まいにち
天天使用
AEON
CARD

Annual Report 2012/13

AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

Stock Code: 900

Planting Seeds of Growth
We are ÆON

e-Business
電子商務

New AEON ATM
新AEON櫃員機

AEON Card e-Mall
AEON 卡 e-Mall

AEON American Express® Virtual Pay
AEON美國運通® Virtual Pay

ISO 9001 – QMS / FS 513193
ISO 14001 – EMS 538444
ISO 27001 – ISMS / IS 500955
Customer Satisfaction
ISO 10002 / CMS 513194

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This report is printed on recycled paper

Corporate Information

Board of Directors

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

Non-executive Directors
Masao Mizuno *(Chairman)*
Lai Yuk Kwong

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

Company Secretary

Koh Yik Kung

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Share Registrar

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

Major Bankers

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

Registered Office

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

Internet Address

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Stock Code

900

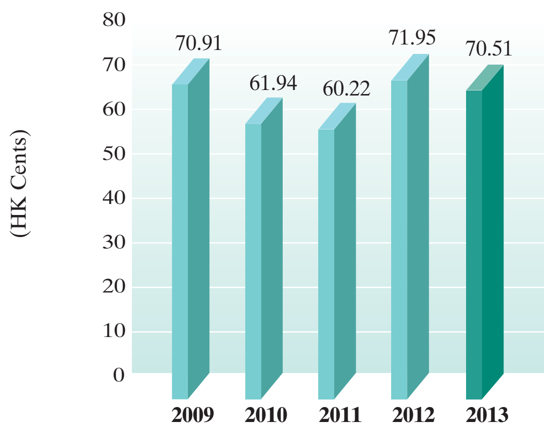
Shareholders' Calendar

21st September 2012	Announcement of interim results for the six months ended 20th August 2012
9th October 2012	Despatch of interim report for the six months ended 20th August 2012
11th – 15th October 2012	Book closing dates for interim dividend
22nd October 2012	Payment of interim dividend of 17.0 HK cents per share
19th April 2013	Announcement of final results for the year ended 20th February 2013
13th May 2013	Despatch of annual report for the year ended 20th February 2013
14th – 18th June 2013	Book closing dates for 2013 AGM
18th June 2013	2013 AGM
24th June 2013	Book closing date for final dividend
28th June 2013	Payment of final dividend of 18.0 HK cents per share

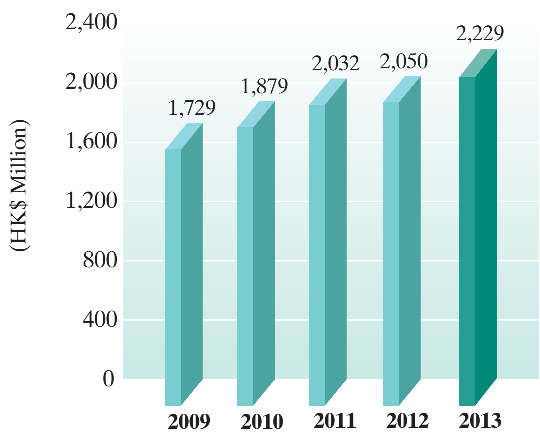
Five-year Financial Summary

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

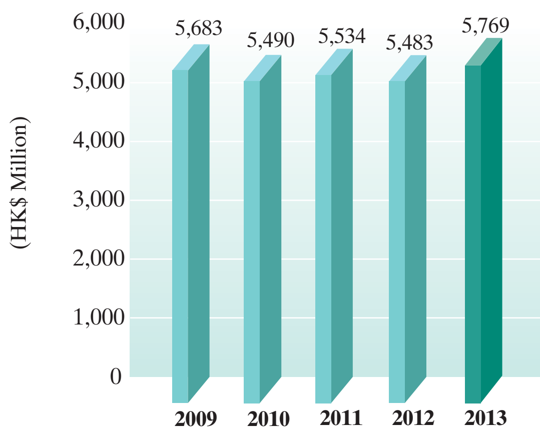
Earnings per share (note 2)
for the year ended 20th February



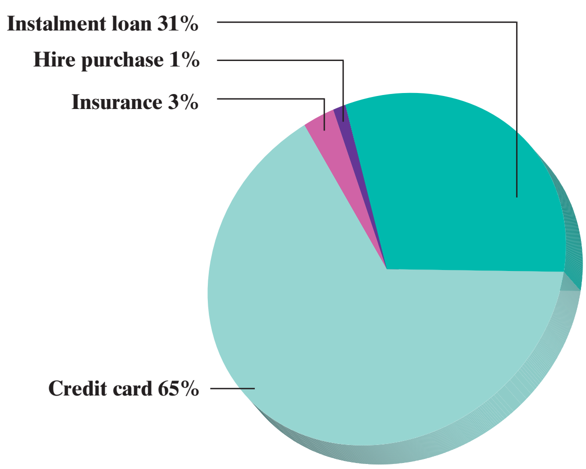
Total equity (note 3)
at 20th February



Total assets (note 4)
at 20th February



Segment revenue (note 5)



Notes:

1. Represents the consolidated profit for the financial years ended 20th February 2009, 2010, 2011, 2012 and 2013.

2. Represents the consolidated earnings per share for the financial years ended 20th February 2009, 2010, 2011, 2012 and 2013.

3. Represents the consolidated total equity at 20th February 2009, 2010, 2011, 2012 and 2013.

4. Represents the consolidated total assets at 20th February 2009, 2010, 2011, 2012 and 2013.

5. Represents the respective percentage of revenue by operating and reportable segments for the financial year ended 20th February 2013.

Five-year Financial Summary

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

CONSOLIDATED RESULTS

	For the year ended 20th February				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Revenue	1,198,127	1,163,449	1,112,592	1,116,357	**1,121,348**
Profit before tax	353,824	310,504	303,796	356,095	**355,361**
Income tax expense	(56,861)	(51,102)	(51,614)	(54,776)	**(60,089)**
Profit for the year	296,963	259,402	252,182	301,319	**295,272**
Earnings per share	70.91 HK cents	61.94 HK cents	60.22 HK cents	71.95 HK cents	**70.51 HK cents**
Dividend per share	32.00 HK cents	32.00 HK cents	32.00 HK cents	34.00 HK cents	**35.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

	At 20th February				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	5,682,781	5,489,988	5,533,999	5,482,960	**5,768,806**
Total liabilities	(3,953,783)	(3,610,952)	(3,501,604)	(3,433,355)	**(3,539,697)**
Total equity	1,728,998	1,879,036	2,032,395	2,049,605	**2,229,109**

Chairman's Statement

Masao Mizuno
Chairman

The 2012 financial year has been another challenging one for financial institutions in general, and for consumer finance in particular. The macroeconomic environment has been overshadowed by uncertainty and volatility in global financial markets. Concerns over the slowing of the Mainland economy, fears of falling off the "fiscal cliff", debt ceiling crisis in the United States, and the ongoing challenges facing the European Union have all continued to cast a gloomy outlook on the economy and consumer confidence.

According to Nielsen, the Global Consumer Confidence Index measured at 91 in the fourth quarter of 2012. The United States recorded a one point decrease (89) while China posted a two-point gain (108). Confidence fell in eight of 14 Asia-Pacific markets in the fourth quarter as compared to the third quarter of 2012, with a four-point decline in Hong Kong. Only 10 of the 58 countries surveyed reported a confidence index above the baseline level of 100.

The 2012 unemployment rate in Hong Kong was 3.3%. Total employment increased by 90,900 to 3,409,800 in 2012 which signified a virtual full employment for the local workforce.

Meanwhile, inflation in Hong Kong held steady at an average rate of 4.7% in 2012, down from 5.3% in 2011. Given the recent moderate increase in import prices and the subpar performance of the economy, underlying inflation should be largely contained in the near term. Nevertheless, the volatility of international goods and commodities coupled with the fiery local housing market may pose risk to inflation.

While the fundamentals of the Hong Kong economy appear sound, a lack of consumer confidence has dampened demand for credit as they remain cautious about the immediate outlook. Asset quality of banks and non-bank companies' portfolios remained steady and various other indicators also suggested a moderate improvement in the credit risk of credit card lending and personal loans. The fourth quarter charge-off ratio fell slightly from 0.46% to 0.45%, while the delinquency ratio decreased to 0.20% from 0.21% at end-September 2012.

Competition in the banking and finance industry continues to intensify as all institutions are pursuing a greater market share in loans and fee income. The low interest rate in this competitive environment will continue to exert pressure on the pricing strategy of financial products. In addition to offering competitive interest rates and value added services to attract new customers, the monitoring of possible deterioration of credit quality and risk mitigation remains a vital objective for the Group.

GROUP RESTRUCTURING

ACH

ACS Group has undergone a restructuring process to further optimize operational efficiency. ACH was incorporated in Hong Kong on 7th June 2012 to oversee the business development strategies of ACS Japan in the PRC and other Asian countries. ACH is a wholly-owned subsidiary of ACS Japan.

The contribution of ACH will centre around three principal missions for the overseas group companies. The first is the continuation of business development throughout China and Asia. The second is the formulation and training of a global management team for the expansion of the overseas market. The third is the implementation of a compliance management framework.

ACH currently holds 52.73% of the issued shares of the Company. In addition, ACH also wholly owns two subsidiaries in Taiwan, namely, ACCT which is engaged in the credit card business and ACST which is engaged in the hire purchase business.

AFS

On 1st April 2013, ACS Japan changed its name to AFS and established a new AEON Credit Service Co., Ltd. The transition of ACS Japan to a bank holding company was the result of management integration and share exchange with AEON Bank, Ltd.

Following the transition, new AEON Credit Service Co., Ltd. and AEON Bank, Ltd. are now subsidiaries of AFS. AFS will act as the core of the AEON Japan group's financial services business.

Being the parent company of AEON Bank, Ltd., AFS would strengthen its business management and corporate governance functions while increasing its corporate value by creating synergy with the strengths of each company.

Following the structural reform process, operational efficiencies have improved and communications are streamlined. Resources for common platforms such as web service and brand identity are utilized more effectively. Productivity is boosted by the consolidation of overlapping departments and strategic shifting of the workforce.

Chairman's Statement

GROUP PERFORMANCE AND PROSPECTS

For the year ended 20th February 2013, total card members of the Group reached 1.16 million. This represents a 9.2% increase from the same period last year. Revenue for the year was HK$1,121.3 million, 100.4% when compared with previous year. Operating profit before the share of results of associates was HK$360.9 million, compared with HK$360.7 million in 2011/12. Net profit for the year was HK$295.3 million, 98.0% when compared with last year.

Following the transition of ACS Japan to a bank holding company, the next stage of development for the Group is to engage in the banking related business with a focus on increasing revenue streams. Preparation is underway for market entry positioning.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere thanks to our stakeholders – a term that encompasses not only shareholders, business partners and employees but also the local community – for the support extended to the Group. In addition, I also would like to thank the members of the Board and senior management for their dedication and commitment, and the staff for their hard work.

Masao Mizuno
Chairman

Hong Kong, 19th April 2013

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 2013.

With the launch of new credit card and loan products accentuated by effective marketing campaigns, the Group recorded a double digit growth in overall sales volume. Offers of preferential interest rates also helped drive up personal loan sales.

Revenue for this year remained at a similar level despite an unfavourable macro environment. Extra efforts were put forth by the Group to better manage impairment and operating expenses. On the funding side, the Group continues to benefit from the borrowings arranged at lower interest rates. Funding for growth and financial commitment remains robust. As a result, profit for the year achieved 98.0% to HK$295.3 million, as compared with HK$301.3 million in the previous year.

To improve the return on shareholder's interest, the Board has decided the final dividend of 18.0 HK cents. The total dividend for the year amounted to 35.0 HK cents (2012: 34.0 HK cents), representing a payout ratio of 49.6%.

In recognition of the continuous support to the various community programmes, the Company was awarded the "Caring Company" honour for the sixth consecutive year. The Group stands committed to environmental protection and the support of academic institutions.

OPERATIONAL REVIEW

Marketing

On credit card business, the Group had executed a series of marketing activities to enhance the competitiveness of its portfolio. Synergy between the Group and its partners allowed the formation of opportunities in niche markets in addition to the widening of its general customer base.

Marketing programmes

Ajisen Titanium MasterCard

The AEON 25th Anniversary promotion, Macau Ferry Ticket Spending promotion, Ocean Park Joyful Event, and Everybody Wins Lucky Draw promotion all received overwhelming response from customers. In addition, the Group organised year-round campaigns with its co-brand partners to stimulate card usage and drive card acquisition. To further expand market share, the Group had launched a new co-branded card, the Ajisen Titanium MasterCard. This new card not only attracts new customers but also opens up a new revenue stream opportunity for the Group.

