AEON信貸財務(亞洲)有限公司

AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

Stock Code: 900

2013/14 Annual Report

Planting Seeds of Growth

We are AEON

Corporate Social Responsibility
企業社會責任

Hong Kong Tree Planting Day 2013

香港植樹日2013

UNICEF Young Envoys Programme

聯合國兒童基金會青年使者計劃

AEON Scholarship Ceremony in Beijing

永旺獎學金頒獎儀式及交流會－北京

Scholarship Ceremony in Guangdong University of Technology

助學金頒發儀式－廣東工業大學

Used Book Recycling Campaign 2013

舊書回收義賣大行動 2013

Contents

This report is printed on recycled paper

Corporate Information

Board of Directors

Executive Directors
Fung Kam Shing, Barry *(Managing Director)*
Koh Yik Kung

Non-executive Directors
Masanori Kosaka *(Chairman)*
Lai Yuk Kwong
Tomoko Misaki

Independent Non-executive Directors
Ip Yuk Keung
Wong Hin Wing
Tong Jun

Company Secretary

Koh Yik Kung

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Share Registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Major Bankers

Mizuho 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

Internet Addresses

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

Stock Code

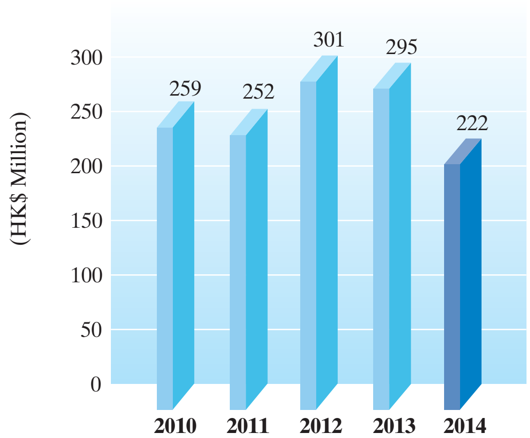
900

Shareholders' Calendar

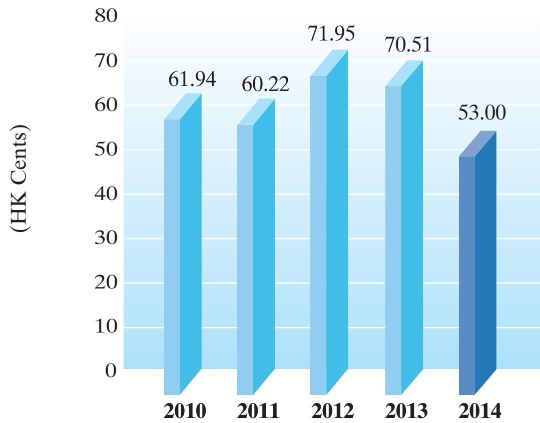
18th September 2013	Announcement of interim results for the six months ended 20th August 2013
9th October 2013	Despatch of interim report for the six months ended 20th August 2013
11th – 15th October 2013	Book closing dates for interim dividend
22nd October 2013	Payment of interim dividend of 17.0 HK cents per share
16th April 2014	Announcement of final results for the year ended 20th February 2014
14th May 2014	Despatch of annual report for the year ended 20th February 2014
13th – 17th June 2014	Book closing dates for 2014 AGM
17th June 2014	2014 AGM
23rd June 2014	Book closing date for final dividend
3rd July 2014	Payment of final dividend of 18.0 HK cents per share

Five-year Financial Summary

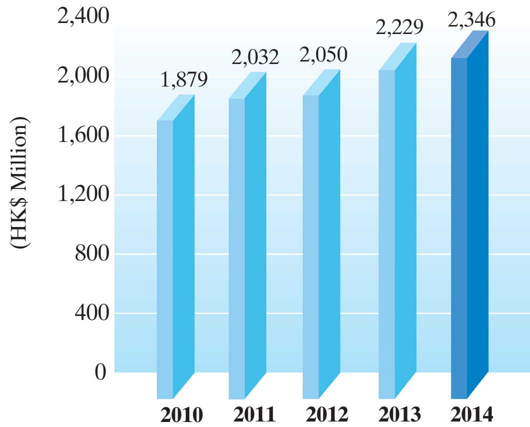
Profit for the year (note 1) ended 20th February



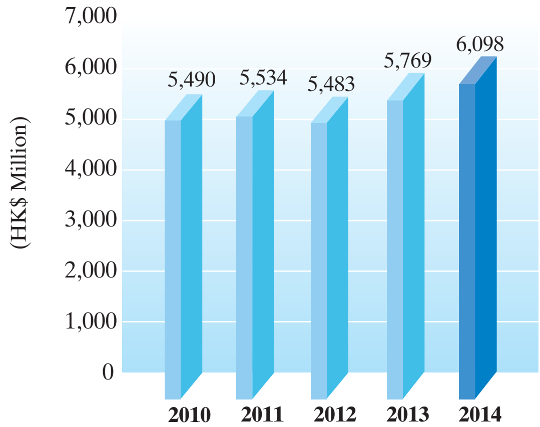
Earnings per share (note 2) for the year ended 20th February



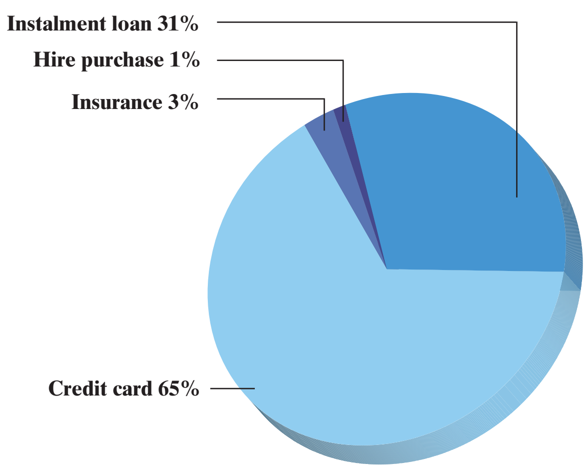
Total equity (note 3) at 20th February



Total assets (note 4) at 20th February



Segment revenue (note 5)



Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2010, 2011, 2012, 2013 and 2014.

2. Represents the consolidated earnings per share for the financial years ended 20th February 2010, 2011, 2012, 2013 and 2014.

3. Represents the consolidated total equity at 20th February 2010, 2011, 2012, 2013 and 2014.

4. Represents the consolidated total assets at 20th February 2010, 2011, 2012, 2013 and 2014.

5. Represents the respective percentage of revenue by operating and reportable segments for the financial year ended 20th February 2014.

Five-year Financial Summary

CONSOLIDATED RESULTS

	For the year ended 20th February				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Revenue	1,163,449	1,112,592	1,116,357	1,121,348	**1,164,653**
Profit before tax	310,504	303,796	356,095	355,361	**274,490**
Income tax expense	(51,102)	(51,614)	(54,776)	(60,089)	**(52,542)**
Profit for the year	259,402	252,182	301,319	295,272	**221,948**
Earnings per share	61.94 HK cents	60.22 HK cents	71.95 HK cents	70.51 HK cents	**53.00 HK cents**
Dividend per share	32.00 HK cents	32.00 HK cents	34.00 HK cents	35.00 HK cents	**35.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

	At 20th February				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Total assets	5,489,988	5,533,999	5,482,960	5,768,806	**6,097,778**
Total liabilities	(3,610,952)	(3,501,604)	(3,433,355)	(3,539,697)	**(3,752,203)**
Total equity	1,879,036	2,032,395	2,049,605	2,229,109	**2,345,575**

Chairman's Statement

Masanori Kosaka
Chairman

Over the past year, the global economy has steadily improved. In particular, there has been some positive momentum in the United States (the "US"). However, such momentum is still lacking in Europe, and the structural imbalances both within and between economic powerhouses seem as challenging as ever. Austerity measures to improve public finances are likely to continue to dampen demand in Europe and the US.

In Mainland China, the shift from infrastructure-led growth to one driven by mass consumption results in relatively lower level of growth prospects than in the past. Furthermore, with corporate debts hitting record levels, restructuring and defaults may be accelerated as credit repayment problems arise. This combination of conditions has not impacted the Hong Kong economy positively. Optimistic outlook for long-term economic growth has contributed little to improve consumer and corporate confidence. Credit growth has remained subdued.

On the positive side, however, there have been signs of a gradual improvement in domestic demand in Hong Kong. The labour market remained in a state of full employment with the seasonally adjusted unemployment rate staying at a 16-year low of 3.1%.

For 2013 as a whole, the economy grew moderately by 2.9%. This was slower than the average annual growth rate of 4.5% over the past decade. Consumer prices increased by 4.3% in 2013 and upside risks to inflation appear to be contained in the near term.

The total export of goods expanded modestly, while export of services recorded solid growth owing to the continual expansion of inbound tourism and cross-border financial activities.

The local stock market exhibited considerable fluctuations during the year, primarily attributable to the concerns about US monetary accommodation, while the local property market turned quiet after the Government's introduction of further cooling measures.

Despite the challenging operating environment, the Group has delivered yet another satisfactory results, which is an acknowledgment to our continued systematic execution of key strategic and operational initiatives both locally and, to a lesser extent, in our microfinance businesses in the Mainland China, where our capability continues to grow.

The Group will continue to invest in technology and process simplification to focus on quality in customer service and business processes. This focus will remain a priority in the years to come.

The Group remains well-funded, which has enabled the Group to give unwavering support and deliver quality products and services to our customers. The Group continues to be managed prudently with a strong capital base and a robust approach to provisioning.

OPERATING AND FINANCIAL RESULTS

For the year ended 20th February 2014, total sales volume increased by 13.0% to HK$8,761.7 million, driven by strong credit purchase transactions.

Revenue for the year increased by 3.9% to HK$1,164.7 million. Nevertheless, operating expenses increased by 19.5% to HK$530.1 million. Increase in operating expenses is attributable to a combination of factors, including the launch of a series of strategic marketing activities, inflation-related salary increases, information technology enhancements and the operating costs of new microfinance subsidiaries in China. Operating profit before the share of results of associates was HK$277.0 million, compared with HK$360.9 million in 2012/13. Net profit for the year was HK$221.9 million, representing 75.2% of the net profit of last year.

The Group's assets increased by HK$329.0 million for the year ended 20th February 2014, despite subdue underlying credit growth. This was largely driven by an increase in advances balances.

OUTLOOK

The improvement in the international macro environment has been better than many had anticipated. The US economy seems to be on a much surer footing and appears to have gained positive momentum, albeit long term structural issues remain a concern in the foreseeable future. If business and consumption sentiment could fend off the headwinds from the tapering by Federal Reserve of the United States, the US economy growth in 2014 could be stronger and faster than expected.

The economic growth of Mainland China seems to be settling at a slightly lower level than before and is expected to continue to experience some volatility. However, medium to long term economic prospects remain positive and should remain a key pillar to regional economic prosperity.

The local economy is projected to expand by 3% to 4% in 2014. Over the medium term, slow growth trends of advanced economies is likely to continue to restrain the growth potential of Hong Kong.

Overall, we believe competition will remain fierce in all aspects of our business. Traditional financial service providers and new e-commerce business models are all poised to capture market share in the consumer finance sector. However, we are confident that the underlying conditions for our business in 2014/15 will be similar to those in the recently completed year and should the economy rebound more quickly than anticipated, the Group is well positioned to meet the needs of our customers.

ACKNOWLEDGEMENT

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

In addition, I would like to thank the members of the Board and the truly excellent management team for their dedication, and all the staff members of the Group whom we depend on for our continuing and sustainable success.

Masanori KOSAKA
Chairman

Hong Kong, 16th April 2014

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 2014.

The economic environment during the 2013/14 financial year was mixed. Despite the improvement of the many indicators on world economy, market volatility was evident. In Hong Kong, the lack of a clear global recovery, combined with the waning momentum of Mainland China continued to suppress confidence.

Against this backdrop, the Group's focus on long term strategy and sustainability proved invaluable in delivering another satisfactory performance. The combination of customer service excellence and balanced mix of products allowed the Group to record double-digit growth in overall sales volume for a second consecutive year.

The Company's corporate slogan in 2013, "Convenient, Beneficial, Safe", relentlessly prompted the organization to place customer focus as one of its top priorities. A telephone survey of 500 random customers was conducted by the Customer Relationship Management Department of the Company during the year 2013/2014. We are pleased to report that the overall result was positive as the customer satisfaction assessment of the Group in 2013/14 achieved a rating of 97.4%. The Group will strive to maintain a high level of customer service satisfaction by focusing on customers' individual needs and situations.

Given the Group's relative strength and commitment to create value for shareholders, the Board has recommended a final dividend of 18.0 HK cents per share, bringing the total dividend for the year ended 20th February 2014 to 35.0 HK cents per share. This represents a dividend payout ratio of 66.0%.

OPERATIONAL REVIEW

Marketing

Our strategy is built around the application of effective marketing and exceptional customer service to cultivate opportunities and sustain growth. In 2013/14, the Group launched multi-channel marketing campaigns designed to drive acquisition and customer engagement. Moreover, collaborations with AEON Stores provided card members with a unique and rewarding shopping experience not readily available anywhere else.

Marketing Programmes

Ferrari Credit Card

Promotion highlights in the past year included the AEON Card Monthly Lucky Draw, AEON Ocean Park Halloween Joyful Event, KFC Visa Card and Circle K Visa Card payWave Promotion, AEON X Watami Combo Set Mix & Match Card Promotion and the AEON Cardmember Winter Spending Promotion. Overall results were positive and the responses received were overwhelming. In addition to mass promotions, extensive campaigns and Merchant Reward Programs were arranged alongside our co-branded card partners to stimulate sales and build brand loyalty.

The Ferrari Credit Card was launched in 2013. A host of exciting offers are available exclusively to card members including complimentary memberships to the prestigious Scuderia Ferrari Community, factory tours and the chance to meet the Ferrari F1 Team. The Group will continue to work with its partners to drive customer engagement, develop new revenue sources and deliver superb customer service.

Branch and ATM Network

Tin Shui Wai Branch

The Group's network comprises 21 branches and 192 ATMs which are geographically diverse. Tin Shui Wai Branch has commenced service in October 2013 and is set out to improve coverage in the northwest territories of Hong Kong. Assessment is performed regularly to improve accessibility and efficiency of branch locations and ATM placements. Two new branches are planned for 2014/15.

The capability of issuing instant credit cards has been extended across the entire branch network. It is now possible for customers to obtain a new credit card up to as little as 30 minutes at any one of our 21 locations. Our friendly branch staff not only facilitate customers' financial needs but also share the passion to do their best for the benefit of our clients.

Additionally, the ATM network has undergone a complete upgrade in the past year. RMB cash withdrawal and bill payment service for utilities have been implemented. A host of value added services are in the pipeline and will bring enhancement to the overall user experience.

New Services

AEON American Express® Virtual Pay

AEON Online Cash Advance

To capitalize on the shift in consumer dynamics, the Group has launched innovative products to open new revenue streams. The AEON American Express® Virtual Pay allows customers to shop securely online from the comfort of their homes or mobile handsets. This service can be readily purchased from the Group's website and is accepted as a means of payment virtually by all major e-tailers worldwide.

