AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 900)

FINAL RESULTS FOR THE YEAR ENDED 20TH FEBRUARY 2010

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 2010, together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 20th February 2010

		Year ended 20th February	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Revenue	*6*	**1,163,449**	1,198,127
Interest income	*8*	**1,048,905**	1,069,790
Interest expense	*9*	**(143,976)**	(150,748)
Net interest income		**904,929**	919,042
Other operating income	*10*	**120,022**	133,587
Other gains and losses	*11*	**5,405**	11,468
Operating income		**1,030,356**	1,064,097
Operating expenses	*12*	**(377,513)**	(371,281)
Operating profit before impairment allowances		**652,843**	692,816
Impairment losses and impairment allowances		**(410,754)**	(384,756)
Recoveries of receivables written-off		**75,717**	52,274
Share of results of associates		**(7,302)**	(6,510)
Profit before tax		**310,504**	353,824
Income tax expense	*13*	**(51,102)**	(56,861)
Profit for the year		**259,402**	296,963
Attributable to:			
Owners of the Company		**259,402**	296,963
Earnings per share	*15*	**61.94 HK Cents**	70.91 HK Cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 20th February 2010

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**259,402**	296,963
Other comprehensive income		
Fair value gain (loss) on available-for-sale investments	**22,348**	(22,283)
Exchange difference arising from translation of foreign operations	**260**	1,704
Net adjustment on cash flow hedges	**2,033**	(22,587)
Transfer to profit or loss on disposal of available-for-sale investment	**–**	(11,942)
Other comprehensive income (expense) for the year	**24,641**	(55,108)
Total comprehensive income for the year	**284,043**	241,855
Total comprehensive income attributable to:		
Owners of the Company	**284,043**	241,855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 20th February 2010

	Notes	20th February 2010 HK$'000	20th February 2009 HK$'000 (Restated)	21st February 2008 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	*16*	**83,822**	85,639	84,214
Investments in associates		**31,056**	38,098	42,904
Available-for-sale investments		**80,198**	57,851	87,406
Advances and receivables	*17*	**1,145,108**	952,097	716,587
Prepayments, deposits and other debtors		**27,054**	30,296	34,387
Derivative financial instrument	*22*	**104,043**	88,862	14,443
Deferred tax assets		**300**	6,200	4,500
Restricted deposits		**68,000**	68,000	68,000
		1,539,581	1,327,043	1,052,441
Current assets				
Advances and receivables	*17*	**3,572,854**	3,966,423	4,013,201
Prepayments, deposits and other debtors		**21,775**	23,021	24,714
Amount due from an associate		**354**	204	–
Derivative financial instrument	*22*	**244**	–	44
Restricted deposits		**12,156**	26,935	–
Time deposits		**258,529**	286,386	167,778
Fiduciary bank balances		**1,133**	–	–
Bank balances and cash		**83,362**	52,769	78,014
		3,950,407	4,355,738	4,283,751
Current liabilities				
Creditors and accruals	*20*	**120,218**	106,927	107,998
Amounts due to fellow subsidiaries		**69,207**	46,433	50,387
Amount due to immediate holding company		**–**	11	–
Amount due to ultimate holding company		**52**	60	57
Amount due to an associate		**–**	–	239
Bank borrowings	*21*	**724,160**	1,057,000	1,032,000
Bank overdrafts		**1,829**	4,671	2,950
Derivative financial instruments	*22*	**7,103**	3,127	2,146
Tax liabilities		**363**	15,924	28,259
		922,932	1,234,153	1,224,036
Net current assets		**3,027,475**	3,121,585	3,059,715
Total assets less current liabilities		**4,567,056**	4,448,628	4,112,156

	Notes	**20th February 2010** *HK$'000*	20th February 2009 *HK$'000* (Restated)	21st February 2008 *HK$'000* (Restated)
Capital and reserves				
Issued capital		**41,877**	41,877	41,877
Share premium and reserves		**1,837,159**	1,687,121	1,575,082
Total equity		**1,879,036**	1,728,998	1,616,959
Non-current liabilities				
Collateralised debt obligation	*23*	**1,098,069**	847,297	846,562
Bank borrowings	*21*	**1,549,000**	1,823,750	1,622,250
Derivative financial instruments	*22*	**40,951**	48,583	26,385
		2,688,020	2,719,630	2,495,197
		4,567,056	4,448,628	4,112,156