To extend service coverage and better serve our customers, the Group opened four new branches over the course of the year. They are Sheung Shui Branch, Kowloon City Branch, Aberdeen Branch and New Tuen Mun Branch. Instant credit card issuance service has also been extended to 11 branches to allow customers to enjoy shopping immediately. For web and online services, four branches are now equipped with WiFi to facilitate netmember registration and to encourage the migration to web-based services such as e-statement, bill payment and card and loan application through Internet.

New branches

Branch services

New Services

In order to attract new customers and diversify market segments, the Group continues to optimize its mobile and online services with the release of smartphone apps and AEON Card e-Mall. The growing number of discount merchants and acquiring business clients allow the Group to explore new revenue streams.

During the year under review, the Group's insurance business subsidiary AEON Brokers continued to expand its customer base by introducing company insurance to corporate clients and business partners. In addition, it also focused on promoting high premium savings products and medical insurance to our customers. Road-shows and seminars were organized to promote various products such as general insurance, life insurance and MPF schemes.

Mobile and online services

Managing Director's Operational Review

China Business

AIS continues to extend its back office services to new clients in the Mainland and act as the processing agent for the AEON Card operations in China. Moreover, AIS is also engaged in the insurance agency business.

The micro-finance subsidiary in Shenyang has successfully lined up with well-known merchants to expand its sales channels. Moreover, it has also expanded its product lines to cover agricultural machinery financing in addition to consumer goods financing.

In the second half of 2012, the Group set up a micro-finance subsidiary in Tianjin. In April 2013, another micro-finance subsidiary started its business in Shenzhen. These subsidiaries will follow the business model of Shenyang and expand into other market sectors to capture the growth potential in the consumer finance market.

Marketing promotion for micro-finance business

The Group continues to form strategic partnerships with well-established businesses in the Mainland. A new payment gateway was launched in cooperation with Alipay to facilitate online transactions. The new system provides customers with a more secure and convenient shopping platform.

PROSPECTS

Year 2012 was characterized by an unclear and volatile global economy, fragile consumer confidence, political uncertainty and a multi speed economy which is challenging for many in the financial services industry. While we are unlikely to see significant improvements in the global macro environment in the short term, the US economy does not appear to be getting any worse albeit signs of recovery are lacking.

The medium term outlook for Europe remains gloomy due to the drastic austerity measures and socio-economic tensions. It is difficult to see the complex problems remedied quickly.

While optimistic about the medium to long term outlook for Hong Kong, the global economy remains uncertain. It is difficult to see the catalyst for alleviating the uncertainty which hinders consumer and corporate confidence. Therefore, in the near term, the Group would maintain a growth oriented business setting and revenue trend.

Managing Director's Operational Review

Going forward, the Group will continue to expand its credit card portfolio to broaden its business base while exploring alternative revenue streams. Since credit card business is the core operation of the Group, the Group will continue to expand its portfolio by issuing co-branded credit cards and collaborating with quality merchants to widen its business base. Both mass market and niche market segments will be strategically targeted and promotional campaigns arranged accordingly.

The Group will continue to proactively manage its asset quality while aiming for steady growth. At the same time, efforts will be applied to strengthening brand image and exercising corporate social responsibilities.

Growth Strategy

For China business, the Group will concentrate its efforts on the existing micro-finance operations in Shenyang, Tianjin and Shenzhen to widen its merchant network and offer innovative products. Riding on the Group's experience in South China, the micro-finance subsidiary in Shenzhen is expected to build its customer base quickly and offer different types of products to its customers. Moreover, the Group will continue to explore business opportunities in other provinces so as to tap into the fast growing consumer finance market in the Mainland.

With the re-branding of the AEON Stores, the Group is expected to benefit from this process. The re-branding is the perfect opportunity to strengthen our positioning in the market and establish a robust and unique brand identity. Mass promotions will be organized in cooperation with AEON Stores to stimulate core card usage and build customer loyalty.

Re-branding promotion programme

Web Business

To cope with the trend of rising online shopping among Hong Kong customers, the Group will continue the enhancement and expansion of its online shopping site, the AEON Card e-Mall, where customers can shop while on the move, or at the comfort of their homes. Special incentives and online events will be arranged to attract netmembers and promote the routine visits to the Group's online portals. The Group is in the process of developing a secure online payment tool, the AEON American Express® Virtual Pay, for customers to enjoy online shopping with a peace of mind. At the same time, the Group is also developing a brand new product which allows its cardholders to effect card cashing through smartphone and personal computer.

AEON Card e-Mall

To ride on the present operating platform, the Group will continue to explore and implement other fee based business in the areas of insurance, acquiring, point-of-sale, virtual cards, digital cash, and collection services.

Managing Director's Operational Review

Convenient and Efficient Service

In order to provide convenient and efficient service, the Group will continue to extend its coverage area by setting up new branches in strategic locations. The Group's extensive ATM network is undergoing a major upgrade and is expected to be completed within the year. The new ATMs not only provide a higher level of security, but also reward customers with a host of value added services and an overall enriched user experience.

New ATM service

SYSTEMS DEVELOPMENT

During the year under review, a scoring system and rule-based engine for judgment system were implemented, which facilitate a more precise judgment and timely adjustment of judgment rules supported by mathematical model for evaluating customer's risk level and incorporating behaviour scores for future marketing guidelines.

The Group has replaced its call centre (IP phone) system. It helps to serve customers in an efficient and effective manner. Based on customer segment, call can be routed to appropriate group of call centre agents to perform up and cross selling promotion effectively.

The Group's credit card system for processing credit card online transactions was enhanced to handle transaction from Alipay so that AEON cardholders can use AEON cards for online shopping at major merchants in China such as Taobao.

The Group is replacing its existing ATMs and supporting systems by more sophisticated ones which can offer new services to its cardholders. All existing services have been migrated to new ATM systems. Currently ATM replacement is in progress. It will be completed within 2013. Implementation of new services such as bill payment function, RMB dispensing and target marketing function are currently in progress.

Additionally, the Group is working closely with ACSS on the new front end processing (FEP) system which is expected to support the Group's business expansion and provide flexibility for future modification and enhancement.

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

The total number of staff at 20th February 2013 and 20th February 2012 was 479 and 431 respectively. Employees are remunerated according to the job nature and market trends, with a built-in-merit component incorporated in the annual increment to reward and motivate individual performance. Apart from medical insurance and provident fund, yearly discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Company and monthly incentives are granted to employees based on individual achievement on monthly sales target.

Branch manager supervisory management certification programme

"Customer First" is the Group's main philosophy. The Group has provided various internal training programmes to its frontline employees to enhance their customer service skills. In addition, to equip its branch managers with leadership skills, the Group has conducted comprehensive in-house management skill training to all branch managers. Regular refreshment workshops are also arranged with the aim to keep all employees abreast of regulatory developments.

To continue to boost up team spirit and sense of belongings among staff members, the Group issues staff newsletters on quarterly basis and organizes various staff activities.

Managing Director's Operational Review

CORPORATE SOCIAL RESPONSIBILITY

The Company's efforts and contributions to the local community have been recognized as this is the sixth year the Company has obtained the "Caring Company" award 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 reasonable return to our shareholders, the Group also takes pride in making charitable contributions to the local community.

AEON 25th Anniversary Tree Planting Day

UNICEF Young Envoys Programme 2012

To fulfill our mission of "Planting Seeds of Growth" and supporting the Government in "preventing hill fire", the Group has participated in AEON 25th Anniversary Tree Planting Day and Hong Kong Tree Planting Day. This is the Group's ninth year as a participant in this meaningful activity.

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

In China, the Group has continued to participate in 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 work towards a green living environment.

Managing Director's Operational Review

ACKNOWLEDGEMENT

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

Fung Kam Shing, Barry
Managing Director

Hong Kong, 19th April 2013

Inflationary pressure in Hong Kong has gradually come down from average 5.3% in 2011 to average 4.7% in 2012. Nevertheless, inflationary pressure still exists amid the slow economic growth and moderate increases in import prices. Unemployment rate dropped slightly from average 3.4% in 2011 to average 3.3% in 2012, which should render support to the domestic sector. Both low unemployment rate and inflation put pressure on staff costs as well as other operating expenses.

Under the current low interest environment, in order to seek for higher yields, banks and other financial institutions became more aggressive in consumer finance market, making the business environment very competitive. During the year, the Group issued one new co-branded card, the Ajisen Titanium MasterCard, to extend its reach to young market segment.

On top of that, the Group has launched a number of mass spending promotions and improved the benefits for its cardholders, making its credit cards more popular among the public. Meanwhile, the Group has further enhanced its low-cost operation policy by placing stringent control on its expenses.

KEY FINANCIAL HIGHLIGHTS

For the financial year ended 20th February 2013, on an audited basis, profit before tax was HK$355.4 million, a decrease of HK$0.7 million when compared with last year. After deducting income tax expense of HK$60.1 million, the Group recorded a profit drop of 2.0%, with profit for the year decreased from HK$301.3 million in the previous year to HK$295.3 million. Basic earnings per share decreased by 2.0% from 71.95 HK cents to 70.51 HK cents in 2012/13.

Revenue for the year was HK$1,121.3 million, an increase of HK$4.9 million when compared with HK$1,116.4 million in 2011/12.

Operating income was HK$1,038.7 million, as compared with HK$1,039.5 million in 2011/12. Operating expenses increased by 10.0% from HK$403.3 million to HK$443.5 million. At the operating level before impairment losses and impairment allowances, the Group recorded a decrease in operating profit by 6.4% or HK$41.0 million from HK$636.2 million in 2011/12 to HK$595.2 million.

The Group's impairment losses and impairment allowances recorded a decrease of 10.9% or HK$34.6 million from HK$317.1 million in the previous year to HK$282.5 million. Recoveries of advances and receivables written-off recorded an increase of 15.9% or HK$6.6 million from HK$41.5 million in 2011/12 to HK$48.1 million in 2012/13.

With the launch of new credit card and competitive interest rates offered to personal loan customers with reference to their background, the Group recorded an increase in gross advances of 1.0% during the year. Including accrued interest and other receivables, gross advances and receivables at 20th February 2013 was HK$4,942.5 million, as compared to HK$4,893.6 million at 20th February 2012.

Net asset value per share (after final dividend), compared with the net asset value per share as at 20th February 2012, increased from HK$4.7 to HK$5.1.

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 49.6%.

CONSOLIDATED INCOME STATEMENT ANALYSIS

Operating Income

Faced with the intensifying competition in the consumer finance market and customers' cautious approach to revolving transactions, the Group recorded interest income of HK$998.7 million for the year, a decrease of HK$11.6 million when compared with last year. With the renewal of long-term borrowings at lower interest rates, interest expense for the year was HK$101.9 million, a decrease of 13.6% or HK$16.0 million when compared with last year, with average funding cost being 3.2% as compared with 3.5% in the previous year. Net interest income of the Group recorded a growth of HK$4.4 million to HK$896.8 million from HK$892.4 million in 2011/12.

The increase in fees and commissions from credit card and insurance had resulted in the increase in other operating income by 13.7% from HK$114.4 million in 2011/12 to HK$130.1 million in 2012/13. Other gains and losses of HK$11.8 million represented mainly the gain on disposal of available-for-sale investments.

Operating Expenses

Following the recruit of more staff for the two micro-finance companies in China, the Group had spent more on staff expenses. The launch of a series of strategic marketing activities throughout the year to augment the competitiveness of the card and personal loan businesses led to an increase in marketing and promotion expenses. As a result, operating expenses increased by 10.0% or HK$40.2 million from HK$403.3 million in 2011/12 to HK$443.5 million in 2012/13.

Impairment Losses and Impairment Allowances

During the year under review, the Group lent prudently and strived to continually maintain its asset quality. With proactive collection procedures and cautious approval process, there was noticeable improvement in the write-off amount when compared with last year. Impairment losses and impairment allowances for the year decreased by 10.9% or HK$34.6 million from HK$317.1 million in 2011/12 to HK$282.5 million. Recoveries of advances and receivables written-off was HK$48.1 million, an increase of 15.9% or HK$6.6 million when compared with HK$41.5 million in 2011/12. Impairment allowances amounted to HK$126.8 million at 20th February 2013, as compared with HK$129.5 million at 20th February 2012.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's total equity at 20th February 2013 was HK$2,229.1 million, representing a growth of 8.8% or HK$179.5 million, when compared with the balance at 20th February 2012.