With the introduction of AEON Online Cash Advance, customers are now able to apply for cash advance online and withdraw funds from their designated bank accounts up to as little as 30 minutes. The new service is discreet and fully automated.

The Group's acquiring business continued to expand in the past year. Acceptance has grown to include UnionPay cards. Future enhancement of the payment gateway will include the capability of accepting point-of-sale and recurring transactions. Fee-based transaction business will continue to remain an integral part of the Group's portfolio.

China Business

Moving on to China business, sales volume of the microfinance subsidiaries continued to grow in the past year. They are keenly expanding into different market sectors to capture both growth and new revenue streams. However, the early stage of business is operating at a loss albeit the increase in sales and implementation of tighter cost control measures. The Affiliated Companies Department of the Company will continue to formulate marketing strategies catered to their respective localities and demographics. Risk management will remain a vital element in achieving a break-even point and possibly subsequent profits.

AIS continues to provide operation support to the Group. To cope with future expansion and to stay competitive, AIS has set up a new operation centre in Qingyuan. The new Qingyuan Operation Centre occupies over 900 square metres has commenced service in July 2013. AIS anticipates a substantial reduction in overhead expenses and in the long run, better profit margins.

Qingyuan Operation Centre

Insurance Business

AEON Brokers has continued to provide tailored services to individual and corporate clients. The unique positioning of AEON Brokers is reflected by the extensive range of financial products and services it offers. From life insurance, general insurance to MPF schemes, AEON Brokers is devoted to improve the quality of service through proactive customer engagement and multi-channel innovations.

To facilitate business growth, AEON Brokers will focus on utilizing cutting-edge technologies to better leverage shared services. Moreover, the streamlining of operation structures will allow business processes to be handled at a higher level of efficiency.

PROSPECTS

Looking ahead, macro indicators suggest the local economy is expected to pick up further, albeit slowly. The global economy is recovering at a moderate pace and activity in the US economy is also set to grow. The persistently low interest rate environment and large-scale asset purchases by the Federal Reserve of the United States continue to lay the foundations for sustainable growth.

Although the lack of consumer and business confidence may continue to weigh on the economy in the near term, our long term economic view remains positive. Management's focus in 2014/15 will be to continue with the investments in the capabilities that underpin customer engagement. By doing so, we can further create value for our customers and shareholders.

The Group has initiated a comprehensive set of strategies to strengthen its positioning. For example, by adopting the area-focused management methology, we can better leverage our competitive edge to improve services and create new revenue streams and sustainable growth.

Going forward, the Group will continue to innovate our products and simplify processes. The emphasis on service excellence, values of integrity and corporate responsibility will remain the foundation of the Group's future development.

Shareholders' interests are always the top priority. The Group is confident in its business prospects and is looking forward to an overall satisfactory performance in 2014/15.

SYSTEMS DEVELOPMENT

During the year under review, the Group has started to provide e-Statement to customers. Customers can now view and download their monthly statements through the Internet. e-Statement is free and is available through the Netmember website. This not only increases Netmember usage but also contributes to a greener society.

The Group has completed its replacement of ATMs. The new RMB cash dispensing service was completed during the year. This provides additional service to our customers to conveniently withdraw RMB cash in selected ATMs using any AEON credit card.

The Group has deployed the AEON American Express® Virtual Pay, Asia's 1st dynamic online account. Virtual Pay provides a safe and secure way to perform online transaction by providing "virtual card" to customers. Whenever a customer wants to enjoy internet shopping, Virtual Pay can be purchased and comes in the form of a card number with predesignated amount and expiry date from one to three days set by the customer. Using the card number instantly generated, the customer can make purchases online. No more transaction can be made by a virtual card after the designated amount has been used up or upon its expiry. The remaining balance of Virtual Pay will be automatically refunded to an AEON credit card held by the customer upon expiry of Virtual Pay. In this way, it avoids the risk of unauthorized use of credit card and provides greater peace of mind to customers.

The Group has implemented the online cash advance service on its website. The service can transfer cash as fast as 30 minutes to the customer's bank account. This enhanced service has shortened the wait time of customers and provided a convenient way to withdraw cash through ATM networks in Hong Kong.

In line with various standards such as PCI-DSS, ISO27001, J-SOX and so on, the Group will continue to monitor and enhance the security of its operating systems.

HUMAN RESOURCES

Total number of staff members in the Group as at 20th February 2014 and 20th February 2013 was 639 and 479 respectively. Employees are remunerated according to the job nature and market trends, with a built-in-merit component incorporated in the annual salary review to reward and motivate individual performance. Apart from medical insurance and provident fund, yearly discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Group. Monthly incentives are granted to relevant employees based on individual sales target achievement.


Staff Training

Based on the Group's main philosophy of "Customer First", the Group has provided various internal training programmes to its frontline employees to enhance their customer service skills. In addition, the Group has also provided in-house training programmes and external training sponsorships to its employees to keep them abreast of the latest market and regulatory developments.

To foster a better sense of belonging and team spirit among staff members, the Group issues staff newsletters on quarterly basis and organizes various staff activities.

CORPORATE SOCIAL RESPONSIBILITY

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

To fulfill our mission of "Planting Seeds of Growth" and supporting the Government in "preventing hill fire", the Group has participated in Hong Kong Tree Planting Day. This is the Group's tenth year as a participant in this meaningful activity.

Hong Kong Tree Planting Day

Managing Director's Operational Review

UNICEF Young Envoys Programme – Cheque Presentation

Moreover, the Group has continued to sponsor charitable projects through AEON Education and Environment Fund Limited. The project sponsored during the year was "UNICEF Young Envoys Programme 2013".

In China, the Group has continued to participate in the sponsorship for the scholarship programmes of different universities, including Peking University, Tsinghua University, Nankai University and Sun Yat-Sen University.

In the coming year, the Group will continue to help the less privileged and contribute to the creation of a greener living environment.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to acknowledge the exemplary hard work carried out with commitment and passion at every level within the Group, and especially to 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, 16th April 2014

Management Discussion and Analysis

Inflationary pressure in Hong Kong has gradually come down from an average of 4.7% in 2012 to an average of 4.0% in 2013. It is likely to be contained in 2014, as imported inflation is expected to stay subdued, while local rental cost pressure is also likely to recede. Unemployment rates are maintained at an average of approximately 3.3% in both 2012 and 2013, which is conducive to higher domestic consumption demand. Both low unemployment rate and inflation put pressure on staff costs as well as other operating expenses of the Group.

The low interest rate environment in Hong Kong continued through 2013 amid the ongoing accommodative monetary policy in the United States. Hong Kong dollar interest rates on both the interbank and retail fronts continued to hover at low levels. During the year, the Group issued one new prepaid card product, AEON American Express® Virtual Pay, one new cash advance product, AEON Online Cash Advance, and one new credit card product, the Ferrari Credit Card, to extend its reach to new market segments.

Despite the low growth environment, value has been delivered by recognizing the importance of enhancing the financial well being of our customers through our products and services, the continued investment in technology, and the focus on productivity and process simplification. The Group will continue to exercise cost control measures and asset quality management while expanding its product pipeline and customer base.

KEY FINANCIAL HIGHLIGHTS

For the financial year ended 20th February 2014, on an audited basis, profit before tax was HK$274.5 million, a decrease of 22.8% or HK$80.9 million when compared with last year. After deducting income tax expense of HK$52.5 million, the Group recorded a profit drop of 24.8%, with profit for the year decreased from HK$295.3 million in the previous year to HK$221.9 million. Earnings per share decreased by 24.8% from 70.51 HK cents to 53.00 HK cents in 2013/14.

Revenue for the year was HK$1,164.7 million, an increase of HK$43.4 million when compared with HK$1,121.3 million in 2012/13.

Operating income was HK$1,074.3 million, as compared with HK$1,038.7 million in 2012/13. Operating expenses increased by 19.5% from HK$443.5 million to HK$530.1 million. At the operating level before impairment losses and impairment allowances, the Group recorded a decrease in operating profit by 8.6% or HK$51.1 million from HK$595.2 million in 2012/13 to HK$544.1 million.

The Group's impairment losses and impairment allowances recorded an increase of 11.4% or HK$32.2 million from HK$282.5 million in the previous year to HK$314.7 million. Recoveries of advances and receivables written-off recorded a decrease of 1.1% or HK$0.5 million from HK$48.1 million in 2012/13 to HK$47.6 million in 2013/14.

Following the launch of strategic successful marketing programmes, the Group recorded an increase in gross advances of 9.8% during the year. Including accrued interest and other receivables, gross advances and receivables as at 20th February 2014 was HK$5,415.0 million, as compared to HK$4,942.5 million as at 20th February 2013.

Net asset value per share (after final dividend), compared with the net asset value per share as at 20th February 2013, increased from HK$5.1 to HK$5.4.

The Board proposed the payment of a final dividend of 18.0 HK cents per share. Together with an interim dividend of 17.0 HK cents per share already paid, the total dividend for the year amounted to 35.0 HK cents per share, representing a dividend payout ratio of 66.0%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Operating Income

The Group recorded a double-digit growth in both card cash advance and credit purchase sales following the launch of a series of successful marketing programmes to stimulate revolving transactions and credit purchase spending. However, the growth on local personal loan sales slowed down due to keen competition. Nevertheless, it was compensated by the steady sales performance of microfinance business in China. As a result, the Group recorded interest income of HK$1,033.9 million for the year ended 20th February 2014, an increase of HK$35.2 million when compared with last year. With the renewals of long-term indebtedness at lower interest rates in previous years, interest expense for the year ended 20th February 2014 was HK$95.7 million, a decrease of 6.1% or HK$6.2 million when compared with last year, with average funding cost being 3.0% as compared with 3.2% in the previous year. Net interest income of the Group recorded a growth of HK$41.4 million to HK$938.2 million from HK$896.8 million in 2012/13.

The increase in fees and commissions and handling and late charges from credit card contributed to the increase in other operating income by 5.2% from HK$130.1 million in 2012/13 to HK$136.9 million in 2013/14.

Operating Expenses

The Group set up a second microfinance subsidiary in Tianjin in the second half of 2012/13. In April of last year, another microfinance subsidiary started its business in Shenzhen. The running costs of these newly set up microfinance subsidiaries, together with the expansion and relocation costs of local branch network and the marketing expenses of various marketing activities had contributed to an increase in the operating expenses by 19.5% or HK$86.6 million from HK$443.5 million in 2012/13 to HK$530.1 million in 2013/14.

Impairment Losses and Impairment Allowances

During the year under review, impairment losses and impairment allowances increased by 11.4% or HK$32.2 million from HK$282.5 million in 2012/13 to HK$314.7 million due to the increase in overdue balances and the provision of impairment allowances on the advances of microfinance subsidiaries.

Recoveries of advances and receivables written-off was HK$47.6 million, a slight decrease of 1.1% or HK$0.5 million when compared with HK$48.1 million in 2012/13.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total equity at 20th February 2014 was HK$2,345.6 million, representing a growth of 5.2% or HK$116.5 million, when compared with the balance as at 20th February 2013.

Advances and Receivables

Despite the competitive consumer lending market, the Group recorded an increase in card cash advance and credit purchase receivables as a result of our successful marketing programmes. Overall credit card receivables recorded an increase of HK$465.7 million from HK$3,055.1 million at 20th February 2013 to HK$3,520.8 million at 20th February 2014.

The growth on local personal loan sales slowed down due to keen competition. Nevertheless, it was compensated by the steady sales performance of microfinance business in China. Instalment loans receivable at 20th February 2014 was HK$1,775.7 million, an increase of HK$12.9 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$6.1 million in the previous year to HK$2.5 million at 20th February 2014. Gross advances at 20th February 2014 were HK$5,299.1 million, as compared with HK$4,824.1 million at 20th February 2013. Together with accrued interest and other receivables, gross advances and receivables increased by HK$472.5 million, from HK$4,942.5 million at 20th February 2013 to HK$5,415.0 million at 20th February 2014.

With the increase in overdue balances and the provision of impairment allowances on the advances of microfinance subsidiaries, impairment allowances increased by HK$20.6 million from HK$126.8 million in 2012/13 to HK$147.4 million, representing 2.8% of gross advances and receivables.

Collateralised Debt Obligation

The Company entered into a HK$1,100.0 million collateralised debt obligation financing transaction (the "Transaction") as a source of its long-term funding. The Transaction consists of two tranches in the amount of HK$550.0 million each. Pursuant to the agreement for the Transaction, the Company transferred credit card receivables to a trust established solely for this financing purpose. In accordance with HKAS 39, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group's consolidated financial statements.

The collateralised debt obligation amounted to HK$1,098.9 million as at 20th February 2014. This was secured by credit card receivables of HK$1,858.8 million and restricted cash 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. As at 20th February 2014, 40.9% of its funding was derived from total equity, 39.9% from bank borrowings and 19.2% from structured finance.

The principal source of internally generated capital was from accumulated profits. As at 20th February 2014, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,285.3 million, with 14.0% being fixed in interest rates, 61.4% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 24.6% being renewed overnight. Including the collateralised debt obligation, 23.6% of these indebtedness will mature within one year, 26.0% between one and two years, 47.0% between two and five years and 3.4% over five years. The average duration of indebtedness was around 2.2 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD50.0 million which was 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 2014 was as follows:

	20.2.2014	20.2.2013
	HK$'000	*HK$'000*
Debt	**3,384,137**	3,137,341
Cash and cash equivalents	**(511,184)**	(526,022)
Net debt	**2,872,953**	2,611,319
Equity	**2,345,575**	2,229,109
Net debt to equity ratio	**1.2**	1.2

The net asset of the Group at 20th February 2014 was HK$2,345.6 million, as compared with HK$2,229.1 million at 20th February 2013.

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.

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 in anticipation of the changing operating environment in both Hong Kong and China. Under the current stock market situation, shareholders generally expect a reasonable return on their investments and a stable share price. In order to meet shareholders' expectation, the Board decided to maintain the full year absolute dividend amount at 35.0 HK cents for the year ended 20th February 2014, and a payout out ratio of 66.0%.

SEGMENT INFORMATION

The Group's business comprises four main operating segments, namely credit card, instalment loans, insurance and hire purchase. In 2013/14, credit card operation accounted for 65.5% of the Group's revenue, as compared to 65.3% in 2012/13. For segment results, credit card operation accounted for 88.9% of the Group's whole operations in 2013/14, as compared to 72.3% in 2012/13.

With the launch of various marketing programmes, credit card receivables increased substantially. As a result, interest income, fees and commission and handling and late charges increased accordingly, resulting in an increase in revenue from credit card operation of 4.2% or HK$30.5 million from HK$732.6 million in 2012/13 to HK$763.1 million in 2013/14. However, with the increase in operating expenses, the segment result for the year from credit card operation slightly decreased by 1.8% or HK$4.6 million from HK$260.3 million in 2012/13 to HK$255.7 million in 2013/14.