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 20th February 2010

	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 2008	41,877	227,330	270	31,622	(57,116)	4,839	1,368,137	1,616,959
Profit for the year	–	–	–	–	–	–	296,963	296,963
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)
Transfer to profit or loss on disposal of available-for-sale investment	–	–	–	(11,942)	–	–	–	(11,942)
Total comprehensive (expense) 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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**259,402**	**259,402**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**22,348**	**–**	**–**	**–**	**22,348**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**260**	**–**	**260**
Net adjustment on cash flow hedges	**–**	**–**	**–**	**–**	**2,033**	**–**	**–**	**2,033**
Total comprehensive income for the year	**–**	**–**	**–**	**22,348**	**2,033**	**260**	**259,402**	**284,043**
Final dividend paid for 2008/09	**–**	**–**	**–**	**–**	**–**	**–**	**(67,003)**	**(67,003)**
Interim dividend paid for 2009/10	**–**	**–**	**–**	**–**	**–**	**–**	**(67,002)**	**(67,002)**
	–	**–**	**–**	**22,348**	**2,033**	**260**	**125,397**	**150,038**
At 20th February 2010	**41,877**	**227,330**	**270**	**19,745**	**(77,670)**	**6,803**	**1,660,681**	**1,879,036**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 20th February 2010

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	**310,504**	353,824
Adjustments for:		
Amortisation of upfront cost of collateralised debt obligation	**888**	856
Depreciation	**35,677**	33,403
Dividends received on available-for-sale investments	**(1,821)**	(1,750)
Gain on disposal of available-for-sale investment	**–**	(11,942)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**410,754**	384,756
Interest expense	**143,088**	149,892
Interest income	**(1,048,905)**	(1,069,790)
Net (gains) losses on disposal of property, plant and equipment	**(5,863)**	22
Share of results of associates	**7,302**	6,510
Operating cash flows before movements in working capital	**(148,376)**	(154,219)
Increase in advances and receivables	**(210,196)**	(573,488)
Decrease in prepayments, deposits and other debtors	**5,545**	2,028
Increase in amount due from an associate	**(150)**	(204)
Increase in fiduciary bank balances	**(1,133)**	–
Increase in creditors and accruals	**15,436**	328
Increase (decrease) in amounts due to fellow subsidiaries	**22,774**	(3,954)
(Decrease) increase in amount due to immediate holding company	**(11)**	11
(Decrease) increase in amount due to ultimate holding company	**(8)**	3
Decrease in amount due to an associate	**–**	(239)
Cash used in operations	**(316,119)**	(729,734)
Tax paid	**(60,763)**	(70,896)
Interest paid	**(141,882)**	(148,003)
Interest received	**1,046,960**	1,073,425
Net cash generated from operating activities	**528,196**	124,792

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Investing activities		
Dividends received	**1,821**	1,750
Proceeds from disposal of available-for-sale investment	**–**	11,942
Proceeds from disposal of property, plant and equipment	**6,754**	79
Purchase of property, plant and equipment	**(34,751)**	(34,929)
Purchase of available-for-sale investments	**–**	(4,670)
Net cash used in investing activities	**(26,176)**	(25,828)
Financing activities		
Decrease (increase) in restricted deposits	**14,779**	(26,935)
Dividends paid	**(134,005)**	(130,387)
Increase in collateralised debt obligation	**250,772**	–
New bank loans raised	**10,359,012**	22,404,200
Repayment of bank loans	**(10,987,000)**	(22,254,200)
Net cash used in financing activities	**(496,442)**	(7,322)
Net increase in cash and cash equivalents	**5,578**	91,642
Cash and cash equivalents at beginning of the year	**334,484**	242,842
Cash and cash equivalents at end of the year	**340,062**	334,484
Being:		
Time deposits	**258,529**	286,386
Bank balances and cash	**83,362**	52,769
Bank overdrafts	**(1,829)**	(4,671)
	340,062	334,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 20th February 2010

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 2010 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 ("HKFRSs") 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 new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentations and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 21st February 2008 as the Group has reclassified certain items in its statement of financial position during the current financial year.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the adoption of HKFRS 8 has changed the measurement basis of segment result, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
Amendments to HKFRS 7 Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HK(IFRIC) – Int 13 Customer Loyalty Programmes