Advances and Receivables

The Group recorded a decrease of card cash advance receivables under the competitive consumer finance market. However, the Group's successful marketing programmes and good response to its 25th anniversary promotions stimulated customers spending on card credit purchases which in turn boosted up card credit purchase receivables. Overall credit card receivables recorded a decrease of HK$44.4 million from HK$3,099.5 million at 20th February 2012 to HK$3,055.1 million at 20th February 2013. The Group continued to offer competitive interest rates to attract instalment loan customers. This helped to boost up the instalment loans receivable. Instalment loans receivable at 20th February 2013 was HK$1,762.9 million, an increase of HK$105.7 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$18.7 million in the previous year to HK$6.1 million at 20th February 2013. Gross advances at 20th February 2013 were HK$4,824.1 million, as compared with HK$4,775.4 million at 20th February 2012. Together with accrued interest and other receivables, gross advances and receivables increased by HK$48.9 million, from HK$4,893.6 million at 20th February 2012 to HK$4,942.5 million at 20th February 2013.

With the increase in gross and overdue advances and receivables, the Group increased the amount of collective impairment allowances. On the other hand, considering the improvement in unemployment rate and overdue debtor balance for 4 months or above, the Group reduced the individual impairment allowances. Overall, impairment allowances amounted to HK$126.8 million at 20th February 2013, as compared with HK$129.5 million at 20th February 2012 and representing 2.6% of gross advances and receivables.

Collateralised Debt Obligation

The Company entered into a HK$1,100 million collateralised debt obligation financing transaction (the "Transaction") as long-term funding. The Transaction consists of two tranches – Tranche A and Tranche B. The amount under each tranche is HK$550 million each. Pursuant to the Transaction, the Company transferred credit card receivables to a trust established solely for this financing purpose. According to HKAS 39, both assets transferred and debt issued under the Transaction has not been derecognised and remained in the Group's consolidated financial statements.

The collateralised debt obligation amounted to HK$1,098.5 million at 20th February 2013. This was secured by credit card receivables of HK$1,730.6 million and restricted deposits of HK$184.0 million.

Funding and Capital Management

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 20th February 2013, 41.5% of its funding was derived from total equity, 38.0% from direct borrowings from financial institutions and 20.5% from structured finance.

The principal source of internally generated capital was from accumulated profits. At 20th February 2013, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,038.9 million, with 18.7% being fixed in interest rates, 72.6% being converted from floating interest rates to fixed interest rates using interest rate swaps and the remaining 8.7% being renewed overnight. Including the collateralised debt obligation, 22.7% of these indebtedness will mature within one year, 7.5% between one and two years, 68.4% between two and five years and 1.4% over five years. The duration of indebtedness was around 2.6 years.

The Group's bank borrowings and collateralised debt obligation were denominated in HKD, except for a syndicated term loan of USD50.0 million and a term loan of USD10.0 million which were hedged by cross-currency interest rate swaps, as well as short term loans of RMB50.0 million.

The Group continued to maintain a strong financial position. The net debt to equity ratio at 20th February 2013 was as follows:

	2013	2012
	HK$'000	HK$'000
Debt	**3,137,341**	3,005,275
Cash and cash equivalents	**(526,022)**	(354,273)
Net debt	**2,611,319**	2,651,002
Equity	**2,229,109**	2,049,605
Net debt to equity ratio	**1.2**	1.3

The net asset of the Group at 20th February 2013 was HK$2,229.1 million, as compared with HK$2,049.6 million at 20th February 2012.

The Group's principal operations were transacted and recorded in HKD and therefore its core assets did not subject to any exposure on exchange rate fluctuation. During the year under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings.

Capital expenditure of the Group for the year amounted to HK$41.1 million as compared to HK$43.6 million in the previous year. This was mainly related to the software development on the enhancement of the operating efficiencies. At 20th February 2013, capital commitments entered were mainly related to the purchase of property, plant and equipment.

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

In determining the dividend payment, the objective is to reward shareholders with dividend income while retaining funds for the changing operating environment in both Hong Kong and China. Shareholders generally expect a reasonable return on their investments. In order to meet shareholders' reasonable expectation, the Board has proposed a final dividend of 18.0 HK cents per share, giving a full year dividend of 35.0 HK cents per share, which represents a payout ratio of 49.6%.

Management Discussion and Analysis

SEGMENT INFORMATION

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, insurance and hire purchase. In 2012/13, credit card operation accounted for 65.3% of the Group's revenue, as compared to 66.9% in 2011/12. For segment results, credit card operation accounted for 72.3% of the Group's whole operations in 2012/13, as compared to 69.6% in 2011/12.

Customers' cautious approach to revolving transactions resulted in a drop in card cash advance sales and balances. Notwithstanding the strong growth in card credit purchase sales, interest income still recorded a decrease when compared with last year. Nevertheless, the increase in card credit purchase sales had increased commission income. As a whole, there was a drop in revenue from credit card operation of 1.9% or HK$14.0 million from HK$746.6 million in 2011/12 to HK$732.6 million in 2012/13. With the exercise of prompt collection actions, there was a noticeable decrease in the impairment losses and impairment allowances. The segment result for the year from credit card operation increased by 10.4% or HK$24.6 million from HK$235.7 million in 2011/12 to HK$260.3 million in 2012/13.

The Group continued to offer competitive interest rates to attract instalment loan customers. This successfully boosted up the instalment loan sales and interest income recorded an increase when compared with last year. Revenue from instalment loan operation recorded an increase of 2.5% or HK$8.5 million from HK$338.5 million in 2011/12 to HK$347.0 million in 2012/13. With the exercise of cautious credit approval process, there was a decrease in impairment losses and impairment allowances. However, after taking into account the additional operation costs of the two micro-finance companies in China, the segment result for the year from instalment loan operation recorded a decrease of 6.7% or HK$6.1 million from HK$90.3 million in 2011/12 to HK$84.2 million in 2012/13.

Revenue from insurance operation recorded an increase of HK$12.1 million from HK$28.7 million in 2011/12 to HK$40.8 million in 2012/13. Following the expansion of insurance business, there was an increase in operating expenses. As a result, the segment result for the year from insurance operation increased by 24.7% or HK$2.9 million from HK$12.1 million in 2011/12 to HK$15.0 million in 2012/13.

With a continuous shift from hire purchase to card instalment plan, revenue from hire purchase operation recorded a decrease of HK$1.7 million, from HK$2.6 million in 2011/12 to HK$0.9 million in 2012/13. Following a drop in operating expenses and impairment losses and impairment allowances and the increase in recoveries of advances and receivables written off, the segment result for the year from hire purchase operation recorded a slight increase from HK$0.4 million in 2011/12 to HK$0.5 million in 2012/13.

COMPETITIVE ADVANTAGES

Business Model and Strategy

It is the Group's strategy to launch co-branded cards to recruit new card members and cross-sell other consumer finance products and services to these members. The Group continues to benefit from the strong connections with affiliated merchants which provide excellent card acquisition channels to the Group. The Group has successfully expanded its personal loan and insurance businesses by cross-selling to holders of its co-branded cards. In addition to insurance and call centre services, the Group will continue to explore other fee based income opportunities. On business expansion in China, riding on the experience and operation knowledge gained from China AEON Card operation, the Group will develop new products for its micro-finance business in order to tap into the fast growing consumer finance market in China.

Customer Base

The customer base of the Group is widely diversified. Around 55% of the customers are in the age range of 30 to 50. The new cardholders recruited in this financial year were mainly related to merchants in the retail and catering industries. Meanwhile, female cardholders represent 70% of our card portfolio as at 20th February 2013.

Convenient Service

The Group expanded its instant card issuance service from seven branches to 11 branches during the year so as to enable new customers to enjoy immediate shopping privilege. Moreover, the Group has also launched supplementary card to allow family members of cardholders to enjoy card benefits. For ease of payment, customers can settle their payments via branch counters, convenience stores networks, phone banking, internet banking and ATM networks. Customers can also have easy access to speedy and convenient cash advance and personal loan services via the Group's 200 plus ATMs as well as its branch network and call centres. For card spending, the extensive discount merchant network continues to provide convenience and wide-ranging choices to cardholders.

Quality of Service

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

Directors and Senior Management Profile

DIRECTORS

Mr. Masao MIZUNO, aged 54, was appointed as the Chairman and a Non-executive Director on 17th June 2011. He is a director of AFS and AEON Malaysia. He is also a director of a subsidiary of the Company. He was the Vice Chairman (July 2001 – June 2011) and Managing Director (September 1992 – June 2011) of AEON Thailand. He was formerly with the Company from 1991 to 1992. He holds a Bachelor's degree in Law from Aichi Gakuin University.

Mr. FUNG Kam Shing, Barry, aged 50, was appointed as an Executive Director and the Managing Director on 14th June 2006 and 17th June 2011 respectively. He joined the Company in May 2002. He is also a director of the Company's subsidiaries in Hong Kong and China. 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.

Mr. Tomoyuki KAWAHARA, aged 52, was appointed as an Executive Director on 14th June 2006. He was the Senior Executive Director from 15th June 2007 to 17th June 2011. He joined the Company in September 2000. He is in charge of the Internal Operations Division of the Company. He holds a Bachelor's degree in Business Administration from Hokkaido University.

Ms. KOH Yik Kung, aged 57, was appointed an Executive Director on 21st June 2001. She is also the Company Secretary and in-house counsel. She is in charge of the Corporate Affairs Division of the Company. She was formerly with the Company from August 1992 to June 1994 and rejoined the Company in November 1998. She holds a Bachelor's degree in Law from South Bank University. She is a barrister.

Ms. CHAN Fung Kuen, Dorothy, aged 44, was appointed as an Executive Director on 17th June 2011. She joined the Company in April 1995. She is in charge of the Accounts and Finance Division of the Company. She is also a director of a subsidiary of the Company. She holds a Professional Diploma in Accountancy from Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. LAI Yuk Kwong, aged 50, was an Executive Director 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 joined the Company in July 1996. He is also a director of a subsidiary of the Company. 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.

Directors and Senior Management Profile

Dr. HUI Ching Shan, aged 62, was appointed as an Independent Non-executive Director on 26th June 2006. He holds a Bachelor's degree in Social Science from University of Hong Kong, a Master's degree in Business Administration from University of Toronto, a Doctorate in Business Administration from University of South Australia and a Postgraduate Certificate in Laws from University of Hong Kong. He is a solicitor of Hong Kong. He is also a Certified Management Accountant of Canada and a member of the Hong Kong Institute of Chartered Secretaries. He has over 15 years of experience in commercial and merchant banking and had held senior positions in a number of local and international merchant banks.

Mr. WONG Hin Wing, aged 50, was appointed as an Independent Non-executive Director on 13th October 2004. He holds a Master's degree in Executive Business Administration from Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, 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 and a Member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference. He has been the Chief Executive Officer and responsible officer of Legend Capital Partners, Inc., a licensed corporation under the Securities and Futures Ordinance since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as Chief Financial Officer for seven years. He has 29 years of experience in accounting, finance, investment management and advisory.

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 of the School of Foreign Languages and Deputy Head of the Institute for Japanese Studies in Southeast China at Sun Yat-sen University. He is also the Chairman of Federation for Japanese Returned Scholars of Guangzhou and Executive Director of Guangdong, Hong Kong and Macau Universities Association for Japanese Studies.

SENIOR MANAGEMENT

Mr. Jamie S. S. LEI, aged 54, is the managing director of AEON Brokers. He joined the Company in April 1998. He holds a Bachelor's degree in Economics from St. Francis Xavier University. Prior to joining the Company, he worked for a major U.S. bank in Hong Kong.

Ms. Tomoko MISAKI, aged 49, is a director of AEON Brokers. She joined the Company in April 2002. She was in charge of the Customer Relationship Management Department of the Company for seven years. She has over 10 years of experience in the service industry. She holds a Bachelor's degree in Economics from Konan University and a Certificate in Chinese Language (Cantonese) from University of Hong Kong.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers and employees. The Company has complied with the code provisions of the Code on Corporate Governance Practices (effective until 31st March 2012) and the CG Code (effective from 1st April 2012) throughout the accounting year ended 20th February 2013, 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 Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code provision 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. The Non-executive Directors could not attend the 2012 AGM as they were overseas.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the 2012 AGM as he was overseas.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 the compliance with statutory and regulatory obligations. Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Company. Daily operations and administration are delegated to the management.