Although there was a fierce local market competition for instalment loan, there was a growth in microfinance business in China. As a whole, the instalment loan interest income recorded an increase when compared with last year. Revenue from instalment loan operation recorded an increase of 4.9% or HK$17.1 million from HK$347.0 million in 2012/13 to HK$364.1 million in 2013/14. However, with the increase in provision of impairment allowance and additional operation costs of the three microfinance subsidiaries in China, the segment result for the year from instalment loan operation recorded a decrease of 81.4% or HK$68.5 million from HK$84.2 million in 2012/13 to HK$15.7 million in 2013/14.

Revenue from insurance operation recorded a decrease of HK$3.7 million from HK$40.8 million in 2012/13 to HK$37.1 million in 2013/14. With the exercise of tighter control on the operating expenses, segment result for the year from insurance operation increased by 6.8% or HK$1.1 million from HK$15.0 million in 2012/13 to HK$16.1 million in 2013/14.

With a continuous general shift from hire purchase to card instalment plan, revenue from hire purchase operation recorded a decrease of HK$0.5 million, from HK$0.9 million in 2012/13 to HK$0.4 million in 2013/14. Segment result for the year from hire purchase operation recorded a decrease from HK$0.5 million in 2012/13 to HK$0.1 million in 2013/14.

COMPETITIVE ADVANTAGES

Business Model and Strategy

It is the Group's strategy to ride on co-branded cards to recruit new card members from the customer base of co-branded merchants and cross-sell other consumer finance products and services to them. The Group continues to benefit from the strong connections with affiliated merchants in launching new co-branded cards. By using the merchants' networks as card acquisition base and cross-selling channels, the Group has also successfully expanded its personal loan and insurance businesses. Moreover, besides insurance and call centre services, the Group will continue to explore other fee-based income business opportunities. On China side, riding on the experience and operation knowledge gained from AEON house card operation in China, the Group continues to create new products for its microfinance operations in order to cater for the growth of the consumer finance market in China.

Customer Base

The customer base of the Group is widely diversified. Around 58% of the customers are in the age range of 40 to 60. The new cardholders recruited in this financial year were mainly through the merchants in the retail and catering industries. Meanwhile, female cardholders represent 69% of our card portfolio as at 20th February 2014.

Convenient Service

The Group maintained its instant card application processing services during the year so as to enable approved new customers to enjoy immediate shopping privilege. For ease of payment, customers can settle their payments via branch counters and ATMs, convenience stores networks, phone banking, internet banking and other ATM networks. Customers can also have easy access to speedy and convenient cash advance and personal loan services via the Group's 192 ATMs as well as its branch network and call centres. The Tin Shui Wai Branch has commenced service in October 2013 and is set out to improve service coverage in the northwest territories of Hong Kong. For promoting card spending, the extensive discount merchant network continues to provide convenience and wide-ranging choices and benefits to cardholders.

Quality of Service

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

Directors Profile

DIRECTORS

Mr. Masanori KOSAKA, aged 57, was appointed as the Chairman of the Board and a Non-executive Director of the Company on 18th June 2013. He was the Managing Director of the Company from June 2002 to June 2011. He is a director of AEON Micro Finance (Shenyang) Co., Ltd., a subsidiary of the Company. He is currently the Managing Director of AEON Financial Service (Hong Kong) Co., Limited, the Company's immediate holding company. He is also a director of AEON Thana Sinsap (Thailand) Public Company Limited and AEON Credit Service (M) Berhad, both are listed public companies. He was a director of AEON Credit Service Co., Ltd., a listed public company, from April 2011 to March 2012. He first joined the Company in March 1993 (March 1993 – June 1996) and rejoined the Company in April 2002 (April 2002 – June 2012). He holds a Bachelor's degree in Law from Kyoto Sangyo University.

Mr. FUNG Kam Shing, Barry, aged 51, was appointed as an Executive Director and the Managing Director of the Company on 14th June 2006 and 17th June 2011 respectively. He is also a director of the Company's subsidiaries in Hong Kong and China. He joined the Company in May 2002. He holds a Bachelor's degree in Business Administration from Yokohama National University. He is also a Chartered Financial Analyst. Prior to joining the Company, he worked for a number of major international banks in Hong Kong, Singapore and Japan.

Ms. KOH Yik Kung, aged 58, was appointed an Executive Director of the Company on 21st June 2001. She is also the Company Secretary and in-house counsel. She is in charge of the Corporate Compliance Division of the Company comprising the Legal & Compliance Department and the Human Resources & Administration Department. 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. LAI Yuk Kwong, aged 51, was an Executive Director of the Company from 16th June 1999 to 20th July 2012 and re-designated as a Non-executive Director on 21st July 2012. He was the Deputy Managing Director from 14th June 2006 to 17th June 2011. He is currently the Deputy Managing Director of AEON Financial Service (Hong Kong) Co., Limited, the Company's immediate holding company. He is also a director of AEON Education and Environment Fund Limited, a subsidiary of the Company. He joined the Company in July 1996. He holds a Professional Diploma in Accountancy from Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and an associate member of the Institute of Chartered Accountants in England & Wales.

Ms. Tomoko MISAKI, aged 50, was an Executive Director of the Company from 18th June 2013 to 20th December 2013 and re-designated as a Non-executive Director on 21st December 2013. She is the Managing Director of AEON Insurance Brokers (HK) Limited, a subsidiary of the Company. She was in charge of the Customer Relationship Management Department of the Company for seven years. She has over 10 years of experience in the service industry. She was previously with the Company from July 2000 to April 2001 and rejoined the Company in April 2002. She holds a Bachelor's degree in Economics from Konan University and a Certificate in Chinese Language (Cantonese) from University of Hong Kong.

Directors Profile

Mr. IP Yuk Keung, aged 61, was appointed as an Independent Non-executive Director of the Company on 19th September 2013. He is an international banking and real estate professional with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo Bank and Merrill Lynch in Hong Kong, Asia and United States. His areas of expertise are in real estate, corporate banking, risk management, transaction banking and wealth management. He was named Managing Director of Citigroup in 2003 and Senior Credit Officer/Real Estate Specialist of Citicorp in 1990. At Citigroup, he was Corporate Bank Head, Head of Transaction Banking, Corporate Customer and Financial Institutions and Head of Asia Regional Investment Finance of Wealth Management. He was a Managing Director of Investments at Merrill Lynch (Asia Pacific). Mr. Ip is also an Independent Non-executive Director of Eagle Asset Management (CP) Limited (manager of Champion Real Estate Investment Trust), Hopewell Highway Infrastructure Limited, New World China Land Limited, TOM Group Limited, Power Assets Holdings Limited, and Lifestyle International Holdings Limited, all of which, except for Eagle Asset Management (CP) Limited, are listed public companies. He is a Council and Court Member and an Adjunct Professor of Lingnan University, a Member of International Advisory Board of College of Business, an Adjunct Professor and a Career Development Advisor at City University of Hong Kong, a Member and Governor of Technological and Higher Education Institute of Hong Kong, a Member of the International Advisory Committee and an Adjunct Scholar at University of Macau, an Executive Fellow in Asia, an International Delegate, Alumni Board of Governors and a Member of International Advisory Council Asia at Washington University in St. Louis, a Council Member of Cornell University, a Member of School Board Advisory Committee of Victoria Shanghai Academy and an Honorary Fellow of Vocational Training Council. He is also a member of The Management Sub-committee of the Boys' and Girls' Clubs Association of Hong Kong and a Member of Committee on Certification for Principalship. He holds a Bachelor's degree in Applied Mathematics and Computer Science from Washington University in St. Louis (summa cum laude), a Master's degree in Applied Mathematics from Cornell University and a Master's degree in Accounting and Finance from Carnegie-Mellon University.

Mr. WONG Hin Wing, aged 51, was appointed as an Independent Non-executive Director of the Company on 13th October 2004. He holds a Master's degree in Executive Business Administration from Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administration. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is a Council Member of the Chinese University of Hong Kong, a Member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a Member of the Nursing Council of Hong Kong. He has been the Chief Executive Officer and responsible officer of Legend Capital Partners, Inc., a licensed corporation under the Securities and Future 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. He has 30 years of experience in accounting, finance, investment management and advisory.

Directors Profile

Prof. TONG Jun, aged 50, 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 at the School of Foreign Languages and the 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, Executive Director of Guangdong, Hong Kong and Macau Universities Association for Japanese Studies and the Chairman of the South China Alumni Association of Okayama University.

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 year ended 20th February 2014, except for the deviations from code provisions A.4.1, A.4.2, A.6.7 and E.1.2 which are explained below.

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

The Company's Non-executive Directors are not appointed for a specific term and Directors are not subject to retirement by rotation. However, all Directors, including executive, non-executive and independent non-executive, are subject to retirement at each annual general meeting of the Company in accordance with the Articles. 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 A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board, who was a Non-executive Director, did not attend the 2013 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

Role of the Board

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, sound planning, the maintenance of an adequate system of internal control, and 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.

Composition

As at the date of this report, the Board comprises eight members, consisting of two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise) and that the number of independent non-executive directors must be at least one-third (1/3) of the board of directors. The name and biographical details of each Director are set out on pages 22 to 24 of this annual report.

Independent Non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the role and function of the Directors is maintained 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 relevant academic, professional and/or industry experience. They provide valuable advice to the Board towards the effective discharge of its duties and responsibilities.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Independence of Independent Non-executive Directors

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 Nomination Committee reviews and assesses the independence of the three Independent Non-executive Directors on an annual basis.

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. The date of the next regular Board meeting is fixed at the close of each Board meeting. At least fourteen days' notice is given to all Directors before each regular Board meeting and all Directors are given an opportunity to include matters for discussion in the agenda. The agenda and accompanying Board papers are sent to all Directors at least three days in advance of every regular Board meeting 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 regular Board meetings to make presentations or answer the Board's enquiries.

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.

Under the Articles, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement or other proposal in which he/she or any of his/her associates is/are materially interested.

The Company has arranged appropriate liability insurance to indemnify the Directors in respect of legal action against them.

Attendance at Board Meetings

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

Directors	**Attendance**
Executive Directors:	
Fung Kam Shing, Barry *(Managing Director)*	7/7
Koh Yik Kung	7/7
Tomoyuki Kawahara *(Note 1)*	2/2
Chan Fung Kuen, Dorothy *(Note 2)*	6/7
Non-executive Directors:	
Masanori Kosaka *(Chairman) (Note 3)*	5/5
Masao Mizuno *(Note 4)*	1/1
Lai Yuk Kwong	7/7
Tomoko Misaki *(Note 5)*	4/5
Independent Non-executive Directors:	
Ip Yuk Keung *(Note 6)*	4/4
Hui Ching Shan *(Note 7)*	2/3
Wong Hin Wing	7/7
Tong Jun	7/7

Notes:

1 *Resigned on 18th June 2013*
2 *Resigned on 31st January 2014*
3 *Appointed on 18th June 2013*
4 *Retired on 18th June 2013*
5 *Appointed as Executive Director on 18th June 2013 and re-designated as Non-executive Director on 21st December 2013*
6 *Appointed on 19th September 2013*
7 *Resigned on 19th September 2013*

Directors' Training

Every newly appointed Director will receive an induction package including key legal requirements applicable to directors of listed company in Hong Kong, the Memorandum and the Articles and the Company's relevant 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. The Company continuously updates Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company organized two formal training sessions on connected transactions and risk management, and AEON Code of Conduct respectively for Directors. Individual Directors also attended seminars/conferences/forums relevant to his/her profession and duties as Directors. All Directors had provided the Company Secretary with their training records for the year under review.

During the year ended 20th February 2014, the Directors received trainings on the following areas:

Directors	**Corporate Governance**	**Legal & Regulatory Development**	**Financial/ Management/ Business Skills & Knowledge**
Executive Directors			
Fung Kam Shing, Barry	✓	✓	✓
Koh Yik Kung	✓	✓	✓
Non-executive Directors			
Masanori Kosaka	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
Tomoko Misaki	✓	✓	✓
Independent Non-executive Directors			
Ip Yuk Keung*	✓	✓	✓
Wong Hin Wing	✓	✓	✓
Tong Jun	✓	✓	✓

* *An induction was conducted in November 2013 for Mr. Ip Yuk Keung who was newly appointed to the Board*

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Masanori Kosaka and the Managing Director is Mr. Fung Kam Shing, Barry. The respective 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

The Board adopts a nomination procedure for the appointment of new Directors. A proposal for the appointment of a new Director will be first reviewed by the Nomination Committee. Upon recommendation by the Nomination Committee, the Board will make the final decision.

In accordance with the Articles, 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.

BOARD COMMITTEES

There are three Board committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee. All the Board committees are empowered by the Board under their own respective terms of reference which have been posted on the Company's website and the Stock Exchange's website.

Nomination Committee

The Nomination Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Masanori Kosaka. The other members are Mr. Ip Yuk Keung, Mr. Wong Hin Wing and Prof. Tong Jun.

The Nomination Committee was established with specific written terms of reference which deal clearly with its authority and duties. Its duties include, among others, assessing the independence of Independent Non-executive Directors and making recommendations to the Board all new appointments and re-election of Directors. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience and other relevant factors, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. 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 held three meetings for the year ended 20th February 2014 to (i) review the structure, size and composition of the Board and consider the suitability of candidates for directorship; (ii) assess the independence of Independent Non-executive Directors; (iii) review the time required from a Director to perform his/her responsibilities; and (iv) recommend to the Board the Directors for re-election at the 2014 AGM.

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

Members	**Attendance**
Masanori Kosaka *(Chairman) (Note 1)*	1/1
Masao Mizuno *(Note 2)*	1/1
Ip Yuk Keung *(Note 3)*	N/A
Hui Ching Shan *(Note 4)*	2/3
Wong Hin Wing	3/3
Tong Jun	3/3

Notes:
1 Appointed on 18th June 2013
2 Retired on 18th June 2013
3 Appointed on 19th September 2013 and no meeting was held after appointment
4 Resigned on 19th September 2013

The Board has adopted a Board Diversity Policy in September 2013 which aims to set out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit while taking into account of diversity. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates is likely to bring to the Board. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continuing effectiveness.

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Ip Yuk Keung. The other members are Mr. Masanori Kosaka, Mr. Wong Hin Wing and Prof. 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 financial statements.