HK(IFRIC) – Int 13 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. It requires companies to account for such transactions as "multiple element transactions" and allocate the proceeds of the initial sale to the award credits. The portion allocated to award credits is recognised as revenue only when the Group has fulfilled its obligations to provide goods or services. In the past, the Group accounted for the bonus point obligation under marketing expenses based on actual bonus points rewarded and accruals with reference to historical redemption experience. The effect of the adoption of HK(IFRIC) – Int 13 was not considered to be material for the Group and therefore, the prior year figures have not been restated.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July 2009
2 Amendments that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate
3 Effective for annual periods beginning on or after 1st January 2010
4 Effective for annual periods beginning on or after 1st February 2010
5 Effective for annual periods beginning on or after 1st July 2010
6 Effective for annual periods beginning on or after 1st January 2011
7 Effective for annual periods beginning on or after 1st January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 21st February 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. PRINCIPAL 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 2009 except for the adoption of the new HKFRSs as disclosed in note 3 above.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment allowances on advances and receivables

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

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

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

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.

6. REVENUE

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Interest income	**1,048,905**	1,069,790
Fees and commissions	**44,075**	47,332
Handling and late charges	**70,469**	81,005
	1,163,449	1,198,127

7. SEGMENT INFORMATION

Adoption of HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 21st February 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Executive Directors) for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. As the Company's Executive Directors regularly review segment information based on different business activities in resources allocation and performance assessment of each operating segment, the application of HKFRS 8 has not resulted in a re-designation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. However, the adoption of HKFRS 8 has changed the measurement basis of segment result, segment assets and segment liabilities.

Services from which operating segments derive their revenues

In prior years, income derived from insurance agency business through credit card transactions and other payment means was grouped under "credit card" and "other operations" under HKAS 14. Starting from the current year, insurance broking and agency business has been identified as an additional operating segment and presented in the internal reports that regularly reviewed by the chief operating decision maker for the purposes of assessment of performance and future resources planning. In addition, certain items previously included in the "unallocated operating expenses" are allocated to respective operating segments under HKFRS 8 as they are included in the respective operating segments in the internal reports. In order to conform with current year's presentation, prior year information has been restated. The Group's operating segments under HKFRS 8 are therefore as follows:

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

Segment revenue and results

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

For the year ended 20th February 2010

	Credit card	Instalment loan	Hire purchase	Insurance	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**763,785**	**372,016**	**7,247**	**20,401**	**1,163,449**
RESULT					
Segment results	**194,421**	**128,138**	**220**	**9,012**	**331,791**
Unallocated operating income					**3,607**
Unallocated expenses					**(17,592)**
Share of results of associates					**(7,302)**
Profit before tax					**310,504**
Income tax expense					**(51,102)**
Profit for the year					**259,402**

For the year ended 20th February 2009

	Credit card	Instalment loan	Hire purchase	Insurance	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	812,553	354,190	11,212	20,172	1,198,127
RESULT					
Segment results	224,141	115,519	1,984	18,519	360,163
Unallocated operating income					17,327
Unallocated expenses					(17,156)
Share of results of associates					(6,510)
Profit before tax					353,824
Income tax expense					(56,861)
Profit for the year					296,963

The accounting policies of operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain income (including dividend income and gain on disposal of available-for-sale investment), 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.

8. INTEREST INCOME

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Time deposits, bank balances and cash	**284**	4,638
Advances	**1,040,776**	1,061,979
Impaired advances	**7,845**	3,173
	1,048,905	1,069,790

9. INTEREST EXPENSE

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts wholly repayable within five years	**40,425**	74,115
Interest on collateralised debt obligation wholly repayable within five years	**48,811**	42,242
Net interest expense on interest rate swap contracts	**54,740**	34,391
	143,976	150,748

Amortisation of upfront cost of HK$888,000 (2009: HK$856,000) is included in the interest expense on collateralised debt obligation wholly repayable within five years.

10. OTHER OPERATING INCOME

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Dividends received on available-for-sale investments		
Listed equity securities	**1,319**	1,298
Unlisted equity securities	**502**	452
Fees and commissions		
Credit card	**23,674**	27,160
Insurance	**20,401**	20,172
Handling and late charges	**70,469**	81,005
Others	**3,657**	3,500
	120,022	133,587

11. OTHER GAINS AND LOSSES

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Exchange gains (losses)		
Exchange gains on hedging instruments released from cash flow hedge reserve	**20,398**	76,500
Exchange losses on bank loans	**(20,398)**	(76,500)
Gain on disposal of available-for-sale investment	**–**	11,942
Hedge ineffectiveness on cash flow hedges	**(458)**	(452)
Net gains (losses) on disposal of property, plant and equipment	**5,863**	(22)
	5,405	11,468

