For the year ended 20th February 2006

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its immediate holding company is ÆON Credit Service Co., Ltd. and its ultimate holding company is ÆON Co., Ltd., both companies are incorporated in Japan and listed on the main section of the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 37/F, The World Trade Center, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Company is engaged in the provision of consumer credit finance services which include the issuance of credit cards, the provision of personal loan financing, hire purchase financing and vehicle financing.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised standards and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1st January 2005. The adoption of these new and revised standards and interpretations has resulted in changes to the Company's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- financial instruments (HKAS 32 and HKAS 39); and
- investments in associates (HKAS 28).

The impact of these changes in accounting policies is discussed below. The impact on basic earnings per share is discussed in note 16.

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

HKAS 32 Financial Instruments: Disclosure and Presentation & HKAS 39 Financial Instruments: Recognition and Measurement

In the current year, the Company has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Company. HKAS 39, which is effective for annual periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Interest income

In prior years, interest income was recognised in the income statement on an accrual basis, except in the case where a debt became doubtful at which stage interest ceased to be accrued. Interest income on instalment loans receivable was accounted for using the sum-of-digit method. Fees on loan origination were accounted for as and when they were receivable.

HKAS 39 requires loans and receivables to be subsequently measured at amortised cost after initial recognition. Interest income is recognised on a time-proportion basis using the effective interest method. The calculation includes all origination fees and commissions paid between parties to the contract that are an integral part of the effective interest rate, and transaction costs.

Interest income will continue to be recognised on impaired financial assets using the original rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

On application of HKAS 39, a reduction of HK$22,564,000 on interest income has been made to the Company's accumulated profits to reflect the adjustment on the principal of instalment loan and other receivables of HK$5,909,000 and HK$16,655,000 respectively. Moreover, this change has resulted in a decrease in interest income of HK$2,082,000 for the current year.

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

HKAS 32 Financial Instruments: Disclosure and Presentation &
HKAS 39 Financial Instruments: Recognition and Measurement (Cont'd)

Classification and measurement of financial assets

The Company has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 20th February 2005, the Company classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the income statement. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 21st February 2005 onwards, the Company classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale investments", "loans and receivables" or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognised in the income statement and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 21st February 2005, the Company classified and measured its investments in equity securities in accordance with the requirements of HKAS 39. Investment securities of HK$11,295,000 previously carried at cost are reclassified to available-for-sale investments and re-measured at fair value at 21st February 2005 upon the adoption of HKAS 39. An adjustment of HK$27,204,000 to the previous carrying amounts of assets at 21st February 2005 has been made to the Company's accumulated profits and will be included in the income statement upon disposal. Further revaluation gain of HK$12,479,000 has been made to the Company's investment revaluation reserve in the current year. Other investments of HK$1,239,000 are reclassified to investments held for trading and measured at fair value with fair value changes through the income statement.

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

HKAS 32 Financial Instruments: Disclosure and Presentation &
HKAS 39 Financial Instruments: Recognition and Measurement (Cont'd)

Derivatives and hedging

Derivatives arise from swap transactions are undertaken by the Company in the interest rate markets. By 20th February 2005, transactions undertaken for hedging purposes were accounted for on the same basis as the assets, liabilities or net positions that they were hedging. Any profit or loss was recognised in the income statement on the same basis as that arising from the related assets, liabilities or positions.

From 21st February 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments and, if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in the income statement for the year in which they arise.

There are three types of hedge relationships under HKAS 39, including fair value hedges, cash flow hedges and net investment hedges. The Company designates certain derivatives as hedging instruments to hedge against its exposure of interest rate movements. For cash flow hedges, changes in fair value of the effective portion of hedging instruments are recognised in equity and "recycled" into the income statement when the hedged items affect profit or loss. Changes in the fair value of the ineffective portion of hedging instruments are recognised directly in the income statement.

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

HKAS 32 Financial Instruments: Disclosure and Presentation &
HKAS 39 Financial Instruments: Recognition and Measurement (Cont'd)

Derivatives and hedging (Cont'd)

The Company has applied the relevant transitional provisions in HKAS 39. For hedges that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Company has, from 21st February 2005 onwards, discontinued the previous accounting treatments. For hedges that meet the requirements of hedge accounting set out in HKAS 39, the Company has, from 21st February 2005 onwards, applied hedge accounting in accordance with HKAS 39 to account for such hedges. For cash flow hedges that meet the requirements of hedge accounting set out in HKAS 39, the Company has, from 21st February 2005 onwards, applied cash flow hedge accounting. Interest rate swaps designated as effective cash flow hedging instruments are measured at fair value on 21st February 2005, and the difference between the previous carrying amount recognised on the balance sheet and the fair value on 21st February 2005, amounting to HK$22,960,000 is included in the Company's hedging reserve. On subsequent revaluation, HK$23,118,000 change in fair value of the effective portion of hedging instruments is recognised in equity in the current year. For derivatives that do not meet the requirements of hedge accounting, on 21st February 2005, the Company recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 21st February 2005, amounting to HK$6,744,000, in the Company's accumulated profits which has subsequently been included in the current year's income statement upon the maturity of the swaps during the year.

Derecognition

HKSA 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous years. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Company has applied the relevant transitional provision and applied the revised accounting policy prospectively for transfers of financial assets under asset securitisations on or after 21st February 2005. As a result, the Company's credit card receivables transferred to a special purpose entity ("SPE") under asset securitisation, which were derecognised prior to 20th February 2005, have not been restated. Any new transfer of credit card receivables to the SPE after 21st February 2005 has not been derecognised and remained as credit card receivables in the Company's financial statements. This has resulted in a decrease in credit card securitisation income of HK$23,700,000 in the current year.

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

HKAS 32 Financial Instruments: Disclosure and Presentation &
HKAS 39 Financial Instruments: Recognition and Measurement (Cont'd)

Impairment of financial assets

In prior years, allowances for bad and doubtful debts were made against loans and receivables as and when they were considered doubtful by the management. In addition, an amount was set aside as a general allowance for bad and doubtful debts.

On adoption of HKAS 39, the Company assesses at each balance sheet date whether there is objective evidence that a loan/receivable or group of loans/receivables is impaired. Impairment allowances are made on loans and receivables when there is objective evidence of impairment as a result of the occurrence of certain loss events after the initial recognition of the loans and receivables, and these loss events will have impact on the estimated future cash flows of the loans and receivables.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan/receivable, whether significant or not, it includes the loan/receivable in a group of loans and receivables and collectively assesses them for impairment. Evaluation is made on a portfolio basis by reference to the credit risk characteristics that are indicative of borrowers' ability to pay all amounts in accordance with the contractual terms. Expected future cash flows of loans and receivables that are assessed collectively for impairment are estimated on the basis of prior loan loss experience.

This change has had no material effect on the results of the previous and current years.