The Remuneration Committee held one meeting for the year ended 20th February 2014 to review the salaries and performance bonuses for the Executive Directors and senior management and recommend 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**
Ip Yuk Keung *(Chairman) (Note 1)*	N/A
Masanori Kosaka *(Note 2)*	1/1
Masao Mizuno *(Note 3)*	0/0
Hui Ching Shan *(Note 4)*	1/1
Wong Hin Wing	1/1
Tong Jun	1/1

Notes:
1 *Appointed on 19th September 2013 and no meeting was held after appointment*
2 *Appointed on 18th June 2013*
3 *Retired on 18th June 2013*
4 *Resigned on 19th September 2013*

Audit Committee

The Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is chaired by Mr. Ip Yuk Keung. The other members are Mr. Masanori Kosaka, Mr. Wong Hin Wing and Prof. 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, and overseeing the Group's financial reporting system and internal control procedures. The Audit Committee is delegated by the Board with the responsibility of overseeing the corporate governance functions of the Company as set out in code provision D.3.1 of the CG Code. 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 four meetings for the year ended 20th February 2014, and the meetings were attended by the 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 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 quarterly, half-yearly and annual results;
- 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;
- Reviewed the reporting arrangement for employees to raise concerns about possible financial reporting improprieties;
- Reviewed the Company's policies and practices on corporate governance;
- Reviewed the training and continuous professional development of the Directors and senior management;
- Reviewed the AEON Code of Conduct applicable to employees and the Directors; 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
Ip Yuk Keung *(Chairman) (Note 1)*	1/1
Masanori Kosaka *(Note 2)*	2/2
Masao Mizuno *(Note 3)*	1/1
Hui Ching Shan *(Note 4)*	2/3
Wong Hin Wing	4/4
Tong Jun	4/4

Notes:

1 *Appointed on 19th September 2013*
2 *Appointed on 18th June 2013*
3 *Retired on 18th June 2013*
4 *Resigned on 19th September 2013*

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 standards. 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 Division 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 have been identified by internal and external auditors and appropriate measures taken. The Board is of the view that the system of internal controls in place for the year and up to the date of issuance of the annual report is sound and is sufficient to safeguard the interests of the shareholders, the customers, the employees and of the 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 sufficient 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. Furthermore, Directors are provided with monthly updates on the Group's performance to assist the Directors to discharge their duties.

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 20th February 2014, 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. A statement by the external auditor of the Company about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 47 to 48 of this annual report.

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 2013 AGM until the conclusion of the 2014 AGM.

During the year under review, a remuneration of HK$2,813,000 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	72
Agreed upon procedures	659
J-SOX annual compliance review	650
Total	1,381

COMPANY SECRETARY

The Company Secretary's role is to support the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on corporate governance matters and facilitating induction and professional development of Directors. The Company Secretary reports to the Chairman and the Managing Director. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is delegated with the responsibility of drawing up the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda and that all applicable rules and regulations are followed. All Directors may ask for matters to be included in the agenda for regular board meetings by request to the Company Secretary. For the year under review, the Company Secretary has taken over 15 hours of relevant professional training to update her skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents. A copy of the latest consolidated version of the Memorandum and the Articles is posted on the Company's and the Stock Exchange's respective websites.

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 2013 AGM was held on Tuesday, 18th June 2013. The notice of the 2013 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than twenty-one days before the 2013 AGM. All Board members (except the Chairman of the Board who was overseas) together with the key executives and the external auditor attended the 2013 AGM. The Company Secretary explained the poll voting procedures at the 2013 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2013 AGM. All the resolutions at the 2013 AGM were dealt with by poll. The poll results of the 2013 AGM are available on the Company's website and the Stock Exchange's website.

The attendance records of the Directors at the 2013 AGM are set out below:

Directors	**Attendance**
Executive Directors:	
Fung Kam Shing, Barry *(Managing Director)*	1/1
Koh Yik Kung	1/1
Tomoyuki Kawahara	1/1
Chan Fung Kuen, Dorothy	1/1

Directors	Attendance
Non-executive Directors:	
Masanori Kosaka *(Chairman) (Note 1)*	0/0
Masao Mizuno	0/1
Lai Yuk Kwong	1/1
Tomoko Misaki *(Note 2)*	0/0
Independent Non-executive Directors:	
Ip Yuk Keung *(Note 3)*	0/0
Hui Ching Shan	1/1
Wong Hin Wing	1/1
Tong Jun	1/1

Notes:

1 *Appointed on 18th June 2013 after the 2013 AGM*

2 *Appointed as Executive Director on 18th June 2013 after the 2013 AGM and re-designated as Non-executive Director on 21st December 2013*

3 *Appointed on 19th September 2013*

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 2014 was HK$2,843,418,424 (issued share capital: 418,765,600 shares at closing market price: HK$6.79 per share).

The 2014 AGM will be held at Function Room, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 17th June 2014 at 10:00 a.m.

SHAREHOLDERS' RIGHTS

Calling a general meeting of the Company

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having the right to vote at general meetings may request the Directors to call a general meeting of the Company. The requisition, duly signed by the shareholder(s) concerned, must clearly state the objects of the meeting and must be deposited at the registered office of the Company for the attention of the Company Secretary. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 566 to 568 of the Companies Ordinance once a valid requisition is received.

Putting forward proposals at a general meeting of the Company

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have the right to vote or at least 50 shareholders who have a relevant right to vote may by requisition in writing to the Company either put forward a proposal at a general meeting or circulate to other shareholders a written statement with respect to matter to be dealt with at a general meeting. The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 581 to 583 of the Companies Ordinance once valid documents are received.

Proposing a candidate for election as a Director at an annual general meeting of the Company ("AGM")

Pursuant to Article 88 of the Articles, if a shareholder of the Company intends to propose a person other than a Director for election as a Director at an AGM, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his/her intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the despatch of the AGM notice and ending no later than seven days prior to the date of the AGM. Detailed procedures can be found in the document titled "Procedures for Shareholder to propose a person for election as a Director" which is available on the Company's website.

Enquiries to the Board

Enquiries may be put forward to the Board through the Company Secretary at 20/F, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 20th February 2014.

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 microfinance business.

NET DEBT TO EQUITY RATIO

At 20th February 2014, the net debt to equity ratio was 1.2 (2013: 1.2).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 20th February 2014 are set out in the consolidated statement of profit or loss on page 49.

An interim dividend of 17.0 HK cents (2013: interim dividend of 17.0 HK cents) per share amounting to HK$71,190,000 (2013: HK$71,190,000) was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 18.0 HK cents (2013: 18.0 HK cents) per share to the shareholders on the register of members on 23rd June 2014 amounting to HK$75,378,000 (2013: HK$75,378,000), and the retention of the remaining profit for the year of HK$146,570,000.

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$45,965,000 on computer equipment, HK$5,931,000 on leasehold improvements and HK$3,895,000 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)*	
Koh Yik Kung	
Tomoko Misaki	(Appointed on 18th June 2013 and re-designated on 21st December 2013)
Tomoyuki Kawahara	(Resigned on 18th June 2013)
Chan Fung Kuen, Dorothy	(Resigned on 31st January 2014)

Non-executive Directors:

Masanori Kosaka *(Chairman)*	(Appointed on 18th June 2013)
Masao Mizuno	(Retired on 18th June 2013)
Lai Yuk Kwong	
Tomoko Misaki	(Re-designated on 21st December 2013)

Independent Non-executive Directors:

Ip Yuk Keung	(Appointed on 19th September 2013)
Hui Ching Shan	(Resigned on 19th September 2013)
Wong Hin Wing	
Tong Jun	

In accordance with Article 102 of the Articles, all Directors shall retire at the 2014 AGM and shall be eligible for re-election. Accordingly, all existing Directors will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2014 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 2014, 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) AFS – intermediate holding company of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Masanori Kosaka	9,596	0.01

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

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Thailand
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 2014.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, 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 2014, 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)*	280,588,000	67.00
AFS *(Note 2)*	220,814,000	52.73
AFS (HK) *(Note 3)*	220,814,000	52.73
DJE Investment S.A. *(Note 4)*	33,488,000	8.00
Aberdeen Asset Management Plc and its Associates	32,340,000	7.72

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 41.94% of the issued share capital of AFS, the holding company of AFS (HK) and 71.64% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 220,814,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.

(2) AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 220,814,000 shares owned by AFS (HK).

(3) Out of 220,814,000 shares, 213,114,000 shares were held by AFS (HK) and 7,700,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited, as a nominee on behalf of AFS (HK).

(4) 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 2014.

CONNECTED TRANSACTIONS

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

(a) Pursuant to an agreement dated 15th April 2011 entered into between the Company and AEON Stores, the Company would receive commission from AEON Stores in respect of purchases made by customers using credit purchase facilities, card instalment facilities, hire purchase facilities and payment solutions provided by the Company.

The total amount of commission received and receivable by the Company from AEON Stores for the year ended 20th February 2014 was HK$13,746,000, of which HK$6,088,000 is classified as interest income under HKAS 39. The commission amount did not exceed the cap of HK$16,000,000 as disclosed in the Company's announcement dated 15th April 2011.

(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 2014 was HK$9,229,000.

On 29th November 2013, the Company and AEON Stores entered into a new licence agreement to renew the previous licence agreement for the leasing of shop no. L302, 3/F, Kornhill Plaza (South), 2 Kornhill Road, Quarry Bay, Hong Kong for a term of 2 years commencing from 1st December 2013 to 30th November 2015. Pursuant to the new licence agreement, the Company would pay to AEON Stores a monthly licence fee of HK$186,327 for the first year and HK$191,917 for the second year. The current management fee is HK$10,152. The aggregate sum of the licence fee and management fee for the year ended 20th February 2014 amounted to HK$2,307,000, of which HK$1,774,000 is under the previous licence agreement and HK$533,000 is under the new licence agreement, which did not exceed the respective caps of HK$2,000,000 and HK$650,000 as disclosed in the Company's announcements dated 29th November 2011 and 29th November 2013 respectively.

CONNECTED TRANSACTIONS (Cont'd)

(b) (Cont'd)

On 14th January 2014, the Company and AEON Stores entered into a new licence agreement to renew the previous 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 2014 to 15th January 2016. Pursuant to the new licence agreement, the Company would pay to AEON Stores a monthly licence fee of HK$103,773 for the first year and HK$106,886 for the second year. The current management fee is HK$4,836. The aggregate sum of the licence fee and management fee for the year ended 20th February 2014 amounted to HK$1,271,000, of which HK$1,137,000 is under the previous licence agreement and HK$134,000 is under the new licence agreement, which did not exceed the respective caps of HK$1,400,000 and HK$400,000 as disclosed in the Company's announcements dated 17th January 2012 and 14th January 2014 respectively.

On 31st October 2013, the Company and AEON Stores entered into a new licence agreement to renew the previous licence agreement for the leasing of shop no. G5-16, G/F, AEON Whampoa Store, Sites 5 & 6 Whampoa Garden, Hung Hom, Kowloon, Hong Kong for a term of 1 year commencing from 1st November 2013 to 31st October 2014 at a monthly licence fee of HK$121,380 and management fee of HK$8,160. The aggregate sum of the licence fee and management fee for the year ended 20th February 2014 amounted to HK$1,541,000, of which HK$1,060,000 is under the previous licence agreement and HK$481,000 is under the new licence agreement, which did not exceed the respective caps of HK$1,150,000 and HK$550,000 as disclosed in the Company's announcements dated 31st October 2012 and 31st October 2013 respectively.

(c) Pursuant to a master service agreement dated 20th February 2013 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 2014 amounted to HK$40,210,000, which did not exceed the cap of HK$41,000,000 as disclosed in the Company's announcement dated 20th February 2013.

(d) On 30th October 2013, the Company and ACSS entered into a new master service agreement to renew the previous master service agreement whereby the Company would pay service fees to ACSS for the provision of computer related services.

The total amount of service fees paid and payable by the Company to ACSS for the year ended 20th February 2014 amounted to HK$7,661,000, of which HK$5,230,000 is under the previous master service agreement and HK$2,431,000 is under the new master service agreement, which did not exceed the respective caps of HK$7,500,000 and HK$3,700,000 as disclosed in the Company's announcements dated 31st October 2012 and 30th October 2013 respectively.

CONNECTED TRANSACTIONS (Cont'd)

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a), (b), (c) and (d) 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 Rule 14A.38 of the Listing Rules. 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.

Under the Facility, it will be an event of default if the Company ceases to be a consolidated subsidiary of AFS, which is a controlling shareholder of the Company currently holding 52.73% of the issued share capital of the Company. If the event occurs, the Facility may become due and payable on demand.

During the year of review, no repayment was made under the Facility. At 20th February 2014, 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, any of its holding companies, 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$569,000.

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 2014.

AUDITOR

A resolution will be submitted to the 2014 AGM to reappoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fung Kam Shing, Barry
Managing Director

Hong Kong, 16th April 2014

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 49 to 142, which comprise the consolidated and company statements of financial position as at 20th February 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 2014, 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, 16th April 2014

Consolidated Statement of Profit or Loss

For the year ended 20th February 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	5	**1,164,653**	1,121,348
Interest income	7	**1,033,863**	998,674
Interest expense	8	**(95,665)**	(101,901)
Net interest income		**938,198**	896,773
Other operating income	9	**136,862**	130,054
Other gains and losses	10	**(794)**	11,839
Operating income		**1,074,266**	1,038,666
Operating expenses	11	**(530,126)**	(443,494)
Operating profit before impairment allowances		**544,140**	595,172
Impairment losses and impairment allowances		**(314,723)**	(282,456)
Recoveries of advances and receivables written-off		**47,581**	48,134
Share of results of associates	18	**(2,508)**	(5,489)
Profit before tax		**274,490**	355,361
Income tax expense	13	**(52,542)**	(60,089)
Profit for the year		**221,948**	295,272
Attributable to:			
Owners of the Company		**221,948**	295,272
Earnings per share – Basic	15	**53.00 HK cents**	70.51 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 20th February 2014

	2014	2013
	HK$'000	HK$'000
Profit for the year	**221,948**	295,272
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss) gain on available-for-sale investments	**(18,204)**	711
Exchange difference arising from translation of foreign operations	**6,421**	1,763
Net adjustment on cash flow hedges	**52,869**	28,326
Other comprehensive income for the year	**41,086**	30,800
Total comprehensive income for the year	**263,034**	326,072
Total comprehensive income for the year attributable to:		
Owners of the Company	**263,034**	326,072

Consolidated Statement of Financial Position

At 20th February 2014

	NOTES	20.2.2014 HK$'000	20.2.2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**111,368**	96,642
Investments in associates	18	**15,162**	17,125
Available-for-sale investments	19	**26,105**	44,309
Advances and receivables	20	**1,292,429**	1,314,805
Prepayments, deposits and other debtors	24	**44,183**	42,540
Derivative financial instruments	35	**1,025**	32
Restricted deposits	25	**68,000**	68,000
		1,558,272	1,583,453
Current assets			
Advances and receivables	20	**3,975,192**	3,500,862
Prepayments, deposits and other debtors	24	**39,718**	35,450
Amount due from immediate holding company	32	**1,395**	–
Amounts due from fellow subsidiaries	31	**73**	–
Amount due from an associate	33	**–**	979
Restricted deposits	25	**–**	115,958
Time deposits	26	**361,660**	372,083
Fiduciary bank balances	27	**3,074**	3,712
Bank balances and cash	28	**158,394**	156,309
		4,539,506	4,185,353
Current liabilities			
Creditors and accruals	29	**170,094**	147,994
Amounts due to fellow subsidiaries	31	**59,854**	51,616
Amount due to intermediate holding company	32	**–**	2,963
Amount due to ultimate holding company	32	**49**	90
Amount due to an associate	33	**1,434**	–
Bank borrowings	34	**797,500**	711,130
Bank overdrafts		**5,025**	2,370
Derivative financial instruments	35	**1,740**	8,875
Tax liabilities		**6,473**	21,361
		1,042,169	946,399
Net current assets		**3,497,337**	3,238,954
Total assets less current liabilities		**5,055,609**	4,822,407

