

# Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 20th February 2007.

## **PRINCIPAL ACTIVITIES**

The Company and its subsidiaries (the "Group") are engaged in the provision of consumer credit finance services which include the issuance of credit cards and the provision of personal loan financing and hire purchase financing for vehicles and household and other consumer products.

## **TOTAL DEBT-TO-EQUITY RATIO**

At 20th February 2007, total debt-to-equity ratio was 2.35 (2006: 2.35).

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 20th February 2007 are set out in the consolidated income statement on page 46 of the annual report.

An interim dividend of 8.5 HK cents (2006: 6.5 HK cents) per share amounting to HK\$35,595,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 17.5 HK cents (2006: 11.5 HK cents) per share to the shareholders on the register of members on 15th June 2007 amounting to HK\$73,284,000, and the retention of the remaining profit of HK\$157,817,000 for the year.

## **MAJOR CUSTOMERS**

During the year, the Group derived less than 30% of its income from its five largest customers.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$37,395,000 on computer equipment, HK\$5,612,000 on leasehold improvements and HK\$1,138,000 on furniture and fixtures.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

# Directors' Report

## DIRECTORS

The directors during the year and up to the date of this report are:

### Executive directors:

Masanori KOSAKA (*Managing director*)

LAI Yuk Kwong (*Deputy managing director*)

KOH Yik Kung

PAN Shu Pin, Ban

(Appointed on 14th June 2006)

Tomoyuki KAWAHARA

(Appointed on 14th June 2006)

FUNG Kam Shing, Barry

(Appointed on 14th June 2006)

### Non-executive directors:

Yoshiki MORI (*Chairman*)

Kazuhide KAMITANI

Yoichi KIMURA

(Resigned on 26th April 2006)

### Independent non-executive directors:

TSANG Wing Hong

WONG Hin Wing

HUI Ching Shan

(Appointed on 26th June 2006)

SHAO You Bao

(Passed away on 12th March 2006)

In accordance with Article 102 of the Company's Articles of Association, all remaining directors shall retire at the forthcoming annual general meeting and shall be eligible for re-election. Accordingly, all remaining directors shall retire and offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

# Directors' Report

## DIRECTORS' INTERESTS IN SHARES

At 20th February 2007, the interests of the directors and chief executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code, were as follows:

### (a) The Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Yoshiki Mori	280,000	0.07
Masanori Kosaka	110,000	0.03
Kazuhide Kamitani	1,045,000	0.25
Tsang Wing Hong	220,000	0.05

### (b) AEON Credit Service Co., Ltd. ("ACS Japan") – immediate holding company of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of ACS Japan
Yoshiki Mori	42,126	0.03
Masanori Kosaka	9,096	0.01
Kazuhide Kamitani	12,645	0.01

### (c) AEON Co., Ltd. ("AEON Japan") – ultimate holding company of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Japan
Yoshiki Mori	6,000	0.01

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## DIRECTORS' INTERESTS IN SHARES (Cont'd)

**(d) AEON Thana Sinsap (Thailand) Public Company Limited ("AEON Thana") – a fellow subsidiary of the Company**

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AEON Thana
Yoshiki Mori	1,450,000	0.58
Masanori Kosaka	100,000	0.04
Kazuhide Kamitani	500,000	0.20

Other than the holdings disclosed above, none of the directors, chief executive and their associates, had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 20th February 2007.

## CONNECTED TRANSACTIONS

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

- (a) Pursuant to an agreement entered into between the Company and AEON Stores (Hong Kong) Co., Limited ("AEON Stores") on 15th April 2005, the Company may from time to time provide credit purchase facilities and hire purchase facilities to customers of AEON Stores for which the Company will receive commission from this fellow subsidiary in respect of certain purchases made by the customers with the use of certain credit cards issued by the Company and certain purchases made by the customers which are financed by interest-free hire purchase facilities provided by the Company.

The total amount of commission received and receivable by the Company from AEON Stores for the year ended 20th February 2007 was HK\$12,006,000, of which HK\$9,255,000 is classified as interest income under HKAS 39. The commission amount did not exceed the cap of HK\$20,890,000 as disclosed in the Company's announcement dated 20th April 2005.