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

HKAS 28 Investments in Associates

In prior years, investments in associates were stated at cost, as reduced by any identified impairment loss, and the results of associates were accounted for on the basis of dividends received or receivable during the year. On adoption of HKAS 28, investments in associates are accounted for using the equity method, with the cost of investments being adjusted by the share of the associates' post acquisition change in net assets. The Company's income statement reflects its share of the associates' post acquisition profit or loss. Dividends received from the associates reduce the carrying amount of the investments in associates. HKAS 28 has been adopted retrospectively and the comparative figures for 2004 have been restated to conform with the changed policy. Given that an investment in associate was reclassified to investment securities in the prior year upon dilution of the Company's interest from 20% to 12.2%, cumulative share of losses of an associate amounted to HK$5,829,000 has been adjusted to the carrying amount of investment securities. An adjustment to the previous carrying amount of investment in an associate of HK$974,000 on 20th February 2005 in respect of share of net asset with effect of equity accounting for an associate has been made to the Company's accumulated profits. Share of losses of associates of HK$4,331,000 have been restated in prior year's income statement. Share of current year's profit of an associate of HK$340,000 is recorded in the income statement.

Notes to the Financial Statements

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effect of the application of the new HKFRSs on the balance sheet at 20th February 2005 and 21st February 2005 are summarised below:

	At 20th February 2005 (originally stated) HK$'000	Effect of HKAS 28 HK$'000	At 20th February 2005 (restated) HK$'000	Effect of HKAS 39 HK$'000	At 21st February 2005 (restated) HK$'000
Investment in an associate	997	974	1,971	–	1,971
Investment securities	17,124	(5,829)	11,295	(11,295)	–
Available-for-sale investments	–	–	–	38,499	38,499
Other investments	1,239	–	1,239	(1,239)	–
Investments held for trading	–	–	–	1,239	1,239
Instalment loans receivable	932,339	–	932,339	(5,909)	926,430
Prepayments, deposits, interest receivable and other debtors	100,878	–	100,878	(16,655)	84,223
Derivative financial instruments	–	–	–	(29,704)	(29,704)
Total effects on assets and liabilities	1,052,577	(4,855)	1,047,722	(25,064)	1,022,658
Hedging reserve	–	–	–	(22,960)	(22,960)
Accumulated profits	955,800	(4,855)	950,945	(2,104)	948,841
Total effects on equity	955,800	(4,855)	950,945	(25,064)	925,881

The financial effects of the application of the new HKFRSs to the Company's equity at 21st February 2004 are summarised below:

	At 21st February 2004 (As originally stated) HK$'000	Effect of HKAS 28 HK$'000	At 21st February 2004 (restated) HK$'000
Accumulated profits	876,461	(4,387)	872,074

Notes to the Financial Statements

For the year ended 20th February 2006

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

The effects of the changes in the accounting policies on the results for the current and prior years are as follows:

	2006 HK$'000	2005 HK$'000
Gains arising from fair value changes of derivative financial instruments	**6,744**	–
Net effect on fair value changes of interest-only strips and cash reserve account in the securitisation trust	**(23,700)**	–
Decrease in interest income upon adoption of effective interest method on hire purchase debtors, instalment loans receivable and credit card receivables	**(2,082)**	–
Share of results in associates using equity method	**340**	(468)
Decrease in income tax expense	**3,272**	–
Decrease in profit for the year	**(15,426)**	(468)
Decrease in earnings per share		
Basic	**3.68 cents**	0.12 cents

Analysis of the increase (decrease) in profit for the years ended 20th February 2006 and 2005 by line items presented according to their function:

	2006 HK$'000	2005 HK$'000
Decrease in interest income	**(2,082)**	–
Decrease in interest expense	**2,634**	–
Decrease in credit card securitisation income	**(23,700)**	–
Increase in other income	**4,110**	–
Share of results in associates	**340**	(468)
Decrease in income tax expense	**3,272**	–
Decrease in profit for the year	**(15,426)**	(468)

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Cont'd)

The Company has not early applied the following standards, interpretations and amendments that have been issued but are not yet effective. The directors anticipate that the application of the standards or interpretations will have no or any material impact on the financial statements of the Company.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] *Effective for annual periods beginning on or after 1st January 2007.*
[2] *Effective for annual periods beginning on or after 1st January 2006.*
[3] *Effective for annual periods beginning on or after 1st December 2005.*
[4] *Effective for annual periods beginning on or after 1st March 2006.*

In accordance with the provisions of paragraph 21A of HKAS 27 "Consolidated and Separate Financial Statements", only entities that fell within the definition of a subsidiary as set out in section 2(4) of the Companies Ordinance may be consolidated. Therefore, a special purpose entity which is not construed as the Company's subsidiary has not been consolidated. The effects on consolidation of the special purpose entity are presented in note 44 to the financial statements. The Companies (Amendment) Ordinance (the "Amendment Ordinance") amended the statutory definition of a "subsidiary" to make it more closely aligned with HKAS 27. As a result of the Amendment Ordinance, which will be effective for annual periods beginning on or after 1st January 2006, the Company will require to consolidate the special purpose entity for the financial year beginning on 21st February 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Annual fees on credit cards are recognised in the income statement on a time proportion basis.

Commission income, handling charge and late charge are recognised in the income statement when earned.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Credit card securitisation income is recognised in accordance with the accounting policy under "Asset securitisations".

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Depreciation is provided to write off the costs of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	$33^1/_3$%
Furniture and fixtures	20%
Computer equipment	20% - $33^1/_3$%
Motor vehicles	$33^1/_3$%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in the income statement in the year in which the item is derecognised.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. The Company's income statement reflects its share of the associates' post-acquisition profit or loss. Dividends received from the associates reduce the carrying amount of the investments in associates.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

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

The Company as lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

The Company as lessor

The amounts due from customers in respect of hire purchase contracts classified under finance leases and are recorded as receivables at the amount of the Company's net investment in the contracts. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the contracts.

Foreign currencies

Transactions in foreign currencies are recorded in the Company's functional currency at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. At the balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

The Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables, and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including investments held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables (including instalment loans receivable, credit card receivables, prepayments, deposits, interest receivable and other debtors and bank deposits) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan/receivable, whether significant or not, it includes the loan/receivable in a group of loans and receivables and collectively assesses them for impairment. Evaluation is made on a portfolio basis by reference to the credit risk characteristics that are indicative of borrowers' ability to pay all amounts in accordance with the contractual terms. Expected future cash flows of loans and receivables that are assessed collectively for impairment are estimated on the basis of prior loan loss experience.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Loans and receivables (Cont'd)

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories under HKAS 39. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, with fair value adjustments on initial application of HKAS 39 accounted for in the accumulated profits and subsequent movements in fair value accounted for in the investment revaluation reserve. When the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in the accumulated profits or investment revaluation reserve is removed and recognised in the income statement. Any impairment losses on available-for-sale investments are recognised in the income statement. Impairment losses on available-for-sale equity investments will not be reversed to the income statement in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Other financial liabilities including bank borrowings, issued debt securities, creditors and accrued charges, amounts due to immediate holding company, fellow subsidiary and ultimate holding company are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derivative financial instruments and hedging

The Company uses derivative financial instruments arise from swap transactions to hedge its exposure against interest rate movements. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Hedges are classified as cash flow hedges when hedges are made to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognised in equity and "recycled" into the income statement when the hedged item affects profit or loss. The ineffective portion is recognised immediately in the income statement.