Consolidated Statement of Financial Position

At 20th February 2014

	NOTES	20.2.2014 HK$'000	20.2.2013 HK$'000
Capital and reserves			
Issued capital	37	**41,877**	41,877
Share premium and reserves	38	**2,303,698**	2,187,232
Total equity		**2,345,575**	2,229,109
Non-current liabilities			
Collateralised debt obligation	39	**1,098,887**	1,098,461
Bank borrowings	34	**1,487,750**	1,327,750
Derivative financial instruments	35	**118,597**	164,687
Deferred tax liabilities	36	**4,800**	2,400
		2,710,034	2,593,298
		5,055,609	4,822,407

The consolidated financial statements on pages 49 to 142 were approved and authorised for issue by the Board on 16th April 2014 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Statement of Financial Position

At 20th February 2014

	NOTES	20.2.2014 HK$'000	20.2.2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**102,240**	94,194
Investments in subsidiaries	17	**310,899**	121,791
Investments in associates	18	**15,162**	17,125
Available-for-sale investments	19	**26,105**	44,309
Advances and receivables	20	**1,282,884**	1,313,759
Prepayments, deposits and other debtors	24	**42,589**	42,283
Derivative financial instruments	35	**1,025**	32
Restricted deposits	25	**68,000**	68,000
		1,848,904	1,701,493
Current assets			
Advances and receivables	20	**3,881,230**	3,486,843
Prepayments, deposits and other debtors	24	**20,922**	17,705
Amount due from a subsidiary	30	**166**	–
Amount due from immediate holding company	32	**1,360**	–
Amount due from an associate	33	**–**	979
Restricted deposits	25	**–**	115,958
Time deposits	26	**256,593**	371,983
Bank balances and cash	28	**74,423**	44,969
		4,234,694	4,038,437
Current liabilities			
Creditors and accruals	29	**154,728**	131,287
Amount due to a subsidiary	30	**–**	9,057
Amounts due to fellow subsidiaries	31	**58,183**	51,565
Amount due to intermediate holding company	32	**–**	2,732
Amount due to ultimate holding company	32	**49**	90
Amount due to an associate	33	**1,434**	–
Bank borrowings	34	**797,500**	711,130
Bank overdrafts		**5,025**	2,370
Derivative financial instruments	35	**1,740**	8,875
Tax liabilities		**5,596**	20,324
		1,024,255	937,430
Net current assets		**3,210,439**	3,101,007
Total assets less current liabilities		**5,059,343**	4,802,500

Statement of Financial Position

At 20th February 2014

	NOTES	20.2.2014 HK$'000	20.2.2013 HK$'000
Capital and reserves			
Issued capital	37	**41,877**	41,877
Share premium and reserves	38	**2,307,432**	2,167,325
Total equity		**2,349,309**	2,209,202
Non-current liabilities			
Collateralised debt obligation	39	**1,098,887**	1,098,461
Bank borrowings	34	**1,487,750**	1,327,750
Derivative financial instruments	35	**118,597**	164,687
Deferred tax liabilities	36	**4,800**	2,400
		2,710,034	2,593,298
		5,059,343	4,802,500

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 20th February 2014

	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 2012	41,877	227,330	270	17,938	(194,305)	10,323	1,946,172	2,049,605
Profit for the year	–	–	–	–	–	–	295,272	295,272
Fair value gain on available-for-sale investments	–	–	–	711	–	–	–	711
Exchange difference arising from translation of foreign operations	–	–	–	–	–	1,763	–	1,763
Net adjustment on cash flow hedges	–	–	–	–	28,326	–	–	28,326
Total comprehensive income for the year	–	–	–	711	28,326	1,763	295,272	326,072
Final dividend paid for 2011/12	–	–	–	–	–	–	(75,378)	(75,378)
Interim dividend paid for 2012/13	–	–	–	–	–	–	(71,190)	(71,190)
	–	–	–	711	28,326	1,763	148,704	179,504
At 20th February 2013	**41,877**	**227,330**	**270**	**18,649**	**(165,979)**	**12,086**	**2,094,876**	**2,229,109**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**221,948**	**221,948**
Fair value loss on available-for-sale investments	**–**	**–**	**–**	**(18,204)**	**–**	**–**	**–**	**(18,204)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**6,421**	**–**	**6,421**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**52,869**	**–**	**–**	**52,869**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(18,204)**	**52,869**	**6,421**	**221,948**	**263,034**
Final dividend paid for 2012/13	**–**	**–**	**–**	**–**	**–**	**–**	**(75,378)**	**(75,378)**
Interim dividend paid for 2013/14	**–**	**–**	**–**	**–**	**–**	**–**	**(71,190)**	**(71,190)**
	–	**–**	**–**	**(18,204)**	**52,869**	**6,421**	**75,380**	**116,466**
At 20th February 2014	**41,877**	**227,330**	**270**	**445**	**(113,110)**	**18,507**	**2,170,256**	**2,345,575**

Consolidated Statement of Cash Flows

For the year ended 20th February 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before tax	**274,490**	355,361
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	**426**	426
Depreciation	**40,665**	36,293
Dividends received on available-for-sale investments	**(171)**	(966)
Gain on disposal of available-for-sale investments	**–**	(14,100)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**314,723**	282,456
Interest expense	**95,239**	101,475
Interest income	**(1,033,863)**	(998,674)
Net losses on disposal of property, plant and equipment	**561**	37
Share of results of associates	**2,508**	5,489
Operating cash flows before movements in working capital	**(305,422)**	(232,203)
Increase in advances and receivables	**(766,774)**	(334,001)
Increase in prepayments, deposits and other debtors	**(7,787)**	(12,752)
Increase in amount due from immediate holding company	**(1,395)**	–
Increase in amounts due from fellow subsidiaries	**(73)**	–
Decrease (increase) in amount due from an associate	**979**	(979)
Decrease (increase) in fiduciary bank balances	**638**	(1,466)
Increase (decrease) in creditors and accruals	**23,573**	(6,397)
Increase in amounts due to fellow subsidiaries	**8,238**	1,343
Decrease in amount due to immediate holding company	**–**	(123)
(Decrease) increase in amount due to intermediate holding company	**(2,963)**	2,963
(Decrease) increase in amount due to ultimate holding company	**(41)**	39
Increase (decrease) in amount due to an associate	**1,434**	(878)
Cash used in operations	**(1,049,593)**	(584,454)
Tax paid	**(65,030)**	(51,869)
Interest paid	**(97,811)**	(100,395)
Interest received	**1,035,985**	997,523
Net cash (used in) generated from operating activities	**(176,449)**	260,805

Consolidated Statement of Cash Flows

For the year ended 20th February 2014

	2014 HK$'000	2013 HK$'000
Investing activities		
Dividends received	**171**	966
Proceeds from disposal of available-for-sale investments	**–**	74,882
Proceeds from disposal of property, plant and equipment	**10**	–
Purchase of property, plant and equipment	**(45,816)**	(24,395)
Deposits paid for acquisition of property, plant and equipment	**(10,222)**	(11,371)
Increase in time deposit with maturity of more than three months	**(3,845)**	–
Net cash (used in) generated from investing activities	**(59,702)**	40,082
Financing activities		
Placement of restricted deposits	**(2,509,669)**	(2,543,928)
Withdrawal of restricted deposits	**2,625,627**	2,427,970
Dividends paid	**(146,568)**	(146,568)
New bank loans raised	**65,731,636**	21,762,080
Repayment of bank loans	**(65,485,516)**	(21,630,500)
Net cash generated from (used in) financing activities	**215,510**	(130,946)
Net (decrease) increase in cash and cash equivalents	**(20,641)**	169,941
Effect of changes in exchange rate	**5,803**	1,808
Cash and cash equivalents at beginning of the year	**526,022**	354,273
Cash and cash equivalents at end of the year	**511,184**	526,022
Being:		
Time deposits with maturity of three months or less	**357,815**	372,083
Bank balances and cash	**158,394**	156,309
Bank overdrafts	**(5,025)**	(2,370)
	511,184	526,022

Notes to the Consolidated Financial Statements

For the year ended 20th February 2014

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 AFS (HK), incorporated in Hong Kong and its ultimate holding company is AEON Japan, incorporated in Japan and listed on the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 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 microfinance 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")

The Group and the Company have applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

Except as described below, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group and the Company have applied the amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 "Financial Instruments: Presentation"; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no impact on the amounts reported in the Group's and the Company's financial statements but has resulted in more disclosures relating to the Group's and the Company's master netting agreements or similar agreements. Detailed disclosures are set out in note 41.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of the relevant standards is set out below.

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

Impact of the application of HKFRS 10

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". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors have made an assessment of the application of HKFRS 10 and concluded that the application of the standard has had no significant impact on the financial results or position of the Group for the current and prior years.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 18 for details).

HKFRS 13 Fair Value Measurement

The Group and the Company have applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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

HKFRS 13 Fair Value Measurement (Cont'd)

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group and the Company have not made any new disclosures required by HKFRS 13 for the 2012/2013 comparative period (please see note 41 for the 2013/2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'consolidated statement of comprehensive income' is renamed as the 'consolidated statement of profit or loss and other comprehensive income' and the 'consolidated income statement' is renamed as the 'consolidated statement of profit or loss'. 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. Furthermore, 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) – Int 21	Levies[1]

1 *Effective for annual periods beginning on or after 1st January 2014*

2 *Effective for annual periods beginning on or after 1st July 2014*

3 *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised*

4 *Effective for annual periods beginning on or after 1st July 2014, with limited exceptions*

5 *Effective for first annual HKFRS financial statements beginning on or after 1st January 2016*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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

HKFRS 9 Financial Instruments (Cont'd)

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable 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.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 9 Financial Instruments (Cont'd)

The Directors anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group's and the Company's available-for-sale equity investments that are currently stated at cost less impairment. At the date of issuance of these financial statements, the Directors are in the process of assessing the potential financial impact.

Except as described above, the Directors anticipate that the application of other new and revised HKFRSs issued but not yet effective will have no material impact on the Group's and the Company'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 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.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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 is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Credit card transactions that result in award credits (often called "bonus points") for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the commission received or receivable is allocated between the credit card transactions and the award credits granted. The commission allocated to the award credits is measured by reference to their fair value 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 (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets 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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

Investments in associates

An associate is an entity over which the Group has significant influence. 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

Investments in associates (Cont'd)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 of disposal) 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 resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 recognised as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Company's net investment outstanding in respect of the contracts.

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

Leasing (Cont'd)

The Group and the Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. 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.

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 recognised 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 on 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 each reporting period. Income and expenses 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 before tax as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and 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 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 each 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 and the Company expect, 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 are recognised in profit or loss, except when they relate 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 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

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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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 as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss ("FVTPL"). The Group designated listed and unlisted equity securities as available-for-sale investments on initial recognition of those items.

Equity securities held by the Group and the Company that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets at fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

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 are measured at cost less any identified impairment losses at the end of each 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, amounts due from immediate holding company, fellow subsidiaries, a subsidiary and an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on 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 each 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

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

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.

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 uncollectable, it is 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not 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.

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

***Financial liabilities and equity instruments* (Cont'd)**

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 of 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 fellow subsidiaries, a subsidiary, intermediate holding company, ultimate holding company and an associate, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at proceeds received, net of direct issue cost.

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Hedge accounting

The Group and the Company designate 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 and the Company document whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

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 and is included in the 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 statement of profit or loss as the recognised hedged item.

Hedge accounting is discontinued when the Group and the Company revoke the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when if no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

The Group and the Company derecognise 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 and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue 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.

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses – non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment losses – non-financial assets (Cont'd)

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 immediately in profit or loss.

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.

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

Impairment allowances on advances and receivables

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

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

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

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

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

5. REVENUE

	2014 **HK$'000**	2013 HK$'000
Interest income	**1,033,863**	998,674
Fees and commissions	**80,013**	74,287
Handling and late charges	**50,777**	48,387
	1,164,653	1,121,348

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

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 2014

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
REVENUE	763,139	364,069	37,066	379	1,164,653
RESULT					
Segment results	255,664	15,652	16,073	86	287,475
Unallocated operating income					4,614
Unallocated expenses					(15,091)
Share of results of associates					(2,508)
Profit before tax					274,490

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 20th February 2013

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
REVENUE	732,615	347,011	40,800	922	1,121,348
RESULT					
Segment results	260,339	84,227	15,045	536	360,147
Unallocated operating income					20,963
Unallocated expenses					(20,260)
Share of results of associates					(5,489)
Profit before tax					355,361

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 2014

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	4,075,201	1,916,819	61,895	2,596	6,056,511
Investments in associates					15,162
Available-for-sale investments					26,105
Consolidated total assets					6,097,778
LIABILITIES					
Segment liabilities	3,173,575	557,623	8,385	1,347	3,740,930
Unallocated liabilities					11,273
Consolidated total liabilities					3,752,203

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

At 20th February 2013

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	3,672,150	1,858,891	46,149	6,022	5,583,212
Investments in associates					17,125
Available-for-sale investments					44,309
Unallocated assets					124,160
Consolidated total assets					5,768,806
LIABILITIES					
Segment liabilities	2,860,476	635,269	17,320	2,871	3,515,936
Unallocated liabilities					23,761
Consolidated total liabilities					3,539,697

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

- all assets are allocated to operating and reportable segments other than investments in associates, available-for-sale investments and certain time deposits.
- 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 results or segment assets:

2014

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	**53,282**	**14,682**	**424**	**–**	**68,388**
Depreciation	**25,868**	**14,267**	**530**	**–**	**40,665**
Impairment losses and impairment allowances	**147,778**	**166,921**	**–**	**24**	**314,723**
Net losses on disposal of property, plant and equipment	**394**	**167**	**–**	**–**	**561**
Recoveries of advances and receivables written off	**(36,435)**	**(10,931)**	**–**	**(215)**	**(47,581)**

2013

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	47,277	6,756	–	–	54,033
Depreciation	22,983	12,655	655	–	36,293
Impairment losses and impairment allowances	152,258	130,188	–	10	282,456
Losses on disposal of property, plant and equipment	–	37	–	–	37
Recoveries of advances and receivables written off	(36,378)	(11,334)	–	(422)	(48,134)

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

6. SEGMENT INFORMATION (Cont'd)

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) 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

	2014	2013
	HK$'000	HK$'000
Advances	**1,026,886**	993,712
Impaired advances	**4,607**	3,239
Time deposits and bank balances	**2,370**	1,723
	1,033,863	998,674

8. INTEREST EXPENSE

	2014	2013
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**10,805**	16,456
Interest on bank borrowings wholly repayable after five years	**538**	455
Interest on collateralised debt obligation wholly repayable within five years	**6,432**	6,915
Net interest expense on interest rate swap contracts	**77,890**	78,075
	95,665	101,901

Amortisation of upfront cost of **HK$426,000** (2013: HK$426,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