Composition

As at the date of this report, the Board comprises nine members, consisting of four Executive Directors, two 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. The name and biographical details of each Director are set out on pages 24 to 25 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 academic, professional and 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 14 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 Company's Articles of Association, 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, nine 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)*	9/9
Tomoyuki Kawahara	9/9
Koh Yik Kung	9/9
Chan Fung Kuen, Dorothy	9/9
Toshiya Shimakata*	1/1
Non-executive Directors:	
Masao Mizuno *(Chairman)*	6/9
Masanori Kosaka*	1/1
Lai Yuk Kwong**	9/9
Independent Non-executive Directors:	
Hui Ching Shan	8/9
Wong Hin Wing	9/9
Tong Jun	9/9

* *retired on 15th June 2012*
** *re-designated on 21st July 2012*

Directors' Training

Every newly appointed Director will receive an induction package including key legal requirements, the Company's Memorandum and Articles of Association and the Company's policies and guidelines. Executive Directors and senior management will meet with the new Directors to provide them with more detailed knowledge of the Company's business and operations. 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 three formal training sessions on corruption prevention, connected transactions 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 2013, the Directors received trainings on the following areas:

Directors	**Corporate Governance**	**Regulatory Development**	**Financial/ Management/ Business Skills & Knowledge**
Executive Directors			
Fung Kam Shing, Barry	✓	✓	✓
Tomoyuki Kawahara	✓	✓	✓
Koh Yik Kung	✓	✓	
Chan Fung Kuen, Dorothy	✓	✓	✓
Non-executive Directors			
Masao Mizuno	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
Independent Non-executive Directors			
Hui Ching Shan	✓	✓	✓
Wong Hin Wing	✓	✓	✓
Tong Jun	✓	✓	

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Masao Mizuno and the Managing Director is Mr. Fung Kam Shing, Barry. The roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual. The division of responsibilities between the Chairman and the Managing Director have been clearly established and set out in writing.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

BOARD COMMITTEES

The Board has three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee. All the Board committees are empowered by the Board under their own 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. Masao Mizuno. The other members are Dr. Hui Ching Shan, Mr. Wong Hin Wing and Prof. Tong Jun.

The Nomination Committee was established in December 2011 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 one meeting for the year ended 20th February 2013 to (i) review the structure, size and composition of the Board; (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 2012 AGM.

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

Members	Attendance
Masao Mizuno *(Chairman)*	1/1
Hui Ching Shan	1/1
Wong Hin Wing	1/1
Tong Jun	1/1

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Remuneration Committee is chaired by Dr. Hui Ching Shan. The other members are Mr. Masao Mizuno, Mr. Wong 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 consolidated financial statements.

The Remuneration Committee held one meeting for the year ended 20th February 2013 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**
Hui Ching Shan *(Chairman)*	1/1
Masao Mizuno	0/1
Wong Hin Wing	1/1
Tong Jun	1/1

Audit Committee

The Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is chaired by Dr. Hui Ching Shan. The other members are Mr. Masao Mizuno, Mr. Wong 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 2013, 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
Hui Ching Shan *(Chairman)*	4/4
Masao Mizuno	3/4
Wong Hin Wing	4/4
Tong Jun	4/4

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.

Corporate Governance Report

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

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

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

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

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

The Company's Audit and Assurance Department monitors the Group's internal governance and strives to provide objective assurance to the Board that a sound internal control system is maintained and operated by the management in compliance with agreed processes and standards by performing periodic checking. Annual internal audit plan is designed with audit resources to focus on higher risk areas and submitted to the Audit Committee for review and approval. This is further supplemented by the J-SOX audit performed by external auditor of which internal control procedures for key operating areas have been evaluated and tested for effectiveness. Such annual review and testings will also consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

During the year under review, no major issue but areas for improvement have been identified by internal and external auditors and appropriate measures have been 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 2013, 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 50 to 51 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 2012 AGM until the conclusion of the 2013 AGM.

During the year under review, a remuneration of HK$2,351,000 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	713
J-SOX annual compliance review	700
Total	1,485

COMPANY SECRETARY

The Company Secretary's role is to support the Board by ensuring good information flow within the Board and that Board policies and procedures are followed. The Company Secretary is responsible for advising the Board on 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 for 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.

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 20 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 2012 AGM was held on Friday, 15th June 2012. The notice of the 2012 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than 20 clear business days before the 2012 AGM. All Board members (except the Chairman of the Board who was overseas) together with the key executives and the external auditor attended the 2012 AGM. The Company Secretary explained the poll voting procedures at the 2012 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2012 AGM. All the resolutions at the 2012 AGM were dealt with by poll. The poll results of the 2012 AGM are available on the Company's website and the Stock Exchange's website.

The attendance records of the Directors at the 2012 AGM are set out below:

Directors	**Attendance**
Executive Directors:	
Fung Kam Shing, Barry *(Managing Director)*	1/1
Tomoyuki Kawahara	1/1
Koh Yik Kung	1/1
Chan Fung Kuen, Dorothy	1/1
Toshiya Shimakata*	1/1
Non-executive Directors:	
Masao Mizuno *(Chairman)*	0/1
Masanori Kosaka*	0/1
Lai Yuk Kwong**	1/1
Independent Non-executive Directors:	
Hui Ching Shan	1/1
Wong Hin Wing	1/1
Tong Jun	1/1

* *retired on 15th June 2012*

** *re-designated on 21st July 2012*

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 2013 was HK$3,392,001,360 (issued share capital: 418,765,600 shares at closing market price: HK$8.1 per share).

The 2013 AGM will be held at Function Rooms 4 – 8, 3/F, The Mira Hong Kong, 118 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 18th June 2013 at 10:00 a.m.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting ("EGM") of the Company

Pursuant to section 113 of the Companies Ordinance, shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can submit a written requisition to convene an EGM.

The written requisition must:

(a) state the objects of the EGM;

(b) be signed by the requisitionists (which signatures may be contained in one or several documents in like form); and

(c) be deposited at the Company's registered office for the attention of the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition (after being verified being valid) proceed to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from the date of the deposit of the requisition.

Moving a resolution at an annual general meeting ("AGM") of the Company

Pursuant to section 115A of the Companies Ordinance, shareholders can submit a written requisition to move a resolution at an AGM if they:

(a) represent not less than one-fortieth (1/40) of the total voting rights of all shareholders having at the date of the requisition a right to vote at the AGM; or

(b) are no less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

The written requisition must:

(i) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the AGM;

(ii) be signed by the requisitionists (which signatures may be contained in one or several documents in like form);

(iii) be deposited at the Company's registered office for the attention of the Company Secretary not less than 6 weeks before the AGM in case of a requisition requiring notice of a resolution, and not less than 1 week before the AGM in case of any other requisition; and

(iv) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules.

Proposing a candidate for election as a Director at an AGM of the Company

Pursuant to Article 88 of the Articles of Association, 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 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 7 days prior to the date of the AGM. Detailed procedures can be found in the document titled "Procedures for Election of Directors by Shareholders" 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, Tsimshatsui, 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 2013.

PRINCIPAL ACTIVITIES

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

NET DEBT TO EQUITY RATIO

At 20th February 2013, the net debt to equity ratio was 1.2 (2012: 1.3).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 20th February 2013 are set out in the consolidated income statement on page 52.

An interim dividend of 17.0 HK cents (2012: interim dividend of 16.0 HK cents) per share amounting to HK$71,190,000 (2012: HK$67,002,000) was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of 18.0 HK cents (2012: 18.0 HK cents) per share to the shareholders on the register of members on 24th June 2013 amounting to HK$75,378,000 (2012: HK$75,378,000), and the retention of the remaining profit for the year of HK$148,704,000.

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$38,753,000 on computer equipment, HK$2,062,000 on leasehold improvements and HK$331,000 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)*	
Tomoyuki Kawahara	
Koh Yik Kung	
Chan Fung Kuen, Dorothy	
Toshiya Shimakata	(Retired on 15th June 2012)

Non-executive Directors:

Masao Mizuno *(Chairman)*	
Masanori Kosaka	(Retired on 15th June 2012)
Lai Yuk Kwong	(Re-designated on 21st July 2012)

Independent Non-executive Directors:

Hui Ching Shan
Wong Hin Wing
Tong Jun

In accordance with Article 102 of the Articles of Association, all Directors shall retire at the 2013 AGM and shall be eligible for re-election. Accordingly, all Directors, except Mr. Masao Mizuno, will offer themselves for re-election. Mr. Masao Mizuno will not offer himself for re-election due to his other work commitments which require more of his time and dedication.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2013 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 2013, 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) AFS – intermediate holding company of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Masao Mizuno	2,886	0.01

(b) 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
Masao Mizuno	1,485,000	0.59

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 2013.

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 2013, 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
ACH *(Note 3)*	220,814,000	52.73
DJE Investment S.A. *(Note 4)*	33,536,000	8.01
Aberdeen Asset Management Plc and its Associates	33,520,000	8.00

Notes:

(1) AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 45.63% of the issued share capital of AFS, the holding company of ACH, 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 ACH and AEON Stores respectively.

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

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

(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 2013.

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 certain purchases made by customers with the use of certain credit cards issued by the Company and certain purchases made by customers which are financed by interest-free hire purchase and card instalment facilities provided by the Company.

The total amount of commission received and receivable by the Company from AEON Stores for the year ended 20th February 2013 was HK$11,309,000, of which HK$5,351,000 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 2013 was HK$8,567,000.

On 29th November 2011, the Company and AEON Stores entered into a licence agreement for the leasing of shop no. L302, 3/F, Kornhill Plaza (South), Kornhill Road, Quarry Bay, Hong Kong for a term of 2 years commencing from 1st December 2011 to 30th November 2013 at a monthly licence fee of HK$180,900 and management fee of HK$10,152. The aggregate sum of the licence fee and management fee for the year ended 20th February 2013 amounted to HK$2,291,000, which did not exceed the cap of HK$2,500,000 as disclosed in the Company's announcement dated 29th November 2011.

On 16th January 2012, the Company and AEON Stores entered into a licence agreement for the leasing of shop No. G002, Ground Floor, Tuen Mun Town Plaza, Phase 1, 1 Tuen Shun Street, Tuen Mun, New Territories, Hong Kong for a term of 2 years commencing from 16th January 2012 to 15th January 2014 at a monthly licence fee of HK$100,750 and management fee of HK$4,836. The aggregate sum of the licence fee and management fee for the year ended 20th February 2013 amounted to HK$1,270,000, which did not exceed the cap of HK$1,500,000 as disclosed in the Company's announcement dated 17th January 2012.

CONNECTED TRANSACTIONS (Cont'd)

(b) (Cont'd)

On 31st October 2012, the Company and AEON Stores entered into a new licence agreement to renew the previous licence agreement for the leasing of shop no. G5-16, G/F, JUSCO Whampoa Store, Sites 5 & 6 Whampoa Garden, Hung Hom, Kowloon, Hong Kong for a term of 1 year commencing from 1st November 2012 to 31st October 2013 at a monthly licence fee of HK$119,000 and management fee of HK$8,160. The aggregate sum of the licence fee and management fee for the year ended 20th February 2013 amounted to HK$1,467,000, of which HK$1,001,000 is under the previous licence agreement and HK$466,000 is under the new licence agreement, which did not exceed the respective caps of HK$1,050,000 and HK$550,000 as disclosed in the Company's announcements dated 5th November 2010 and 31st October 2012 respectively.

(c) Pursuant to a master service agreement dated 20th October 2010 entered into between the Company and AIS, an associate, the Company would pay service fees to AIS for the provision of call centre services to the Company.

The total amount of service fees paid and payable by the Company to AIS for the year ended 20th February 2013 amounted to HK$35,389,000, which did not exceed the cap of HK$39,000,000 as disclosed in the Company's announcement dated 21st October 2010.

(d) On 17th August 2012, the Company and ACS Japan entered into a new corporate expenses sharing agreement to renew the previous corporate expenses sharing agreement whereby ACS Japan would provide various advisory services to the Company and the Company would share the corporate expenses incurred by ACS Japan in providing the advisory services.

The total amount of expenses paid and payable by the Company to ACS Japan for the year ended 20th February 2013 amounted to HK$5,957,000, which did not exceed the cap of HK$8,000,000 as disclosed in the Company's announcement dated 20th August 2012.

(e) On 31st October 2012, 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 2013 amounted to HK$6,889,000, of which HK$4,322,000 is under the previous master service agreement and HK$2,567,000 is under the new master service agreement, which did not exceed the respective caps of HK$6,100,000 and HK$3,300,000 as disclosed in the Company's announcements dated 31st October 2011 and 31st October 2012 respectively.