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

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in the income statement.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

For financial liabilities, they are removed from the Company's balance sheet. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

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

Financial instruments (Cont'd)

Fair value measurement principles

The fair value of financial assets is based on their quoted market bid prices at the balance sheet date without any deduction for estimated future selling costs. If a quoted market price is not available, the fair value of financial assets is estimated using the discounted cash flow technique that provides a reliable estimate of prices, which could be obtained in actual market transactions. In applying the discounted cash flow technique, estimated future cash flows are based on management's best estimates of critical assumptions, which may include future income and expenses, credit losses, discount rates, yield curves and other factors.

Impairment losses on tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Impairment losses associated with securitised and derecognised credit card receivables are not reflected in the Company's impairment allowances. Such impairment losses are absorbed directly under the contractual agreements of the credit card securitisation trust, thereby reducing credit card securitisation income rather than being charged against the impairment allowances.

Asset securitisations

The Company securities various consumer financial assets, which generally results in the sale of these assets to a special-purpose entity, which in turn, issues securities to investors. Financial assets transferred on or before 20th February 2005 are partially or wholly derecognised when the Company gives up control of the contractual rights that comprise the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Asset securitisations (Cont'd)

Interests in the securitised and derecognised financial assets may be retained in the form of seller or subordinated tranches, interest-only strips or other residual interests ("retained interests"). The seller and subordinated tranches are recorded in the balance sheet as retained interests in securitisation trust and are carried at amortised cost. The difference between the allocated carrying amount and the fair value of the securitised receivables at the date of the transfer is recognised as interest income over the life of investment using the effective yield method.

The interest-only strips and other residual interests are recorded in the balance sheet as retained interests in securitisation trust and are carried at fair value. The determination of fair values of retained interests is generally based on listed market prices or by determining the present value of expected future cash flows using pricing models that incorporate management's best estimates of critical assumptions which may include credit losses, discount rates, yield curves and other factors. Unrealised gains or losses are recorded in the credit card securitisation income in the income statement.

Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. The Company recognises all assets obtained and liabilities incurred in consideration as proceeds of the sale, including any contingent liabilities. Gains or losses on securitisation are recorded in the credit card securitisation income in the income statement.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the Company's accounting policies

There are no significant effects on amounts recognised in the financial statements arising from the judgments used by the management in the process of applying the Company's accounting policies, which are described in note 3.

Key sources of estimation uncertainty

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, are as follows:

Impairment allowances on loans and receivables

The Company establishes, through charges against the 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 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 at 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 estimates the future cash flows 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Asset securitisations

The Company securitised credit card receivables through a special purpose entity that was specifically set up for this transaction in 2002. For credit card receivables transferred under this transaction on or before 20th February 2005, the Company's retained residual interests are recorded as retained interests in securitisation trust and are comprised of interest-only strips, subordinated interests, seller interests and cash reserve account.

The interest-only strips and other residual interests recorded as retained interests in securitisation trust are carried at fair value. The key assumptions used in determining the fair value of interest-only strips and other residual interests as at the balance sheet date included the weighted average ranges for charge-off rates, principal repayment rates, lives of receivables and discount rates. The charge-off rates are determined using historical net-charge-offs for the pool calculated consistently with the Company's basis of charge-off computation. The principal repayment rate assumptions are determined using actual pool average principal repayment rates. The lives of receivables are determined as the number of months necessary to pay off the investors given the principal repayment rate assumptions. The discount rates are determined as reflective of what market participants would use in a similar valuation.

The key assumptions and estimates used in determining the value of interest-only strips and other residual interests are periodically reviewed to reduce any differences between estimates and actual experience.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's major financial instruments include equity investments, loans receivable, other assets, bank deposits, bank borrowings, other liabilities and issued debt securities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) ***Currency risk***

Certain equity investments of the Company are denominated in foreign currencies. As the amount is not material, the directors of the Company consider that the exposure on currency fluctuation is insignificant and the Company currently does not enter into any hedging activities to hedge for the foreign currency exposure.

(ii) ***Interest rate risk***

Fair value interest rate risk

The Company is exposed to fair value interest rate risk through the impact of rate changes on interest-bearing financial assets and interest-bearing bank borrowings. The fair value interest rate risk relates primarily to fixed-rate lending and borrowings. All interest-bearing financial assets are exposed to fair value interest rates risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Company are disclosed in notes 21, 22, 23 and 36.

Cash flow interest rate risk

The Company's cash flow interest rate risk primarily relates to floating-rate financial liabilities (see notes 35 & 36).

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

5. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

Market risk (Cont'd)

(iii) ***Price risk***

The Company's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. The Company is exposed to equity price risk through its available-for-sale investments and investments held for trading. The management will monitor the price movements and take appropriate actions when it is required.

Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 20th February 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. The Company's credit risk is primarily attributable to its credit card receivables, instalment loans receivable and hire purchase debtors. In order to minimise the credit risk, the Company has established policies and systems for the monitoring and control of credit risk. The management of the Company has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Company's credit risk is significantly reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

6. TURNOVER

	2006	2005
	HK$'000	HK$'000
Interest income	**741,447**	549,659
Fees and commissions	**24,754**	37,436
Investment income from the seller and subordinated interests in securitisation trust	**146,328**	291,264
	912,529	878,359

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

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

Principal activities are as follows:

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

7. **BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)**

(a) **Business segments (Cont'd)**

Segment information about these businesses is presented below:

2006

	Credit card HK$'000	Hire purchase HK$'000	Instalment loan HK$'000	Corporate and other operations HK$'000	Combined HK$'000
INCOME STATEMENT					
TURNOVER	608,244	9,703	292,381	2,201	912,529
RESULT					
Net interest income (expense)	367,020	4,646	260,066	(146)	631,586
Credit card securitisation income	983	–	–	–	983
Other operating income	114,152	47	18,220	428	132,847
Other income	–	–	–	4,690	4,690
(Increase in) reversal of impairment losses and impairment allowances	(182,264)	1,418	(70,472)	–	(251,318)
Segment results	299,891	6,111	207,814	4,972	518,788
Unallocated operating expenses					(293,549)
Share of results in an associate					340
Profit before tax					225,579
Income tax expense					(39,466)
Profit for the year					186,113
BALANCE SHEET					
ASSETS					
Total assets	2,587,285	135,427	1,083,192	393,934	4,199,838
LIABILITIES					
Segment liabilities	2,001,428	33,811	659,614	110,137	2,804,990
Unallocated corporate liabilities					5,000
Total liabilities					2,809,990
OTHER INFORMATION					
Additions to property, plant and equipment	–	–	–	54,055	54,055
Depreciation	–	–	–	41,143	41,143
Net loss on disposal of property, plant and equipment	–	–	–	558	558

Notes to the Financial Statements

For the year ended 20th February 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

2005 (restated)

