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AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 900)

FINAL RESULTS FOR THE YEAR ENDED 20TH FEBRUARY 2009

The Directors of AEON Credit Service (Asia) Company Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or “AEON Credit”) for the year ended 20th February 2009 and the state of affairs of the Group as at that date together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 20th February	
		2009	2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	6	1,198,127	1,159,230
Interest income	8	1,069,790	1,031,383
Interest expense	9	(150,748)	(163,573)
Net interest income		919,042	867,810
Other operating income	10	133,587	130,471
Other gains and losses	11	11,468	5,930
Operating income		1,064,097	1,004,211
Operating expenses	12	(371,281)	(365,769)
Operating profit before impairment allowances		692,816	638,442
Impairment losses and impairment allowances		(384,756)	(332,247)
Recoveries of receivables written-off		52,274	37,045
Share of results of associates		(6,510)	(2,381)
Profit before tax		353,824	340,859
Income tax expense	13	(56,861)	(49,598)
Profit for the year		296,963	291,261
Dividends paid	14	129,816	136,099
Earnings per share	15	70.91 HK cents	69.55 HK cents
Final dividend per share proposed	14	16.0 HK cents	15.0 HK cents

CONSOLIDATED BALANCE SHEET

		20th February 2009	20th February 2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	16	85,639	84,214
Investments in associates		38,098	42,904
Available-for-sale investments		57,851	87,406
Advances and receivables	17	952,097	716,587
Derivative financial instruments	22	88,862	14,443
Deferred tax assets		6,200	4,500
Restricted deposits		68,000	68,000
		<u>1,296,747</u>	<u>1,018,054</u>
Current assets			
Advances and receivables	17	3,966,423	4,013,201
Prepayments, deposits and other debtors		53,317	59,101
Amount due from an associate		204	–
Derivative financial instruments	22	–	44
Restricted deposits		26,935	–
Time deposits		286,386	167,778
Bank balances and cash		52,769	78,014
		<u>4,386,034</u>	<u>4,318,138</u>
Current liabilities			
Creditors and accrued charges	20	106,927	107,998
Amounts due to fellow subsidiaries		46,433	50,387
Amount due to immediate holding company		11	–
Amount due to ultimate holding company		60	57
Amount due to an associate		–	239
Bank borrowings	21	1,057,000	1,032,000
Bank overdrafts		4,671	2,950
Derivative financial instruments	22	3,127	2,146
Tax liabilities		15,924	28,259
		<u>1,234,153</u>	<u>1,224,036</u>
Net current assets		<u>3,151,881</u>	<u>3,094,102</u>
Total assets less current liabilities		<u>4,448,628</u>	<u>4,112,156</u>
Capital and reserves			
Issued capital		41,877	41,877
Share premium and reserves		1,687,121	1,575,082
		<u>1,728,998</u>	<u>1,616,959</u>
Non-current liabilities			
Collateralised debt obligation	23	847,297	846,562
Bank borrowings	21	1,823,750	1,622,250
Derivative financial instruments	22	48,583	26,385
		<u>2,719,630</u>	<u>2,495,197</u>
		<u>4,448,628</u>	<u>4,112,156</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 21st February 2007	41,877	227,330	270	1,066	(6,524)	–	1,212,975	1,476,994
Fair value gain on available-for-sale investments	–	–	–	30,556	–	–	–	30,556
Exchange difference arising from translation of foreign operations	–	–	–	–	–	4,839	–	4,839
Net adjustment on cash flow hedges	–	–	–	–	(50,592)	–	–	(50,592)
Net income (expense) recognised directly in equity	–	–	–	30,556	(50,592)	4,839	–	(15,197)
Profit for the year	–	–	–	–	–	–	291,261	291,261
Total recognised income for the year	–	–	–	30,556	(50,592)	4,839	291,261	276,064
Final dividend paid for 2006/07	–	–	–	–	–	–	(73,284)	(73,284)
Interim and special dividend paid for 2007/08	–	–	–	–	–	–	(62,815)	(62,815)
	–	–	–	30,556	(50,592)	4,839	155,162	139,965
At 20th February 2008	41,877	227,330	270	31,622	(57,116)	4,839	1,368,137	1,616,959
Fair value loss on available-for-sale investments	–	–	–	(22,283)	–	–	–	(22,283)
Exchange difference arising from translation of foreign operations	–	–	–	–	–	1,704	–	1,704
Net adjustment on cash flow hedges	–	–	–	–	(22,587)	–	–	(22,587)
Net (expense) income recognised directly in equity	–	–	–	(22,283)	(22,587)	1,704	–	(43,166)
Profit for the year	–	–	–	–	–	–	296,963	296,963
Transfer to profit or loss on disposal of available-for-sale investment	–	–	–	(11,942)	–	–	–	(11,942)
Total recognised income for the year	–	–	–	(34,225)	(22,587)	1,704	296,963	241,855
Final dividend paid for 2007/08	–	–	–	–	–	–	(62,814)	(62,814)
Interim dividend paid for 2008/09	–	–	–	–	–	–	(67,002)	(67,002)
	–	–	–	(34,225)	(22,587)	1,704	167,147	112,039
At 20th February 2009	41,877	227,330	270	(2,603)	(79,703)	6,543	1,535,284	1,728,998