CONNECTED TRANSACTIONS (Cont'd)

(f) On 10th September 2012, the Company and ACH entered into a sale and purchase agreement whereby the Company agreed to sell and ACH agreed to purchase the Company's entire shareholding in ACCT, comprising 11,649,999 shares of NT$10 each, representing approximately 12.2% of the issued share capital of ACCT, for a cash consideration of NT$159,853,000 (equivalent to approximately HK$41,726,000).

(g) On 10th September 2012, the Company and ACH entered into a sale and purchase agreement whereby the Company agreed to sell and ACH agreed to purchase the Company's entire shareholding in ACST, comprising 399,999 shares of NT$10 each, representing approximately 8.0% of the issued shares of ACST, for a cash consideration of NT$5,517,000 (equivalent to approximately HK$1,440,000).

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a), (b), (c), (d) and (e) above which constituted continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

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

On 31st March 2011, the Company obtained a term loan of USD50,000,000 (the "Facility") from a syndicate of banks, with the repayment date falling on 20th September 2016.

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

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

During the year of review, the GCL has expired while no repayment was made under the Facility. At 20th February 2013, 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$853,000.

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 2013.

AUDITOR

A resolution will be submitted to the 2013 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, 19th April 2013

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 52 to 142, which comprise the consolidated and company statements of financial position as at 20th February 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY (Cont'd)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 20th February 2013, 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, 19th April 2013

Consolidated Income Statement

For the year ended 20th February 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	5	**1,121,348**	1,116,357
Interest income	7	**998,674**	1,010,322
Interest expense	8	**(101,901)**	(117,886)
Net interest income		**896,773**	892,436
Other operating income	9	**130,054**	114,374
Other gains and losses	10	**11,839**	32,685
Operating income		**1,038,666**	1,039,495
Operating expenses	11	**(443,494)**	(403,304)
Operating profit before impairment allowances		**595,172**	636,191
Impairment losses and impairment allowances		**(282,456)**	(317,069)
Recoveries of advances and receivables written-off		**48,134**	41,544
Share of results of associates	18	**(5,489)**	(4,571)
Profit before tax		**355,361**	356,095
Income tax expense	13	**(60,089)**	(54,776)
Profit for the year		**295,272**	301,319
Attributable to:			
Owners of the Company		**295,272**	301,319
Earnings per share – Basic	15	**70.51 HK cents**	71.95 HK cents

Consolidated Statement of Comprehensive Income

For the year ended 20th February 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**295,272**	301,319
Other comprehensive income (expense)		
Fair value gain on available-for-sale investments	**711**	21,167
Release of investment revaluation reserve upon disposal of available-for-sale investments	**–**	(29,932)
Exchange difference arising from translation of foreign operations	**1,763**	2,453
Net adjustment on cash flow hedges	**28,326**	(143,792)
Other comprehensive income (expense) for the year	**30,800**	(150,104)
Total comprehensive income for the year	**326,072**	151,215
Total comprehensive income attributable to:		
Owners of the Company	**326,072**	151,215

Consolidated Statement of Financial Position

At 20th February 2013

	NOTES	20.2.2013 HK$'000	20.2.2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**96,642**	91,816
Investments in associates	18	**17,125**	22,389
Available-for-sale investments	19	**44,309**	72,664
Advances and receivables	20	**1,314,805**	1,252,061
Prepayments, deposits and other debtors	24	**42,540**	46,771
Derivative financial instrument	35	**32**	2,773
Restricted deposits	25	**68,000**	68,000
		1,583,453	1,556,474
Current assets			
Advances and receivables	20	**3,500,862**	3,512,062
Prepayments, deposits and other debtors	24	**35,450**	54,690
Amount due from an associate	33	**979**	–
Restricted deposits	25	**115,958**	–
Time deposits	26	**372,083**	233,367
Fiduciary bank balances	27	**3,712**	2,246
Bank balances and cash	28	**156,309**	124,121
		4,185,353	3,926,486
Current liabilities			
Creditors and accruals	29	**147,994**	155,991
Amounts due to fellow subsidiaries	31	**51,616**	50,273
Amount due to immediate holding company	32	**–**	123
Amount due to intermediate holding company	32	**2,963**	–
Amount due to ultimate holding company	32	**90**	51
Amounts due to associates	33	**–**	878
Bank borrowings	34	**711,130**	277,000
Bank overdrafts		**2,370**	3,215
Derivative financial instruments	35	**8,875**	1,478
Tax liabilities		**21,361**	14,141
		946,399	503,150
Net current assets		**3,238,954**	3,423,336
Total assets less current liabilities		**4,822,407**	4,979,810

Consolidated Statement of Financial Position

At 20th February 2013

	NOTES	20.2.2013 HK$'000	20.2.2012 HK$'000
Capital and reserves			
Issued capital	37	**41,877**	41,877
Share premium and reserves	38	**2,187,232**	2,007,728
Total equity		**2,229,109**	2,049,605
Non-current liabilities			
Collateralised debt obligation	39	**1,098,461**	1,098,035
Bank borrowings	34	**1,327,750**	1,630,240
Derivative financial instruments	35	**164,687**	200,530
Deferred tax liabilities	36	**2,400**	1,400
		2,593,298	2,930,205
		4,822,407	4,979,810

The consolidated financial statements on pages 52 to 142 were approved and authorised for issue by the Board on 19th April 2013 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Statement of Financial Position

At 20th February 2013

	NOTES	20.2.2013 HK$'000	20.2.2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**94,194**	89,567
Investments in subsidiaries	17	**121,791**	51,000
Investments in associates	18	**17,125**	22,389
Available-for-sale investments	19	**44,309**	72,664
Advances and receivables	20	**1,313,759**	1,251,952
Prepayments, deposits and other debtors	24	**42,283**	46,751
Derivative financial instrument	35	**32**	2,773
Restricted deposits	25	**68,000**	68,000
		1,701,493	1,605,096
Current assets			
Advances and receivables	20	**3,486,843**	3,510,130
Prepayments, deposits and other debtors	24	**17,705**	47,494
Amount due from an associate	33	**979**	–
Restricted deposits	25	**115,958**	–
Time deposits	26	**371,983**	233,267
Bank balances and cash	28	**44,969**	68,695
		4,038,437	3,859,586
Current liabilities			
Creditors and accruals	29	**131,287**	146,207
Amounts due to subsidiaries	30	**9,057**	14,189
Amounts due to fellow subsidiaries	31	**51,565**	50,273
Amount due to intermediate holding company	32	**2,732**	–
Amount due to ultimate holding company	32	**90**	51
Amount due to an associate	33	**–**	846
Bank borrowings	34	**711,130**	277,000
Bank overdrafts		**2,370**	3,215
Derivative financial instruments	35	**8,875**	1,478
Tax liabilities		**20,324**	13,500
		937,430	506,759
Net current assets		**3,101,007**	3,352,827
Total assets less current liabilities		**4,802,500**	4,957,923

Statement of Financial Position

At 20th February 2013

	NOTES	20.2.2013 HK$'000	20.2.2012 HK$'000
Capital and reserves			
Issued capital	*37*	**41,877**	41,877
Share premium and reserves	*38*	**2,167,325**	1,985,841
Total equity		**2,209,202**	2,027,718
Non-current liabilities			
Collateralised debt obligation	*39*	**1,098,461**	1,098,035
Bank borrowings	*34*	**1,327,750**	1,630,240
Derivative financial instruments	*35*	**164,687**	200,530
Deferred tax liabilities	*36*	**2,400**	1,400
		2,593,298	2,930,205
		4,802,500	4,957,923

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 20th February 2013

	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 2011	41,877	227,330	270	26,703	(50,513)	7,870	1,778,858	2,032,395
Profit for the year	–	–	–	–	–	–	301,319	301,319
Fair value gain on available-for-sale investments	–	–	–	21,167	–	–	–	21,167
Release of investment revaluation reserve upon disposal of available-for-sale investments	–	–	–	(29,932)	–	–	–	(29,932)
Exchange difference arising from translation of foreign operations	–	–	–	–	–	2,453	–	2,453
Net adjustment on cash flow hedges	–	–	–	–	(143,792)	–	–	(143,792)
Total comprehensive (expense) income for the year	–	–	–	(8,765)	(143,792)	2,453	301,319	151,215
Final dividend paid for 2010/11	–	–	–	–	–	–	(67,003)	(67,003)
Interim dividend paid for 2011/12	–	–	–	–	–	–	(67,002)	(67,002)
	–	–	–	(8,765)	(143,792)	2,453	167,314	17,210
At 20th February 2012	**41,877**	**227,330**	**270**	**17,938**	**(194,305)**	**10,323**	**1,946,172**	**2,049,605**
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**

Consolidated Statement of Cash Flows

For the year ended 20th February 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Profit before tax	**355,361**	356,095
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	**426**	1,072
Depreciation	**36,293**	34,058
Dividends received on available-for-sale investments	**(966)**	(2,336)
Gain on disposal of available-for-sale investments	**(14,100)**	(34,459)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**282,456**	317,069
Interest expense	**101,475**	116,814
Interest income	**(998,674)**	(1,010,322)
Losses on disposal of property, plant and equipment	**37**	102
Share of results of associates	**5,489**	4,571
Operating cash flows before movements in working capital	**(232,203)**	(217,336)
Increase in advances and receivables	**(334,001)**	(359,274)
Increase in prepayments, deposits and other debtors	**(12,752)**	(20,276)
Increase in amount due from an associate	**(979)**	–
(Increase) decrease in fiduciary bank balances	**(1,466)**	350
(Decrease) increase in creditors and accruals	**(6,397)**	10,497
Increase in amounts due to fellow subsidiaries	**1,343**	14,186
(Decrease) increase in amount due to immediate holding company	**(123)**	123
Increase in amount due to intermediate holding company	**2,963**	–
Increase in amount due to ultimate holding company	**39**	6
(Decrease) increase in amounts due to associates	**(878)**	481
Cash used in operations	**(584,454)**	(571,243)
Tax paid	**(51,869)**	(55,585)
Interest paid	**(100,395)**	(120,564)
Interest received	**997,523**	1,022,042
Net cash generated from operating activities	**260,805**	274,650

Consolidated Statement of Cash Flows

For the year ended 20th February 2013

	2013 HK$'000	2012 HK$'000
Investing activities		
Dividends received	**966**	2,336
Proceeds from disposal of available-for-sale investments	**74,882**	8,343
Purchase of property, plant and equipment	**(24,395)**	(31,095)
Deposits paid for acquisition of property, plant and equipment	**(11,371)**	(14,730)
Net cash from (used in) investing activities	**40,082**	(35,146)
Financing activities		
Placement of restricted deposits	**(2,543,928)**	(2,302,614)
Withdrawal of restricted deposits	**2,427,970**	2,336,763
Dividends paid	**(146,568)**	(134,005)
New collateralised debt obligation raised	**–**	1,100,000
Repayment of collateralised debt obligation	**–**	(1,100,000)
New bank loans raised	**21,762,080**	34,846,150
Repayment of bank loans	**(21,630,500)**	(34,893,469)
Net cash used in financing activities	**(130,946)**	(147,175)
Net increase in cash and cash equivalents	**169,941**	92,329
Effect of changes in exchange rate	**1,808**	1,280
Cash and cash equivalents at beginning of the year	**354,273**	260,664
Cash and cash equivalents at end of the year	**526,022**	354,273
Being:		
Time deposits	**372,083**	233,367
Bank balances and cash	**156,309**	124,121
Bank overdrafts	**(2,370)**	(3,215)
	526,022	354,273

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange. With effect from 20th November 2012, the Company's immediate holding company is ACH, a wholly-owned subsidiary of AFS. AFS has since become the intermediate holding company of the Company and the ultimate holding company of the Company is AEON Japan. Both AFS and AEON Japan are incorporated in Japan and listed on the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is Units 2001–2004 & 2009–2018, 20/F, Miramar Tower, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

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

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

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

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

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group and the Company have applied for the first time the amendments to HKFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

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 "Financial Instruments: Recognition and Measurement" ("HKAS 39") for the derecognition of financial assets. Accordingly, the Company continues to recognise the full amount of related financial assets and recognised the cash receipt as collateralised debt obligation.

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

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets (Cont'd)

Relevant disclosure regarding the transfer of these credit card receivables on application of the amendments to HKFRS 7 is set out in note 20(a). In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Company has not provided comparative information for the disclosures required by the amendments.

Except as described above, the application of the amendments to 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.

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 HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]

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

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

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

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

HKFRS 9 Financial Instruments (Cont'd)

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's and the Company's financial statements for its financial year ending 20th February 2016. Based on the Group's and the Company's financial assets and financial liabilities as at 20th February 2013, the Directors anticipate that the application of the new standard will affect the classification and measurement of the Group's and the Company's available-for-sale 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.

