the Institute for Japanese Studies in Southeast China at Sun Yat-Sen University. He is also the Chairman of 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 53, 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 48, 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 2012, 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.

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 2011 AGM as he was overseas.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for securities transactions by Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. The Board has a formal schedule of matters reserved for its approval. Matters reserved for the Board include, among others, 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 list of Directors and their role and function are published on the Company's website and the Stock Exchange's website.

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 to ensure that Board procedures and all applicable rules and regulations are followed. Directors may seek independent professional advice in appropriate circumstances at the Company's expense to assist them perform their duties to the Company. The Company has also arranged appropriate directors and officers liability insurance coverage for the Directors. 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.

Corporate Governance Report

During the year, eleven Board meetings were held at which important matters discussed included, among others, material capital investments, financial and business performance and connected transactions. The attendance records of the Directors are set out below:

Directors	**Attendance**
Executive Directors:	
Fung Kam Shing, Barry *(Managing Director)*	11/11
Lai Yuk Kwong	11/11
Tomoyuki Kawahara	11/11
Koh Yik Kung	11/11
Toshiya Shimakata	11/11
Chan Fung Kuen, Dorothy*	8/8
Non-executive Directors:	
Kazuhide Kamitani**	0/4
Masao Mizuno *(Chairman)**	5/8
Masanori Kosaka	10/11
Takatoshi Ikenishi**	0/4
Independent Non-executive Directors:	
Hui Ching Shan	11/11
Wong Hin Wing	11/11
Tong Jun	11/11

* *appointed on 17th June 2011*
** *retired on 17th June 2011*

CHAIRMAN AND CHIEF EXECUTIVE

The Chairman and Managing Director of the Company are Mr. Masao Mizuno and Mr. Fung Kam Shing, Barry. 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.

Prior to the establishment of a Nomination Committee in December 2011, 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.

Two new Directors, namely, Mr. Masao Mizuno and Ms. Chan Fung Kuen, Dorothy, were appointed on 17th June 2011. The aforesaid Directors will stand for re-election at 2012 AGM.

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.

NOMINATION COMMITTEE

The Company established a Nomination Committee in December 2011 with specific written terms of reference which deal clearly with its authority and duties. Its duties include, among others, making recommendations to the Board all new appointments and re-election of Directors. The Nomination Committee meets at least once a year, and its terms of reference are posted on the Company's website and the Stock Exchange's website.

The Nomination Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Masao Mizuno. The other members are Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun. No meeting was held during the year.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. Hui Ching Shan. The other members are Mr. Masao Mizuno, Mr. Wong Hing Wing and Professor Tong Jun. The duties of the Remuneration Committee include, among others, determining the remuneration packages of individual 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 and the Stock Exchange'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 one meeting for the year ended 20th February 2012, 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. The attendance records of members of the Remuneration Committee are set out below:

Members	**Attendance**
Hui Ching Shan *(Chairman)*	1/1
Kazuhide Kamitani*	0/1
Masao Mizuno**	0/1
Takatoshi Ikenishi*	0/1
Wong Hin Wing	1/1
Tong Jun	1/1

* *retired on 17th June 2011*
** *appointed on 17th June 2011*

AUDIT COMMITTEE

The Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is chaired by Dr. Hui Ching Shan. The other members are Mr. Masao Mizuno, Mr. Wong Hing Wing and Professor Tong Jun. Members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management expertise. The duties of the Audit Committee include, among others, reviewing the nature and scope of audit performed by external auditor, reviewing the financial information of the Group, overseeing the Group's financial reporting system and internal control procedures, as well as performing the corporate governance functions delegated by the Board. 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 and the Stock Exchange's website.

The Audit Committee held three meetings for the year ended 20th February 2012, and the meetings were attended by external auditor. 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 completeness and 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; and

- Reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The attendance records of members of the Audit Committee are set out below:

Members	**Attendance**
Hui Ching Shan *(Chairman)*	3/3
Kazuhide Kamitani*	0/1
Masao Mizuno**	1/2
Takatoshi Ikenishi*	0/1
Wong Hin Wing	3/3
Tong Jun	3/3

* *retired on 17th June 2011*
** *appointed on 17th June 2011*

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 Group'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 Group's objectives.

The Board, through the Audit Committee, assesses the effectiveness of the Group'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.

The internal control system of the Group 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 Group'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. In addition, ongoing trainings on internal controls are provided to relevant employees.

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 and China.

- 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 Group'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. 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. 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 testings will also consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

During the year under review, no major issue but areas for improvement had 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 Group's assets.

ACCOUNTABILITY AND AUDIT

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

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 20th February 2012, 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 2011 AGM until the conclusion of the 2012 AGM.

During the year under review, a remuneration of HK$2,079,000 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	707
J-SOX annual compliance review	700
Total	1,477

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. The Board welcomes shareholders to express their opinions at the annual general meeting. Directors, senior management and external auditor 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 are published on the Company's website and the Stock Exchange's website.

The Company's 2011 AGM was held on Friday, 17th June 2011. The notice of the 2011 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 2011 AGM. All Board members (except the Chairman of the Board who was overseas), together with the key executives and the external auditor attended the 2011 AGM. The Company Secretary explained the poll voting procedures at the 2011 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2011 AGM. All the resolutions at the 2011 AGM were dealt with by poll. The poll results of the 2011 AGM are available on the Company's website and the Stock Exchange's website.

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 2012 was HK$2,680,099,840 (issued share capital: 418,765,600 shares at closing market price: HK$6.4 per share).

The 2012 AGM will be held at Function Rooms 4–8, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 15th June 2012 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 2012.

PRINCIPAL ACTIVITIES

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products, insurance broking and agency business and micro-finance business.

NET DEBT TO EQUITY RATIO

At 20th February 2012, the net debt to equity ratio was 1.3 (2011: 1.5).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 20th February 2012 are set out in the consolidated income statement on page 47.

An interim of 16.0 HK cents (2011: interim dividend of 16.0 HK cents) per share amounting to HK$67,002,000 (2011: HK$67,002,000) was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 18 HK cents (2011: 16.0 HK cents) per share to the shareholders on the register of members on 22nd June 2012 amounting to HK$75,378,000 (2011: HK$67,003,000), and the retention of the remaining profit for the year of HK$158,939,000.

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$33,361,000 on computer equipment, HK$9,575,000 on leasehold improvements and HK$654,000 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

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

Executive Directors:

Fung Kam Shing, Barry *(Managing Director)*	(Appointed on 17th June 2011)
Lai Yuk Kwong	
Tomoyuki Kawahara	
Koh Yik Kung	
Toshiya Shimakata	
Chan Fung Kuen, Dorothy	(Appointed on 17th June 2011)

Non-executive Directors:

Kazuhide Kamitani	(Retired on 17th June 2011)
Masao Mizuno *(Chairman)*	(Appointed on 17th June 2011)
Masanori Kosaka	
Takatoshi Ikenishi	(Retired on 17th June 2011)

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 2012 AGM and shall be eligible for re-election. Accordingly, all Directors will offer themselves for re-election, except Mr. Masanori Kosaka and Mr. Toshiya Shimakata who will not offer themselves for re-election due to their other work commitments which require more of their time and dedication.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2012 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 2012, 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

Director	Number of shares held under personal interests	Percentage of the issued share capital of the Company
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
Masao Mizuno	2,886	0.01
Masanori Kosaka	9,096	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
Masao Mizuno	1,485,000	0.59
Masanori Kosaka	100,000	0.04

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 2012.

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 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company:

Name	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	277,288,000	66.22
ACS Japan *(Note 2)*	217,514,000	51.94
Aberdeen Asset Management Plc and its Associates	33,520,000	8.00
DJE Investment S.A. *(Note 3)*	30,132,000	7.20

Notes:

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

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

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 20th February 2012.

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) On 15th April 2011, the Company and AEON Stores entered into a new agreement to renew the previous agreement whereby 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 2012 was HK$9,732,000, of which HK$5,250,000 is classified as interest income under HKAS 39. The commission amount under the previous agreement and the new agreement amounted to HK$1,208,000 and HK$8,524,000 respectively, which did not exceed the respective caps of HK$2,300,000 and HK$13,677,000 as disclosed in the Company's announcements dated 15th April 2008 and 15th April 2011 respectively.