	Credit card HK$'000	Hire purchase HK$'000	Instalment loan HK$'000	Corporate and other operations HK$'000	Combined HK$'000
INCOME STATEMENT					
TURNOVER	621,476	15,472	241,089	322	878,359
RESULT					
Net interest income (expense)	266,421	(7,363)	208,408	(3,228)	464,238
Credit card securitisation income	186,501	–	–	–	186,501
Other operating income	81,390	14,587	9,141	433	105,551
Other loss	–	–	–	(1,251)	(1,251)
Charge for bad and doubtful debts	(249,557)	(4,424)	(60,965)	–	(314,946)
Segment results	284,755	2,800	156,584	(4,046)	440,093
Unallocated operating expenses					(262,341)
Share of results in associates					(4,331)
Gain on deemed disposal of an associate					3,863
Profit before tax					177,284
Income tax expense					(31,411)
Profit for the year					145,873
BALANCE SHEET					
ASSETS					
Total assets	1,934,272	224,016	961,526	218,392	3,338,206
LIABILITIES					
Segment liabilities	956,152	214,767	743,658	157,137	2,071,714
Unallocated corporate liabilities					2,100
Total liabilities					2,073,814
OTHER INFORMATION					
Additions to property, plant and equipment	–	–	–	43,932	43,932
Depreciation	–	–	–	31,240	31,240
Net loss on disposal of property, plant and equipment	–	–	–	443	443

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(b) Geographical segments

All the Company's interest income, fee and commission income and profit are derived from operations carried out in Hong Kong.

8. INTEREST EXPENSE

	2006	2005
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**93,197**	85,421
Interest on issued debt securities wholly repayable within five years	**19,298**	–
	112,495	85,421
Gain arising on derivative financial instruments not in a designated hedge accounting relationship	**(2,634)**	–
	109,861	85,421

Included in the interest expense on issued debt securities wholly repayable within five years are amortisation of upfront costs of HK$3,594,000 (2005: HK$2,992,000 is included in interest on bank borrowings and overdrafts).

9. CREDIT CARD SECURITISATION INCOME

Credit card securitisation income represents the combined effect of investment income from the seller and subordinated interests in securitisation trust and unrealised gains and losses on the interest-only strips and cash reserve account in the securitisation trust. In prior year, credit card securitisation income includes gains on derecognition of credit card receivables upon sale.

10. OTHER OPERATING INCOME

	2006	2005
	HK$'000	HK$'000
Fees and commissions	**24,754**	37,436
Handling and late charges	**86,013**	38,083
Servicer fee on credit card securitisation	**17,255**	26,714
Dividends received on available-for-sale investments/ investment securities	**428**	433
Others	**4,397**	2,885
	132,847	105,551

11. OTHER INCOME (LOSS)

	2006	2005
	HK$'000	HK$'000
Net loss on disposal of property, plant and equipment	**(558)**	(443)
Unrealised gain on revaluation of investments held for trading/other investments	**1,138**	542
Gain on derivative financial instruments	**4,110**	–
Impairment loss recognised on investment securities	**–**	(1,350)
	4,690	(1,251)

12. OPERATING EXPENSES

	2006	2005
	HK$'000	HK$'000
		(restated)
Administrative expenses	**70,209**	61,068
Advertising expenses	**28,147**	20,934
Auditors' remuneration	**1,600**	1,280
Depreciation	**41,143**	31,240
Exchange loss	**61**	17
Operating lease rentals in respect of rented premises, advertising space and equipment	**46,462**	47,845
Other operating expenses	**29,883**	25,920
Staff costs	**76,044**	74,037
	293,549	262,341

Operating lease rentals in respect of staff quarters of HK$553,000 (2005: HK$505,000) are included in staff costs.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2005: nine) directors were as follows:

Name of director	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
2006					
Yoshiki Mori	–	–	–	–	–
Masanori Kosaka *(Note)*	–	1,422	400	12	1,834
Lai Yuk Kwong	–	1,188	120	12	1,320
Koh Yik Kung	–	1,560	20	12	1,592
Kazuhide Kamitani	–	–	–	–	–
Yoichi Kimura	150	–	–	–	150
Shao You Bao	260	–	–	–	260
Tsang Wing Hong	230	–	–	–	230
Wong Hin Wing	200	–	–	–	200
	840	4,170	540	36	5,586

13. **DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)**

(a) Directors' emoluments (Cont'd)

Name of director	Fees	Salaries and other benefits	Discretionary bonus	Mandatory provident fund contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2005					
Yoshiki Mori	–	–	–	–	–
Masanori Kosaka *(Note)*	–	1,302	500	11	1,813
Lai Yuk Kwong	–	1,152	200	12	1,364
Koh Yik Kung	–	1,560	–	12	1,572
Kazuhide Kamitani	–	–	–	–	–
Yoichi Kimura	150	–	–	–	150
Shao You Bao	250	–	–	–	250
Tsang Wing Hong	220	–	–	–	220
Wong Hin Wing	71	–	–	–	71
	691	4,014	700	35	5,440

Note: Operating lease rentals in respect of the director's accommodation of HK$342,000 (2005: HK$342,000) are included under salaries and other benefits.

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2005: three directors), details of whose emoluments are set out above. The emoluments paid to the remaining two individuals (2005: two individuals) were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**1,698**	1,620
Discretionary bonus	**140**	159
	1,838	1,779

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

(b) Employees' emoluments (Cont'd)

The emoluments of the remaining two individuals (2005: two individuals) were within the following bands:

	2006	2005
	Number of employees	
Nil to HK$1,000,000	**2**	2

14. INCOME TAX EXPENSE

	2006	2005
	HK$'000	HK$'000
Provision for the year		
Hong Kong	**36,687**	47,712
(Over)underprovision in prior years		
Hong Kong	**(121)**	599
Deferred tax liabilities		
Current year *(note 40)*	**2,900**	(16,900)
	39,466	31,411

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

14. INCOME TAX EXPENSE (Cont'd)

The total charge for the year can be reconciled to the accounting profit as follows:

	2006 **HK$'000**	2005 HK$'000 (restated)
Profit before taxation	**225,579**	177,284
Taxation at the applicable rate of 17.5% (2005: 17.5%)	**39,476**	31,025
Tax effect of share of profit of an associate	**(59)**	82
Tax effect of expenses not deductible for tax purposes	**17**	147
Tax effect of income not taxable for tax purposes	**(659)**	(132)
(Over)underprovision in prior years	**(121)**	599
Others	**812**	(310)
Taxation for the year	**39,466**	31,411

15. DIVIDENDS

	2006 **HK$'000**	2005 HK$'000
Paid:		
Final	**43,970**	37,689
Interim	**27,220**	23,032
	71,190	60,721
Proposed:		
Final	**48,158**	43,970

The final dividend of 11.5 HK cents (2005: 10.5 HK cents) per share has been proposed by the directors and will be paid to shareholders on 28th June 2006. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 14th June 2006.

16. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK$186,113,000 (2005: HK$145,873,000) and on the number of 418,766,000 (2005: 418,766,000) shares in issue during the year.