12. OPERATING EXPENSES

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Administrative expenses		
Auditor's remuneration	**1,850**	1,850
Depreciation	**35,677**	33,403
General administrative expenses	**106,975**	101,465
Operating lease rentals in respect of rented premises, advertising space and equipment	**60,337**	65,051
Other operating expenses	**38,757**	37,316
Staff costs including directors' emoluments	**91,418**	90,651
	335,014	329,736
Marketing expenses	**42,499**	41,545
	377,513	371,281

13. INCOME TAX EXPENSE

	Year ended 20th February 2010 *HK$'000*	2009 *HK$'000*
Current tax:		
Hong Kong		
– Current year	**44,980**	59,306
– Under (over) provision in respect of prior years	**222**	(745)
	45,202	58,561
Deferred tax		
– Current year	**5,900**	(1,957)
– Attributable to change in tax rate	**–**	257
	5,900	(1,700)
	51,102	56,861

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	Year ended 20th February 2010 *HK$'000*	2009 *HK$'000*
Profit before tax	**310,504**	353,824
Tax at the applicable rate of 16.5% (2009: 16.5%)	**51,233**	58,381
Tax effect of share of results of associates	**1,205**	1,074
Tax effect of expenses not deductible for tax purpose	**3**	80
Tax effect of income not taxable for tax purpose	**(340)**	(2,821)
Tax effect of deferred tax assets previously not recognised	**(523)**	–
Under (over) provision in respect of prior years	**222**	(745)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	**–**	257
Others	**(698)**	635
Tax charge for the year	**51,102**	56,861

14. DIVIDENDS

	Year ended 20th February	
	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend paid in respect of 2009 of 16.0 HK cents (2008: 15.0 HK cents) per share	**67,003**	62,814
Interim dividend paid in respect of 2010 of 16.0 HK cents (2009: 16.0 HK cents) per share	**67,002**	67,002
	134,005	129,816
Final dividend proposed in respect of 2010 of 16.0 HK cents (2009: 16.0 HK cents) per share	**67,003**	67,003

The final dividend of 16.0 HK cents per share has been proposed by the Directors and will be paid to shareholders on 30th June 2010. 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 18th June 2010.

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK$259,402,000 (2009: HK$296,963,000) and on the number of shares of 418,766,000 (2009: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$33,950,000 on computer equipment and HK$801,000 on leasehold improvements.

17. ADVANCES AND RECEIVABLES

	20th February 2010	20th February 2009	21st February 2008
	HK$'000	*HK$'000*	*HK$'000*
Credit card receivables	**3,100,810**	3,421,998	3,270,554
Instalment loans receivable	**1,570,960**	1,456,930	1,387,591
Hire purchase debtors	**70,051**	97,459	115,649
	4,741,821	4,976,387	4,773,794
Accrued interest and other receivables	**114,098**	111,160	98,424
Gross advances and receivables	**4,855,919**	5,087,547	4,872,218
Impairment allowances *(Note 18)*			
– individually assessed	**(60,290)**	(53,029)	(45,323)
– collectively assessed	**(77,667)**	(115,998)	(97,107)
	(137,957)	(169,027)	(142,430)
	4,717,962	4,918,520	4,729,788
Current portion included under current assets	**(3,572,854)**	(3,966,423)	(4,013,201)
Amount due after one year	**1,145,108**	952,097	716,587

Included in the advances and receivables of the Group, there are secured credit card receivables and instalment loans receivable of HK$47,100,000 (20th February 2009: HK$20,806,000) and HK$5,797,000 (20th February 2009: HK$19,062,000) respectively. The Group hold collateral over these balances. Other advances and receivables are unsecured.

18. IMPAIRMENT ALLOWANCES

	20th February 2010	20th February 2009	21st February 2008
	HK$'000	*HK$'000*	*HK$'000*
Analysis by products as:			
Credit card receivables	**66,155**	98,363	81,432
Instalment loans receivable	**55,939**	56,159	52,246
Hire purchase debtors	**1,240**	2,342	2,249
Accrued interest and other receivables	**14,623**	12,163	6,503
	137,957	169,027	142,430

	Individual assessment	**Collective assessment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 21st February 2009	**53,029**	**115,998**	**169,027**
Impairment losses and impairment allowances	**449,085**	**(38,331)**	**410,754**
Amounts written-off as uncollectable	**(441,824)**	**–**	**(441,824)**
At 20th February 2010	**60,290**	**77,667**	**137,957**