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 20th February	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Profit before tax	353,824	340,859
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	856	858
Depreciation	33,403	37,755
Dividends received on available-for-sale investments	(1,750)	(1,403)
Gain on disposal of available-for-sale investment	(11,942)	(6,489)
Impairment losses and impairment allowances recognised in respect of advances and receivables	384,756	332,247
Interest expense	149,892	162,715
Interest income	(1,069,790)	(1,031,383)
Net loss on disposal of property, plant and equipment	22	106
Share of results of associates	6,510	2,381
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(154,219)	(162,354)
Increase in advances and receivables	(573,488)	(750,874)
Decrease (increase) in prepayments, deposits and other debtors	2,028	(28,866)
Increase in amount due from an associate	(204)	–
Increase (decrease) in creditors and accrued charges	328	(8,532)
Decrease in amounts due to fellow subsidiaries	(3,954)	(635)
Increase (decrease) in amount due to immediate holding company	11	(380)
Increase (decrease) in amount due to ultimate holding company	3	(3)
Decrease in amount due to an associate	(239)	(60)
	<hr/>	<hr/>
Cash used in operations	(729,734)	(951,704)
Tax paid	(70,896)	(41,489)
Interest paid	(148,003)	(168,692)
Interest received	1,073,425	1,038,847
	<hr/>	<hr/>
Net cash generated from (used in) operating activities	124,792	(123,038)

	Year ended 20th February	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investing activities		
Dividends received	1,750	1,403
Proceeds from disposal of available-for-sale investment	11,942	6,489
Proceeds from disposal of property, plant and equipment	79	–
Purchase of property, plant and equipment	(34,929)	(23,623)
Purchase of available-for-sale investments	(4,670)	(4,475)
	<u>(25,828)</u>	<u>(20,206)</u>
Net cash used in investing activities		
Financing activities		
(Increase) decrease in restricted deposits	(26,935)	52,000
Dividends paid	(130,387)	(135,530)
New bank loans raised	22,404,200	14,465,200
Repayment of bank loans	(22,254,200)	(14,274,200)
	<u>(7,322)</u>	<u>107,470</u>
Net cash (used in) generated from financing activities		
Net increase (decrease) in cash and cash equivalents	91,642	(35,774)
Cash and cash equivalents at beginning of the year	242,842	278,616
Cash and cash equivalents at end of the year	<u>334,484</u>	<u>242,842</u>
Being:		
Time deposits	286,386	167,778
Bank balances and cash	52,769	78,014
Bank overdrafts	(4,671)	(2,950)
	<u>334,484</u>	<u>242,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 20th February 2009

1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

The financial information in this final results announcement does not constitute the Group's statutory consolidated financial statements for the year ended 20th February 2009 but is derived from those consolidated financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments to Hong Kong Accounting Standard ("HKAS") and Hong Kong Financial Reporting Standard ("HKFRS") and new Hong Kong (IFRIC) Interpretations ("HK(IFRIC) – Int") (collectively the "new HKFRSs") issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁷

- ¹ *Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009*
- ² *Effective for annual periods beginning on or after 1st January 2009*
- ³ *Effective for annual periods beginning on or after 1st July 2009*
- ⁴ *Effective for annual periods ending on or after 30th June 2009*
- ⁵ *Effective for annual periods beginning on or after 1st July 2008*
- ⁶ *Effective for annual periods beginning on or after 1st October 2008*
- ⁷ *Effective for transfers on or after 1st July 2009*

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

HK(IFRIC) – Int 13 is effective for the Group's financial year beginning on or after 21st February 2009. It addresses how companies that grant their customers loyalty award credits (often called 'bonus points') when selling goods or services should account for their obligation to provide free or discounted goods and services, if and when the customers redeem the bonus points. The Group currently accounts for the bonus point obligation under marketing expenses based on actual bonus points rewarded and accruals with reference to historical redemption experience. HK(IFRIC) – Int 13 requires companies to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations to provide goods or services. The Directors of the Company have assessed the potential impact and confirm that the application of HK(IFRIC) – Int 13 will not have material impact on the results and financial position of the Group.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 20th February 2008 except for the adoption of the new HKFRSs as disclosed in note 3 above.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgement, 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.