9. OTHER OPERATING INCOME

	2014 HK$'000	2013 HK$'000
Dividends received on available-for-sale investments		
Listed equity securities	**171**	928
Unlisted equity securities	**–**	38
Fees and commissions		
Credit card	**42,947**	33,487
Insurance	**37,066**	40,800
Handling and late charges	**50,777**	48,387
Others	**5,901**	6,414
	136,862	130,054

10. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Exchange (losses) gains		
Exchange (losses) gains on hedging instruments released from cash flow hedge reserve	**(30)**	60
Exchange gains (losses) on bank loans	**30**	(60)
Exchange losses, net	**(23)**	(2,014)
Gain on disposal of available-for-sale investments	**–**	14,100
Hedge ineffectiveness on cash flow hedges	**(210)**	(210)
Net losses on disposal of property, plant and equipment	**(561)**	(37)
	(794)	11,839

11. OPERATING EXPENSES

	2014	2013
	HK$'000	HK$'000
Auditor's remuneration	**2,813**	2,351
Depreciation	**40,665**	36,293
General administrative expenses	**147,117**	123,329
Marketing and promotion expenses	**75,583**	54,629
Operating lease rentals in respect of rented premises, advertising space and equipment	**64,876**	55,123
Other operating expenses	**59,693**	46,967
Staff costs including Directors' emoluments	**139,379**	124,802
	530,126	443,494

Operating lease rentals in respect of Directors' and staff quarters of **HK$1,151,000** (2013: HK$1,226,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the twelve (2013: eleven) Directors were as follows:

2014

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
Masanori Kosaka (18.6.2013–20.2.2014)	–	–	–	–	–
Masao Mizuno (21.2.2013–18.6.2013)	–	–	–	–	–
Fung Kam Shing, Barry	–	1,357	500	15	1,872
Koh Yik Kung	–	1,721	100	15	1,836
Tomoko Misaki *(Note b and d)* (18.6.2013–20.2.2014)	–	484	–	10	494
Tomoyuki Kawahara (21.2.2013–18.6.2013)	–	328	–	5	333
Chan Fung Kuen, Dorothy (21.2.2013–31.1.2014)	–	849	120	14	983
Lai Yuk Kwong *(Note c)*	–	–	–	–	–
Ip Yuk Keung (19.9.2013–20.2.2014)	113	–	–	–	113
Hui Ching Shan (21.2.2013–19.9.2013)	152	–	–	–	152
Wong Hin Wing	265	–	–	–	265
Tong Jun	265	–	–	–	265
	795	4,739	720	59	6,313

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

(a) Directors' emoluments (Cont'd)

2013

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
Masao Mizuno	–	–	–	–	–
Masanori Kosaka (21.2.2012–15.6.2012)	–	–	–	–	–
Fung Kam Shing, Barry	–	1,351	493	14	1,858
Tomoyuki Kawahara	–	1,004	130	14	1,148
Koh Yik Kung	–	1,698	88	14	1,800
Chan Fung Kuen, Dorothy	–	864	80	14	958
Toshiya Shimakata *(Note b)* (21.2.2012–15.6.2012)	–	316	220	–	536
Lai Yuk Kwong *(Note c)*	–	602	209	5	816
Hui Ching Shan	255	–	–	–	255
Wong Hin Wing	255	–	–	–	255
Tong Jun	255	–	–	–	255
	765	5,835	1,220	61	7,881

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.

(b) Operating lease rentals in respect of Directors' accommodations of **HK$104,000** (2013: HK$55,000) are included under salaries and other benefits.

(c) With effect from 21st July 2012, Lai Yuk Kwong ceased to receive any remuneration from the Company following his re-designation as an Non-executive Director of the Company.

(d) With effect from 21st December 2013, Tomoko Misaki ceased to receive any remuneration from the Company following her re-designation as an Non-executive Director of the Company.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2013: five) were Directors, of whom two (2013: Nil) of them with emoluments of HK$1,316,000 included in the disclosures above resigned during the year. Other two (2013: five) Directors and details of their emoluments are set out above. The emoluments of the remaining one (2013: Nil) individual and the two (2013: Nil) resigned Directors were as follows:

	2014	2013
	HK$'000	HK$'000
Salaries and other benefits	**2,643**	–
Discretionary bonus	**448**	–
Mandatory provident fund contributions	**43**	–
	3,134	–

Their emoluments were within the following bands:

	2014	2013
	No. of employees	
HK$Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	–
	3	–

13. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax:		
– Current year	**50,942**	60,482
– Overprovision in respect of prior years	**(800)**	(1,393)
	50,142	59,089
Deferred tax *(Note 36)*		
– Current year	**2,400**	1,000
	52,542	60,089

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 subsidiaries is 25% for both years.

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

	2014 HK$'000	2013 HK$'000
Profit before tax	**274,490**	355,361
Tax at the applicable rate of 16.5% (2013: 16.5%)	**45,291**	58,635
Tax effect of share of results of associates	**414**	906
Tax effect of expenses not deductible for tax purpose	**33**	364
Tax effect of income not taxable for tax purpose	**(116)**	(2,690)
Overprovision in respect of prior years	**(800)**	(1,393)
Tax effect of tax losses in current year not recognised	**7,050**	2,478
Others	**670**	1,789
Income tax expense for the year	**52,542**	60,089

14. DIVIDENDS

	2014	2013
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2013 of 18.0 HK cents (2012: 18.0 HK cents) per share	**75,378**	75,378
Interim dividend paid in respect of 2014 of 17.0 HK cents (2013: 17.0 HK cents) per share	**71,190**	71,190
	146,568	146,568
Final dividend proposed in respect of 2014 of 18.0 HK cents (2013: 18.0 HK cents) per share	**75,378**	75,378

The Directors have recommended the payment of a final dividend of 18.0 HK cents per share. Subject to the approval of the shareholders at the 2014 AGM, the final dividend will be paid on 3rd July 2014 to shareholders whose names appear on the register of members of the Company on 23rd June 2014. This dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of **HK$221,948,000** (2013: HK$295,272,000) and on the number of shares of **418,766,000** (2013: 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 2012	16,299	14,004	340,484	226	371,013
Additions	2,062	331	38,753	–	41,146
Disposals/write-off	(1,879)	–	(2,025)	–	(3,904)
Exchange realignment	4	–	8	–	12
At 20th February 2013	**16,486**	**14,335**	**377,220**	**226**	**408,267**
Additions	**5,931**	**3,895**	**45,965**	**–**	**55,791**
Disposals/write-off	**(254)**	**–**	**(41,024)**	**–**	**(41,278)**
Exchange realignment	**68**	**17**	**101**	**–**	**186**
At 20th February 2014	**22,231**	**18,247**	**382,262**	**226**	**422,966**
DEPRECIATION					
At 21st February 2012	7,281	12,872	258,875	169	279,197
Provided for the year	4,217	242	31,789	45	36,293
Eliminated on disposals/write-off	(1,842)	–	(2,025)	–	(3,867)
Exchange realignment	1	–	1	–	2
At 20th February 2013	**9,657**	**13,114**	**288,640**	**214**	**311,625**
Provided for the year	**4,861**	**524**	**35,268**	**12**	**40,665**
Eliminated on disposals/write-off	**(87)**	**–**	**(40,620)**	**–**	**(40,707)**
Exchange realignment	**9**	**3**	**3**	**–**	**15**
At 20th February 2014	**14,440**	**13,641**	**283,291**	**226**	**311,598**
CARRYING VALUES					
At 20th February 2014	**7,791**	**4,606**	**98,971**	**–**	**111,368**
At 20th February 2013	6,829	1,221	88,580	12	96,642

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 2012	16,068	13,983	337,619	226	367,896
Additions	1,858	157	38,030	–	40,045
Disposals/write-off	(1,879)	–	(2,025)	–	(3,904)
At 20th February 2013	**16,047**	**14,140**	**373,624**	**226**	**404,037**
Additions	**2,302**	**3,232**	**41,827**	**–**	**47,361**
Disposals/write-off	**–**	**–**	**(41,024)**	**–**	**(41,024)**
At 20th February 2014	**18,349**	**17,372**	**374,427**	**226**	**410,374**
DEPRECIATION					
At 21st February 2012	7,258	12,862	258,040	169	278,329
Provided for the year	4,150	217	30,969	45	35,381
Eliminated on disposals/write-off	(1,842)	–	(2,025)	–	(3,867)
At 20th February 2013	**9,566**	**13,079**	**286,984**	**214**	**309,843**
Provided for the year	**4,369**	**410**	**34,120**	**12**	**38,911**
Eliminated on disposals/write-off	**–**	**–**	**(40,620)**	**–**	**(40,620)**
At 20th February 2014	**13,935**	**13,489**	**280,484**	**226**	**308,134**
CARRYING VALUES					
At 20th February 2014	**4,414**	**3,883**	**93,943**	**–**	**102,240**
At 20th February 2013	6,481	1,061	86,640	12	94,194

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

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

Leasehold improvements	$33^1/_3$% or over the lease term, if shorter
Furniture and fixtures	20%
Computer equipment	20% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%

17. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Cost of unlisted investments in subsidiaries	**310,899**	121,791

At 20th February 2014 and 2013, the Company had interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration and operation	Issued share capital/ paid-up capital 2014	2013	Proportion of ownership interest directly held by the Company 2014	2013	Principal activities
AEON Micro Finance (Shenyang) Co., Ltd	China	**HK$124,221,000**	HK$59,951,000	**100%**	100%	Microfinance business
AEON Micro Finance (Tianjin) Co., Ltd	China	**RMB50,000,000**	RMB50,000,000	**100%**	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd *(Note)*	China	**RMB100,000,000**	–	**100%**	–	Microfinance business
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance broking and agency services
AEON Education and Environment Fund Limited	Hong Kong	**Limited by guarantee**	Limited by guarantee	**100%**	100%	Support community charity projects and activities

Note: The subsidiary is a wholly foreign owned enterprise established during the current year.

18. INVESTMENTS IN ASSOCIATES

	THE GROUP AND THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Cost of unlisted investments in associates	**39,946**	39,946
Exchange difference arising from translation	**9,659**	9,114
Share of post-acquisition results	**(34,443)**	(31,935)
	15,162	17,125

At 20th February 2014 and 2013, 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
		2014	2013	**2014**	2013	
AEON Credit Guarantee (China) Co., Ltd.	China	**50%**	50%	**42.9%**	42.9%	Credit guarantee business
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**40.0%**	40.0%	Provision of call centre services

The other shareholder of ACG and AIS is the Group's intermediate 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 does not control or jointly 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 2014. Accordingly, no adjustment was made.

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

All of these associates' financial statements are prepared in accordance with HKFRSs and are accounted for using the equity method in these consolidated financial statements.

18. INVESTMENTS IN ASSOCIATES (Cont'd)

Aggregate information of associates that are not individually material

The summarised financial information below represents the aggregate amount of the Group's share of its interests in associates which are not individually material.

	2014 **HK$'000**	2013 HK$'000
Loss and other comprehensive expense for the year	**(2,508)**	(5,489)
The unrecognised share of loss of an associate for the year	**(4,128)**	–

	20.2.2014 **HK$'000**	20.2.2013 HK$'000
Cumulative share of loss of an associate	**(46,975)**	(41,353)

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	20.2.2014 **HK$'000**	20.2.2013 HK$'000
Listed equity securities, at fair value		
Hong Kong	**16,961**	35,165
Unlisted equity securities, at cost	**9,144**	9,144
	26,105	44,309

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 three (2013: three) 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.

Notes to the Consolidated Financial Statements

For the year ended 20th February 2014

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

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 5 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.

In September 2012, the Company disposed of 11,649,999 ACCT shares under unlisted equity securities for a cash consideration of NT$159,853,000 (equivalent to approximately HK$41,726,000). The Group recognised a gain on disposal of HK$13,648,000 in the consolidated statement of profit or loss for the year ended 20th February 2013.

In September 2012, the Company disposed of 399,999 ACST shares under unlisted equity securities for a cash consideration of NT$5,517,000 (equivalent to approximately HK$1,440,000). The Group recognised a gain on disposal of HK$452,000 in the consolidated statement of profit or loss for the year ended 20th February 2013.

20. ADVANCES AND RECEIVABLES

	THE GROUP	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Credit card receivables	**3,520,833**	3,055,112
Instalment loans receivable	**1,775,736**	1,762,881
Hire purchase debtors	**2,545**	6,118
	5,299,114	4,824,111
Accrued interest and other receivables	**115,867**	118,392
Gross advances and receivables	**5,414,981**	4,942,503
Impairment allowances *(Note 21)*		
– individually assessed	**(81,207)**	(56,365)
– collectively assessed	**(66,153)**	(70,471)
	(147,360)	(126,836)
	5,267,621	4,815,667
Current portion included under current assets	**(3,975,192)**	(3,500,862)
Amount due after one year	**1,292,429**	1,314,805

20. ADVANCES AND RECEIVABLES (Cont'd)

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Credit card receivables	**3,520,833**	3,055,112
Instalment loans receivable	**1,657,958**	1,747,468
Hire purchase debtors	**2,545**	6,118
	5,181,336	4,808,698
Accrued interest and other receivables	**114,718**	118,392
Gross advances and receivables	**5,296,054**	4,927,090
Impairment allowances *(Note 21)*		
– individually assessed	**(69,577)**	(56,017)
– collectively assessed	**(62,363)**	(70,471)
	(131,940)	(126,488)
	5,164,114	4,800,602
Current portion included under current assets	**(3,881,230)**	(3,486,843)
Amount due after one year	**1,282,884**	1,313,759

Included in the advances and receivables of the Group and the Company, there are secured credit card receivables and instalment loans receivable of **HK$29,700,000** (20th February 2013: HK$73,437,000) and **HK$47,191,000** (20th February 2013: HK$53,275,000) 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.

(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 43.5% (20th February 2013: 26.8% to 43.5%) per annum.

20. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables (Cont'd)

Asset backed financing transaction

The Company entered into asset backed financing transaction, which is collateralised by the Company's revolving credit card receivables portfolio. Under the revolving structure, as the excess cash flows collected in respect of the transferred credit card receivables are to be reinvested, the transaction does not meet the "transfer of asset" tests under HKAS 39 for the derecognition of financial assets. Accordingly, the Company continues to recognise the full amount of the transferred credit card receivables and related deposits and recognised the cash receipt as collateralised debt obligation.

The trust is controlled by the Company as the Company is the sole beneficiary of the trust which holds the entire undivided interest in the credit card receivables transferred, and therefore, the trust is consolidated by the Group. The transaction is accounted for as a collateralised borrowing arrangement in the Group's consolidated financial statements (see note 39).

The Group and the Company are restricted to sell, pledge, assign or transfer any of the transferred receivables and related deposits to any person other than the bank. As at 20th February 2014, the principal amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2013: HK$1,100,000,000).

The financial assets being transferred but not derecognised are carried at amortised cost in the Company's statement of financial position and the amounts are set out below.