(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. 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 2012 was HK$6,865,000.

On 5th November 2010, the Company and AEON Stores entered into a new 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 and management fee of HK$7,480. The aggregate sum of the licence fee and management fee for the year ended 20th February 2012 amounted to HK$1,443,969, which did not exceed the cap of HK$1,500,000 as disclosed in the Company's announcement dated 5th November 2010.

On 29th November 2011, the Company and AEON Stores entered into a new licence agreement for the leasing of shop no. L302, 3/F, Kornhill Plaza (South), Kornhill Road, Quarry Bay, Hong Kong for a term of 2 years commencing from 1st December 2011 to 30th November 2013 at a monthly licence fee of HK$180,900 and management fee of HK$10,152. The aggregate sum of the licence fee and management fee for the year ended 20th February 2012 amounted to HK$2,162,296, of which HK$1,641,845 is under the previous licence agreement and HK$520,451 is under the new licence agreement, which did not exceed the respective caps of HK$1,700,000 and HK$600,000 as disclosed in the Company's announcements dated 23rd April 2010 and 29th November 2011 respectively.

CONNECTED TRANSACTIONS (Cont'd)

(b) (Cont'd)

On 16th January 2012, the Company and AEON Stores entered into a new licence agreement for the leasing of shop no. G002, Ground Floor, Tuen Mun Town Plaza, Phase 1, 1 Tuen Shun Street, Tuen Mun, New Territories, Hong Kong for a term of 2 years commencing from 16th January 2012 to 15th January 2014 at a monthly licence fee of HK$100,750 and management fee of HK$4,836. The aggregate sum of the licence fee and management fee for the year ended 20th February 2012 amounted to HK$127,314, which did not exceed the cap of HK$400,000 as disclosed in the Company's announcement dated 17th January 2012.

(c) Pursuant to a master service agreement dated 20th October 2010 entered into between the Company and AIS, an associate, 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 2012 amounted to HK$35,356,000, which did not exceed the cap of HK$36,000,000 as disclosed in the Company's announcement dated 21st October 2010.

(d) Pursuant to a corporate expenses sharing agreement dated 20 May 2011 entered into between the Company and ACS Japan, ACS Japan would provide various advisory services to the Company and the Company would share the corporate expenses incurred by ACS Japan in providing the advisory services.

The total amount of expenses paid by the Company to ACS Japan for the year ended 20th February 2012 amounted to HK$6,496,000, which did not exceed the cap of HK$8,000,000 as disclosed in the Company's announcement dated 20th May 2011.

(e) On 31st October 2011, the Company and ACTS entered into a new 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 2012 amounted to HK$7,126,000, of which HK$5,182,000 is under the previous master service agreement and HK$1,944,000 is under the new master service agreement, which did not exceed the respective caps of HK$6,100,000 and HK$2,700,000 as disclosed in the Company's announcement dated 29th October 2010 and 31st October 2011 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 years ended 20th February 2011 and 20th February 2012 amounted to HK$5,991,000 and HK$6,014,000 respectively.

(g) On 17th February 2012, the Company and ACS Japan entered into a sale and purchase agreement whereby the Company agreed to sell and ACS Japan agreed to purchase the Company's entire shareholding in AEON Malaysia, comprising 1,800,000 ordinary shares of MYR0.50 each, representing 1.50% of the issued share capital of AEON Malaysia, for a cash consideration of MYR12,474,000 (equivalent to approximately HK$32,000,000). The consideration was received by the Company on 22nd February 2012.

(h) On 17th February 2012, the Company and ACS Japan entered into a sale and purchase agreement whereby the Company agreed to sell and ACS Japan agreed to purchase the Company's entire shareholding in ACMC, comprising 550 shares, representing 4.58% of the issued shares of ACMC, for a cash consideration of JPY85,839,200 (equivalent to HK$8,439,000). The consideration was received by the Company on 20th February 2012.

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 or on terms no less favourable to the Company than terms available to or from independent third parties; 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 31st March 2011, the Company obtained a term loan of USD50,000,000 (the "Facility") from a syndicate of banks, with the repayment date falling on 20th September 2016.

On 21st December 2011, the Company obtained a global committed facility of up to JPY10,000,000,000 (the "GCL") from a syndicate of banks, with the maturity date falling on 20th December 2012.

Under the Facility and the GCL, it will be an event of default if the Company ceases to be 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. If the event occurs, the Facility and the GCL may become due and payable on demand.

During the year of review, no repayment was made under the Facility and no drawdown was made under the GCL. At 20th February 2012, 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$1,106,000.

EMOLUMENT POLICY

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

RETIREMENT BENEFITS SCHEME

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 20th February 2012.

AUDITOR

A resolution will be submitted to the 2012 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fung Kam Shing, Barry
Managing Director

Hong Kong, 20th April 2012

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of AEON Credit Service (Asia) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 132, which comprise the consolidated and company statements of financial position as at 20th February 2012, 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 preparation 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 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 2012, 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 2012

Consolidated Income Statement

For the year ended 20th February 2012

	NOTES	**2012**	2011
		HK$'000	HK$'000
Revenue	*5*	**1,116,357**	1,112,592
Interest income	*7*	**1,010,322**	1,011,171
Interest expense	*8*	**(117,886)**	(131,772)
Net interest income		**892,436**	879,399
Other operating income	*9*	**114,374**	106,194
Other gains and losses	*10*	**32,685**	(556)
Operating income		**1,039,495**	985,037
Operating expenses	*11*	**(403,304)**	(381,061)
Operating profit before impairment allowances		**636,191**	603,976
Impairment losses and impairment allowances		**(317,069)**	(339,508)
Recoveries of advances and receivables written-off		**41,544**	45,510
Share of results of associates	*18*	**(4,571)**	(6,182)
Profit before tax		**356,095**	303,796
Income tax expense	*13*	**(54,776)**	(51,614)
Profit for the year		**301,319**	252,182
Attributable to:			
Owners of the Company		**301,319**	252,182
Earnings per share – Basic	*15*	**71.95 HK cents**	60.22 HK cents

Consolidated Statement of Comprehensive Income

For the year ended 20th February 2012

	2012	2011
	HK$'000	HK$'000
Profit for the year	**301,319**	252,182
Other comprehensive (expense) income		
Fair value gain on available-for-sale investments	**21,167**	6,958
Release of investment revaluation reserve upon disposal of available-for-sale investments	**(29,932)**	–
Exchange difference arising from translation of foreign operations	**2,453**	1,067
Net adjustment on cash flow hedges	**(143,792)**	27,157
Other comprehensive (expense) income for the year	**(150,104)**	35,182
Total comprehensive income for the year	**151,215**	287,364
Total comprehensive income attributable to:		
Owners of the Company	**151,215**	287,364

Consolidated Statement of Financial Position

At 20th February 2012

	NOTES	20.2.2012 HK$'000	20.2.2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**91,816**	82,383
Investments in associates	18	**22,389**	25,941
Available-for-sale investments	19	**72,664**	87,156
Advances and receivables	20	**1,252,061**	1,196,394
Prepayments, deposits and other debtors	24	**46,771**	39,400
Derivative financial instruments	35	**2,773**	380
Deferred tax assets	36	**–**	850
Restricted deposits	25	**68,000**	68,000
		1,556,474	1,500,504
Current assets			
Advances and receivables	20	**3,512,062**	3,525,524
Prepayments, deposits and other debtors	24	**54,690**	21,276
Derivative financial instrument	35	**–**	186,672
Restricted deposits	25	**–**	34,149
Time deposits	26	**233,367**	201,967
Fiduciary bank balances	27	**2,246**	2,596
Bank balances and cash	28	**124,121**	61,311
		3,926,486	4,033,495
Current liabilities			
Creditors and accruals	29	**155,991**	147,879
Amounts due to fellow subsidiaries	31	**50,273**	36,087
Amount due to immediate holding company	32	**123**	–
Amount due to ultimate holding company	32	**51**	45
Amounts due to associates	33	**878**	397
Bank borrowings	34	**277,000**	1,098,120
Bank overdrafts		**3,215**	2,614
Derivative financial instruments	35	**1,478**	5,633
Tax liabilities		**14,141**	17,200
		503,150	1,307,975
Net current assets		**3,423,336**	2,725,520
Total assets less current liabilities		**4,979,810**	4,226,024