Critical judgements in applying the accounting policies

There are no significant effects on amounts recognised in the consolidated financial statements arising from the judgements used by the management in the process of applying the Group's accounting policies.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 loans and receivables

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

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

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

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

Fair value of available-for-sale investments

The management of the Group use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

6. TURNOVER

	Year ended 20th February	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1,069,790	1,031,383
Fees and commissions	47,332	43,627
Handling and late charges	81,005	84,220
	<u>1,198,127</u>	<u>1,159,230</u>

7. BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three operating divisions – credit card, instalment loan and hire purchase. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

Segment information about these businesses is presented below:

2009

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED INCOME STATEMENT					
TURNOVER	824,974	354,190	11,212	7,751	1,198,127
RESULT					
Net interest income (expense)	606,836	312,803	4,563	(5,160)	919,042
Other operating income	107,884	12,829	4,511	8,363	133,587
Other gains and losses	–	–	–	11,468	11,468
Impairment losses and impairment allowances	(248,184)	(133,711)	(2,861)	–	(384,756)
Recoveries of receivables written-off	41,103	9,186	1,985	–	52,274
Segment results	507,639	201,107	8,198	14,671	731,615
Unallocated operating expenses					(371,281)
Share of results of associates					(6,510)
Profit before tax					353,824
Income tax expense					(56,861)
Profit for the year					296,963
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	3,670,375	1,433,691	95,775	438,642	5,638,483
Investments in associates					38,098
Unallocated corporate assets					6,200
Consolidated total assets					5,682,781

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
LIABILITIES					
Segment liabilities	<u>2,908,292</u>	<u>878,977</u>	<u>30,426</u>	<u>96,901</u>	3,914,596
Unallocated corporate liabilities					<u>39,187</u>
Consolidated total liabilities					<u>3,953,783</u>
OTHER INFORMATION					
Additions to property, plant and equipment	–	–	–	34,929	34,929
Depreciation	–	–	–	33,403	33,403
Net loss on disposal of property, plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>22</u>	<u>22</u>
2008					
	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED INCOME STATEMENT					
TURNOVER	<u>765,078</u>	<u>365,984</u>	<u>11,666</u>	<u>16,502</u>	<u>1,159,230</u>
RESULT					
Net interest income	543,234	318,751	4,358	1,467	867,810
Other operating income	107,394	14,278	4,553	4,246	130,471
Other gains and losses	–	–	–	5,930	5,930
Impairment losses and impairment allowances	(200,815)	(127,991)	(3,441)	–	(332,247)
Recoveries of receivables written-off	<u>30,391</u>	<u>5,777</u>	<u>877</u>	<u>–</u>	<u>37,045</u>
Segment results	<u>480,204</u>	<u>210,815</u>	<u>6,347</u>	<u>11,643</u>	709,009
Unallocated operating expenses					(365,769)
Share of results of associates					<u>(2,381)</u>
Profit before tax					340,859
Income tax expense					<u>(49,598)</u>
Profit for the year					<u>291,261</u>

	Credit card <i>HK\$'000</i>	Instalment loan <i>HK\$'000</i>	Hire purchase <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	<u>3,488,652</u>	<u>1,363,403</u>	<u>113,511</u>	<u>323,222</u>	5,288,788
Investments in associates					42,904
Unallocated corporate assets					<u>4,500</u>
Consolidated total assets					<u>5,336,192</u>
LIABILITIES					
Segment liabilities	<u>2,649,398</u>	<u>891,110</u>	<u>36,577</u>	<u>113,889</u>	3,690,974
Unallocated corporate liabilities					<u>28,259</u>
Consolidated total liabilities					<u>3,719,233</u>
OTHER INFORMATION					
Additions to property, plant and equipment	–	–	–	23,623	23,623
Depreciation	–	–	–	37,755	37,755
Net loss on disposal of property, plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>106</u>	<u>106</u>