Impact of changes in accounting policies

Changes in the Company's accounting policies during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on the basic earnings per share:

	2006	2005
	HK cents	HK cents
Figures before adjustments	**48.12**	34.95
Adjustments arising from changes in accounting policies	**(3.68)**	(0.12)
As reported/restated	**44.44**	34.83

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 21st February 2004	14,961	13,501	162,329	227	191,018
Additions	1,580	912	41,311	129	43,932
Disposals	(4,193)	(24)	(4,157)	(24)	(8,398)
At 21st February 2005	12,348	14,389	199,483	332	226,552
Additions	5,595	2,515	45,722	223	54,055
Disposals	(5,216)	(1,074)	(28,104)	(203)	(34,597)
At 20th February 2006	**12,727**	**15,830**	**217,101**	**352**	**246,010**
ACCUMULATED DEPRECIATION					
At 21st February 2004	13,603	9,279	95,330	205	118,417
Charge for the year	1,161	1,976	28,052	51	31,240
Eliminated on disposals	(4,110)	(24)	(3,795)	(24)	(7,953)
At 21st February 2005	10,654	11,231	119,587	232	141,704
Charge for the year	1,442	1,894	37,689	118	41,143
Eliminated on disposals	(4,866)	(1,019)	(27,948)	(203)	(34,036)
At 20th February 2006	**7,230**	**12,106**	**129,328**	**147**	**148,811**
CARRYING AMOUNT					
At 20th February 2006	**5,497**	**3,724**	**87,773**	**205**	**97,199**
At 20th February 2005	1,694	3,158	79,896	100	84,848

Following the adoption of HKAS 16 Property, Plant and Equipment, which is effective for the current accounting year, the Company has reviewed the residual values used for the purposes of depreciation calculations in the light of the amended definition of residual value in the standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed and updated annually in the future.

18. INVESTMENT IN AN ASSOCIATE

	2006 **HK$'000**	2005 HK$'000 (restated)
Cost of unlisted investment in an associate	**1,000**	1,000
Share of post-acquisition profit	**1,314**	974
	2,314	1,974
Amount due to an associate	**(94)**	(3)
	2,220	1,971

Details of the Company's associate at 20th February 2006 are as follows:

Name of associate	**Place of incorporation and operation**	**Proportion of ownership interest**	**Proportion of voting power held**	**Principal activity**
AEON Information Service (Shenzhen) Co., Ltd.	People's Republic of China	50%	25%	Provision of call center services

The above associate is also a fellow subsidiary of the Company.

Summarised financial information in respect of the Company's associate is set out below:

Balance sheet	**2006** **HK$'000**	2005 HK$'000
Total assets	**7,536**	6,796
Total liabilities	**(2,908)**	(2,848)
Net assets	**4,628**	3,948
Share of associate's net assets	**2,314**	1,974

18. INVESTMENT IN AN ASSOCIATE (Cont'd)

Income statement	2006 HK$'000	2005 HK$'000
Revenue	**13,669**	11,878
Profit for the year	**680**	1,288
Share of associate's profit for the year	**340**	644

19. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

	2006 HK$'000	2005 HK$'000 (restated)
At fair value:		
Issued by corporate entities		
Listed shares		
Hong Kong	**13,853**	–
Overseas	**26,545**	–
Unlisted shares	**24,672**	–
	65,070	–
At cost:		
Issued by corporate entities		
Listed shares		
Hong Kong	**–**	3,541
Overseas	**–**	2,753
Unlisted shares	**–**	5,001
	–	11,295
	65,070	11,295

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

The investments included above represent investments in both listed and unlisted equity securities that offer the Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of listed shares are based on quoted market prices. The fair values of unlisted shares are calculated by using discounted cash flow method based on the latest financial budgets prepared by the investees' management covering a period of 3 to 5 years. Budgeted net profits projections have been determined based on the historical records and the management's expectations for the growth potential and market development.

20. INVESTMENTS HELD FOR TRADING/OTHER INVESTMENTS

Investments held for trading/other investments represent shares listed overseas and are stated at fair value based on quoted market prices.

21. HIRE PURCHASE DEBTORS

	Minimum payments		**Present value of minimum payments**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**121,875**	206,790	**121,023**	206,123
In the second to fifth year inclusive	**18,157**	27,008	**17,832**	26,857
	140,032	233,798	**138,855**	232,980
Unearned finance income	**(1,177)**	(818)	**–**	–
Present value of minimum payments receivable	**138,855**	232,980	**138,855**	232,980

21. HIRE PURCHASE DEBTORS (Cont'd)

Analysed as:

	2006 **HK$'000**	2005 HK$'000
Due:		
Within one year	**121,023**	206,123
In the second to fifth year inclusive	**17,832**	26,857
	138,855	232,980
Impairment allowances/allowance for bad and doubtful debts		
– individually assessed	**(2,282)**	(3,516)
– collectively assessed	**(1,337)**	(5,536)
	(3,619)	(9,052)
	135,236	223,928
Current portion included under current assets	**(117,804)**	(198,155)
Amount due after one year	**17,432**	25,773

The Company enters into the hire purchase arrangements for customers. All hire purchase agreements are denominated in Hong Kong dollars. The term of hire purchase contracts ranges from 5 months to 3 years. The hire purchase debtors carry interest ranging from 11.1% to 14.8%. The directors consider the fair value of hire purchase debtors at 20th February 2006 approximates to the corresponding carrying amount.

22. INSTALMENT LOANS RECEIVABLE

	2006 HK$'000	2005 HK$'000
Due:		
Within one year	**740,148**	699,684
In the second to fifth year inclusive	**370,515**	305,420
	1,110,663	1,005,104
Impairment allowances/allowance for bad and doubtful debts		
– individually assessed	**(33,307)**	(48,884)
– collectively assessed	**(20,422)**	(23,881)
	(53,729)	(72,765)
	1,056,934	932,339
Current portion included under current assets	**(704,343)**	(649,030)
Amount due after one year	**352,591**	283,309

The term of instalment loans ranges from 6 months to 5 years. All instalment loans receivable are denominated in Hong Kong dollars. The instalment loans receivable carry interest ranging from 10.3% to 48.8%. The directors consider the fair value of instalment loans receivable at 20th February 2006 approximates to the corresponding carrying amount.

23. CREDIT CARD RECEIVABLES

	2006	2005
	HK$'000	HK$'000
Due:		
Within one year	**2,106,260**	1,035,241
In the second to fifth year inclusive	**35,227**	3,786
	2,141,487	1,039,027
Impairment allowances/allowance for bad and doubtful debts		
– individually assessed	**(30,678)**	(67,642)
– collectively assessed	**(37,261)**	(24,688)
	(67,939)	(92,330)
	2,073,548	946,697
Current portion included under current assets	**(2,039,438)**	(943,247)
Amount due after one year	**34,110**	3,450

The Company enters into card instalment plans for customers. The term of card instalment plans ranges from 3 months to 2.5 years.

All credit card receivables are denominated in Hong Kong dollars. The credit card receivables carry interest ranging from 18.1% to 42.6%. The directors consider the fair value of credit card receivables at 20th February 2006 approximates to the corresponding carrying amount.