- (b) The Company had entered into a service agreement with AEON Information Service (Shenzhen) Co., Ltd. ("AIS Shenzhen"), an associate, on 21st May 2003 and a supplemental agreement on 15th April 2005 for the provision of call centre services to the Company for which the Company paid service fees to AIS Shenzhen.

The total amount of service fees paid and payable by the Company to AIS Shenzhen for the year ended 20th February 2007 amounted to HK\$14,952,000, which did not exceed the cap of HK\$16,400,000 as disclosed in the Company's announcement dated 20th April 2005.

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## CONNECTED TRANSACTIONS (Cont'd)

- (c) The Company had entered into a number of licence agreements with AEON Stores for the operation of branches inside the stores of AEON Stores under which the Company paid to AEON Stores a fixed monthly licence fee. All licences were for a fixed term with no options for renewal.

The total amount of licence fees paid and payable by the Company to AEON Stores for the year ended 20th February 2007 was HK\$5,888,000.

- (d) The Company entered into a shareholder's agreement on 6th March 2006 with ACS Japan for the establishment of AEON Credit Guarantee (China) Co., Ltd. ("ACG China"), a guarantee company in China. On 8th August 2006, the Company injected HK\$38,946,000 into ACG China, representing 50% of the registered capital of ACG China. The purpose of the transaction is to facilitate the Group's plan to launch hire purchase service in major cities in China, which in return is expected to bring good returns to the Group in the long run and thus enhancing the shareholders' value of the Group. Details of the transaction were disclosed in the Company's announcement dated 6th March 2006.
- (e) The Company owns 12.2% of the issued share capital of AEON Credit Card (Taiwan) Co., Ltd. ("ACC Taiwan"), a fellow subsidiary. On 7th February 2007, the Company subscribed for 4,200,000 new shares in ACC Taiwan, which is in proportion to its shareholding in ACC Taiwan, for a total cash consideration of HK\$10,120,000. The purpose of the transaction is to bring good returns to the Group in the long run and thus enhancing the shareholders' value of the Group. Details of the transaction were disclosed in the Company's announcement dated 8th February 2007.

The three independent non-executive directors, namely Mr. Tsang Wing Hong, Mr. Wong Hin Wing and Dr. Hui Ching Shan, have reviewed the transactions in (a), (b) and (c) above which constituted continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company, (ii) on normal commercial terms, and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The related party transactions as disclosed in note 47 to the consolidated financial statements also fell under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

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## DISCLOSURE PURSUANT TO RULE 13.18 OF LISTING RULES

A syndicated term loan of ¥7,500,000,000 made available to the Company for a term of 5 years on 27th September 2006 includes a condition that the Company is a consolidated subsidiary of ACS Japan.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its subsidiaries, any of its holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## SUBSTANTIAL SHAREHOLDERS

At 20th February 2007, the register of substantial shareholders' interests in shares and short positions required to be maintained under Section 336 of the SFO shows that the following shareholders had notified the Company to have an interest of 5% or more in the issued share capital of the Company:

Name	Number of shares	%
AEON Co., Ltd. (Note 1)	277,288,000	66.22
AEON Credit Service Co., Ltd. (Note 2)	217,514,000	51.94
Aberdeen Asset Management Plc and its Associates	25,486,000	6.09
Commonwealth Bank of Australia	20,963,000	5.01

### Notes:

- (1) AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 45.28% and 71.64% of the issued share capital of ACS Japan and AEON Stores respectively, was deemed to be interested in the 217,514,000 shares and 3,784,000 shares owned by ACS Japan and AEON Stores respectively.
- (2) Out of 217,514,000 shares, 213,114,000 shares were held by ACS Japan and 4,400,000 shares were held by Nomura Securities (HK) Limited, as a nominee on behalf of ACS Japan.

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more in the Company's issued share capital as at 20th February 2007.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries, any of its holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$180,000.

## **EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT**

The emoluments of the directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

## **RETIREMENT BENEFITS SCHEME**

Details of the Company's retirement benefits scheme are set out in note 46 to the consolidated financial statements.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float during the year.

## **AUDITORS**

A resolution to reappoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board



**Masanori KOSAKA**  
*Managing Director*

Hong Kong, 27th April 2007