	Individual assessment	Collective assessment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 21st February 2008	45,323	97,107	142,430
Impairment losses and impairment allowances	365,865	18,891	384,756
Amounts written-off as uncollectable	(358,159)	–	(358,159)
At 20th February 2009	53,029	115,998	169,027

19. OVERDUE ADVANCES AND RECEIVABLES

Set out below is an analysis of the gross balance of advances and receivables (excluding impairment allowances) which is overdue for more than 1 month:

	20th February 2010		20th February 2009		21st February 2008	
	HK$'000	**%***	HK$'000	%*	HK$'000	%*
Overdue 1 month but less than 2 months	**128,158**	**2.6**	143,277	2.8	140,371	2.8
Overdue 2 months but less than 3 months	**29,463**	**0.6**	60,847	1.2	29,757	0.6
Overdue 3 months but less than 4 months	**20,490**	**0.4**	34,798	0.7	20,685	0.4
Overdue 4 months or above	**55,877**	**1.2**	48,935	1.0	41,538	0.9
	233,988	**4.8**	287,857	5.7	232,351	4.7

* *Percentage of gross advances and receivables*

20. CREDITORS AND ACCRUALS

The aged analysis of creditors presented based on the invoice date at the end of the reporting period is as follows:

	20th February 2010	20th February 2009
	HK$'000	*HK$'000*
Current	**43,055**	31,731
Over 1 month but less than 3 months	**736**	969
Over 3 months	**2,361**	2,082
	46,152	34,782

21. BANK BORROWINGS

	20th February 2010	20th February 2009	21st February 2008
	HK$'000	*HK$'000*	*HK$'000*
Bank loans, unsecured	**2,273,160**	2,880,750	2,654,250
The maturity of bank borrowings is as follows:			
Within one year	**724,160**	1,057,000	1,032,000
Between one and two years	**904,000**	555,000	410,000
Between two and five years	**645,000**	1,268,750	1,182,250
Over five years	**–**	–	30,000
	2,273,160	2,880,750	2,654,250
Amount repayable within one year included under current liabilities	**(724,160)**	(1,057,000)	(1,032,000)
Amount repayable after one year	**1,549,000**	1,823,750	1,622,250

22. DERIVATIVE FINANCIAL INSTRUMENTS

	20th February 2010		20th February 2009		21st February 2008	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest rate swaps	**–**	**48,054**	–	51,710	44	28,531
Cross-currency interest rate swaps	**104,287**	**–**	88,862	–	14,443	–
	104,287	**48,054**	88,862	51,710	14,487	28,531
Current portion	**(244)**	**(7,103)**	–	(3,127)	(44)	(2,146)
Non-current portion	**104,043**	**40,951**	88,862	48,583	14,443	26,385

All derivative financial instruments entered by the Group that remain outstanding at 20th February 2010, 20th February 2009 and 21st 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. The classification of current / non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain Hong Kong dollar floating-rate bank borrowings from floating rates to fixed rates. The interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments.

Cross-currency interest rate swaps

The Group uses cross-currency interest rate swaps designated as highly effective hedging instruments to minimise its exposures to foreign currency and cash flow interest rate risk of its floating-rate Japanese Yen syndicated bank borrowing and United States Dollar bank borrowing by swapping the floating-rate Japanese Yen bank borrowing and United States Dollar bank borrowing to fixed-rate Hong Kong Dollar bank borrowings. 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.

23. COLLATERALISED DEBT OBLIGATION

(a) The Company entered into a HK$850,000,000 collateralised debt obligation financing transaction (the "Transaction") in 2007 and the Transaction amount was increased to HK$1,100,000,000 during the year. 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 consolidated financial statements.

(b) 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. The revolving period of the Transaction will end in February 2012. The interest of the collateralised debt obligation is fixed at 4.5% per annum during the revolving period, thus exposing the Group to fair value interest rate risk. The effective interest rate is 4.5% per annum during the year.

24. PLEDGE OF ASSETS

At 20th February 2010, the collateralised debt obligation of the Group was secured by credit card receivables and restricted deposits of HK$2,095,187,000 and HK$80,156,000 respectively (20th February 2009: HK$1,387,865,000 and HK$94,935,000).