24. OVERDUE DEBTOR BALANCE

Set out below is an analysis of gross debtor balance of hire purchase debtors, instalment loans receivable and credit card receivables, excluding impairment allowances, which is overdue for more than 1 month:

	2006		2005	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**64,785**	**1.9**	94,046	4.1
Overdue 2 months but less than 3 months	**24,396**	**0.7**	18,094	0.8
Overdue 3 months or above	**70,862**	**2.1**	84,570	3.7
	160,043	**4.7**	196,710	8.6

* *Percentage of total debtor balance*

25. PREPAYMENTS, DEPOSITS, INTEREST RECEIVABLE AND OTHER DEBTORS

	2006	2005
	HK$'000	HK$'000
Within one year	**121,073**	100,878
Impairment allowances	**(2,868)**	–
	118,205	100,878

The directors consider that the fair value of the Company's interest receivable and other debtors of HK$86,373,000 (2005: HK$85,786,000) at 20th February 2006 approximates to the corresponding carrying amount.

26. IMPAIRMENT ALLOWANCES/ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

	2006 **HK$'000**	2005 HK$'000
Balance at 21st February	**174,147**	190,382
Net charge to the income statement	**251,318**	314,946
Amounts written off	**(313,673)**	(340,655)
Recoveries	**16,363**	9,474
Balance at 20th February	**128,155**	174,147
Analysis by products as:		
Hire purchase debtors *(note 21)*	**3,619**	9,052
Instalment loans receivable *(note 22)*	**53,729**	72,765
Credit card receivables *(note 23)*	**67,939**	92,330
Prepayments, deposits, interest receivable and other debtors *(note 25)*	**2,868**	–
	128,155	174,147

27. RETAINED INTERESTS IN SECURITISATION TRUST AND AMOUNT DUE TO SECURITISATION TRUST

	2006 **HK$'000**	2005 HK$'000
Due:		
Within one year	**456,639**	709,181
In the second to fifth year inclusive	**–**	228,319
	456,639	937,500
Analysed as:		
Seller interest	**213,001**	316,317
Subordinated interest	**68,632**	284,643
Interest-only strips	**55,006**	216,540
Cash reserve account	**120,000**	120,000
	456,639	937,500

27. RETAINED INTERESTS IN SECURITISATION TRUST AND AMOUNT DUE TO SECURITISATION TRUST (Cont'd)

Seller and subordinated interests represent the amortised cost of the credit card receivables included in the securitisation trust and retained by the Company. The interest-only strips, which are retained by the Company, represent the net present value of the projected excess cash flows expected to be produced from the securitised credit card receivables during their estimated lives.

Amount due to securitisation trust of Nil (2005: HK$45,855,000) on the balance sheet represents collections received by the Company from the securitised credit card receivables and related interests but payable to the securitisation trust after the balance sheet date.

The directors consider that the fair value of the Company's seller interest and subordinated interest at 20th February 2006, estimated based on the present value of the estimated future cash flows discounted using prevailing market rate at the balance sheet date, approximates to the corresponding carrying amount.

28. TIME DEPOSITS

Time deposits carry fixed rates ranging from 3.6% to 3.7%. The fair value of time deposits at 20th February 2006 approximates to the corresponding carrying amount.

29. BANK BALANCES AND CASH

Certain bank balances carry prevailing market interest and the directors consider that the fair value of the Company's bank balances and cash at 20th February 2006 approximates to the corresponding carrying amount.

30. CREDITORS AND ACCRUED CHARGES

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

	2006	2005
	HK$'000	HK$'000
Current	**88,306**	78,695
Over 1 month but less than 3 months	**273**	309
Over 3 months	**329**	352
	88,908	79,356

The fair value of the Company's trade creditors and accrued charges at 20th February 2006 approximates to the corresponding carrying amount.

31. MATURITY PROFILE

	2006				
	3 months or less HK$'000	1 year or less but over 3 months HK$'000	4 years or less but over 1 year HK$'000	Over 4 years HK$'000	Total HK$'000
ASSETS					
Credit card receivables	2,012,043	94,217	35,227	–	2,141,487
Hire purchase debtors	46,628	74,395	17,832	–	138,855
Instalment loans receivable	226,932	513,216	364,822	5,693	1,110,663
Retained interests in securitisation trust	156,502	300,137	–	–	456,639
Time deposits	107,071	–	–	–	107,071
	2,549,176	981,965	417,881	5,693	3,954,715
LIABILITIES					
Issued debt securities	96,605	490,847	–	–	587,452
Bank borrowings	386,000	275,000	1,030,000	365,000	2,056,000
Bank overdrafts	2,079	–	–	–	2,079
	484,684	765,847	1,030,000	365,000	2,645,531

31. MATURITY PROFILE (Cont'd)

	2005				
	3 months or less HK$'000	1 year or less but over 3 months HK$'000	4 years or less but over 1 year HK$'000	Over 4 years HK$'000	Total HK$'000
ASSETS					
Credit card receivables	1,015,043	20,198	3,786	–	1,039,027
Hire purchase debtors	72,081	134,042	26,857	–	232,980
Instalment loans receivable	226,238	473,446	303,219	2,201	1,005,104
Retained interests in securitisation trust	423,832	285,349	228,319	–	937,500
	1,737,194	913,035	562,181	2,201	3,214,611
LIABILITIES					
Bank borrowings	439,200	180,000	965,000	290,000	1,874,200
Bank overdrafts	1,356	–	–	–	1,356
	440,556	180,000	965,000	290,000	1,875,556

32. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and is repayable on demand.

The fair value of the amount due to immediate holding company at 20th February 2006 approximates to the corresponding carrying amount.

33. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is unsecured, non-interest bearing and is repayable on demand.

The fair value of the amount due to a fellow subsidiary at 20th February 2006 approximates to the corresponding carrying amount.

34. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and is repayable on demand.

The fair value of the amount due to ultimate holding company at 20th February 2006 approximates to the corresponding carrying amount.

35. ISSUED DEBT SECURITIES

The issued debt securities are backed by credit card receivables in Hong Kong (the "Transaction"), with the carrying amount denominated in Hong Kong dollars. The revolving period of the Transaction will end in March 2006. The monthly interest of the issued debt securities is determined at 1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.91% per annum during the revolving period, thus exposing the Company to cash flow interest rate risk. The average interest rates are 4.3% during the year.

The directors consider that the fair value of the Company's issued debt securities at 20th February 2006 approximates to the corresponding carrying amount.

36. BANK BORROWINGS

	2006	2005
	HK$'000	HK$'000
Bank loans, unsecured	**2,056,000**	1,874,200
The maturity of bank loans is as follows:		
Within one year	**661,000**	619,200
Between one and two years	**325,000**	275,000
Between two to five years	**1,070,000**	980,000
	2,056,000	1,874,200
Amount repayable within one year included under current liabilities	**(661,000)**	(619,200)
Amount repayable after one year	**1,395,000**	1,255,000

The carrying amounts of the Company's borrowings are denominated in Hong Kong dollars. The average interest rates are 5.1% during the year.

36. BANK BORROWINGS (Cont'd)

Bank loans of HK$850,000,000 (2005: HK$1,380,000,000) are arranged at fixed interest rates and expose the Company to fair value interest rate risk. Other borrowings are arranged at floating interest rates ranging from HIBOR plus 0.5% to 0.75% per annum, thus exposing the Company to cash flow interest rate risk.