Consolidated Statement of Financial Position

At 20th February 2012

	NOTES	20.2.2012 HK$'000	20.2.2011 HK$'000
Capital and reserves			
Issued capital	37	**41,877**	41,877
Share premium and reserves	38	**2,007,728**	1,990,518
Total equity		**2,049,605**	2,032,395
Non-current liabilities			
Collateralised debt obligation	39	**1,098,035**	1,098,963
Bank borrowings	34	**1,630,240**	1,060,000
Derivative financial instruments	35	**200,530**	34,666
Deferred tax liabilities	36	**1,400**	–
		2,930,205	2,193,629
		4,979,810	4,226,024

The consolidated financial statements on pages 47 to 132 were approved and authorised for issue by the Board on 20th April 2012 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Statement of Financial Position

At 20th February 2012

	NOTES	20.2.2012 HK$'000	20.2.2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**89,567**	81,292
Investments in subsidiaries	17	**51,000**	1,000
Investments in associates		**22,389**	25,941
Available-for-sale investments	19	**72,664**	87,156
Advances and receivables	20	**1,251,952**	1,196,394
Prepayments, deposits and other debtors	24	**46,751**	39,400
Derivative financial instruments	35	**2,773**	380
Deferred tax assets	36	**–**	850
Restricted deposits	25	**68,000**	68,000
		1,605,096	1,500,413
Current assets			
Advances and receivables	20	**3,510,130**	3,525,524
Prepayments, deposits and other debtors	24	**47,494**	16,833
Derivative financial instrument	35	**–**	186,672
Restricted deposits	25	**–**	34,149
Time deposits	26	**233,267**	201,867
Bank balances and cash	28	**68,695**	58,327
		3,859,586	4,023,372
Current liabilities			
Creditors and accruals	29	**146,207**	142,020
Amounts due to subsidiaries	30	**14,189**	14,573
Amounts due to fellow subsidiaries	31	**50,273**	36,087
Amount due to ultimate holding company	32	**51**	45
Amount due to an associate	33	**846**	397
Bank borrowings	34	**277,000**	1,098,120
Bank overdrafts		**3,215**	2,614
Derivative financial instruments	35	**1,478**	5,633
Tax liabilities		**13,500**	16,750
		506,759	1,316,239
Net current assets		**3,352,827**	2,707,133
Total assets less current liabilities		**4,957,923**	4,207,546

Statement of Financial Position

At 20th February 2012

	NOTES	20.2.2012 HK$'000	20.2.2011 HK$'000
Capital and reserves			
Issued capital	37	**41,877**	41,877
Share premium and reserves	38	**1,985,841**	1,972,040
Total equity		**2,027,718**	2,013,917
Non-current liabilities			
Collateralised debt obligation	39	**1,098,035**	1,098,963
Bank borrowings	34	**1,630,240**	1,060,000
Derivative financial instruments	35	**200,530**	34,666
Deferred tax liabilities	36	**1,400**	–
		2,930,205	2,193,629
		4,957,923	4,207,546

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 20th February 2012

	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 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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**301,319**	**301,319**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**21,167**	**–**	**–**	**–**	**21,167**
Release of investment revaluation reserve upon disposal of available-for-sale investments	**–**	**–**	**–**	**(29,932)**	**–**	**–**	**–**	**(29,932)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**2,453**	**–**	**2,453**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**(143,792)**	**–**	**–**	**(143,792)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(8,765)**	**(143,792)**	**2,453**	**301,319**	**151,215**
Final dividend paid for 2010/11	**–**	**–**	**–**	**–**	**–**	**–**	**(67,003)**	**(67,003)**
Interim dividend paid for 2011/12	**–**	**–**	**–**	**–**	**–**	**–**	**(67,002)**	**(67,002)**
	–	**–**	**–**	**(8,765)**	**(143,792)**	**2,453**	**167,314**	**17,210**
At 20th February 2012	**41,877**	**227,330**	**270**	**17,938**	**(194,305)**	**10,323**	**1,946,172**	**2,049,605**

Consolidated Statement of Cash Flows

For the year ended 20th February 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
Profit before tax	**356,095**	303,796
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	**1,072**	894
Depreciation	**34,058**	34,447
Dividends received on available-for-sale investments	**(2,336)**	(1,808)
Gain on disposal of available-for-sale investments	**(34,459)**	–
Impairment losses and impairment allowances recognised in respect of advances and receivables	**317,069**	339,508
Interest expense	**116,814**	130,878
Interest income	**(1,010,322)**	(1,011,171)
Net losses on disposal of property, plant and equipment	**102**	72
Share of results of associates	**4,571**	6,182
Operating cash flows before movements in working capital	**(217,336)**	(197,202)
Increase in advances and receivables	**(359,274)**	(343,464)
(Increase) decrease in prepayments, deposits and other debtors	**(20,276)**	24,681
Decrease in amount due from an associate	**–**	354
Decrease (increase) in fiduciary bank balances	**350**	(1,463)
Increase in creditors and accruals	**10,497**	28,618
Increase (decrease) in amounts due to fellow subsidiaries	**14,186**	(33,120)
Increase in amount due to immediate holding company	**123**	–
Increase (decrease) in amount due to ultimate holding company	**6**	(7)
Increase in amounts due to associates	**481**	397
Cash used in operations	**(571,243)**	(521,206)
Tax paid	**(55,585)**	(35,327)
Interest paid	**(120,564)**	(132,918)
Interest received	**1,022,042**	986,515
Net cash generated from operating activities	**274,650**	297,064

Consolidated Statement of Cash Flows

For the year ended 20th February 2012

	2012 HK$'000	2011 HK$'000
Investing activities		
Dividends received	**2,336**	1,808
Proceeds from disposal of available-for-sale investment	**8,343**	–
Purchase of property, plant and equipment	**(31,095)**	(19,653)
Deposits paid for acquisition of property, plant and equipment	**(14,730)**	(25,298)
Net cash used in investing activities	**(35,146)**	(43,143)
Financing activities		
Placement of restricted deposits	**(2,302,614)**	(1,502,319)
Withdrawal of restricted deposits	**2,336,763**	1,480,326
Dividends paid	**(134,005)**	(134,005)
New collateralised debt obligation raised	**1,100,000**	–
Repayment of collateralised debt obligation	**(1,100,000)**	–
New bank loans raised	**34,846,150**	16,946,191
Repayment of bank loans	**(34,893,469)**	(17,123,512)
Net cash used in financing activities	**(147,175)**	(333,319)
Net increase (decrease) in cash and cash equivalents	**92,329**	(79,398)
Effect of changes in exchange rate	**1,280**	–
Cash and cash equivalents at beginning of the year	**260,664**	340,062
Cash and cash equivalents at end of the year	**354,273**	260,664
Being:		
Time deposits	**233,367**	201,967
Bank balances and cash	**124,121**	61,311
Bank overdrafts	**(3,215)**	(2,614)
	354,273	260,664

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. On 3rd October 2011, the address of the registered office of the Company has been changed to Units 2001–2004 & 2009–2018, 20/F, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products, insurance broking and agency business and micro-finance business.

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and the positions for the current and prior years 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)

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] *Effective for annual periods beginning on or after 1st July 2011*
[2] *Effective for annual periods beginning on or after 1st January 2012*
[3] *Effective for annual periods beginning on or after 1st July 2012*
[4] *Effective for annual periods beginning on or after 1st January 2013*
[5] *Effective for annual periods beginning on or after 1st January 2014*
[6] *Effective for annual periods beginning on or after 1st January 2015*

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

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 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 anticipate that the application of the amendments to HKFRS 7 will be applied in the Group's consolidated financial statements for its financial year ending 20th February 2013. The application will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for the Group's financial periods beginning on or after 21st February 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until the Group's financial year ending 20th February 2015, with retrospective application required.