8. INTEREST INCOME

	Year ended 20th February	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Time deposits, bank balances and cash	4,638	13,931
Advances and receivables	1,061,979	1,015,130
Impaired advances and receivables	3,173	2,322
	<u>1,069,790</u>	<u>1,031,383</u>

9. INTEREST EXPENSE

	Year ended 20th February	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	74,115	98,968
Interest on bank borrowings and overdrafts wholly repayable after five years	–	1,440
Interest on collateralised debt obligation wholly repayable within five years	42,242	42,336
Net interest expense on interest rate swap contracts	34,391	20,829
	<u>150,748</u>	<u>163,573</u>

Amortisation of upfront cost of HK\$856,000 (2008: HK\$858,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

10. OTHER OPERATING INCOME

	Year ended 20th February	
	2009	2008
	HK\$'000	HK\$'000
Dividends received on available-for-sale investments		
Listed equity securities	1,298	1,124
Unlisted equity securities	452	279
Fees and commissions	47,332	43,627
Handling and late charges	81,005	84,220
Others	3,500	1,221
	<u>133,587</u>	<u>130,471</u>

11. OTHER GAINS AND LOSSES

	Year ended 20th February	
	2009	2008
	HK\$'000	HK\$'000
Exchange gains/losses		
Exchange loss on bank loan	(76,500)	(43,072)
Exchange gain on hedging instrument released from cash flow hedge reserve	76,500	43,072
Gain on disposal of available-for-sale investment	11,942	6,489
Hedge ineffectiveness on cash flow hedges	(452)	(453)
Net loss on disposal of property, plant and equipment	(22)	(106)
	<u>11,468</u>	<u>5,930</u>

12. OPERATING EXPENSES

	Year ended 20th February	
	2009	2008
	HK\$'000	HK\$'000
Administrative expenses		
Auditor's remuneration	1,850	1,880
Depreciation	33,403	37,755
General administrative expenses	101,465	85,308
Operating lease rentals in respect of rented premises, advertising space and equipment	65,051	62,796
Other operating expenses	37,316	38,026
Staff costs including directors' emoluments	90,651	96,717
	<u>329,736</u>	<u>322,482</u>
Marketing expenses	41,545	43,287
	<u>371,281</u>	<u>365,769</u>

13. INCOME TAX EXPENSE

	Year ended 20th February	
	2009	2008
	HK\$'000	HK\$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax		
– Current year	59,306	62,012
– Overprovision in respect of prior years	(745)	(8,914)
	<u>58,561</u>	<u>53,098</u>
Deferred tax		
– Current year	(1,957)	(3,500)
– Attributable to change in tax rate	257	–
	<u>(1,700)</u>	<u>(3,500)</u>
	<u>56,861</u>	<u>49,598</u>

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/09. The effect of such decrease has been reflected in measuring the current and deferred tax for the year. The deferred tax balance has been adjusted to reflect the tax rate that is expected to apply in the respective periods when the liability is settled.

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

	Year ended 20th February	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>353,824</u>	<u>340,859</u>
Tax at the applicable rate of 16.5% (2008: 17.5%)	58,381	59,650
Tax effect of share of results of associates	1,074	417
Tax effect of expenses not deductible for tax purpose	80	40
Tax effect of income not taxable for tax purpose	(2,821)	(2,575)
Overprovision in respect of prior years	(745)	(8,914)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	257	–
Others	<u>635</u>	<u>980</u>
Tax charge for the year	<u>56,861</u>	<u>49,598</u>

14. DIVIDENDS

	Year ended 20th February	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend paid in respect of 2008 of 15.0 HK cents (2007: 17.5 HK cents) per share	62,814	73,284
Interim dividend paid in respect of 2009 of 16.0 HK cents (2008: interim and special dividend of 15.0 HK cents) per share	<u>67,002</u>	<u>62,815</u>
	<u>129,816</u>	<u>136,099</u>
Final dividend proposed in respect of 2009 of 16.0 HK cents (2008: 15.0 HK cents) per share	<u>67,003</u>	<u>62,814</u>

The final dividend of 16.0 HK cents per share has been proposed by the Directors and will be paid to shareholders on 30th June 2009. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 19th June 2009.