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

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

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

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

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

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

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

HKFRS 13 Fair Value Measurement

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

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

The Directors anticipate that HKFRS 13 will be adopted in the Group's and the Company's financial statements for its financial year ending 20th February 2014. The Directors anticipate that the application of this standard will have no significant impact on amounts reported in these financial statements, but will result in more extensive disclosures in these financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a '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. However, the amendments to HKAS 1 require items of other comprehensive income to be 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.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (Cont'd)

The amendments to HKAS 1 are effective for the Group and the Company for its financial year ending 20th February 2014. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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 and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules.

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

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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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

Property, plant and equipment

Property, plant and equipment are stated in the 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 property, plant and equipment less their residual value over their estimated useful lives, using the straight-line method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in subsidiaries

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

Investments in associates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

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

Where a group entity transacts with its associate, profits and losses 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of 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 income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

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.

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 in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's and the Company's financial assets are classified into one of the two categories, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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.

Available-for-sale financial assets

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

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including credit card receivables and instalment loans receivable, accrued interest and other receivables, other debtors, amount due from an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets (including hire purchase debtors)

Financial assets are assessed for indicators of impairment at the end of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

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

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

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

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.

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, subsidiaries, immediate holding company, intermediate holding company, ultimate holding company and associates, 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 and hedging

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Hedge accounting

The Group 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.

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 income statement as the recognised hedged item.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses – non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Retirement benefit costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment allowances on advances and receivables

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

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

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

Impairment allowances on advances and receivables (Cont'd)

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

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

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

5. REVENUE

	2013	2012
	HK$'000	HK$'000
Interest income	**998,674**	1,010,322
Fees and commissions	**74,287**	57,336
Handling and late charges	**48,387**	48,699
	1,121,348	1,116,357

6. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

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

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

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results

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

For the year ended 20th February 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

6. SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 20th February 2012

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

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 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

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities (Cont'd)

At 20th February 2012

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

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

- all assets are allocated to operating and reportable segments other than investments in associates, available-for-sale investments, other debtors 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:

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)**

2012

	Credit card HK$'000	Instalment loan HK$'000	Insurance HK$'000	Hire purchase HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	57,954	4,603	899	–	63,456
Depreciation	22,246	11,332	480	–	34,058
Impairment losses and impairment allowances	183,677	133,245	–	147	317,069
Losses on disposal of property, plant and equipment	–	102	–	–	102
Recoveries of advances and receivables written off	(31,361)	(9,970)	–	(213)	(41,544)

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

	2013	2012
	HK$'000	HK$'000
Advances	**993,712**	1,006,243
Impaired advances	**3,239**	3,654
Time deposits and bank balances	**1,723**	425
	998,674	1,010,322

8. INTEREST EXPENSE

	2013	2012
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**16,456**	22,880
Interest on bank borrowings wholly repayable after five years	**455**	673
Interest on collateralised debt obligation wholly repayable within five years	**6,915**	50,212
Net interest expense on interest rate swap contracts	**78,075**	44,121
	101,901	117,886

Amortisation of upfront cost of **HK$426,000** (2012: HK$1,072,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

9. OTHER OPERATING INCOME

	2013	2012
	HK$'000	HK$'000
Dividends received on available-for-sale investments		
Listed equity securities	**928**	2,118
Unlisted equity securities	**38**	218
Fees and commissions		
Credit card	**33,487**	28,684
Insurance	**40,800**	28,652
Handling and late charges	**48,387**	48,699
Others	**6,414**	6,003
	130,054	114,374

10. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	HK$'000
Exchange gains (losses)		
Exchange gains (losses) on hedging instruments released from cash flow hedge reserve	**60**	(203,561)
Exchange (losses) gains on bank loans	**(60)**	203,561
Exchange losses, net	**(2,014)**	(1,304)
Gain on disposal of available-for-sale investments	**14,100**	34,459
Hedge ineffectiveness on cash flow hedges	**(210)**	(368)
Losses on disposal of property, plant and equipment	**(37)**	(102)
	11,839	32,685

11. OPERATING EXPENSES

	2013	2012
	HK$'000	HK$'000
Auditor's remuneration	**2,351**	2,079
Depreciation	**36,293**	34,058
General administrative expenses	**123,329**	119,659
Marketing and promotion expenses	**54,629**	39,523
Operating lease rentals in respect of rented premises, advertising space and equipment	**55,123**	56,947
Other operating expenses	**46,967**	42,261
Staff costs including Directors' emoluments	**124,802**	108,777
	443,494	403,304

Operating lease rentals in respect of Directors' and staff quarters of **HK$1,226,000** (2012: HK$750,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (2012: thirteen) Directors were as follows:

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 *(Note c)* (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 d)*	–	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

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

(a) Directors' emoluments (Cont'd)

2012

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

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$55,000** (2012: HK$350,000) are included under salaries and other benefits.

(c) With effect from 17th June 2011, Masanori Kosaka ceased to receive any remuneration from the Company following his re-designation as a Non-executive Director of the Company. On 15th June 2012, he retired as Non-executive Director of the Company.

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

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

(b) Employees' emoluments

The five highest paid individuals in the Group in 2013 and 2012 were all Directors and details of their emoluments are set out above.

13. INCOME TAX EXPENSE

	2013	2012
	HK$'000	HK$'000
Current tax:		
– Current year	**60,482**	52,952
– Overprovision in respect of prior years	**(1,393)**	(426)
	59,089	52,526
Deferred tax *(Note 36)*		
– Current year	**1,000**	2,250
	60,089	54,776

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.

13. INCOME TAX EXPENSE (Cont'd)

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

	2013 HK$'000	2012 HK$'000
Profit before tax	**355,361**	356,095
Tax at the applicable rate of 16.5% (2012: 16.5%)	**58,635**	58,756
Tax effect of share of results of associates	**906**	754
Tax effect of expenses not deductible for tax purpose	**364**	17
Tax effect of income not taxable for tax purpose	**(2,690)**	(6,155)
Overprovision in respect of prior years	**(1,393)**	(426)
Tax effect of tax losses in current year not recognised	**2,478**	1,158
Others	**1,789**	672
Income tax expense for the year	**60,089**	54,776

14. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2012 of 18.0 HK cents (2011: 16.0 HK cents) per share	**75,378**	67,003
Interim dividend paid in respect of 2013 of 17.0 HK cents (2012: 16.0 HK cents) per share	**71,190**	67,002
	146,568	134,005
Final dividend proposed in respect of 2013 of 18.0 HK cents (2012: 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 2013 AGM, the final dividend will be paid on 28th June 2013 to shareholders whose names appear on the register of members of the Company on 24th June 2013. This dividend has not been included as a liability in the financial statements.

15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of **HK$295,272,000** (2012: HK$301,319,000) and on the number of shares of **418,766,000** (2012: 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 2011	11,855	14,017	307,510	226	333,608
Additions	9,575	654	33,361	–	43,590
Disposals/write-off	(5,132)	(667)	(389)	–	(6,188)
Exchange realignment	1	–	2	–	3
At 20th February 2012	**16,299**	**14,004**	**340,484**	**226**	**371,013**
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**
DEPRECIATION					
At 21st February 2011	10,051	13,277	227,773	124	251,225
Provided for the year	2,267	255	31,491	45	34,058
Eliminated on disposals/write-off	(5,037)	(660)	(389)	–	(6,086)
At 20th February 2012	**7,281**	**12,872**	**258,875**	**169**	**279,197**
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**
CARRYING VALUES					
At 20th February 2013	**6,829**	**1,221**	**88,580**	**12**	**96,642**
At 20th February 2012	9,018	1,132	81,609	57	91,816

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 2011	11,855	14,017	306,100	226	332,198
Additions	9,345	633	31,908	–	41,886
Disposals/write-off	(5,132)	(667)	(389)	–	(6,188)
At 20th February 2012	**16,068**	**13,983**	**337,619**	**226**	**367,896**
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**
DEPRECIATION					
At 21st February 2011	10,051	13,277	227,454	124	250,906
Provided for the year	2,244	245	30,975	45	33,509
Eliminated on disposals/write-off	(5,037)	(660)	(389)	–	(6,086)
At 20th February 2012	**7,258**	**12,862**	**258,040**	**169**	**278,329**
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**
CARRYING VALUES					
At 20th February 2013	**6,481**	**1,061**	**86,640**	**12**	**94,194**
At 20th February 2012	8,810	1,121	79,579	57	89,567

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	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Cost of unlisted investments in subsidiaries	**121,791**	51,000

At 20th February 2013 and 2012, the Company had interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration and operation	Issued share capital/ paid-up capital	Proportion of ownership interest directly held by the Company 2013	2012	Principal activities
AEON Micro Finance (Shenyang) Co., Ltd	China	HK$59,951,000	**100%**	100%	Micro-finance business
AEON Micro Finance (Tianjin) Co., Ltd *(Note)*	China	RMB50,000,000	**100%**	–	Micro-finance business
AEON Insurance Brokers (HK) Limited	Hong Kong	HK$1,000,000	**100%**	100%	Insurance broking and agency services
AEON Education and Environment Fund Limited	Hong Kong	Limited by guarantee	**100%**	100%	Support community charity projects and activities

Note: The subsidiary is a wholly foreign owned enterprise established on 12th April 2012.

18. INVESTMENTS IN ASSOCIATES

	THE GROUP AND THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Cost of unlisted investments in associates	**39,946**	39,946
Exchange difference arising from translation	**9,114**	8,889
Share of post-acquisition results	**(31,935)**	(26,446)
	17,125	22,389

18. INVESTMENTS IN ASSOCIATES (Cont'd)

At 20th February 2013 and 2012, 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
		2013	2012	**2013**	2012	
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%**	33.3%	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 2013. Accordingly, no adjustment was made.

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

18. INVESTMENTS IN ASSOCIATES (Cont'd)

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

	THE GROUP AND THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Total assets	**108,052**	97,442
Total liabilities	**(73,802)**	(52,664)
Net assets	**34,250**	44,778
Share of associates' net assets	**17,125**	22,389
Revenue	**75,822**	68,077
Loss for the year	**(10,978)**	(9,143)
Share of associates' losses for the year	**(5,489)**	(4,571)

19. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Listed equity securities, at fair value		
Hong Kong	**35,165**	34,454
Unlisted equity securities, at cost	**9,144**	38,210
	44,309	72,664

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

The investments included above represent investments in both listed and unlisted equity securities that offer the Group and the Company the opportunity for return through dividend income and fair value gains. The fair values of listed equity securities are based on quoted market bid prices. The above unlisted investments represent equity interest in three (2012: five) private entities incorporated overseas engaged in consumer credit finance services and related business. The unlisted investments are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

The Directors also conducted a review of those unlisted investments by using discounted cash flow method based on the latest financial budgets prepared by investees' management covering a period of 3 to 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 February 2012, the Company disposed of 1.8 million AEON Malaysia shares under equity securities listed overseas for a cash consideration of MYR12,474,000 (equivalent to approximately HK$32,000,000). The Group recognised a gain on disposal of HK$29,881,000 after deducting all related transaction costs in the consolidated income statement for the year ended 20th February 2012.

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

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 income statement 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 income statement for the year ended 20th February 2013.

20. ADVANCES AND RECEIVABLES

	THE GROUP	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Credit card receivables	**3,055,112**	3,099,466
Instalment loans receivable	**1,762,881**	1,657,194
Hire purchase debtors	**6,118**	18,716
	4,824,111	4,775,376
Accrued interest and other receivables	**118,392**	118,203
Gross advances and receivables	**4,942,503**	4,893,579
Impairment allowances *(Note 21)*		
– individually assessed	**(56,365)**	(62,768)
– collectively assessed	**(70,471)**	(66,688)
	(126,836)	(129,456)
	4,815,667	4,764,123
Current portion included under current assets	**(3,500,862)**	(3,512,062)
Amount due after one year	**1,314,805**	1,252,061

20. ADVANCES AND RECEIVABLES (Cont'd)

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Credit card receivables	**3,055,112**	3,099,466
Instalment loans receivable	**1,747,468**	1,655,153
Hire purchase debtors	**6,118**	18,716
	4,808,698	4,773,335
Accrued interest and other receivables	**118,392**	118,203
Gross advances and receivables	**4,927,090**	4,891,538
Impairment allowances *(Note 21)*		
– individually assessed	**(56,017)**	(62,768)
– collectively assessed	**(70,471)**	(66,688)
	(126,488)	(129,456)
	4,800,602	4,762,082
Current portion included under current assets	**(3,486,843)**	(3,510,130)
Amount due after one year	**1,313,759**	1,251,952

Included in the advances and receivables of the Group and the Company, there are secured credit card receivables and instalment loans receivable of **HK$73,437,000** (20th February 2012: HK$87,515,000) and **HK$53,275,000** (20th February 2012: HK$57,008,000) respectively. The Group and the Company hold collateral over these balances. The Directors consider the exposure of credit risk of these secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. Other advances and receivables are unsecured.

20. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables

The term of credit card instalment plans entered with customers ranges from 3 months to 4 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (20th February 2012: 26.8% to 43.6%) per annum.

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 2013, the principal amount of the collateralised debt obligation is **HK$1,100,000,000** (20th February 2012: 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.

20. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables (Cont'd)

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

(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 2012: 3.2% to 46.8%) per annum.

(c) Hire purchase debtors

	THE GROUP AND THE COMPANY			
	Minimum payments		Present value of minimum payments	
	20.2.2013 HK$'000	20.2.2012 HK$'000	**20.2.2013 HK$'000**	20.2.2012 HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**5,690**	17,231	**5,567**	16,884
In the second to fifth year inclusive	**561**	1,855	**551**	1,832
	6,251	19,086	**6,118**	18,716
Unearned finance income	**(133)**	(370)	**–**	–
Present value of minimum payments receivable	**6,118**	18,716	**6,118**	18,716

20. ADVANCES AND RECEIVABLES (Cont'd)

(c) Hire purchase debtors (Cont'd)

The term of hire purchase contracts entered with customers ranges from 6 months to 3 years. All hire purchase agreements are denominated in HKD. The hire purchase debtors carry effective interest ranging from 4.7% to 15.5% (20th February 2012: 4.4% to 15.7%) per annum.

21. IMPAIRMENT ALLOWANCES

	THE GROUP	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**58,979**	63,995
Instalment loans receivable	**62,434**	59,460
Hire purchase debtors	**266**	475
Accrued interest and other receivables	**5,157**	5,526
	126,836	129,456

	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**

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

21. IMPAIRMENT ALLOWANCES (Cont'd)

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Analysis by products as:		
Credit card receivables	**58,979**	63,995
Instalment loans receivable	**62,086**	59,460
Hire purchase debtors	**266**	475
Accrued interest and other receivables	**5,157**	5,526
	126,488	129,456

	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**

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

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			
	20.2.2013		20.2.2012	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**146,499**	**3.0**	126,028	2.6
Overdue 2 months but less than 3 months	**30,970**	**0.6**	23,845	0.5
Overdue 3 months but less than 4 months	**21,618**	**0.4**	13,987	0.3
Overdue 4 months or above	**61,959**	**1.3**	64,042	1.3
	261,046	**5.3**	227,902	4.7

	THE COMPANY			
	20.2.2013		20.2.2012	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**146,483**	**3.0**	126,028	2.6
Overdue 2 months but less than 3 months	**30,968**	**0.6**	23,845	0.5
Overdue 3 months but less than 4 months	**21,347**	**0.4**	13,987	0.3
Overdue 4 months or above	**61,611**	**1.3**	64,042	1.3
	260,409	**5.3**	227,902	4.7

* *Percentage of gross advances and receivables*

23. IMPAIRED ADVANCES

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

	THE GROUP	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**61,165**	67,371
– Current	**84**	429
Impairment allowances under individual assessment	**(56,365)**	(62,768)
Net impaired advances	**4,884**	5,032
Gross impaired advances as a percentage of gross advances	**1.3%**	1.4%

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Gross impaired advances		
– Overdue for more than 1 month *(included in note 22)*	**60,817**	67,371
– Current	**84**	429
Impairment allowances under individual assessment	**(56,017)**	(62,768)
Net impaired advances	**4,884**	5,032
Gross impaired advances as a percentage of gross advances	**1.3%**	1.4%

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	THE GROUP		THE COMPANY	
	20.2.2013	20.2.2012	**20.2.2013**	20.2.2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits for property, plant and equipment	**30,903**	36,283	**30,903**	36,283
Rental and other deposits	**18,405**	13,712	**14,484**	13,587
Prepaid operating expenses	**12,553**	11,283	**11,926**	11,056
Other debtors	**16,129**	40,183	**2,675**	33,319
	77,990	101,461	**59,988**	94,245
Current portion included under current assets	**(35,450)**	(54,690)	**(17,705)**	(47,494)
Amount due after one year	**42,540**	46,771	**42,283**	46,751

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 0.02% to 0.3% (0.03% to 0.3% for the year ended 20th February 2012) per annum during the year. **HK$115,958,000** (20th February 2012: Nil) will mature within one year from 20th February 2013.

26. TIME DEPOSITS

Time deposits with maturity of three months or less of the Group and the Company carry fixed rates ranging from 0.01% to 3.4% (0.01% to 0.2% for the year ended 20th February 2012) per annum during the year.

THE GROUP	**HKD** **HK$'000**	**RMB** **HK$'000**	**Total** **HK$'000**
20.2.2013			
Time deposits	**247,923**	**124,160**	**372,083**
20.2.2012			
Time deposits	233,367	–	233,367

THE COMPANY	**HKD** **HK$'000**	**RMB** **HK$'000**	**Total** **HK$'000**
20.2.2013			
Time deposits	**247,823**	**124,160**	**371,983**
20.2.2012			
Time deposits	233,267	–	233,267

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
20.2.2013					
Bank balances and cash	**79,922**	**76,366**	**13**	**8**	**156,309**
20.2.2012					
Bank balances and cash	122,836	526	750	9	124,121

THE COMPANY

	HKD HK$'000	RMB HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
20.2.2013					
Bank balances and cash	**43,445**	**1,503**	**13**	**8**	**44,969**
20.2.2012					
Bank balances and cash	67,893	43	750	9	68,695

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	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Current	**46,221**	50,494
Over 1 month but less than 3 months	**6,550**	6,401
Over 3 months	**4,507**	9,242
	57,278	66,137

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Current	**43,444**	48,637
Over 1 month but less than 3 months	**2,223**	3,968
Over 3 months	**3,635**	7,403
	49,302	60,008

Included in creditors and accruals, there is deferred revenue in relation to customer loyalty programmes of **HK$6,818,000** (20th February 2012: HK$6,152,000).

30. AMOUNTS DUE TO SUBSIDIARIES

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

31. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand except for **HK$50,309,000** (20th February 2012: HK$49,265,000) 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	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Current	**43,140**	40,079
Over 1 month but less than 3 months	**7,169**	9,186
	50,309	49,265

32. AMOUNT DUE TO IMMEDIATE / INTERMEDIATE / ULTIMATE HOLDING COMPANY

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

33. AMOUNTS DUE FROM / TO ASSOCIATES

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

34. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	20.02.2013	20.02.2012
	HK$'000	HK$'000
Bank loans, unsecured	**2,038,880**	1,907,240
Carrying amount repayable *(Note)*		
Within one year	**711,130**	277,000
Between one and two years	**235,000**	472,540
Between two and five years	**1,047,750**	1,037,700
Over five years	**45,000**	120,000
	2,038,880	1,907,240
Amount repayable within one year included under current liabilities	**(711,130)**	(277,000)
Amount repayable after one year	**1,327,750**	1,630,240

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

34. BANK BORROWINGS (Cont'd)

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

	HKD HK$'000	USD HK$'000	RMB HK$'000	Total HK$'000
20.2.2013				
Bank loans	**1,511,500**	**465,300**	**62,080**	**2,038,880**
20.2.2012				
Bank loans	1,442,000	465,240	–	1,907,240

HKD bank loans of **HK$320,000,000** (20th February 2012: HK$270,000,000) and RMB bank loans of **HK$62,080,000** (20th February 2012: Nil) are arranged at fixed interest rates ranging from 1.1% to 3.7% (20th February 2012: 0.9% to 3.4%) 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 0.32% plus HIBOR to 0.85% plus HIBOR (20th February 2012: 0.32% plus HIBOR to 0.65% plus HIBOR) per annum while the USD borrowings are arranged at floating interest rates ranging from 0.7% plus LIBOR to 0.75% plus LIBOR (20th February 2012: 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 2013, the Group and the Company had no available undrawn committed borrowing facilities (20th February 2012: up to JPY10,000,000,000).

At 20th February 2013, the Group and the Company have available unutilised overdrafts and non-committed short term bank loan facilities of **HK$681,788,000** (20th February 2012: HK$706,620,000) and **HK$560,252,000** (20th February 2012: HK$677,000,000) respectively.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY			
	20.2.2013		20.2.2012	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Interest rate swaps	**–**	**172,886**	–	169,697
Cross-currency interest rate swaps	**32**	**676**	2,773	32,311
	32	**173,562**	2,773	202,008
Current portion	**–**	**(8,875)**	–	(1,478)
Non-current portion	**32**	**164,687**	2,773	200,530

All derivative financial instruments entered by the Group and the Company that remain outstanding at 20th February 2013 and 20th February 2012 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings and collateralised debt obligation, the designated hedged items.

Cash flow hedges:

Interest rate swaps

The Group and the Company use interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of **HK$1,015,000,000** (20th February 2012: HK$1,075,000,000) 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 2012: HK$1,075,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.3% to 5.4% (20th February 2012: 1.3% to 5.4%) per annum and floating interest receipts quarterly ranging from 0.32% plus HIBOR to 0.85% plus HIBOR (20th February 2012: 0.32% plus HIBOR to 0.65% plus HIBOR) per annum for periods up until August 2018 (20th February 2012: until August 2018).

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

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

Besides bank borrowings, the Group and the Company also entered into interest rate swaps to minimise its exposures to cash flow changes of its collateralised debt obligation transaction. Two interest rate swaps with notional amounts of **HK$550,000,000** (20th February 2012: HK$550,000,000) each were entered by the Group and the Company to swap its **HK$1,100,000,000** (20th February 2012: 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 2012: 3.7% to 3.9%) per annum and floating interest receipts monthly at 0.35% plus HIBOR (20th February 2012: 0.35% plus HIBOR) per annum for periods up until February 2016 and February 2017 (20th February 2012: 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$508,000** (2012: HK$131,188,000) and is included in other comprehensive income.

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

Cross-currency interest rate swaps

The Group and the Company use cross-currency interest rate swaps designated as highly effective hedging instruments to minimise its exposures to foreign currency and cash flow interest rate risk of its 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 2012: 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 2012: USD to HKD at 7.78), fixed interest payments quarterly in HKD at 3.28% (20th February 2012: 3.28%) per annum and floating interest receipts quarterly in USD at 0.7% plus LIBOR (20th February 2012: 0.7% plus LIBOR) per annum for periods up until September 2016 (20th February 2012: until September 2016).

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

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

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

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$28,834,000** (2012: HK$12,604,000) 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 2013 and 2012:

	THE GROUP AND THE COMPANY		
	Accelerated tax depreciation	**Impairment allowances**	**Total**
	HK$'000	HK$'000	HK$'000
At 21st February 2011	12,300	(13,150)	(850)
Charge to profit or loss for the year	100	2,150	2,250
At 20th February 2012	**12,400**	**(11,000)**	**1,400**
Charge (credit) to profit or loss for the year	**1,600**	**(600)**	**1,000**
At 20th February 2013	**14,000**	**(11,600)**	**2,400**

At the end of the reporting period, the Group had unused tax losses of **HK$22,036,000** (20th February 2012: HK$7,020,000) 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 2017 (20th February 2012: in 2015).

37. ISSUED CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares 20.2.2013 & 20.2.2012	**Share capital 20.2.2013 & 20.2.2012 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 2013 amounted to **HK$2,094,876,000** and **HK$2,077,959,000** respectively (20th February 2012: HK$1,946,172,000 and HK$1,925,737,000 respectively), representing the accumulated profits.

39. COLLATERALISED DEBT OBLIGATION

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

(b) Pursuant to the Previous Transaction and the New Transaction (collectively the "Transactions"), the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HK(SIC)-Int 12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. Therefore, the credit card receivables, related deposits and debt issued under the Transactions have not been derecognised and remained in the Company's and the Group's consolidated financial statements. The collateralised debt obligation is denominated in Hong Kong dollars.