The Directors anticipate that the application of the amendments to HKAS 32 and HKFRS 7 may affect the Group's and the Company's disclosure regarding offsetting financial assets and financial liabilities in the future.

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

HKFRS 9 Financial Instrument

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 included the requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") to be subsequently measured at 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. In addition, under HKFRS 9, entities may make an irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liabilities (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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 2015, with earlier application permitted.

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

HKFRS 9 Financial Instrument (Cont'd)

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for its financial year ending 20th February 2016. Based on the Group's financial assets and financial liabilities as at 20th February 2012, the Directors anticipate that the application of the new standard will affect the classification and measurement of the Group's available-for-sale equity investments that are currently measured at cost less impairment. At the date of this report, the Directors are in the process of assessing the potential financial impact.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities" has been withdrawn upon the issuance of HKFRS 10. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the Group's financial year ending 20th February 2014. However, the Directors anticipated that the application of these standards will have no significant impact on amounts reported in the consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for its financial year ending 20th February 2014. However, the application of the standard is not expected to have significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for the Group for its financial year ending 20th February 2014. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Except as described above, the Directors anticipate that the application of other new and revised HKFRSs issued but not yet effective has had no material impact on the Group's financial performance and the Group's and the Company's financial positions for the future and/or on the disclosures set out in the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full 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 income 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 of the awards for which they could be redeemed. 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.

Insurance 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 in the consolidated and the Company's statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Leasing

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

The Group and the Company 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 and the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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 year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group and the Company are 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 and tax laws 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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

Financial instruments (Cont'd)

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

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).

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, 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).

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

Financial instruments (Cont'd)

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

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 considered to be 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
- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

Impairment of financial assets (including hire purchase debtors) (Cont'd)

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 through profit or loss. 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 instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

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, bank overdrafts, collateralised debt obligation, creditors, amounts due to subsidiaries, fellow subsidiaries, immediate holding company, ultimate holding company and associates, 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.

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

Financial instruments (Cont'd)

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.

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 and accumulated in hedging reserve. 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, in the same line of the consolidated income statement as recognised hedged item.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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.

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.

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.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme in China are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment allowances on advances and receivables

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

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

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

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

Impairment allowances on advances and receivables (Cont'd)

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 advances and receivables and the impairment allowances movements are disclosed in notes 20 and 21.

5. REVENUE

	2012	2011
	HK$'000	HK$'000
Interest income	**1,010,322**	1,011,171
Fees and commissions	**57,336**	49,880
Handling and late charges	**48,699**	51,541
	1,116,357	1,112,592

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
Insurance	–	Provide insurance broking and agency services
Hire purchase	–	Provide vehicle financing and hire purchase financing for household products and other consumer products to individuals

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 2012

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
REVENUE	746,590	338,531	28,652	2,584	1,116,357
RESULT					
Segment results	235,709	90,316	12,069	394	338,488
Unallocated operating income					41,649
Unallocated expenses					(19,471)
Share of results of associates					(4,571)
Profit before tax					356,095

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

Segment revenue and results (Cont'd)

For the year ended 20th February 2011

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

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 the gain on disposal of available-for-sale investments and 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 2012

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,599,626	1,713,323	24,175	18,788	5,355,912
Investments in associates					22,389
Available-for-sale investments					72,664
Unallocated assets					31,995
Consolidated total assets					5,482,960
LIABILITIES					
Segment liabilities	2,790,334	597,998	19,745	9,737	3,417,814
Unallocated liabilities					15,541
Consolidated total liabilities					3,433,355

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

At 20th February 2011

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,742,363	1,621,508	11,196	44,985	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	16,805	25,318	3,484,404
Unallocated liabilities					17,200
Consolidated total liabilities					3,501,604

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, other debtor and deferred tax assets.
- all liabilities are allocated to operating and reportable segments other than current and deferred tax liabilities.

6. SEGMENT INFORMATION (Cont'd)

Other segment information

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

2012

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	**57,954**	**4,603**	**899**	**–**	**63,456**
Depreciation	**22,246**	**11,332**	**480**	**–**	**34,058**
Impairment losses and impairment allowances	**183,677**	**133,245**	**–**	**147**	**317,069**
Net losses on disposal of property, plant and equipment	**–**	**102**	**–**	**–**	**102**

2011

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'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

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

Geographical information

Most of 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, most of the Group's non-current assets (excluding financial assets and deferred tax assets) are located in Hong Kong. Accordingly, no geographical analysis 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

	2012	2011
	HK$'000	HK$'000
Time deposits and bank balances	**425**	235
Advances	**1,006,243**	1,008,241
Impaired advances	**3,654**	2,695
	1,010,322	1,011,171

8. INTEREST EXPENSE

	2012	2011
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**22,880**	26,375
Interest on bank borrowings wholly repayable after five years	**673**	442
Interest on collateralised debt obligation wholly repayable within five years	**50,212**	50,329
Net interest expense on interest rate swap contracts	**44,121**	54,626
	117,886	131,772

Amortisation of upfront cost of **HK$1,072,000** (2011: HK$894,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

9. OTHER OPERATING INCOME

	2012	2011
	HK$'000	HK$'000
Dividends received on available-for-sale investments		
Listed equity securities	**2,118**	1,565
Unlisted equity securities	**218**	243
Fees and commissions		
Credit card	**28,684**	24,945
Insurance	**28,652**	24,935
Handling and late charges	**48,699**	51,541
Others	**6,003**	2,965
	114,374	106,194

10. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Exchange (losses) gains		
Exchange (losses) gains on hedging instruments released from cash flow hedging reserve	**(203,561)**	62,281
Exchange gains (losses) on bank loans	**203,561**	(62,281)
Exchange losses, net	**(1,304)**	–
Gain on disposal of available-for-sale investments	**34,459**	–
Hedge ineffectiveness on cash flow hedges	**(368)**	(484)
Net losses on disposal of property, plant and equipment	**(102)**	(72)
	32,685	(556)

11. OPERATING EXPENSES

	2012 HK$'000	2011 HK$'000
Auditor's remuneration	**2,079**	1,930
Depreciation	**34,058**	34,447
General administrative expenses	**119,659**	113,267
Marketing and promotion expenses	**39,523**	39,824
Operating lease rentals in respect of rented premises, advertising space and equipment	**56,947**	54,714
Other operating expenses	**42,261**	38,329
Staff costs including Directors' emoluments	**108,777**	98,550
	403,304	381,061

Operating lease rentals in respect of Directors' and staff quarters of **HK$750,000** (2011: HK$1,615,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the thirteen (2011: thirteen) Directors were as follows:

2012

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus *(Note a)* HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Kazuhide Kamitani (21.2.2011–17.6.2011)	–	–	–	–	–
Masao Mizuno (17.6.2011–20.2.2012)	–	–	–	–	–
Masanori Kosaka *(Note b)* (21.2.2011–17.6.2011)	–	471	375	–	846
Fung Kam Shing, Barry	–	1,251	180	12	1,443
Lai Yuk Kwong	–	1,439	150	12	1,601
Tomoyuki Kawahara	–	996	88	12	1,096
Koh Yik Kung	–	1,679	50	12	1,741
Toshiya Shimakata *(Note b)*	–	1,019	175	–	1,194
Chan Fung Kuen, Dorothy (17.6.2011–20.2.2012)	–	569	–	8	577
Takatoshi Ikenishi (21.2.2011–17.6.2011)	–	–	–	–	–
Hui Ching Shan	245	–	–	–	245
Wong Hin Wing	245	–	–	–	245
Tong Jun	245	–	–	–	245
	735	7,424	1,018	56	9,233

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

(a) Directors' emoluments (Cont'd)

2011

Name of Directors	Fees	Salaries and other benefits	Discretionary bonus *(Note a)*	Mandatory provident fund contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Yoshiki Mori (21.2.2010–18.6.2010)	–	–	–	–	–
Kazuhide Kamitani	–	–	–	–	–
Masanori Kosaka *(Note b)*	–	1,783	400	3	2,186
Fung Kam Shing, Barry	–	1,034	109	12	1,155
Lai Yuk Kwong	–	1,415	139	12	1,566
Tomoyuki Kawahara	–	980	108	12	1,100
Koh Yik Kung	–	1,653	44	12	1,709
Toshiya Shimakata *(Note b)* (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

Notes:

(a) The discretionary bonus is determined by the Remuneration Committee of the Company with reference to the financial performance of the Group and the performance of the individual Director of each of the year ended 20th February 2012 and 20th February 2011.