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Carrying amount and fair value of:		
Credit card receivables	**1,858,759**	1,730,590
Restricted deposits	**68,000**	183,958
Time deposits	**256,593**	247,823
Collateralised debt obligation	**(1,098,887)**	(1,098,461)
	1,084,465	1,063,910

20. ADVANCES AND RECEIVABLES (Cont'd)

(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 3.2% to 46.9% (20th February 2013: 3.2% to 46.9%) per annum.

(c) Hire purchase debtors

	THE GROUP AND THE COMPANY			
	Minimum payments		**Present value of minimum payments**	
	20.2.2014	20.2.2013	**20.2.2014**	20.2.2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**2,379**	5,690	**2,325**	5,567
In the second to fifth year inclusive	**223**	561	**220**	551
	2,602	6,251	**2,545**	6,118
Unearned finance income	**(57)**	(133)	**–**	–
Present value of minimum payments receivable	**2,545**	6,118	**2,545**	6,118

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 13.2% to 14.1% (20th February 2013: 4.7% to 15.5%) per annum.

21. IMPAIRMENT ALLOWANCES

	THE GROUP	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**61,084**	58,979
Instalment loans receivable	**84,058**	62,434
Hire purchase debtors	**57**	266
Accrued interest and other receivables	**2,161**	5,157
	147,360	126,836

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
At 21st February 2013	**56,365**	**70,471**	**126,836**
Impairment losses and impairment allowances	**319,041**	**(4,318)**	**314,723**
Amounts written-off as uncollectable	**(294,199)**	**–**	**(294,199)**
At 20th February 2014	**81,207**	**66,153**	**147,360**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21st February 2012	62,768	66,688	129,456
Impairment losses and impairment allowances	278,673	3,783	282,456
Amounts written-off as uncollectable	(285,076)	–	(285,076)
At 20th February 2013	56,365	70,471	126,836

21. IMPAIRMENT ALLOWANCES (Cont'd)

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**61,084**	58,979
Instalment loans receivable	**68,638**	62,086
Hire purchase debtors	**57**	266
Accrued interest and other receivables	**2,161**	5,157
	131,940	126,488

	Individual assessment HK$'000	**Collective assessment HK$'000**	**Total HK$'000**
At 21st February 2013	**56,017**	**70,471**	**126,488**
Impairment losses and impairment allowances	**307,933**	**(8,108)**	**299,825**
Amounts written-off as uncollectable	**(294,373)**	**–**	**(294,373)**
At 20th February 2014	**69,577**	**62,363**	**131,940**

	Individual assessment HK$'000	Collective assessment HK$'000	Total HK$'000
At 21st February 2012	62,768	66,688	129,456
Impairment losses and impairment allowances	278,251	3,783	282,034
Amounts written-off as uncollectable	(285,002)	–	(285,002)
At 20th February 2013	56,017	70,471	126,488

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			
	20.2.2014		20.2.2013	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**142,006**	**2.6**	146,499	3.0
Overdue 2 months but less than 3 months	**46,056**	**0.9**	30,970	0.6
Overdue 3 months but less than 4 months	**30,204**	**0.6**	21,618	0.4
Overdue 4 months or above	**84,384**	**1.5**	61,959	1.3
	302,650	**5.6**	261,046	5.3

	THE COMPANY			
	20.2.2014		20.2.2013	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**139,060**	**2.6**	146,483	3.0
Overdue 2 months but less than 3 months	**43,937**	**0.8**	30,968	0.6
Overdue 3 months but less than 4 months	**28,491**	**0.5**	21,347	0.4
Overdue 4 months or above	**72,754**	**1.5**	61,611	1.3
	284,242	**5.4**	260,409	5.3

* *Percentage of gross advances and receivables*

23. IMPAIRED ADVANCES

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

	THE GROUP	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**87,150**	61,165
– Current	**37**	84
Impairment allowances under individual assessment	**(81,207)**	(56,365)
Net impaired advances	**5,980**	4,884
Gross impaired advances as a percentage of gross advances	**1.6%**	1.3%

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**75,520**	60,817
– Current	**37**	84
Impairment allowances under individual assessment	**(69,577)**	(56,017)
Net impaired advances	**5,980**	4,884
Gross impaired advances as a percentage of gross advances	**1.5%**	1.3%

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	THE GROUP		THE COMPANY	
	20.2.2014	20.2.2013	**20.2.2014**	20.2.2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for property, plant and equipment	**31,150**	30,903	**30,582**	30,903
Rental and other deposits	**22,543**	18,405	**16,881**	14,484
Prepaid operating expenses	**22,022**	12,553	**15,223**	11,926
Other debtors	**8,186**	16,129	**825**	2,675
	83,901	77,990	**63,511**	59,988
Current portion included under current assets	**(39,718)**	(35,450)	**(20,922)**	(17,705)
Amount due after one year	**44,183**	42,540	**42,589**	42,283

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 fixed rates ranging from 0.14% to 0.19% (0.02% to 0.3% for the year ended 20th February 2013) per annum during the year. No restricted deposits (20th February 2013: HK$115,958,000) will be matured within one year from 20th February 2014.

26. TIME DEPOSITS

Time deposits with maturity of three months or less of the Group and the Company carry fixed rates ranging from 0.02% to 2.86% (0.01% to 3.4% for the year ended 20th February 2013) per annum during the year.

Time deposits with maturity of more than three months of the Group carry fixed rates ranging from 0.25% to 3.05% (Nil for the year ended 20th February 2013) per annum during the year.

26. TIME DEPOSITS (Cont'd)

THE GROUP	HKD HK$'000	RMB HK$'000	Total HK$'000
20.2.2014			
Time deposits with maturity of three months or less	**256,693**	**101,122**	**357,815**
Time deposits with maturity of more than three months	**–**	**3,845**	**3,845**
Time deposits	**256,693**	**104,967**	**361,660**
20.2.2013			
Time deposits with maturity of three months or less	247,923	124,160	372,083

THE COMPANY	HKD HK$'000	RMB HK$'000	Total HK$'000
20.2.2014			
Time deposits with maturity of three months or less	**256,593**	**–**	**256,593**
20.2.2013			
Time deposits with maturity of three months or less	247,823	124,160	371,983

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$'000	RMB HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
20.2.2014					
Bank balances and cash	**124,185**	**34,026**	**176**	**7**	**158,394**
20.2.2013					
Bank balances and cash	79,922	76,366	13	8	156,309

THE COMPANY

	HKD HK$'000	RMB HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
20.2.2014					
Bank balances and cash	**72,823**	**1,417**	**176**	**7**	**74,423**
20.2.2013					
Bank balances and cash	43,445	1,503	13	8	44,969

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	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Current	**53,842**	46,221
Over 1 month but less than 3 months	**4,169**	6,550
Over 3 months	**5,770**	4,507
	63,781	57,278

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Current	**51,822**	43,444
Over 1 month but less than 3 months	**2,838**	2,223
Over 3 months	**3,734**	3,635
	58,394	49,302

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK$7,591,000** (20th February 2013: HK$6,818,000).

30. AMOUNTS DUE FROM / TO A SUBSIDIARY

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

31. AMOUNTS DUE FROM / TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand except for **HK$57,212,000** (20th February 2013: HK$50,309,000) 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	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Current	**46,276**	43,140
Over 1 month but less than 3 months	**10,936**	7,169
	57,212	50,309

32. AMOUNTS DUE FROM / TO IMMEDIATE / INTERMEDIATE / ULTIMATE HOLDING COMPANY

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

33. AMOUNTS DUE FROM / TO AN ASSOCIATE

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

34. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Bank loans, unsecured	**2,285,250**	2,038,880
Carrying amount repayable *(Note)*		
Within one year	**797,500**	711,130
Between one and two years	**330,000**	235,000
Between two and five years	**1,042,750**	1,047,750
Over five years	**115,000**	45,000
	2,285,250	2,038,880
Amount repayable within one year included under current liabilities	**(797,500)**	(711,130)
Amount repayable after one year	**1,487,750**	1,327,750

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

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

	HKD	**USD**	**RMB**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
20.2.2014				
Bank loans	**1,897,500**	**387,750**	**–**	**2,285,250**
20.2.2013				
Bank loans	1,511,500	465,300	62,080	2,038,880

34. BANK BORROWINGS (Cont'd)

HKD bank loans of **HK$320,000,000** (20th February 2013: HK$320,000,000) and RMB bank loans of nil (20th February 2013: HK$62,080,000) are arranged at fixed interest rates ranging from 1.2% to 3.4% (20th February 2013: 1.1% to 3.7%) 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 0.42% plus HIBOR to 0.85% plus HIBOR (20th February 2013: 0.32% plus HIBOR to 0.85% plus HIBOR) per annum while the USD borrowings are arranged at floating interest rates at 0.7% plus LIBOR (20th February 2013: 0.7% plus LIBOR to 0.75% plus LIBOR) per annum, thus exposing the Group and the Company to cash flow interest rate risk.

At 20th February 2014, the Group and the Company have available unutilised overdrafts of **HK$516,120,000** (20th February 2013: HK$681,788,000).

At 20th February 2014, the Group and the Company have available unutilised non-committed short term bank loan facilities of **HK$208,200,000** and **HK$176,162,000** (20th February 2013: HK$560,252,000 and HK$560,252,000) respectively.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY			
	20.2.2014		20.2.2013	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Interest rate swaps	**1,025**	**119,034**	–	172,886
Cross-currency interest rate swaps	**–**	**1,303**	32	676
	1,025	**120,337**	32	173,562
Current portion	**–**	**(1,740)**	–	(8,875)
Non-current portion	**1,025**	**118,597**	32	164,687

All derivative financial instruments entered by the Group and the Company that remain outstanding at 20th February 2014 and 20th February 2013 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.

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges:

Interest rate swaps

The Group and the Company use interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of **HK$1,015,000,000** (20th February 2013: HK$1,015,000,000) from floating rates to fixed rates. The interest rate swaps of the Group and the Company with aggregate notional amount of **HK$1,015,000,000** (20th February 2013: HK$1,015,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.3% to 3.6% (20th February 2013: 1.3% to 5.4%) per annum and floating interest receipts quarterly ranging from 0.42% plus HIBOR to 0.85% plus HIBOR (20th February 2013: 0.32% plus HIBOR to 0.85% plus HIBOR) per annum for periods up until April 2020 (20th February 2013: until August 2018).

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. Two interest rate swaps with notional amounts of **HK$550,000,000** (20th February 2013: HK$550,000,000) each were entered by the Group and the Company to swap its **HK$1,100,000,000** (20th February 2013: 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% (20th February 2013: 3.7% to 3.9%) per annum and floating interest receipts monthly at 0.35% plus HIBOR (20th February 2013: 0.35% plus HIBOR) per annum for periods up until February 2016 and February 2017 (20th February 2013: 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$53,778,000** (2013: HK$508,000) 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.

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

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 USD bank borrowings by swapping the floating-rate USD bank borrowings to fixed-rate HKD bank borrowings.

The cross-currency interest rate swap of the Group and the Company with notional amount of **USD50,000,000** (20th February 2013: 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 (20th February 2013: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (20th February 2013: 3.28%) per annum and floating interest receipts quarterly in USD at 0.7% plus LIBOR (20th February 2013: 0.7% plus LIBOR) per annum for periods up until September 2016 (20th February 2013: until September 2016).

At 20th February 2013, 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) had 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. During the year ended 20th February 2014, 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$909,000** (2013: HK$28,834,000) 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 LIBOR yield curves and the forward exchange rates between USD and HKD estimated at the end of the reporting period.

36. DEFERRED TAX LIABILITIES

The followings are the major deferred liabilities (assets) recognised by the Group and the Company and movements thereon during each of the two years ended 20th February 2014 and 2013:

	THE GROUP AND THE COMPANY		
	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 21st February 2012	12,400	(11,000)	1,400
Charge (credit) to profit or loss for the year	1,600	(600)	1,000
At 20th February 2013	**14,000**	**(11,600)**	**2,400**
Charge to profit or loss for the year	**1,100**	**1,300**	**2,400**
At 20th February 2014	**15,100**	**(10,300)**	**4,800**

At the end of the reporting period, the Group had unused tax losses of **HK$64,760,000** (20th February 2013: HK$22,036,000) 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 losses will expire in 2016 to 2018 (20th February 2013: in 2016 to 2017).

37. ISSUED CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares 20.2.2014 & 20.2.2013	**Share capital 20.2.2014 & 20.2.2013**
		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 2014 amounted to **HK$2,170,256,000** and **HK$2,182,851,000** respectively (20th February 2013: HK$2,094,876,000 and HK$2,077,959,000 respectively), representing the accumulated profits.

39. COLLATERALISED DEBT OBLIGATION

(a) The Company entered into a HK$1,100,000,000 collateralised debt obligation financing transaction (the "Transaction"). The 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 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 Transaction, the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10, the Trust is controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group's and the Company's financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD.

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

	THE GROUP	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Debt *(Note a)*	**3,384,137**	3,137,341
Cash and cash equivalents	**(511,184)**	(526,022)
Net debt	**2,872,953**	2,611,319
Equity *(Note b)*	**2,345,575**	2,229,109
Net debt to equity ratio	**1.2**	1.2

40. CAPITAL RISK MANAGEMENT (Cont'd)

Net debt to equity ratio (Cont'd)

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Debt *(Note a)*	**3,384,137**	3,137,341
Cash and cash equivalents	**(325,991)**	(414,582)
Net debt	**3,058,146**	2,722,759
Equity *(Note b)*	**2,349,309**	2,209,202
Net debt to equity ratio	**1.3**	1.2

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	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**26,105**	44,309
Loans and receivables (excluding hire purchase debtors)	**5,865,854**	5,543,159
Derivative instruments in designated hedge accounting relationships	**1,025**	32
Financial liabilities		
Amortised cost	**3,517,675**	3,256,523
Derivative instruments in designated hedge accounting relationships	**120,337**	173,562

41. FINANCIAL INSTRUMENTS (Cont'd)

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

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**26,105**	44,309
Loans and receivables (excluding hire purchase debtors)	**5,562,932**	5,399,487
Derivative instruments in designated hedge accounting relationships	**1,025**	32
Financial liabilities		
Amortised cost	**3,510,615**	3,257,322
Derivative instruments in designated hedge accounting relationships	**120,337**	173,562

(b) Financial risk management objectives and policies

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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.

(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 deposits and balances and bank borrowings of the Group and the Company are denominated in foreign currencies, which expose the Group and the Company to foreign currency risk.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

(i) Foreign currency risk management (Cont'd)

As at 20th February 2014, the Group's and the Company's foreign currency risk exposure primarily relates to its USD denominated bank borrowing. The total carrying amount of USD bank borrowing was **HK$387,750,000** (20th February 2013: USD denominated bank borrowings with the carrying amount of HK$465,300,000 and RMB denominated bank borrowings with the carrying amount of HK$62,080,000 respectively). To minimise the foreign currency risk in relation to the USD bank borrowing, 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. Besides, the Group and the Company have made RMB deposit so as to minimise the foreign currency risk in relation to the RMB bank borrowings. Hence, the net foreign currency risk after taking the derivative financial instruments as well as the RMB deposits 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.