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of **HK\$296,963,000** (2008: HK\$291,261,000) and on the number of shares of **418,766,000** (2008: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately **HK\$33,089,000** on computer equipment, **HK\$1,385,000** on motor vehicles, **HK\$230,000** on leasehold improvements and **HK\$225,000** on furniture and fixtures.

17. ADVANCES AND RECEIVABLES

	20th February 2009 HK\$'000	20th February 2008 HK\$'000
Credit card receivables	3,421,998	3,270,554
Instalment loans receivable	1,456,930	1,387,591
Hire purchase debtors	97,459	115,649
	<hr/>	<hr/>
	4,976,387	4,773,794
Accrued interest and other receivables	111,160	98,424
	<hr/>	<hr/>
Gross advances and receivables	5,087,547	4,872,218
Impairment allowances (Note 18)		
– individually assessed	(53,029)	(45,323)
– collectively assessed	(115,998)	(97,107)
	<hr/>	<hr/>
	(169,027)	(142,430)
	<hr/>	<hr/>
	4,918,520	4,729,788
Current portion included under current assets	(3,966,423)	(4,013,201)
	<hr/>	<hr/>
Amount due after one year	952,097	716,587
	<hr/>	<hr/>

18. IMPAIRMENT ALLOWANCES

	20th February 2009	20th February 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysis by products as:		
Credit card receivables	98,363	81,432
Instalment loans receivable	56,159	52,246
Hire purchase debtors	2,342	2,249
Accrued interest and other receivables	12,163	6,503
	169,027	142,430
	Individual assessment	Collective assessment
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 21st February 2008	45,323	97,107
Impairment losses and impairment allowances	365,865	18,891
Amounts written-off as uncollectable	(358,159)	-
At 20th February 2009	53,029	115,998
	Individual assessment	Collective assessment
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 21st February 2007	44,675	89,535
Impairment losses and impairment allowances	324,675	7,572
Amounts written-off as uncollectable	(324,027)	-
At 20th February 2008	45,323	97,107
	Total	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>

19. 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:

	20th February 2009		20th February 2008	
	<i>HK\$'000</i>	%*	<i>HK\$'000</i>	%*
Overdue 1 month but less than 2 months	143,277	2.8	140,371	2.8
Overdue 2 months but less than 3 months	60,847	1.2	29,757	0.6
Overdue 3 months but less than 4 months	34,798	0.7	20,685	0.4
Overdue 4 months or above	48,935	1.0	41,538	0.9
	287,857	5.7	232,351	4.7

* Percentage of gross advances and receivables

20. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors and accrued charges is as follows:

	20th February 2009	20th February 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	103,876	104,615
Over 1 month but less than 3 months	969	592
Over 3 months	2,082	2,791
	<u>106,927</u>	<u>107,998</u>

21. BANK BORROWINGS

	20th February 2009	20th February 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, unsecured	2,880,750	2,654,250
The maturity of bank borrowings is as follows:		
Within one year	1,057,000	1,032,000
Between one and two years	555,000	410,000
Between two and five years	1,268,750	1,182,250
Over five years	–	30,000
	<u>2,880,750</u>	<u>2,654,250</u>
Amount repayable within one year included under current liabilities	<u>(1,057,000)</u>	<u>(1,032,000)</u>
Amount repayable after one year	<u>1,823,750</u>	<u>1,622,250</u>

22. DERIVATIVE FINANCIAL INSTRUMENTS

	20th February 2009		20th February 2008	
	Assets	Liabilities	Assets	Liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest rate swaps	–	51,710	44	28,531
Cross-currency interest rate swap	88,862	–	14,443	–
	<u>88,862</u>	<u>51,710</u>	<u>14,487</u>	<u>28,531</u>
Current portion	–	(3,127)	(44)	(2,146)
	<u>88,862</u>	<u>48,583</u>	<u>14,443</u>	<u>26,385</u>
Non-current portion				

All derivative financial instruments entered by the Group at 20th February 2009 and 20th February 2008 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to cash flow changes of its floating-rate by swapping certain Hong Kong dollar floating-rate bank borrowings from floating rates to fixed rates. The interest rate swaps and the corresponding bank borrowings have the same terms and the Directors of the Company consider that the interest rate swaps are highly effective hedging instruments.

The fair value of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at balance sheet date.