(b) Operating lease rentals in respect of Directors' accommodations of **HK$350,000** (2011: HK$519,000) are included under salaries and other benefits.

(b) Employees' emoluments

The five highest paid individuals in the Group in 2012 and 2011 were all Directors and details of their emoluments are set out above.

13. INCOME TAX EXPENSE

	2012	2011
	HK$'000	HK$'000
Current tax:		
Hong Kong		
– Current year	**52,952**	51,644
– (Over) underprovision in respect of prior years	**(426)**	520
	52,526	52,164
Deferred tax *(Note 36)*		
– Current year	**2,250**	(550)
	54,776	51,614

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

Under the Law of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the China subsidiary is 25% for the year.

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

	2012	2011
	HK$'000	HK$'000
Profit before tax	**356,095**	303,796
Tax at the applicable rate of 16.5% (2011: 16.5%)	**58,756**	50,126
Tax effect of share of results of associates	**754**	1,020
Tax effect of expenses not deductible for tax purpose	**17**	2
Tax effect of income not taxable for tax purpose	**(6,155)**	(329)
Tax effect of deferred tax assets previously not recognised	**–**	(129)
(Over) underprovision in respect of prior years	**(426)**	520
Tax effect of tax loss in current year not recognised	**1,755**	–
Tax effect of different tax rate of subsidiary operating in China	**(597)**	–
Others	**672**	404
Income tax expense for the year	**54,776**	51,614

14. DIVIDENDS

	2012	2011
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2011 of 16.0 HK cents (2010: 16.0 HK cents) per share	**67,003**	67,003
Interim dividend paid in respect of 2012 of 16.0 HK cents (2011: 16.0 HK cents) per share	**67,002**	67,002
	134,005	134,005
Final dividend proposed in respect of 2012 of 18.0 HK cents (2011: 16.0 HK cents) per share	**75,378**	67,003

The final dividend of 18.0 HK cents per share has been proposed by the Directors and, subject to approval by shareholders at the forthcoming annual general meeting, will be paid to shareholders on 29th June 2012. This dividend has not been included as a liability in the consolidated financial statements. The proposed dividend is payable to all shareholders on the register of members on 22nd June 2012.

15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of **HK$301,319,000** (2011: HK$252,182,000) and on the number of shares of **418,766,000** (2011: 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 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**
Additions	**9,575**	**654**	**33,361**	**–**	**43,590**
Disposals/write-off	**(5,132)**	**(667)**	**(389)**	**–**	**(6,188)**
Exchange realignment	**1**	**–**	**2**	**–**	**3**
At 20th February 2012	**16,299**	**14,004**	**340,484**	**226**	**371,013**
DEPRECIATION					
At 21st 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**
Provided for the year	**2,267**	**255**	**31,491**	**45**	**34,058**
Eliminated on disposals/write-off	**(5,037)**	**(660)**	**(389)**	**–**	**(6,086)**
At 20th February 2012	**7,281**	**12,872**	**258,875**	**169**	**279,197**
CARRYING VALUES					
At 20th February 2012	**9,018**	**1,132**	**81,609**	**57**	**91,816**
At 20th February 2011	1,804	740	79,737	102	82,383

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 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**
Additions	**9,345**	**633**	**31,908**	**–**	**41,886**
Disposals/write-off	**(5,132)**	**(667)**	**(389)**	**–**	**(6,188)**
At 20th February 2012	**16,068**	**13,983**	**337,619**	**226**	**367,896**
DEPRECIATION					
At 21st 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**
Provided for the year	**2,244**	**245**	**30,975**	**45**	**33,509**
Eliminated on disposals/write-off	**(5,037)**	**(660)**	**(389)**	**–**	**(6,086)**
At 20th February 2012	**7,258**	**12,862**	**258,040**	**169**	**278,329**
CARRYING VALUES					
At 20th February 2012	**8,810**	**1,121**	**79,579**	**57**	**89,567**
At 20th February 2011	1,804	740	78,646	102	81,292

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	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Cost of unlisted investments in subsidiaries	**51,000**	1,000

At 20th February 2012 and 2011, 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 directly held by the Company 2012	2011	Principal activities
AEON Micro Finance (Shenyang) Co., Ltd *(Note)*	China	HK$50,000,000	**100%**	–	Micro-finance business
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

Note: The subsidiary is a wholly foreign owned enterprise incorporated on 14th April 2011.

18. INVESTMENTS IN ASSOCIATES

	THE GROUP	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Cost of unlisted investments in associates	**39,946**	39,946
Exchange difference arising from translation	**8,889**	7,870
Share of post-acquisition results	**(26,446)**	(21,875)
	22,389	25,941

18. INVESTMENTS IN ASSOCIATES (Cont'd)

At 20th February 2012 and 2011, 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
		2012	2011	**2012**	2011	
AEON Credit Guarantee (China) Co., Ltd.	China	**50%**	50%	**42.9%**	50.0%	Credit guarantee business
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**33.3%**	33.3%	Provision of call centre services

The other shareholder of ACG and AIS is the Group's immediate holding company and hence the Group considers that the Group is able to participate in the financial and operating policy decisions of ACG and AIS but is not control or joint control over those policies.

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 2012. Accordingly, no adjustment was made.

The above associates are also fellow subsidiaries of the Group.

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

	THE GROUP	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Total assets	**97,442**	79,108
Total liabilities	**(52,664)**	(27,226)
Net assets	**44,778**	51,882
Share of associates' net assets	**22,389**	25,941

18. INVESTMENTS IN ASSOCIATES (Cont'd)

	2012	2011
	HK$'000	HK$'000
Revenue	**68,077**	53,752
Loss for the year	**9,143**	12,364
Share of associates' losses for the year	**4,571**	6,182

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Listed equity securities, at fair value		
Hong Kong	**34,454**	27,883
Overseas	**–**	17,202
	34,454	45,085
Unlisted equity securities, at cost	**38,210**	42,071
	72,664	87,156

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 five (2011: 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 stable market development. No impairment loss was charged for both years.

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

In February 2012, the Company disposed of 1.8 million AEON Malaysia shares under equity securities listed overseas for a cash consideration of MYR12,474,000 (equivalent to approximately HK$32,000,000) and included in other debtors at the end of the reporting period. The amount was settled subsequent to the reporting period. The Group recognised a gain on disposal of HK$29,881,000 after deducting all related transaction costs in the consolidated income statement for the year ended 20th February 2012.

In February 2012, the Company disposed of 550 ACMC shares under unlisted equity securities for a cash consideration of JPY85,829,200 (equivalent to HK$8,439,000). The Group recognised a gain on disposal of HK$4,578,000 in the consolidated income statement for the year ended 20th February 2012.

20. ADVANCES AND RECEIVABLES

	THE GROUP	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Credit card receivables	**3,099,466**	3,112,312
Instalment loans receivable	**1,657,194**	1,567,169
Hire purchase debtors	**18,716**	43,084
	4,775,376	4,722,565
Accrued interest and other receivables	**118,203**	133,626
Gross advances and receivables	**4,893,579**	4,856,191
Impairment allowances *(note 21)*		
– individually assessed	**(62,768)**	(54,974)
– collectively assessed	**(66,688)**	(79,299)
	(129,456)	(134,273)
	4,764,123	4,721,918
Current portion included under current assets	**(3,512,062)**	(3,525,524)
Amount due after one year	**1,252,061**	1,196,394

20. ADVANCES AND RECEIVABLES (Cont'd)

	THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Credit card receivables	**3,099,466**	3,112,312
Instalment loans receivable	**1,655,153**	1,567,169
Hire purchase debtors	**18,716**	43,084
	4,773,335	4,722,565
Accrued interest and other receivables	**118,203**	133,626
Gross advances and receivables	**4,891,538**	4,856,191
Impairment allowances *(note 21)*		
– individually assessed	**(62,768)**	(54,974)
– collectively assessed	**(66,688)**	(79,299)
	(129,456)	(134,273)
	4,762,082	4,721,918
Current portion included under current assets	**(3,510,130)**	(3,525,524)
Amount due after one year	**1,251,952**	1,196,394

Included in the advances and receivables of the Group and the Company, there are secured credit card receivables and instalment loans receivable of **HK$87,515,000** (20th February 2011: HK$78,587,000) and **HK$57,008,000** (20th February 2011: HK$15,053,000) respectively. The Group and the Company hold collateral over these balances. The Directors consider the exposure of credit risk of these secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. Other advances and receivables are unsecured.