FINAL DIVIDEND

The Directors will recommend at the forthcoming annual general meeting to be held on Friday, 18th June 2010 a final dividend of 16.0 HK cents per share. This final dividend, if approved, will be paid on Wednesday, 30th June 2010 to shareholders whose names appear on the register of members of the Company on Friday, 18th June 2010.

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 51.7%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14th June 2010 to Friday, 18th June 2010, 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 4:30 p.m. on Friday, 11th June 2010.

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 2010, except for the deviations from code provisions A.4.1, A.4.2, B.1.1 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.

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. The Company is now in compliance with code provision B.1.1 and Rules 3.10(1) and 3.21 of the Listing Rules following the appointment of Professor Tong Jun as an Independent Non-executive Director and member of the Audit Committee and Remuneration Committee of the Company on 23rd September 2009.

Code provision E.1.2. provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 19th June 2009 as he was overseas.

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 as its own code. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review

Hong Kong's economy showed signs of stabilising and gradual recovery since the second quarter of 2009, as well as the unemployment rate since the third quarter of 2009. With the adoption of lax monetary policies by various nations, this has resulted in tremendous influx of hot money to Hong Kong, boosting performance of the local stock and property markets. However, with unemployment rate stayed above 5% for most of the year, retail sales remained flat. Together with the deterioration of asset quality and intensified competition for business, the operating environment for consumer finance business was tough and challenging for the year under review. Participants had to strive for innovative products and service quality to maintain the loan portfolio while at the same time closely monitored its credit quality.

Financial Review

The Group faced the challenge with decisive actions in both funding and operation areas, which included the entering of new long-term borrowings, the increase in size of collateralised debt obligation and the adoption of a cautious business approach in granting new credits. The core operating performance of the Group was under pressure during the year with the deterioration of credit quality in the first half and slow recovery of demand in the consumer finance. As a result of adopting a conservative approach in granting new credit, total advances contracted when compared with the end of last year.

The Group recorded a profit attributable to shareholders of HK$259.4 million for year ended 20th February 2010, representing a decrease of 12.6% or HK$37.6 million when compared to HK$297.0 million in the previous year. The Group's earnings per share changed from 70.91 HK cents per share in 2008/09 to 61.94 HK cents per share.

A series of new marketing programs had been launched directing towards card acquisition and activation for card credit purchase. The AEON Ocean Park Halloween Night and JUSCO Chinese New Year 2010 Lucky Draw had received overwhelming response in the market. As a result, the Group recorded a slight increase in the card credit purchase sales when compared with last year.

With the adoption of a cautious business strategy, there was a drop in card cash advance receivables. As a result, interest income recorded a decrease of 2.0% or HK$20.9 million from HK$1,069.8 million in 2008/09 to HK$1,048.9 million. In order to secure more banking facilities under the uncertain market situation, the Group had fixed more long-term borrowings and increased the size of collateralised debt obligation. Nevertheless, interest expense for the year still recorded a decrease of 4.5% or HK$6.8 million to HK$144.0 million when compared with last year, with average funding cost being 4.1% as compared with 4.2% in last year. Net interest income of the Group recorded a drop of 1.5% to HK$904.9 million from HK$919.0 million in 2008/09. The drop in annual fee received as well as handling and late charges had resulted in the decrease in other operating income by 10.2% or HK$13.6 million from HK$133.6 million in 2008/09 to HK$120.0 million in 2009/10. Other gains and losses of HK$5.4 million mainly represent the gain on disposal of property, plant and equipment.

With the change in operating environment for consumer finance, additional resources had been devoted to the monitoring of existing portfolio performance and recruitment of new customer base. As a result, the expenses on card and loan processing had increased. Together with the increase in depreciation related to computer equipment, operating expenses increased by 1.7% from HK$371.3 million in 2008/09 to HK$377.5 million for the full year in 2009/10. The Group's cost-to-income ratio was 36.6% in 2009/10.

At the operating level before impairment allowances, the Group recorded an operating profit of HK$652.8 million for the year, representing a decrease of 5.8% from HK$692.8 million in the previous corresponding year. During the year under review, the Group lent conservatively and strived to continually maintain its asset quality. However, with the increase in personal bankruptcies, impairment losses and impairment allowances for the year increased by 6.8% or HK$26.0 million to HK$410.8 million. Recoveries of receivables written-off was HK$75.7 million, an increase of 44.8% or HK$23.4 million when compared with HK$52.3 million in 2008/09. Impairment allowances amounted to HK$138.0 million at 20th February 2010, as compared with HK$169.0 million at 20th February 2009.