Cross-currency interest rate swap

The Group uses a cross-currency interest rate swap designated as highly effective hedging instrument to minimise its exposure to foreign currency and cash flow interest rate risk of its floating-rate Japanese Yen syndicated bank borrowing by swapping the floating-rate Japanese Yen bank borrowing to fixed-rate Hong Kong dollar bank borrowing. The cross-currency interest rate swap and the corresponding syndicated bank borrowing have the same terms and the Directors of the Company consider that the cross-currency interest rate swap is highly effective hedging instrument.

The fair value of the cross-currency interest rate swap is determined by using the discounted cash flow method based on JPY-LIBOR-BBA yield curve and the forward exchange rate between Japanese Yen and Hong Kong dollars estimated at balance sheet date.

23. COLLATERALISED DEBT OBLIGATION

The Company entered into a HK\$850,000,000 collateralised debt obligation financing transaction (the “Transaction”). Pursuant to this Transaction, the Company transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the “Trust”) established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. The Company is the sole beneficiary of the Trust, which holds the entire undivided interest in the credit card receivables transferred. In accordance with HKAS-INT-12, the Trust is deemed to be controlled by the Company and the results thereof are consolidated by the Company in its consolidated financial statements. According to HKAS 39, both assets transferred and debt issued under this Transaction have not been derecognised and remained in the Group’s financial statements.

The collateralised debt obligation is backed by the credit card receivables transferred (see note 24) and with the carrying amount denominated in Hong Kong dollars.

24. PLEDGE OF ASSETS

At 20th February 2009, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of **HK\$1,387,865,000** and **HK\$94,935,000** respectively (2008: HK\$1,435,766,000 and HK\$68,000,000).

FINAL DIVIDEND

The Directors will recommend at the forthcoming annual general meeting to be held on Friday, 19th June 2009 a final dividend of 16.0 HK cents per share. This final dividend, if approved, will be paid on Tuesday, 30th June 2009 to shareholders whose names appear on the Register of Members of the Company on Friday, 19th June 2009.

Together with the interim dividend of 16.0 HK cents per share, the total dividend per share for the year is 32.0 HK cents, representing a dividend payout ratio of 45.1%.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15th June 2009 to Friday, 19th June 2009, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 12th June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the accounting year ended 20th February 2009, except for the deviation from the code provisions A.4.1, A.4.2 and B 1.1 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 Code.

The second limb of the code provision B.1.1 provides that a majority of the members of the remuneration committee should be independent non-executive directors.

Following the resignation of an Independent Non-executive Director on 24th September 2008, the Company has only two Independent Non-executive Directors, which does not meet the minimum number required under Rule 3.10(1) of the Listing Rules and the membership requirements of Rule 3.21 of the Listing Rules and code provision B.1.1 in that each of the Audit Committee and Remuneration Committee of the Company comprises four members, out of whom two are Independent Non-executive Directors. The Company is actively looking for a suitable candidate to fill the vacancy in compliance with Rules 3.10(1) and 3.21 of the Listing Rules and code provision B.1.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review

During the year under review, the Hong Kong economy was being dragged down by the global crisis in the second half, with the prospect of stagnant activity and rising unemployment causing concern within Hong Kong. At the same time, a distressed stock market in the United States had resulted in a slump in both the stock market and property market in Hong Kong. Conditions in the finance sector globally have remained extremely difficult, with bailouts of a number of major global financial institutions having taken place.

Financial Review

The Group faced the challenge with decisive actions in both funding and operation areas. This includes the entering of new long-term borrowings, the increase in size of existing collateralised debt obligation, and the restructuring of the marketing channels. As a result of these actions, the Group recorded, on an audited, consolidated basis, net profit of HK\$297.0 million for the year ended 20th February 2009, representing an increase of 2.0% or HK\$5.7 million when compared to HK\$291.3 million in the previous year. The Group’s earnings per share improved from 69.55 HK cents per share in 2007/08 to 70.91 HK cents per share.

For the financial year of 2008/09, the Group continued to record a growth in the sales volume of credit card and personal loan business. The launch of new marketing programs and the recruit of more co-branded cardholders had boosted up credit card sales. With the use of the Group’s branch and merchant networks to cross-sell different loan products, personal loan sales continued to generate a stable contribution to the operation.