20. ADVANCES AND RECEIVABLES (Cont'd)

(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 2011: 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 2012, the carrying amount of the credit card receivables under this financing transaction is **HK$1,825,513,000** (20th February 2011: HK$1,873,521,000). The principal amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2011: HK$1,100,000,000).

(b) Instalment loans receivable

The term of instalment loans entered with customers ranges from 6 months to 10 years. Most of the instalment loans receivable are denominated in HKD. The instalment loans receivable carry effective interest ranging from 2.0% to 46.8% (20th February 2011: 3.9% 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**	
	20.2.2012	20.2.2011	**20.2.2012**	20.2.2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**17,231**	39,228	**16,884**	38,353
In the second to fifth year inclusive	**1,855**	4,815	**1,832**	4,731
	19,086	44,043	**18,716**	43,084
Unearned finance income	**(370)**	(959)	**–**	–
Present value of minimum payments receivable	**18,716**	43,084	**18,716**	43,084

The term of hire purchase contracts entered with customers ranges from 6 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 2011: 4.4% to 15.7%) per annum.

21. IMPAIRMENT ALLOWANCES

	THE GROUP AND THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**63,995**	64,825
Instalment loans receivable	**59,460**	57,308
Hire purchase debtors	**475**	823
Accrued interest and other receivables	**5,526**	11,317
	129,456	134,273

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
At 21st February 2011	**54,974**	**79,299**	**134,273**
Impairment losses and impairment allowances	**329,680**	**(12,611)**	**317,069**
Amounts written-off as uncollectable	**(321,886)**	**–**	**(321,886)**
At 20th February 2012	**62,768**	**66,688**	**129,456**

	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

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			
	20.2.2012		20.2.2011	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**126,028**	**2.6**	137,153	2.8
Overdue 2 months but less than 3 months	**23,845**	**0.5**	32,508	0.7
Overdue 3 months but less than 4 months	**13,987**	**0.3**	18,234	0.4
Overdue 4 months or above	**64,042**	**1.3**	55,131	1.1
	227,902	**4.7**	243,026	5.0

* *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	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**67,371**	58,962
– Current	**429**	398
Impairment allowances under individual assessment	**(62,768)**	(54,974)
Net impaired advances	**5,032**	4,386
Gross impaired advances as a percentage of gross advances	**1.4%**	1.2%

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	THE GROUP		THE COMPANY	
	20.2.2012	20.2.2011	**20.2.2012**	20.2.2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for property, plant and equipment	**36,283**	34,048	**36,283**	34,048
Rental deposits	**13,712**	13,224	**13,587**	13,224
Prepaid operating expenses	**11,283**	8,298	**11,056**	8,223
Other debtors	**40,183**	5,106	**33,319**	738
	101,461	60,676	**94,245**	56,233
Current portion included under current assets	**(54,690)**	(21,276)	**(47,494)**	(16,833)
Amount due after one year	**46,771**	39,400	**46,751**	39,400

25. 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 0.03% to 0.3% (0.01% to 0.3% for the year ended 20th February 2011) per annum during the year. No restricted deposits (20th February 2011: HK$34,149,000) will be matured within one year from 20th February 2012.

26. TIME DEPOSITS

Time deposits of the Group and the Company carry fixed rates ranging from 0.01% to 0.2% (0.001% to 0.2% for the year ended 20th February 2011) per annum during the year.

27. 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.

28. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

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$'000	RMB HK$'000	Total HK$'000
20.2.2012					
Bank balances and cash	**122,836**	**750**	**9**	**526**	**124,121**
20.2.2011					
Bank balances and cash	60,927	376	8	–	61,311

THE COMPANY

	HKD HK$'000	USD HK$'000	JPY HK$'000	RMB HK$'000	Total HK$'000
20.2.2012					
Bank balances and cash	**67,893**	**750**	**9**	**43**	**68,695**
20.2.2011					
Bank balances and cash	57,943	376	8	–	58,327

29. 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	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Current	**50,494**	54,840
Over 1 month but less than 3 months	**6,401**	1,944
Over 3 months	**9,242**	2,807
	66,137	59,591

	THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Current	**48,637**	53,635
Over 1 month but less than 3 months	**3,968**	623
Over 3 months	**7,403**	1,693
	60,008	55,951

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK$6,152,000** (20th February 2011: HK$5,141,000).

30. AMOUNTS DUE TO SUBSIDIARIES

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

31. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand except **HK$49,265,000** (20th February 2011: HK$34,059,000) which is trade-related.

The aged analysis of amounts due to fellow subsidiaries that are trade-related based on the invoice date at the end of the reporting period is as follows:

	THE GROUP AND THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Current	**40,079**	34,059
Over 1 month but less than 3 months	**9,186**	–
	49,265	34,059

32. AMOUNT DUE TO IMMEDIATE/ULTIMATE HOLDING COMPANY

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

33. AMOUNTS DUE TO ASSOCIATES

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

34. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Bank loans, unsecured	**1,907,240**	2,158,120
Carrying amount repayable *(Note)*		
Within one year	**277,000**	993,120
Between one and two years	**472,540**	170,000
Between two and five years	**1,037,700**	800,000
Over five years	**120,000**	90,000
	1,907,240	2,053,120
Carrying amount of unsecured bank loans that contain a repayment on demand clause – repayable within one year	**–**	105,000
	1,907,240	2,158,120
Amount repayable within one year included under current liabilities	**(277,000)**	(1,098,120)
Amount repayable after one year	**1,630,240**	1,060,000

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

34. 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
20.2.2012				
Bank loans	**1,442,000**	**465,240**	**–**	**1,907,240**
20.2.2011				
Bank loans	1,379,000	77,870	701,250	2,158,120

HKD bank loans of **HK$270,000,000** (20th February 2011: HK$260,000,000) are arranged at fixed interest rates ranging from 0.9% to 3.4% (20th February 2011: 2.6% to 3.3%) per annum and expose the Group and the Company to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates ranging from 0.3% plus HIBOR to 0.65% plus HIBOR (20th February 2011: 0.3% plus HIBOR to 0.6% plus HIBOR) per annum while the USD borrowings are arranged at floating interest rates ranging from 0.7% plus LIBOR to 0.75% plus LIBOR (20th February 2011: 0.75% plus LIBOR) per annum, thus exposing the Group and the Company to cash flow interest rate risk.

At 20th February 2012, the Group and the Company had available undrawn committed borrowing facilities of up to **JPY10,000,000,000** (20th February 2011: Nil).

At 20th February 2012, the Group and the Company have available unutilised overdrafts and non-committed short term bank loan facilities of **HK$706,620,000** (20th February 2011: HK$708,620,000) and **HK$677,000,000** (20th February 2011: HK$750,000,000) respectively.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY			
	20.2.2012		20.2.2011	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Interest rate swaps	**–**	**169,697**	380	40,255
Cross-currency interest rate swaps	**2,773**	**32,311**	186,672	44
	2,773	**202,008**	187,052	40,299
Current portion	**–**	**(1,478)**	(186,672)	(5,633)
Non-current portion	**2,773**	**200,530**	380	34,666

All derivative financial instruments entered by the Group and the Company that remain outstanding at 20th February 2012 and 20th February 2011 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings and collateralised debt obligation, the designated hedged items.

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 HKD floating-rate bank borrowings with aggregate principal of **HK$1,075,000,000** (20th February 2011: 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$1,075,000,000** (20th February 2011: HK$1,095,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.3% to 5.4% (20th February 2011: 2.4% to 5.4%) per annum and floating interest receipts quarterly ranging from 0.3% plus HIBOR to 0.65% plus HIBOR (20th February 2011: 0.3% plus HIBOR to 0.6% plus HIBOR) per annum for periods up until August 2018 (20th February 2011: until June 2017).