40. CAPITAL RISK MANAGEMENT

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

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

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

Net debt to equity ratio

The Group's and the Company's management review the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

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

	THE GROUP	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Debt *(Note a)*	**3,137,341**	3,005,275
Cash and cash equivalents	**(526,022)**	(354,273)
Net debt	**2,611,319**	2,651,002
Equity *(Note b)*	**2,229,109**	2,049,605
Net debt to equity ratio	**1.2**	1.3

40. CAPITAL RISK MANAGEMENT (Cont'd)

Net debt to equity ratio (Cont'd)

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Debt *(Note a)*	**3,137,341**	3,005,275
Cash and cash equivalents	**(414,582)**	(298,747)
Net debt	**2,722,759**	2,706,528
Equity *(Note b)*	**2,209,202**	2,027,718
Net debt to equity ratio	**1.2**	1.3

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	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**44,309**	72,664
Loans and receivables (excluding hire purchase debtors)	**5,543,159**	5,213,640
Derivative instruments in designated hedge accounting relationships	**32**	2,773
Financial liabilities		
Amortised cost	**3,256,523**	3,132,419
Derivative instruments in designated hedge accounting relationships	**173,562**	202,008

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**44,309**	72,664
Loans and receivables (excluding hire purchase debtors)	**5,399,487**	5,146,963
Derivative instruments in designated hedge accounting relationships	**32**	2,773
Financial liabilities		
Amortised cost	**3,257,322**	3,140,324
Derivative instruments in designated hedge accounting relationships	**173,562**	202,008

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include available-for-sale investments, credit card receivables and instalment loans receivable, accrued interest and other receivables, other debtors, amount due from 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, immediate holding company, intermediate holding company, ultimate holding company and associates and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

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

Market risk

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

- currency swaps to convert the foreign currency debts to the functional currency of the relevant group entity; and
- interest rate swaps to mitigate the cash flow interest rate risk.

Market risk exposures are measured using sensitivity analysis.

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

(i) Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's and the Company's position as a result of a change in foreign currency exchange rates. Certain bank 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.

As at 20th February 2013, the Group's and the Company's foreign currency risk exposure primarily relates to its USD and RMB denominated bank borrowings. The total carrying amount of USD bank borrowings and RMB bank borrowings was **HK$465,300,000** and **HK$62,080,000** respectively (20th February 2012: USD denominated bank borrowings with the carrying amount of HK$465,240,000). To minimise the foreign currency risk in relation to the USD bank borrowings, the Group and the Company have been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

The Group's and the Company's cash flow interest rate risk relates primarily to floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed rate (see note 34).

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

Sensitivity analysis

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

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

- profit for the year ended 20th February 2013 would decrease by HK$1,474,000 (for the year ended 20th February 2012: decrease by HK$810,000); and

- other comprehensive income would increase by HK$75,752,000 (for the year ended 20th February 2012: increase by HK$111,682,000) mainly as a result of the changes in the fair value of derivative financial instruments, excluding the impact of foreign exchange component for the cross-currency interest rate swaps.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

Sensitivity analysis (Cont'd)

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.

(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$3,516,000 (for the year ended 20th February 2012: increase/decrease by HK$3,445,000) 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 2013 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$23,362,513,000** (20th February 2012: HK$20,986,387,000).

The Group and the Company do not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's and the Company's policy requires the review of individual financial assets that are above materiality thresholds on quarterly basis. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the end of the reporting period on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality

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

	THE GROUP	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Neither past due nor individually impaired	**4,681,373**	4,665,248
Past due but not individually impaired	**199,881**	160,531
Individually impaired	**61,249**	67,800
	4,942,503	4,893,579
Less: impairment allowances *(Note 21)*	**(126,836)**	(129,456)
	4,815,667	4,764,123

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Neither past due nor individually impaired	**4,666,597**	4,663,207
Past due but not individually impaired	**199,592**	160,531
Individually impaired	**60,901**	67,800
	4,927,090	4,891,538
Less: impairment allowances *(Note 21)*	**(126,488)**	(129,456)
	4,800,602	4,762,082

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

Included in collectively assessed impairment allowances, there is **HK$25,452,000** (20th February 2012: HK$28,428,000) in relation to collective impairment in advances and receivables that were not past due at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

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

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

	THE GROUP 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 GROUP 20.2.2012			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
Overdue for:				
Over 1 month but less than 2 months	66,538	56,823	142	123,503
Over 2 months but less than 3 months	8,832	13,789	38	22,659
Over 3 months but less than 4 months	6,036	7,590	22	13,648
Over 4 months or above	261	460	–	721
	81,667	78,662	202	160,531
Less: collectively impaired	(22,197)	(15,998)	(65)	(38,260)
	59,470	62,664	137	122,271

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**

	THE COMPANY 20.2.2012			
	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
Overdue for:				
Over 1 month but less than 2 months	66,538	56,823	142	123,503
Over 2 months but less than 3 months	8,832	13,789	38	22,659
Over 3 months but less than 4 months	6,036	7,590	22	13,648
Over 4 months or above	261	460	–	721
	81,667	78,662	202	160,531
Less: collectively impaired	(22,197)	(15,998)	(65)	(38,260)
	59,470	62,664	137	122,271

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit quality **(Cont'd)**

(iii) Advances and receivables individually impaired

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

THE GROUP

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
20.2.2013				
Individually impaired	**22,042**	**39,007**	**200**	**61,249**
20.2.2012				
Individually impaired	25,932	41,566	302	67,800

THE COMPANY

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Total HK$'000
20.2.2013				
Individually impaired	**22,042**	**38,659**	**200**	**60,901**
20.2.2012				
Individually impaired	25,932	41,566	302	67,800

There are no collateral held by the Group and the Company as security. Impairment allowances of **HK$56,365,000** (20th February 2012: HK$62,768,000) have been provided *(Note 21)*.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk management

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

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group and the Company are entitled and intend to repay the liabilities before their maturities. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest yield curve at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

THE GROUP
20.2.2013

	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

THE GROUP
20.2.2012

	On demand or less than 1 month HK$'000	1–3 months HK$'000	3–12 months HK$'000	1–4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Collateralised debt obligation	3,454	6,907	31,082	672,639	569,410	1,283,492
Bank borrowings						
– fixed rate	630	1,239	15,538	198,190	80,316	295,913
– variable rate	210,945	7,566	93,102	874,826	592,956	1,779,395
Bank overdrafts	3,215	–	–	–	–	3,215
Other financial liabilities	113,785	9,201	124	819	–	123,929
Total undiscounted financial liabilities	332,029	24,913	139,846	1,746,474	1,242,682	3,485,944
Credit related commitment	20,986,387	–	–	–	–	20,986,387

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

THE COMPANY 20.2.2012

	On demand or less than 1 month HK$'000	1–3 months HK$'000	3–12 months HK$'000	1–4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Collateralised debt obligation	3,454	6,907	31,082	672,639	569,410	1,283,492
Bank borrowings						
– fixed rate	630	1,239	15,538	198,190	80,316	295,913
– variable rate	210,945	7,566	93,102	874,826	592,956	1,779,395
Bank overdrafts	3,215	–	–	–	–	3,215
Other financial liabilities	125,980	4,911	124	819	–	131,834
Total undiscounted financial liabilities	344,224	20,623	139,846	1,746,474	1,242,682	3,493,849
Credit related commitment	20,986,387	–	–	–	–	20,986,387

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.

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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 20.2.2013				
	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)**

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

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value of financial instruments

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of derivative financial instruments are calculated using quoted prices. Where such prices are not available, reference is based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's and the Company's financial statements approximate to their fair values:

	THE GROUP AND THE COMPANY			
	20.2.2013		20.2.2012	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**2,038,880**	**2,059,841**	1,907,240	1,929,528

41. FINANCIAL INSTRUMENTS (Cont'd)

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

Fair value measurements recognised in the statements of financial position

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

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

	THE GROUP AND THE COMPANY 20.2.2013			
	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

41. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

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

42. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Within one year	**42,622**	36,148
In the second to fifth year inclusive	**24,416**	34,131
	67,038	70,279

	THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Within one year	**41,173**	35,585
In the second to fifth year inclusive	**22,657**	34,019
	63,830	69,604

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 AND THE COMPANY	
	20.2.2013	20.2.2012
	HK$'000	HK$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**34,191**	33,756

44. PLEDGE OF ASSETS

At 20th February 2013, the collateralised debt obligation of the Group and the Company was secured by credit card receivables and restricted deposits of **HK$1,730,590,000** and **HK$183,958,000** respectively (20th February 2012: HK$1,825,513,000 and HK$68,000,000) *(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$14,250** (20th February 2012: HK$12,000) 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$3,471,000** (for the year ended 20th February 2012: HK$2,945,000) represents contributions payable to the MPF Scheme by the Group in respect of the current accounting year. As at 20th February 2013, contributions of the Group and the Company amounting to **HK$554,000** and **HK$513,000** respectively (20th February 2012: HK$520,000 and HK$455,000) 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income received	**5,351**	5,250	**–**	–	**–**	–	**–**	–	**–**	–
Commission received	**5,958**	4,482	**–**	–	**–**	–	**–**	–	**–**	–
Dividends received	**928**	2,305	**–**	–	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**694**	266	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**–**	–	**–**	–	**–**	–	**240**	240
Licence fees paid	**8,567**	6,865	**–**	203	**229**	–	**40**	40	**519**	158
Service fees paid	**–**	–	**–**	6,496	**5,957**	–	**–**	–	**35,903**	35,356
Development fees paid *(Note)*	**6,889**	13,140	**–**	–	**–**	–	**–**	–	**–**	–
Consideration on disposal of available-for-sale investments	**–**	–	**43,166**	40,439	**–**	–	**–**	–	**–**	–

Note: For the computer system development fees paid during the year, **HK$1,023,000** (for the year ended 20th February 2012: HK$1,099,000) is recognised as administrative expenses, **HK$4,844,000** (for the year ended 20th February 2012: HK$6,243,000) is capitalised under property, plant and equipment and **HK$1,022,000** (for the year ended 20th February 2012: HK$5,798,000) 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:

	2013	2012
	HK$'000	HK$'000
Short-term benefits	**8,727**	10,020
Post-employment benefits	**89**	80
	8,816	10,100

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 2013, 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

The Company has set up AEON Micro Finance (Shenzhen) Co., Ltd., a wholly-owned subsidiary in Shenzhen, China. It is principally engaged in micro-finance business. Its registered capital is RMB100,000,000. The capital injection process was completed in March 2013. It started business in April 2013.

Glossary

2012 AGM	Annual general meeting held on 15th June 2012
2013 AGM	Annual general meeting to be held on 18th June 2013
ACCT	AEON Credit Card (Taiwan) Co., Ltd.
ACG	AEON Credit Guarantee (China) Co., Ltd.
ACH	AEON Credit Holdings (Hong Kong) Co., Limited
ACMC	ACS Credit Management Co., Ltd.
ACS Group	ACS Japan and its subsidiaries
ACS Japan	ÆON Credit Service Co., Ltd. (now known as AEON Financial Service Co., Ltd.)
ACSS	AEON Credit Service Systems (Philippines) Inc. (formerly known as AEON Credit Technology Systems (Philippines) Inc.)
ACST	AEON Credit Service (Taiwan) Co., Ltd.
AEON Brokers	AEON Insurance Brokers (HK) Limited
AEON Japan	ÆON Co., Ltd.
AEON Malaysia	AEON Credit Service (M) Berhad
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AEON Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
AFS	AEON Financial Service Co., Ltd. (formerly known as ÆON Credit Service Co., Ltd.)
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles of Association	Articles of Association of the Company
Board	Board of Directors of the Company

Glossary

CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
China or Mainland	People's Republic of China
Company	AEON Credit Service (Asia) Company Limited
Director(s)	Director(s) of the Company
Group	Company and its subsidiaries
HKD or HK$	Hong Kong dollars
HIBOR	Hong Kong Interbank Offered Rate
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
JPY	Japanese Yen
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
MYR	Malaysian Ringgit
NT$	New Taiwan dollars
RMB	Chinese Renminbi
SFO	Securities and Futures Ordinance
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States Dollars

Corporate Social Responsibility
企業社會責任

Hong Kong Tree Planting Day 2013
香港植樹日2013

AEON Scholarship 2012 Presentation Ceremony
2012年度永旺獎學金頒獎典禮

"UNICEF Young Envoys Programme 2013"
Cheque Presentation Ceremony
「聯合國兒童基金會青年使者計劃2013」
支票頒贈儀式

"Used Book Recycling Campaign 2012" Kick-off Ceremony
「舊書回收義賣大行動 2012」開展禮

ISO 9001 – QMS / FS 513193
ISO 14001 – EMS 530444
ISO 27001 – ISMS / IS 500055
Customer Satisfaction
ISO 10002 / CMS 513194