The growth in sales transactions had resulted in the increase in interest income by 3.7% from HK\$1,031.4 million in 2007/08 to HK\$1,069.8 million. With the continuous drop in HIBOR, the Group locked in more fixed rate long-term borrowings with lower interest rates. As a result, the average funding cost moved down from 4.6% in the previous year to 4.2%. Despite an increase in funding requirement, interest expense was HK\$150.7 million, a decrease of 7.8% when compared with last year. The Group’s net interest income recorded an increase of 5.9% to HK\$919.0 million from HK\$867.8 million in 2007/08. The growth in credit purchase sales had increased the commission income received and, together with an increase in fees from providing other consumer related business, other operating income increased by 2.4% from HK\$130.5 million to HK\$133.6 million. Other gains and losses of HK\$11.5 million mainly represent the gain on disposal of available-for-sale investment.

With the change in the operating environment, additional resources had been devoted to the monitoring of portfolio performance. Moreover, the Group had spent more on card and loan processing expenses for the increase in cardholders recruited through new marketing programs. On the other hand, the Group had implemented stringent control on other operating expenses, including marketing expenses and staff costs. As a result, the operating expenses recorded a slight increase of 1.5% from HK\$365.8 million in 2007/08 to HK\$371.3 million. The Group's cost-to-income ratio was 34.9%, as compared with 36.4% in 2007/08.

At the operating level before impairment losses and impairment allowances, the Group recorded an increase in operating profit by HK\$54.4 million from HK\$638.4 million in 2007/08 to HK\$692.8 million. In light of the increase in credit risk in credit markets, the Group had taken appropriate steps to control impairment losses on advances and receivables. Impairment losses and impairment allowances increased by 15.8% from HK\$332.2 million in 2007/08 to HK\$384.8 million, while recoveries of receivables written-off for the year amounted to HK\$52.3 million as compared with HK\$37.1 million in the previous year. Impairment allowances amounted to HK\$169.0 million at 20th February 2009, as compared with HK\$142.4 million at 20th February 2008.

With a solid infrastructure and customer base, the Group was able to capitalize on market growth opportunities despite an adverse change in the operating conditions. At 20th February 2009, gross advances and receivables stood at HK\$5,087.5 million, an increase of 4.4%, or HK\$215.3 million, when compared with HK\$4,872.2 million at 20th February 2008. On funding side, including a collateralized debt obligation of HK\$847.3 million and cross-currency syndicated term loan of HK\$618.8 million, total indebtedness at 20th February 2009 amounted to HK\$3 billion and 733 million.

Shareholders' equity was strengthened by 6.9% to HK\$1,729.0 million at 20th February 2009 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after final dividend) at 20th February 2009 was HK\$4.0, as compared to HK\$3.7 at 20th February 2008.

Segment Information

The Group's business comprises mainly three operating divisions, namely credit card, instalment loans and hire purchase. With the issue of more cards and the launch of different marketing campaigns, credit card operation accounted for 68.9% of the Group's turnover for the year ended 20th February 2009, as compared to 66.0% in 2007/08. For operating income after deducting impairment losses and impairment allowances, credit card operation accounted for 69.4% of the Group's whole operations in 2008/09, as compared to 67.7% in 2007/08, with operating results recorded an increase of 5.7% from HK\$480.2 million in 2007/08 to HK\$507.6 million in 2008/09.

With the enlarged customer base and distribution channels, the Group remained active in developing its instalment loan business. However, with the keen competition in the market, instalment loan operation accounted for 29.6% of the Group's turnover for the year ended 20th February 2009, as compared to 31.6% in 2007/08. For operating income after deducting impairment losses and impairment allowances, instalment loan operation accounted for 27.5% of the Group's whole operations in 2008/09, as compared to 29.7% in 2007/08, with operating results recorded a decrease of 4.6% from HK\$210.8 million in 2007/08 to HK\$201.1 million in 2008/09.

Business Review

During the year under review, the Group had launched a series of marketing initiatives to boost up card and personal loan sales, including the introduction of prepaid card and co-operation with new partners. In addition, the Group had redesigned tailor-made card acquisition programs with its affinity partners to increase card base and card usage.

To capture new market segments, a number of co-branded cards were launched during the year, including the KCP Visa Card, Choi Fook MasterCard Privilege and KFC Visa Card. The unique features of these cards are well-received by customers. In addition, the Group had launched a series of marketing initiatives directing towards card activation through spending campaigns, lucky draws and seasonal merchant discounts. The spending campaign during summer holidays had received overwhelming response in the market.

To extend service coverage, the Group strengthened its net-member service in the second half year. Besides offering bill payment service, net-members can now register through our website and enjoy on-line shopping for a variety of different products. This not only provides convenience to customers but also creates additional credit card sales to the Group.