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

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

Besides bank borrowings, the Group and the Company also entered into interest rate swaps to minimise its exposures to cash flow changes of its collateralised debt obligation transaction during the current year. Two interest rate swaps with notional amounts of HK$550,000,000 each were entered by the Group and the Company to swap its HK$1,100,000,000 floating-rate financing facility from floating rates to fixed rates. The interest rate swaps have fixed interest payments monthly at fixed interest rates ranging from 3.7% to 3.9% per annum and floating interest receipts monthly at 0.35% plus HIBOR per annum for periods up until February 2016 and February 2017 respectively.

The interest rate swaps, the corresponding bank borrowings and the collateralised debt obligation have similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to **HK$131,188,000** (2011: HK$7,097,000) and is included in other comprehensive income.

The fair values 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 borrowings by swapping the floating-rate JPY syndicated bank borrowing and USD bank borrowings to fixed-rate HKD bank borrowings.

At 20th February 2012, the cross-currency interest rate swap of the Group and the Company with notional amount of USD50,000,000 (equivalent to HK$388,750,000 at the date of inception of the bank borrowing) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.78, fixed interest payments quarterly in HKD at 3.28% per annum and floating interest receipts quarterly in USD at 0.7% plus LIBOR per annum for periods up until September 2016.

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

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

At 20th February 2012, the cross-currency interest rate swap of the Group and the Company with notional amount of USD10,000,000 (equivalent to HK$77,800,000 at the date of inception of the bank borrowing) has fixed currency payments in HKD at exchange rate of USD to HKD at 7.78, fixed interest payments quarterly in HKD at 1.6% per annum and floating interest receipts quarterly in USD at 0.75% plus LIBOR per annum for periods up until December 2013.

At 20th February 2011, 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) had 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 up until September 2011. During the year, JPY bank borrowing was fully repaid and the respective cross-currency interest rate swap was matured.

At 20th February 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) had fixed currency payments in HKD at exchange rate of USD to HKD at 7.77, fixed interest payments quarterly in HKD at 1.3% per annum and floating interest receipts quarterly in USD at 0.75% plus LIBOR per annum for periods up until December 2011. During the year, the USD bank borrowing was fully repaid and the respective cross-currency interest rate swap was matured.

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$12,604,000** (2011: HK$20,060,000) and is 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 between JPY, USD and HKD estimated at the end of the reporting period.

36. DEFERRED TAX LIABILITIES (ASSETS)

The followings are the major deferred tax liabilities (assets) recognised by the Group and the Company and movements thereon during each of the two years ended 20th February 2012 and 2011:

	THE GROUP AND THE COMPANY		
	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 21st 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)**
Charge to profit or loss for the year	**100**	**2,150**	**2,250**
At 20th February 2012	**12,400**	**(11,000)**	**1,400**

At the end of the reporting period, the Group had unused tax loss of **HK$7,020,000** (20th February 2011: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax loss due to the unpredictability of future profit streams. The tax loss will expire in 2015 (20th February 2011: Nil).

37. ISSUED CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares 20.2.2012 & 20.2.2011	**Share capital 20.2.2012 & 20.2.2011 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 2012 amounted to **HK$1,946,172,000** and **HK$1,925,737,000** respectively (20th February 2011: HK$1,778,858,000 and HK$1,760,380,000 respectively), representing the accumulated profits.

39. COLLATERALISED DEBT OBLIGATION

(a) At 20th February 2011, the Company had a HK$1,100,000,000 collateralised debt obligation financing transaction (the "Previous Transaction") which revolving period ended in February 2012. Interest rate of the Previous Transaction was fixed at 4.5% per annum during the revolving period, thus exposing the Group and the Company to fair value interest rate risk. In February 2012, the Company entered into a HK$1,100,000,000 new collateralised debt obligation financing transaction (the "New Transaction") to repay the Previous Transaction. The New Transaction consists of two Tranches – Tranche A and Tranche B. The amount under Tranche A and Tranche B is HK$550,000,000 each. The revolving periods for Tranche A and Tranche B of the New Transaction will end in January 2016 and January 2017 respectively. The two Tranches are arranged at floating interest rates of 0.35% plus HIBOR per annum, thus exposing the Group and the Company to cash flow interest rate risk. Two corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties are arranged to swap these two Tranches from floating rates to fixed rates at 3.7% to 3.9% per annum respectively. The effective interest rate after taking into account the interest rate swaps was 3.8% per annum during the year.

(b) Pursuant to the Previous Transaction and the New Transaction (collectively the "Transactions"), 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 the Transactions have not been derecognised and remained in the Group's consolidated financial statements. The Transactions are backed by the credit card receivables transferred and with the carrying amount denominated in Hong Kong dollars.

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.

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	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Debt *(Note a)*	**3,005,275**	3,257,083
Cash and cash equivalents	**(354,273)**	(260,664)
Net debt	**2,651,002**	2,996,419
Equity *(Note b)*	**2,049,605**	2,032,395
Net debt to equity ratio	**1.3**	1.5

40. CAPITAL RISK MANAGEMENT (Cont'd)

Net debt to equity ratio (Cont'd)

	THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Debt *(Note a)*	**3,005,275**	3,257,083
Cash and cash equivalents	**(298,747)**	(257,580)
Net debt	**2,706,528**	2,999,503
Equity *(Note b)*	**2,027,718**	2,013,917
Net debt to equity ratio	**1.3**	1.5

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 34 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	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**72,664**	87,156
Loans and receivables (excluding hire purchase debtors)	**5,213,640**	5,052,516
Derivative instruments in designated hedge accounting relationships	**2,773**	187,052
Financial liabilities		
Amortised cost	**3,132,419**	3,364,669
Derivative instruments in designated hedge accounting relationships	**202,008**	40,299

	THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**72,664**	87,156
Loans and receivables (excluding hire purchase debtors)	**5,146,963**	5,042,468
Derivative instruments in designated hedge accounting relationships	**2,773**	187,052
Financial liabilities		
Amortised cost	**3,140,324**	3,375,602
Derivative instruments in designated hedge accounting relationships	**202,008**	40,299

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

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

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

Market risk

The Group's and the Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk. The Group and the Company 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

(i) Foreign currency risk management

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

As at 20th February 2012, the Group's and the Company's foreign currency risk exposure primarily relates to its USD denominated bank borrowings. The carrying amount of such bank borrowings was **HK$465,240,000** (20th February 2011: USD and JPY denominated bank borrowings with total carrying amount of HK$779,120,000). To minimise the foreign currency risk in relation to the bank borrowings, the Group and the Company have been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk after taking derivative financial instruments into consideration is not material to the Group and the Company. In this regard, no sensitivity analysis is presented.

(ii) Interest rate risk management

Fair value interest rate risk is the risk that the 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, 34 and 39.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

The Group'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 34).

The Group and the Company monitor the interest rate exposure, through assessing the interest rate gap of its interest bearing financial assets and financial liabilities. To minimise the cash flow interest rate gap, the Group and the Company have been using interest rate swaps to convert a proportion of its variable rate debts to fixed rate. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for 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 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 and all other variables were held constant, the Group's and the Company's:

- profit for the year ended 20th February 2012 would decrease by HK$810,000 (for the year ended 20th February 2011: decrease by HK$200,000); and

- other comprehensive income would increase by HK$111,682,000 (for the year ended 20th February 2011: increase by HK$37,153,000) 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.

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$3,445,000 (for the year ended 20th February 2011: increase/decrease by HK$4,508,000) 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 2012 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. The Board has overall responsibility for the Group's and the Company's credit policies and oversees the credit quality of the Group's and the Company's advance portfolio. 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.

The Group's and the Company's maximum exposures to credit risk relating to credit related commitments unrecorded in the consolidated statement of financial position is **HK$20,986,387,000** (20th February 2011: HK$18,931,330,000).