The directors estimate the fair value of the Company's bank borrowings, by discounting their future cash flows at the market rate, to be as follows:

	2006	2005
	HK$'000	HK$'000
Bank loans	**2,032,137**	1,886,172

At 20th February 2006, the Company had available HK$360,000,000 (2005: HK$360,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

37. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps

	2006		2005	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Interest rate swaps	**12,894**	**2,794**	–	–

The interest rate swaps with aggregate notional amount of HK$895,000,000 have fixed interest payments at an average rate of 4.3% for periods up until February 2011 and have floating interest receipts at an average rate of 0.3% plus HIBOR. Interest rate swaps are designated as cash flow hedging instruments from floating rates to fixed rates.

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

37. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Forward sale contracts

As a result of the securitisation transaction entered in September 2002, the Company has entered into forward sale contracts with Nihon (Hong Kong) Company Limited, a special purpose entity (a "SPE") incorporated in Hong Kong formed for the sole purpose of the transaction, to sell credit card receivables at fair values to the SPE from time to time in accordance with the terms of the agreement.

38. ISSUED CAPITAL

	Number of shares 2006 & 2005	Share capital 2006 & 2005 HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
At beginning and end of year	1,000,000,000	100,000
Issued and fully paid		
At beginning and end of year	418,766,000	41,877

39. SHARE PREMIUM AND RESERVES

The Company's reserves available for distribution to shareholders at 20th February 2006 amounted to HK$1,107,734,000 (2005: HK$994,915,000), representing the aggregate of the dividend reserve and the accumulated profits.

40. DEFERRED TAX LIABILITIES

	2006	2005
	HK$'000	HK$'000
At 21st February	**2,100**	19,000
Charge (credit) for the year	**2,900**	(16,900)
At 20th February	**5,000**	2,100

At the balance sheet date, the major components of the deferred tax liabilities (assets) are as follows:

	2006	2005
	HK$'000	HK$'000
Tax effect of temporary differences because of:		
Excess of tax allowances over depreciation	**16,000**	13,636
Impairment allowances/allowance for bad and doubtful debts	**(11,000)**	(9,468)
Gains on sales of credit card receivables and unrealised gains and losses on interest-only strips and cash reserve account in the securitisation trust	**–**	(2,068)
Net deferred tax liabilities	**5,000**	2,100

41. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, advertising space and computer equipment which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**35,840**	21,931
In the second to fifth year inclusive	**44,641**	7,413
After five years	**3,132**	–
	83,613	29,344

41. OPERATING LEASE COMMITMENTS (Cont'd)

Leases for rented premises, including head office and data center, are negotiated for an average term of three years and rentals are fixed throughout the lease period. Leases for other rented premises and advertising space are negotiated for an average term of two years and rentals are fixed for an average of one year. Leases for computer equipment are negotiated for an average term of six years and rentals are fixed throughout the lease period.

In the prior year, the Company disposed of certain computer equipment and entered into lease agreements to lease back the equipment for a basic term of twelve months, with an option to renew the lease for two twelve-month terms, at a fixed monthly rental throughout the lease period. The Company has been granted an option to purchase the equipment at the end of each twelve-month term at an amount equal to the higher of the market price or the fixed purchase price as stipulated in the lease agreements. Last year, the Company exercised the option to purchase the computer equipment under one of the leases at HK$8,600,000. During the year, the Company exercised the option to renew the remaining lease for a twelve-month term and at the balance sheet date, the Company had commitments for minimum future lease payments in respect of the remaining lease falling due within one year of HK$1,650,000 (2005: HK$1,650,000). Lease payments under the renewal option for two twelve-month terms, which fall due within one year and in the second to fifth year inclusive, are HK$1,650,000 (2005: HK$2,310,000) and Nil (2005: HK$3,300,000) respectively.

42. PLEDGE OF ASSETS

At 20th February 2006, the Company's issued debt securities were secured by credit card receivables of HK$804,999,000 (2005: Nil).

43. RETIREMENT BENEFITS SCHEME

The Company operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The total cost charged to income statement of HK$2,348,000 (2005: HK$2,421,000) represents contributions payable to the MPF Scheme by the Company in respect of the current accounting period. At 20th February 2006, contributions of HK$415,000 (2005: HK$359,000) due in respect of the reporting period had not been paid over to the MPF Scheme.

44. EFFECTS ON CONSOLIDATION OF SPECIAL PURPOSE ENTITY ("SPE")

The Company securitised credit card receivables through the SPE that was specifically set up for this transaction. Proceeds received in this transaction were HK$850,000,000. The Company's continuing involvement was primarily limited to the retention of various security interests and servicing rights. With the adoption of HKAS 39, any new transfer of credit card receivables to the SPE after 21st February 2005 has not been derecognised and remained as credit card receivables in the Company's financial statements. As a result, related pre-tax gains during the year, including unrealised gains on retained interests (interest only strips and cash reserve accounts), recognised at the time of subsequent sales of credit card receivables were Nil (2005: HK$110,199,000).

At 20th February 2006, the Company had retained interests of HK$456,639,000 (2005: HK$937,500,000) in the securitisation trust.

Although the Company has retained significant exposures to returns from the securitised assets, the SPE is not construed as the Company's subsidiary under section 2(4) of the Hong Kong Companies Ordinance. Accordingly, the SPE has not been consolidated into the Company's financial statements for the year ended 20th February 2006 in accordance with the provisions of paragraph 21A of HKAS 27 "Consolidated and Separate Financial Statements ".

In accordance with paragraph 42A of HKAS 27, the Company has set out below the details of the effect on the consolidated financial statements of the Company and the SPE for the year ended 20th February 2006 had the exemption given in paragraph 21A of HKAS 27 not applied. In preparing the consolidated financial statements, the SPE has adopted all the new HKFRSs and there are no material effect on the results of the previous and current years.

44. EFFECTS ON CONSOLIDATION OF SPECIAL PURPOSE ENTITY ("SPE") (Cont'd)

Adjusted consolidated income statement for the year ended 20th February 2006:

	The Company HK$'000	Effect of consolidation of SPE HK$'000	Consolidated HK$'000
Turnover	912,529	42,550	955,079
Interest income	741,447	188,878	930,325
Interest expense	(109,861)	(21,118)	(130,979)
Net interest income	631,586		799,346
Credit card securitisation income	983	(983)	–
Other operating income	132,847	(20,635)	112,212
Other income	4,690		4,690
Operating income	770,106		916,248
Operating expenses	(293,549)	(1,125)	(294,674)
Operating profit before impairment allowances	476,557		621,574
Impairment losses and impairment allowances	(251,318)	(64,647)	(315,965)
Share of results in an associate	340		340
Profit before tax	225,579		305,949
Income tax expense	(39,466)	(14,500)	(53,966)
Profit for the year	186,113		251,983

44. EFFECTS ON CONSOLIDATION OF SPECIAL PURPOSE ENTITY ("SPE") (Cont'd)

Adjusted consolidated balance sheet at 20th February 2006:

	The Company HK$'000	Effect of consolidation of SPE HK$'000	Consolidated HK$'000
Non-current assets			
Property, plant and equipment	97,199		97,199
Investment in an associate	2,220		2,220
Available-for-sale investments	65,070		65,070
Hire purchase debtors	17,432		17,432
Instalment loans receivable	352,591		352,591
Credit card receivables	34,110		34,110
Pledged time deposits	–	120,000	120,000
	568,622		688,622
Current assets			
Investments held for trading	2,377		2,377
Derivative financial instruments	12,894		12,894
Hire purchase debtors	117,804		117,804
Instalment loans receivables	704,343		704,343
Credit card receivables	2,039,438	382,097	2,421,535
Prepayments, deposits, interest receivable and other debtors	118,205	42,492	160,697
Retained interests in securitisation trust	456,639	(456,639)	–
Deferred tax assets	–	7,017	7,017
Time deposits	107,071	130,448	237,519
Bank balances and cash	72,445		72,445
	3,631,216		3,736,631
Current liabilities			
Creditors and accrued charges	88,908	37,170	126,078
Amount due to a fellow subsidiary	34,628		34,628
Amount due to ultimate holding company	52		52
Issued debt securities	587,452	262,548	850,000
Bank borrowings – repayable within one year	661,000		661,000
Bank overdrafts	2,079		2,079
Derivative financial instruments	2,794		2,794
Current tax liabilities	33,077		33,077
	1,409,990		1,709,708
Net current assets	2,221,226		2,026,923
Total assets less current liabilities	2,789,848		2,715,545

44. EFFECTS ON CONSOLIDATION OF SPECIAL PURPOSE ENTITY ("SPE") (Cont'd)

	The Company HK$'000	Effect of consolidation of SPE HK$'000	Consolidated HK$'000
Capital and reserves			
Issued capital	41,877		41,877
Share premium and reserves	1,347,971	(69,303)	1,278,668
	1,389,848		1,320,545
Non-current liabilities			
Bank borrowings – repayable after one year	1,395,000		1,395,000
Deferred tax liabilities	5,000	(5,000)	–
	1,400,000		1,395,000
	2,789,848		2,715,545

44. EFFECTS ON CONSOLIDATION OF SPECIAL PURPOSE ENTITY ("SPE") (Cont'd)

Adjusted consolidated income statement for the year ended 20th February 2005:

	The Company HK$'000 (restated)	Effect of consolidation of SPE HK$'000	Consolidated HK$'000 (restated)
Turnover	878,359	9,181	887,540
Interest income	549,659	268,234	817,893
Interest expense	(85,421)	(11,722)	(97,143)
Net interest income	464,238		720,750
Credit card securitisation income	186,501	(186,501)	–
Other operating income	105,551	5,497	111,048
Other loss	(1,251)		(1,251)
Operating income	755,039		830,547
Operating expenses	(262,341)	(852)	(263,193)
Operating profit before charge for bad and doubtful debts	492,698		567,354
Charge for bad and doubtful debts	(314,946)	(56,785)	(371,731)
Share of results in associates	(4,331)		(4,331)
Gain on deemed disposal of an associate	3,863		3,863
Profit before tax	177,284		195,155
Income tax expense	(31,411)	(3,127)	(34,538)
Profit for the year	145,873		160,617

44. EFFECTS ON CONSOLIDATION OF SPECIAL PURPOSE ENTITY ("SPE") (Cont'd)

Adjusted consolidated balance sheet at 20th February 2005:

	The Company HK$'000 (restated)	Effect of consolidation of SPE HK$'000	Consolidated HK$'000 (restated)
Non-current assets			
Property, plant and equipment	84,848		84,848
Investment in an associate	1,971		1,971
Investment securities	11,295		11,295
Hire purchase debtors	25,773		25,773
Instalment loans receivable	283,309		283,309
Credit card receivables	3,450		3,450
Retained interests in securitisation trust	228,319	(228,319)	–
Deferred tax assets	–	24,417	24,417
Pledged time deposits	–	120,000	120,000
	638,965		555,063
Current assets			
Other investments	1,239		1,239
Hire purchase debtors	198,155		198,155
Instalment loans receivable	649,030		649,030
Credit card receivables	943,247	1,245,241	2,188,488
Prepayments, deposits, interest receivable and other debtors	100,878	33,620	134,498
Retained interests in securitisation trust	709,181	(709,181)	–
Time deposits	–	181,903	181,903
Bank balances and cash	97,511		97,511
	2,699,241		3,450,824
Current liabilities			
Creditors and accrued charges	79,356	809	80,165
Amount due to securitisation trust	45,855	(45,855)	–
Amount due to immediate holding company	4,440		4,440
Amount due to a fellow subsidiary	40,685		40,685
Amount due to ultimate holding company	50		50
Bank borrowings – repayable within one year	619,200		619,200
Bank overdrafts	1,356		1,356
Current tax liabilities	25,772		25,772
	816,714		771,668
Net current assets	1,882,527		2,679,156
Total assets less current liabilities	2,521,492		3,234,219

44. EFFECTS ON CONSOLIDATION OF SPECIAL PURPOSE ENTITY ("SPE") (Cont'd)

Adjusted consolidated balance sheet at 20th February 2005:

	The Company HK$'000 (restated)	Effect of consolidation of SPE HK$'000	Consolidated HK$'000 (restated)
Capital and reserves			
Issued capital	41,877		41,877
Share premium and reserves	1,222,515	(135,173)	1,087,342
	1,264,392		1,129,219
Non-current liabilities			
Bank borrowings – repayable after one year	1,255,000		1,255,000
Issued debt securities	–	850,000	850,000
Deferred tax liabilities	2,100	(2,100)	–
	1,257,100		2,105,000
	2,521,492		3,234,219

45. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties:

	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associate		AEON Education and Environment Fund Limited	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest received	**9,358**	–	**–**	–	**–**	–	**–**	–	**–**	–
Commission received	**2,465**	11,216	**–**	–	**–**	–	**–**	–	**–**	–
Dividend received	**249**	301	**–**	–	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**203**	203	**–**	–	**–**	–	**–**	–
Licence fees paid	**5,728**	5,385	**181**	–	**45**	45	**–**	–	**–**	–
Service fees paid	**–**	–	**–**	–	**–**	–	**11,066**	9,386	**–**	–
Donation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1,800
Subscription of new shares	**14,092**	–	**–**	–	**–**	–	**–**	–	**–**	–
Purchase of motor vehicle	**–**	–	**233**	–	**–**	–	**–**	–	**–**	–

Compensation of key management personnel

The remunerations of directors and other members of key management during the year were as follows:

	2006	2005
	HK$'000	HK$'000
Short-term benefits	**12,341**	11,842

The remunerations of directors and key executives are determined by the Remuneration Committee having regard to the Company's operating results, performance of individuals and market trends.

46. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	HK$'000
Contracted for, but not provided in the financial statements:		
Purchase of property, plant and equipment	**21,081**	8,789

47. EVENT AFTER THE BALANCE SHEET DATE

The Company entered into a shareholders' agreement on 6th March 2006 with ÆON Credit Japan for the establishment of a guarantee company in Beijing to mainly engage in the provision of credit guarantee services. The total capital commitment of the Company is approximately HK$39,000,000.