The Group has set up an insurance broker company to enter insurance brokerage business. With the widely diversified customer base and merchant network, this subsidiary company will line up with different insurance companies and solicit exclusive products for cardholders and business partners.

As a major step for the business expansion in the Mainland, AEON Information Service (Shenzhen) Co., Ltd., an associate, had commenced to provide card processing and card operation services through entering an outsourcing agreement with companies in the Mainland.

Prospects

Looking forward, 2009 will be a year of challenges. The Asian market was dragged down by the fall of many developed economies and Hong Kong will likely experience economic recession. On the other hand, the Mainland and U.S. governments launched different stimulus packages to rebuild the confidence in finance market and to boost domestic demand and consumption. With the support from the Mainland, the local economy is expected to remain stable, efficient and in a good position to stimulate growth and strive through the current financial hard times. As a result, it is anticipated that the Hong Kong economy will recover when the external environment improves.

Under this operating environment, the challenges ahead for the market players will be the credit risk and funding requirements. The Group will strive to explore new market segments for credit card and loan products, improve service quality, expand service coverage and maximize the returns of its shareholders.

First of all, the Group will actively strengthen its brand image in the market as providing better life quality for customers and also as a responsible corporate citizen. To this end, the Group will continue to strengthen its card benefits, launch new innovative products and services, and help the less privileged and work towards a green living environment.

The Group will also continue to tie up with its major business partners to conduct mass promotion campaigns which will direct towards card activation in the whole card portfolio. In addition, the Group will further enhance its web functions and promote e-statement to its net-members for convenience and environmental conservation.

For Mainland business, besides acting as a processing agent, the Group will continue to expand its business to provide collection and telemarketing services to clients in both Hong Kong and the Mainland.

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 2009, 31.7% of the funding was derived from shareholders' equity, 15.5% from structured finance and 52.8% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. For structured finance, the Group entered into a collateralised debt obligation transaction with a carrying amount of HK\$847.3 million at 20th February 2009 and carried a fixed interest coupon. To secure more direct funding, the Group entered into a further agreement on 31st March 2009 to increase the size of the collateralised debt obligation from existing HK\$850.0 million to HK\$1,100.0 million.

At 20th February 2009, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK\$2,880.8 million, with 21.9% being fixed in interest rates and 60.9% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 28.4% of these indebtedness will mature within one year, 14.9% between one and two years, 23.7% between two and three years, 22.7% between three and four years and 10.3% over four years. The average duration of indebtedness was around 2.2 years. The Group's bank borrowings were denominated in Hong Kong dollars, except for a syndicated term loan of JPY 7.5 billion which was hedged by a cross-currency interest rate swap.

The Group continued to maintain a strong financial position. The net debt to equity ratio at 20th February 2009 was as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Debt (<i>note a</i>)	3,728,047	3,500,812
Cash and cash equivalents	(334,484)	(242,842)
Net debt	3,393,563	3,257,970
Equity (<i>note b</i>)	1,728,998	1,616,959
Net debt to equity ratio	1.96	2.01

Notes:

(a) *Debt comprises bank borrowings and collateralised debt obligation*

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

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.

The Group's principal operations were transacted and recorded in Hong Kong dollars. During the year under review, the Group engaged in derivative financial instruments mainly to hedge its exposure on interest rate and exchange rate fluctuations. At 20th February 2009, capital commitments entered were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff at 20th February 2009 and 20th February 2008 was 351 and 342 respectively. Employees are remunerated according to the job nature and market trends, with a built-in-merit component incorporated in the annual increment to reward and motivate individual performance. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Company. The Company also provides in-housing training programs and external training sponsorships to strengthen its human resources.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company of its listed securities.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and the related notes thereto for the year ended 20th February 2009 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

PUBLICATION OF ANNUAL REPORT

The 2008/09 annual report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

At the date of this announcement, the Executive Directors are Mr. Masanori Kosaka (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Mr. Tomoyuki Kawahara (Senior Executive Director), Ms. Koh Yik Kung, Dr. Pan Shu Pin, Ban and Mr. Fung Kam Shing, Barry; the Non-executive Directors are Mr. Yoshiki Mori (Chairman), Mr. Kazuhide Kamitani and Mr. Takatoshi Ikenishi; and the Independent Non-executive Directors are Mr. Wong Hin Wing and Dr. Hui Ching Shan.

By order of the Board
MASANORI KOSAKA
Managing Director

Hong Kong, 23rd April 2009