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	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Neither past due nor individually impaired	**4,665,248**	4,612,767
Past due but not individually impaired	**160,531**	184,064
Individually impaired	**67,800**	59,360
	4,893,579	4,856,191
Less: impairment allowances *(note 21)*	**(129,456)**	(134,273)
	4,764,123	4,721,918

	THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Neither past due nor individually impaired	**4,663,207**	4,612,767
Past due but not individually impaired	**160,531**	184,064
Individually impaired	**67,800**	59,360
	4,891,538	4,856,191
Less: impairment allowances *(note 21)*	**(129,456)**	(134,273)
	4,762,082	4,721,918

(i) Advances and receivables neither past due nor individually impaired

Included in collectively assessed impairment allowances, there is **HK$28,428,000** (20th February 2011: HK$32,997,000) in relation to collective impairment on advances and receivable that were not past due at the end of reporting period.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

(ii) 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 collective basis, were as follows:

THE GROUP AND THE COMPANY

	20.2.2012			
	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	**66,538**	**56,823**	**142**	**123,503**
Over 2 months but less than 3 months	**8,832**	**13,789**	**38**	**22,659**
Over 3 months but less than 4 months	**6,036**	**7,590**	**22**	**13,648**
Over 4 months or above	**261**	**460**	**–**	**721**
	81,667	**78,662**	**202**	**160,531**
Less: collectively impaired	**(22,197)**	**(15,998)**	**(65)**	**(38,260)**
	59,470	**62,664**	**137**	**122,271**

	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	(27,823)	(18,367)	(112)	(46,302)
	63,063	74,488	211	137,762

41. FINANCIAL INSTRUMENTS (Cont'd)

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

***Credit quality* (Cont'd)**

(iii) 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
20.2.2012				
Individually impaired	**25,932**	**41,566**	**302**	**67,800**
20.2.2011				
Individually impaired	23,608	35,313	439	59,360

There is no collateral held by the Group and the Company as security. Impairment allowances of **HK$62,768,000** (20th February 2011: HK$54,974,000) have been provided *(note 21)*.

Liquidity risk management

The Group and the Company have laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and maintain a conservative level of long-term funding to finance its short-term financial assets.

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
20.2.2012

	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	3,454	6,907	31,082	574,503	553,580	1,169,526
Bank borrowings						
– fixed rate	630	1,239	15,538	198,190	80,316	295,913
– variable rate	210,945	7,566	93,102	874,826	592,956	1,779,395
Bank overdrafts	3,215	–	–	–	–	3,215
Other financial liabilities	113,785	9,201	124	819	–	123,929
Total undiscounted financial liabilities	332,029	24,913	139,846	1,648,338	1,226,852	3,371,978

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

THE COMPANY
20.2.2012

	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	3,454	6,907	31,082	574,503	553,580	1,169,526
Bank borrowings						
– fixed rate	630	1,239	15,538	198,190	80,316	295,913
– variable rate	210,945	7,566	93,102	874,826	592,956	1,779,395
Bank overdrafts	3,215	–	–	–	–	3,215
Other financial liabilities	125,980	4,911	124	819	–	131,834
Total undiscounted financial liabilities	344,224	20,623	139,846	1,648,338	1,226,852	3,379,883

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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
20.02.2011							
Bank borrowings with a repayment on demand clause	30,234	503	76,741	–	–	107,478	105,000

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.

The following tables detail the Group's and the Company's expected maturity for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that settle on a net basis. 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. The liquidity analysis for the Group's and the Company's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

	THE GROUP AND THE COMPANY 20.2.2012				
	Up to 3 months HK$'000	**3–12 months HK$'000**	**1–4 years HK$'000**	**Over 4 years HK$'000**	**Total HK$'000**
Derivative financial instruments					
Net cash outflow	**(16,319)**	**(47,498)**	**(169,312)**	**(10,074)**	**(243,203)**

	THE GROUP AND 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
Derivative financial instruments					
Net cash inflow (outflow)	56,493	110,866	(20,645)	39	146,753

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			
	20.2.2012		20.2.2011	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**1,907,240**	**1,929,528**	2,158,120	1,965,478
Collateralised debt obligation	**1,098,035**	**1,098,035**	1,098,063	1,158,675

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 20.2.2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Derivative financial assets	**–**	**2,773**	**–**	**2,773**
Available-for-sale financial assets				
Listed equity securities	**34,454**	**–**	**–**	**34,454**
Total	**34,454**	**2,773**	**–**	**37,227**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**202,008**	**–**	**202,008**

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			
	20.2.2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Derivative 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

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 which fall due as follows:

	THE GROUP	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Within one year	**36,148**	35,608
In the second to fifth year inclusive	**34,131**	12,399
	70,279	48,007

	THE COMPANY	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Within one year	**35,585**	35,608
In the second to fifth year inclusive	**34,019**	12,399
	69,604	48,007

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 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	
	20.2.2012	20.2.2011
	HK$'000	HK$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**33,756**	24,669

44. PLEDGE OF ASSETS

At 20th February 2012, the collateralised debt obligation of the Group and the Company was secured by credit card receivables and restricted deposits of **HK$1,825,513,000** and **HK$68,000,000** respectively (20th February 2011: HK$1,873,521,000 and HK$102,149,000) *(see notes 20 and 25)*.

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 profit or loss of **HK$2,945,000** (for the year ended 20th February 2011: HK$2,797,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting year. As at 20th February 2012, contributions of the Group and the Company amounting to **HK$520,000** and **HK$455,000** respectively (20th February 2011: HK$446,000 and HK$413,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

The employees employed in the China subsidiary are members of the state-managed retirement benefits schemes operated by the China government. The China subsidiary is required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income received	**5,250**	6,662	**–**	–	**–**	–	**–**	–
Commission received	**4,482**	3,944	**–**	–	**–**	–	**–**	–
Dividends received	**2,305**	1,780	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**266**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**240**	240
Licence fees paid	**6,865**	6,368	**203**	219	**40**	35	**158**	–
Service fees paid	**–**	–	**6,496**	6,278	**–**	–	**35,356**	32,271
Development fees paid *(Note)*	**13,140**	14,163	**–**	–	**–**	–	**–**	–
Consideration on disposal of available-for-sale investments	**–**	–	**40,439**	–	**–**	–	**–**	–

Note: For the computer system development fees paid during the year, **HK$1,099,000** (for the year ended 20th February 2011: HK$1,411,000) is recognised as administrative expenses, **HK$6,243,000** (for the year ended 20th February 2011: HK$4,867,000) is capitalised under property, plant and equipment and **HK$5,798,000** (for the year ended 20th February 2011: HK$7,885,000) 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:

	2012 HK$'000	2011 HK$'000
Short-term benefits	**10,020**	10,731
Post-employment benefits	**80**	78
	10,100	10,809

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 2012, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

Glossary

2011 AGM	Annual general meeting held on 17th June 2011
2012 AGM	Annual general meeting to be held on 15th June 2012
ACG	AEON Credit Guarantee (China) Co., Ltd.
ACMC	ACS Credit Management Co., Ltd.
ACS Group	ACS Japan and its subsidiaries
ACS Japan	ÆON Credit Service Co., Ltd.
ACTS	AEON Credit Technology Systems (Philippines) Inc.
AEON Brokers	AEON Insurance Brokers (HK) Limited
AEON Group	AEON Japan and its subsidiaries
AEON Japan	ÆON Co., Ltd.
AEON Malaysia	AEON Credit Service (M) Berhad
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AEON Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles of Association	Articles of Association of the Company
Board	Board of Directors of the Company
CG Code	Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
China or Mainland	People's Republic of China
Company	AEON Credit Service (Asia) Company Limited

Glossary

Director(s)	Director(s) of the Company
Group	Company and its subsidiaries
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
MYR	Malaysian Ringgit
SFO	Securities and Futures Ordinance
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States Dollars

Corporate Social Responsibility
企業社會責任

"Caring Company" Award 2007-12
「商界展關懷」標誌 2007-12

"Sun Yat-Sen University - AEON Scholarship 2011"
Presentation Ceremony
「中山大學 - 永旺獎學金2011」頒獎典禮

Hong Kong Tree Planting Day 2012
香港植樹日2012

"Manpower Developer" Award
「人才企業」嘉許