Although sales started to pick up in the fourth quarter, the growth magnitude cannot compensate the drop in advances in the first three quarters. As a result, the Group experienced a reduction in gross advances and receivables of 4.6% during the year mainly in credit card receivables and hire purchase debtors. Gross advances and receivables at 20th February 2010 was HK$4,855.9 million, as compared to HK$5,087.5 million at 20th February 2009. Shareholders' equity was strengthened by 8.7% to HK$1,879.0 million at 20th February 2010 mainly due to the increase in accumulated profits and reserves. Net asset value per share (after final dividend), compared with the net asset value per share as at 20th February 2009, increased from HK$4.0 to HK$4.3.

Segment Information

The Group's business comprises mainly four operating divisions, namely credit card, instalment loans, hire purchase and insurance. In 2009/10, credit card operation accounted for 65.6% of the Group's revenue, as compared to 67.8% in 2008/09. For segment result, credit card operation accounted for 58.6% of the Group's whole operations in 2009/10, as compared to 62.2% in 2008/09.

For credit card operation, the adoption of a cautious business approach resulted in a drop in card cash advance sales and balances. Although more emphasis had been put on card credit purchase, interest income still recorded a decrease when compared with last year. Together with a drop in commission income and handling charges, revenue from credit card operation recorded a decrease of 6.0% or HK$48.8 million from HK$812.6 million in 2008/09 to HK$763.8 million in 2009/10. With the increase in personal bankruptcies, the impairment losses and impairment allowances had increased. Although this was compensated by an increase in recoveries of receivables written-off, the segment result for the year from credit card operation recorded a decrease of 13.3% or HK$29.7 million from HK$224.1 million in 2008/09 to HK$194.4 million in 2009/10.

With the vast customer base and distribution channels, the Group remained active in developing its instalment loan business. As a result, revenue from instalment loan operation recorded an increase of 5.0% or HK$17.8 million, from HK$354.2 million in 2008/09 to HK$372.0 million in 2009/10. With the exercise of a cautious credit assessment, impairment losses and impairment allowances increased moderately. Together with an increase in recoveries of receivables written-off, segment result for the year from instalment loan operation recorded an increase of 10.9% or HK$12.6 million from HK$115.5 million in 2008/09 to HK$128.1 million in 2009/10.

With a continuous shift of usage to card instalment plan, revenue from hire purchase operation recorded a decrease of HK$4.0 million, from HK$11.2 million in 2008/09 to HK$7.2 million in 2009/10. With a drop in operating expenses and impairment losses and impairment allowances, segment result for the year from hire purchase operation recorded a drop from HK$2.0 million in 2008/09 to HK$0.2 million in 2009/10.

Revenue from insurance operation recorded a slight increase of HK$0.2 million from HK$20.2 million in 2008/09 to HK$20.4 million in 2009/10. With additional operating expenses incurred in the running of an insurance broking company, segment result for the year from insurance operation decreased from HK$18.5 million in 2008/09 to HK$9.0 million in 2009/10.

Business Review

During the year under review, the Group had launched a series of marketing activities to enhance the competitiveness of its card business, which included the 10% rebate promotion in affinity member-stores, the AEON Ocean Park Halloween promotion, five times bonus point and large scale lucky draw programs. In addition, the Group had designed tailor-made card acquisition programs with its affinity partners to increase card base and card usage. To maintain the credit quality, new members were mainly recruited through affinity member-stores.

Under the adverse business environment, the Group had redesigned its personal loan product features in order to increase its competitiveness in the market. Moreover, the Group had launched tax loan product earlier this year in order to increase its market share in tax loan.

To extend service coverage, the Group launched on-line shopping service to its customers and started mail orders through the web. This not only provides convenience to customers but also creates additional credit card sales to the Group.

On accounts management side, the Group had utilised its branch network for outdoor visit collection activities so as to identify risky customers at the earliest opportunity. On funding side, the Group had increased the size of its facility under the existing collateralised debt obligation to secure a stable funding source.

With the set up of AEON Insurance Brokers (HK) Limited ("AEON Brokers"), the Group can line up with more insurance companies to offer unique insurance products to our widely diversified customer base and merchant network. During the year under review, AEON Brokers had successfully solicited life and general insurance products, such as MPF, home content and property insurance.