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).

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for 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 2014 would decrease by HK$4,697,000 (for the year ended 20th February 2013: decrease by HK$1,474,000); and

- other comprehensive income would increase by HK$70,166,000 (for the year ended 20th February 2013: increase by HK$75,752,000) 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.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the year end exposure does not reflect the exposure during the year.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

(iii) Other price risks

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

Sensitivity analysis

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

If equity prices had been 10% higher/lower:

- other comprehensive income would increase/decrease by HK$1,696,000 (for the year ended 20th February 2013: increase/decrease by HK$3,516,000) as a result of the changes in fair value of listed equity securities.

In management's opinion, the sensitivity analysis is unrepresentative of the other price risk as the year end exposure does not reflect the exposure during the year.

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 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated and the Company's statements 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 are 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$36,283,014,000** (20th February 2013: HK$23,362,513,000).

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.

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

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

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

Collectively assessed impairment allowances are provided for: i) portfolios of homogenous assets that are not assessed individually: and ii) losses incurred but not yet identified, by using the historical loss experience, experienced judgment and statistical techniques to provide.

Credit quality

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

	THE GROUP	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Neither past due nor individually impaired	**5,112,294**	4,681,373
Past due but not individually impaired	**215,500**	199,881
Individually impaired	**87,187**	61,249
	5,414,981	4,942,503
Less: impairment allowances *(Note 21)*	**(147,360)**	(126,836)
	5,267,621	4,815,667

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Neither past due nor individually impaired	**5,011,775**	4,666,597
Past due but not individually impaired	**208,722**	199,592
Individually impaired	**75,557**	60,901
	5,296,054	4,927,090
Less: impairment allowances *(Note 21)*	**(131,940)**	(126,488)
	5,164,114	4,800,602

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

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

Included in collectively assessed impairment allowances, there is **HK$13,720,000** (20th February 2013: HK$25,452,000) in relation to collective impairment in advances and receivables that were not past due at the end of the reporting period.

(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 20.2.2014			
	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	**57,903**	**81,306**	**10**	**139,219**
Over 2 months but less than 3 months	**16,100**	**29,426**	**57**	**45,583**
Over 3 months but less than 4 months	**12,351**	**17,326**	**10**	**29,687**
Over 4 months or above	**224**	**787**	**–**	**1,011**
	86,578	**128,845**	**77**	**215,500**
Less: collectively impaired	**(24,338)**	**(28,066)**	**(29)**	**(52,433)**
	62,240	**100,779**	**48**	**163,067**

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 (Cont'd)

	THE GROUP 20.2.2013			
	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	60,285	85,916	99	146,300
Over 2 months but less than 3 months	11,623	17,930	13	29,566
Over 3 months but less than 4 months	8,811	12,209	4	21,024
Over 4 months or above	1,039	1,952	–	2,991
	81,758	118,007	116	199,881
Less: collectively impaired	(23,697)	(21,292)	(30)	(45,019)
	58,061	96,715	86	154,862

	THE COMPANY 20.2.2014			
	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	**57,903**	**78,359**	**10**	**136,272**
Over 2 months but less than 3 months	**16,100**	**27,308**	**57**	**43,465**
Over 3 months but less than 4 months	**12,351**	**15,613**	**10**	**27,974**
Over 4 months or above	**224**	**787**	**–**	**1,011**
	86,578	**122,067**	**77**	**208,722**
Less: collectively impaired	**(24,338)**	**(25,423)**	**(29)**	**(49,790)**
	62,240	**96,644**	**48**	**158,932**

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 (Cont'd)

	THE COMPANY 20.2.2013			
	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	60,285	85,900	99	146,284
Over 2 months but less than 3 months	11,623	17,928	13	29,564
Over 3 months but less than 4 months	8,811	11,938	4	20,753
Over 4 months or above	1,039	1,952	–	2,991
	81,758	117,718	116	199,592
Less: collectively impaired	(23,697)	(21,292)	(30)	(45,019)
	58,061	96,426	86	154,573

(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			
	Credit card HK$'000	**Instalment loan HK$'000**	**Hire purchase HK$'000**	**Total HK$'000**
20.2.2014				
Individually impaired	**33,196**	**53,976**	**15**	**87,187**
20.2.2013				
Individually impaired	22,042	39,007	200	61,249

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

(iii) Advances and receivables individually impaired (Cont'd)

	THE COMPANY			
	Credit card HK$'000	**Instalment loan HK$'000**	**Hire purchase HK$'000**	**Total HK$'000**
20.2.2014				
Individually impaired	**33,196**	**42,346**	**15**	**75,557**
20.2.2013				
Individually impaired	22,042	38,659	200	60,901

There are no collateral held by the Group and the Company as security. Impairment allowances of **HK$81,207,000** (20th February 2013: HK$56,365,000) 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
20.2.2014

	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**	**1,159,164**	**–**	**1,200,607**
Bank borrowings						
– fixed rate	**654**	**1,426**	**36,329**	**296,667**	**–**	**335,076**
– variable rate	**585,551**	**46,361**	**172,185**	**837,949**	**442,185**	**2,084,231**
Bank overdrafts	**5,025**	**–**	**–**	**–**	**–**	**5,025**
Other financial liabilities	**123,618**	**4,895**	**–**	**–**	**–**	**128,513**
Total undiscounted financial liabilities	**718,302**	**59,589**	**239,596**	**2,293,780**	**442,185**	**3,753,452**
Credit related commitment	**36,283,014**	**–**	**–**	**–**	**–**	**36,283,014**

THE GROUP
20.2.2013

	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	1,200,606	–	1,242,049
Bank borrowings						
– fixed rate	722	63,980	16,349	274,585	50,090	405,726
– variable rate	180,130	6,872	490,165	904,236	178,548	1,759,951
Bank overdrafts	2,370	–	–	–	–	2,370
Other financial liabilities	105,992	10,758	62	–	–	116,812
Total undiscounted financial liabilities	292,668	88,517	537,658	2,379,427	228,638	3,526,908
Credit related commitment	23,362,513	–	–	–	–	23,362,513

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

THE COMPANY
20.2.2014

	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	1,159,164	–	1,200,607
Bank borrowings						
– fixed rate	654	1,426	36,329	296,667	–	335,076
– variable rate	585,551	46,361	172,185	837,949	442,185	2,084,231
Bank overdrafts	5,025	–	–	–	–	5,025
Other financial liabilities	117,674	3,779	–	–	–	121,453
Total undiscounted financial liabilities	712,358	58,473	239,596	2,293,780	442,185	3,746,392
Credit related commitment	36,283,014	–	–	–	–	36,283,014

THE COMPANY
20.2.2013

	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	1,200,606	–	1,242,049
Bank borrowings						
– fixed rate	722	63,980	16,349	274,585	50,090	405,726
– variable rate	180,130	6,872	490,165	904,236	178,548	1,759,951
Bank overdrafts	2,370	–	–	–	–	2,370
Other financial liabilities	112,782	4,767	62	–	–	117,611
Total undiscounted financial liabilities	299,458	82,526	537,658	2,379,427	228,638	3,527,707
Credit related commitment	23,362,513	–	–	–	–	23,362,513

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

The following tables detail the Group's and the Company's contractual 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.

	THE GROUP AND THE COMPANY 20.2.2014				
	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	**(16,227)**	**(49,060)**	**(105,219)**	**(7,899)**	**(178,405)**

	THE GROUP AND THE COMPANY 20.2.2013				
	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	(17,440)	(49,207)	(140,930)	(2,199)	(209,776)

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value of financial instruments

Fair value measurements recognised in the statements of financial position

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements 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 20.2.2014			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Derivative financial assets	–	1,025	–	1,025
Available-for-sale financial assets				
Listed equity securities	16,961	–	–	16,961
Total	16,961	1,025	–	17,986
Financial liabilities at FVTPL				
Derivative financial liabilities	–	120,337	–	120,337

41. FINANCIAL INSTRUMENTS (Cont'd)

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

	THE GROUP AND THE COMPANY			
	20.2.2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	32	–	32
Available-for-sale financial assets				
Listed equity securities	35,165	–	–	35,165
Total	35,165	32	–	35,197
Financial liabilities at FVTPL				
Derivative financial liabilities	–	173,562	–	173,562

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

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			
	20.2.2014		20.2.2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**2,285,250**	**2,298,485**	2,038,880	2,059,841

The fair value of listed equity securities is determined with reference to quoted market bid price from Stock Exchange.

The fair value of interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between USD and HKD (for cross-currency interest rate swaps), which is observable at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements

The Group and the Company have entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the statements of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group and the Company currently have no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group and the Company have no other financial assets and financial liabilities which are offset in the Group's and the Company's statements of financial position or are subject to similar netting arrangements.

(a) Financial assets subject to enforceable master netting arrangements or similar agreements

	THE GROUP AND THE COMPANY		
	Gross amounts of recognised financial assets HK$'000	**Gross amounts of recognised financial liabilities set off in the statements of financial position HK$'000**	**Net amounts of financial assets presented in the statements of financial position HK$'000**
20.2.2014			
Derivative financial instruments	**1,025**	**–**	**1,025**
20.2.2013			
Derivative financial instruments	32	–	32

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

(d) **Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)**

(b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	THE GROUP AND THE COMPANY		
	Net amounts of financial assets presented in the statements of financial position HK$'000	Financial liabilities not set off in the statements of financial position HK$'000	Net amount HK$'000
20.2.2014			
Counterparty A	**365**	**(365)**	**–**
Counterparty B	**660**	**(660)**	**–**
Total	**1,025**	**(1,025)**	**–**
20.2.2013			
Counterparty A	32	(32)	–
Total	32	(32)	–

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	THE GROUP AND THE COMPANY		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statements of financial position HK$'000	Net amounts of financial liabilities presented in the statements of position HK$'000
20.2.2014			
Derivative financial instruments	**(120,337)**	**–**	**(120,337)**
20.2.2013			
Derivative financial instruments	(173,562)	–	(173,562)

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(d) Net financial liabilities subject to enforceable master netting arrangements or similar agreements, by counterparty

	THE GROUP AND THE COMPANY		
	Net amounts of financial liabilities presented in the statements of financial position HK$'000	Financial assets not set off in the statements of financial position HK$'000	Net amount HK$'000
20.2.2014			
Counterparty A	**(27,128)**	**365**	**(26,763)**
Counterparty B	**(93,209)**	**660**	**(92,549)**
Total	**(120,337)**	**1,025**	**(119,312)**
20.2.2013			
Counterparty A	(38,765)	32	(38,733)
Counterparty B	(134,121)	–	(134,121)
Counterparty C	(676)	–	(676)
Total	(173,562)	32	(173,530)

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	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Within one year	**56,679**	42,622
In the second to fifth year inclusive	**47,777**	24,416
	104,456	67,038

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Within one year	**50,495**	41,173
In the second to fifth year inclusive	**46,100**	22,657
	96,595	63,830

Leases for rented premises are negotiated for an average term of two to three years and rentals are fixed for an average of one year.

43. CAPITAL COMMITMENTS

	THE GROUP	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**9,807**	34,191

43. CAPITAL COMMITMENTS (Cont'd)

	THE COMPANY	
	20.2.2014	20.2.2013
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Purchase of property, plant and equipment	**9,239**	34,191

44. PLEDGE OF ASSETS

As at 20th February 2014, the collateralised debt obligation of the Group and the Company was secured by credit card receivables and restricted deposits of **HK$1,858,759,000** and **HK$68,000,000** respectively (20th February 2013: HK$1,730,590,000 and HK$183,958,000) (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 (limited to HK$15,000 (20th February 2013: HK$14,250) per annum of each individual employee) to the MPF Scheme, which contribution is matched by employees. The total cost charged to profit or loss of **HK$3,776,000** (for the year ended 20th February 2013: HK$3,471,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting year. As at 20th February 2014, contributions of the Group and the Company amounting to **HK$602,000** and **HK$551,000** respectively (20th February 2013: HK$554,000 and HK$513,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

The employees employed in China subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The China subsidiaries are 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 entered into the following transactions with related parties:

	Fellow subsidiaries		Immediate holding company		Intermediate holding company		Ultimate holding company		Associates	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income received	**6,088**	5,351	**–**	–	**–**	–	**–**	–	**–**	–
Commission received	**7,658**	5,958	**–**	–	**–**	–	**–**	–	**–**	–
Dividends received	**171**	928	**–**	–	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**694**	694	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**–**	–	**200**	240
Licence fees paid	**9,617**	8,567	**–**	–	**15**	229	**35**	40	**921**	519
Service fees paid	**143**	–	**–**	–	**16**	5,957	**–**	–	**40,676**	35,903
Development fees paid *(Note)*	**7,661**	6,889	**–**	–	**–**	–	**–**	–	**–**	–
Consideration on disposal of available-for-sale investments	**–**	–	**–**	43,166	**–**	–	**–**	–	**–**	–

Note: For the computer system development fees paid during the year, **HK$1,156,000** (for the year ended 20th February 2013: HK$1,023,000) is recognised as administrative expenses, **HK$5,960,000** (for the year ended 20th February 2013: HK$4,844,000) is capitalised under property, plant and equipment and **HK$545,000** (for the year ended 20th February 2013: HK$1,022,000) 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:

	2014	2013
	HK$'000	HK$'000
Short-term benefits	**7,537**	8,727
Post-employment benefits	**88**	89
	7,625	8,816

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 2014, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

48. EVENT AFTER THE REPORTING PERIOD

On 27th February 2014, the Company entered into a capital injection agreement with AFS, pursuant to which the Company and AFS agreed to inject an aggregate amount of RMB62,000,000 (equivalent to approximately HK$78,585,000) into the capital ACG. The Company and AFS will each contribute RMB31,000,000, which is in proportion to their respective interests in ACG.

Glossary

2013 AGM	Annual general meeting held on 18th June 2013
2014 AGM	Annual general meeting to be held on 17th June 2014
ACCT	AEON Credit Card (Taiwan) Co., Ltd.
ACG	AEON Credit Guarantee (China) Co., Ltd.
ACSS	AEON Credit Service Systems (Philippines) Inc.
ACST	AEON Credit Service (Taiwan) Co., Ltd.
AEON Brokers	AEON Insurance Brokers (HK) Limited
AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AEON Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
AFS	AEON Financial Service Co., Ltd.
AFS (HK)	AEON Financial Service (Hong Kong) Co., Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles	Articles of Association of the Company
Board	Board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
China or Mainland	People's Republic of China

Glossary

Company	AEON Credit Service (Asia) Company Limited
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong)
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
Memorandum	Memorandum of Association of the Company
Model Code	Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NT$	New Taiwan dollars
RMB	Chinese Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States Dollars

New Products and Services
新產品及服務

Ferrari Credit Card

Ferrari 信用卡

AEON Online Cash Advance

AEON 網上現金預支

AEON MasterCard paypass

AEON 萬事達卡 paypass

AEON American Express® Virtual Pay

AEON 美國運通® Virtual Pay

e-Statement Service

電子月結單服務