Moving on to China business, AEON Information Service (Shenzhen) Co., Ltd. ("AEON Shenzhen"), an associate, has extended their services as processing agent for AEON Card operation in different provinces in China, including Guangdong, Beijing and Shandong. In addition, AEON Shenzhen has also expanded its collection services to corporate clients in China in the fields of auto, finance and insurance.

Prospects

Looking ahead, the global economy has been showing signs of recovery. With hot money continues to flow into the property and stock markets, asset-price bubbles become one of the greatest risks for Hong Kong, as these gains have been mainly driven by extra liquidity in the financial system. Nevertheless, this has already boosted consumer sentiment and spending in the past few months, which in turn has helped Hong Kong's economy to recover at a faster pace than the Government previously forecast. In order to maintain a sustained and solid recovery, more stimuli are expected from the Hong Kong Government in 2010.

The operating environment for consumer finance business in Hong Kong is anticipated to remain challenging in the coming one year, with keen competition amongst the market players to seek greater market share. To enlarge its customer base, the Group will actively strengthen its brand image as providing better life quality for customers and also as a responsible corporate citizen. The Group will take a growth and yet conservative strategy to capture market potential with new innovative products and marketing strategies, while minimizing credit risks and implementing appropriate cost savings measures. At the same time, the Group will increase its revenue by increasing cross-selling activities, strengthening the web functions and enhancing product features. Given the low interest-rate environment, margins are expected to improve while cost-to-income ratio is likely to fall.

Since AEON JUSCO Card is always the core card for card member growth and usage stimulation, the Group will strengthen the benefits of AEON JUSCO Cards. Moreover, new marketing activities will be launched with affinity merchants, directing towards card activation through the offering of appealing cardholder privileges and affinity member benefits. Since the collaboration with different merchants in promoting recurrent transactions through credit cards has successfully improved the active ratio, the Group will continue to promote this service to its net members through SMS mails.

To explore more fee-based income, the Group will enrich its web contents and use its vast customer and merchant base to develop new business opportunities through the web business. Moreover, the Group will continue to expand its customer base in the areas of insurance, travel and collection services.

For China business, riding on the experience and operation knowledge gained from AEON Card operation, the Group will continue to explore new business opportunities with potential partners to cater for growth of consumer finance market in the Mainland.

FUNDING AND CAPITAL MANAGEMENT

The Group manages its capital to ensure that:

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

Net debt to equity ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target net debt to equity ratio of 1.5 to 2.0 determined as the proportion of net debt to equity.

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

	20th February 2010 *HK$'000*	20th February 2009 *HK$'000*
Debt *(note a)*	**3,371,229**	3,728,047
Cash and cash equivalents	**(340,062)**	(334,484)
Net debt	**3,031,167**	3,393,563
Equity *(note b)*	**1,879,036**	1,728,998
Net debt to equity ratio	**1.61**	1.96

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 21 and 23 respectively.

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

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 20th February 2010, 35.8% of its funding was derived from shareholders' equity, 20.9% from structured finance and 43.3% from direct borrowings from financial institutions.

The principal source of internally generated capital was from accumulated profits. At 20th February 2010, the Group had bank borrowings, including cross-currency syndicated term loan, amounted to HK$2,273.2 million, with 13.6% being fixed in interest rates and 82.3% being converted from floating interest rates to fixed interest rates using interest rate swaps. Including the collateralised debt obligation, 21.5% of these indebtedness will mature within one year, 26.8% between one and two years, 37.6% between two and three years, 11.4% between three and four years and 2.7% over four years. The average duration of indebtedness was around 2.1 years.

The Group's bank borrowings and collateralised debt obligation were denominated in Hong Kong dollars, except for a syndicated term loan of Japanese Yen 7.5 billion and a term loan of United States Dollar 10 million which were hedged by cross-currency interest rate swaps.

The net asset of the Group at 20th February 2010 was HK$1,879.0 million, as compared with HK$1,729.0 million at 20th February 2009. 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 and thereby 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. At 20th February 2010, capital commitments entered were mainly related to the purchase of property, plant and equipment.

HUMAN RESOURCES

The total number of staff at 20th February 2010 and 20th February 2009 was 334 and 351 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 statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 20th February 2010 as set out in this 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 this Preliminary Announcement.

PUBLICATION OF ANNUAL REPORT

The 2009/10 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 Dr. Hui Ching Shan, Mr. Wong Hin Wing and Professor Tong Jun.

By order of the Board
MASANORI KOSAKA
Managing Director

Hong Kong, 22nd April 2010