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 Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 37/F, The World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

The Group is 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.

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

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The application of the new HKFRSs had no material effect on how the Group's results for the current or prior accounting years have been prepared and presented, except for the Hong Kong Accounting Standard ("HKAS") 27 (Revised), which has been revised as a consequence of the Companies (Amendment) Ordinance 2005 (the "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, the Company is required to consolidate the special purpose entities under asset backed financing transactions and prepare consolidated financial statements for the current year. Comparative figures have been amended to conform to the current year's presentation.

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

The effects of adopting the HKAS 27 (Revised) on the consolidated income statement for the years ended 20th February 2007 and 20th February 2006 were as follows:

	2007	2006
	HK$'000	HK$'000
Increase in operating income	**54,278**	146,142
Decrease (increase) in operating expenses	**4,238**	(1,125)
Decrease (increase) in impairment losses and impairment allowances	**25,488**	(64,647)
Increase in income tax expense	**(14,701)**	(14,500)
Total increase in profit	**69,303**	65,870
Increase in earnings per share	**16.55 cents**	15.73 cents

The effects of adopting the HKAS 27 (Revised) on the consolidated balance sheet at 20th February 2007 and 20th February 2006 were as follows:

	2007	2006
	HK$'000	HK$'000
Increase (decrease) in assets		
Restricted cash and time deposits	**10,000**	250,448
Credit card receivables	**–**	382,097
Prepayments, deposits, interest receivable and other debtors	**17**	42,492
Retained interests in securitisation trust	**(10,017)**	(456,639)
Deferred tax assets	**–**	7,017
Increase (decrease) in liabilities/equity		
Creditors and accrued charges	**–**	37,170
Issued debt securities	**–**	262,548
Deferred tax liabilities	**–**	(5,000)
Share premium and reserves	**–**	(69,303)

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

The effects of adopting the HKAS 27 (Revised) on the Group's equity at 21st February 2005 are summarised below:

	At 21st February 2005 (Originally stated) HK$'000	Adjustment HK$'000	At 21st February 2005 (Restated) HK$'000
Accumulated profits, total effects on equity	992,811	(135,173)	857,638

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions[7]
HK(IFRIC) - INT 12	Service Concession Arrangements[8]

[1] *Effective for annual periods beginning on or after 1st January 2007*
[2] *Effective for annual periods beginning on or after 1st January 2009*
[3] *Effective for annual periods beginning on or after 1st March 2006*
[4] *Effective for annual periods beginning on or after 1st May 2006*
[5] *Effective for annual periods beginning on or after 1st June 2006*
[6] *Effective for annual periods beginning on or after 1st November 2006*
[7] *Effective for annual periods beginning on or after 1st March 2007*
[8] *Effective for annual periods beginning on or after 1st January 2008*

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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 on a time proportion basis.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

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

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 consolidated income statement in the year in which the item is derecognised.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in the consolidated 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 Group's share of the net assets of the associate, less any impairment in the value of individual investments.

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 Group as lessee

Rentals payable under operating leases are charged to the consolidated 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 Group as lessor

The amounts due from customers in respect of hire purchase contracts are classified under finance leases and are recorded as receivables at the amount of the Group'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 Group's net investment outstanding in respect of the contracts.

Foreign currencies

Transactions in foreign currencies are recorded in each individual group entity'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. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise.

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 consolidated 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 Group'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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the consolidated 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 consolidated balance sheet when the Group 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 consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

The Group'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 settlement 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 are investments held for trading. 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 consolidated income statement in the period in which they arise.

Loans and receivables

Loans and receivables (including credit card receivables, instalment loans receivable, hire purchase debtors, 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 consolidated 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 Group 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 Group 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 financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. 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 consolidated income statement. Any impairment losses on available-for-sale investments are recognised in the consolidated income statement. Impairment losses on available-for-sale equity investments will not be reversed to the consolidated income statement in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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 Group after deducting all of its liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derivative financial instruments and hedging

The Group uses derivative financial instruments arise from swap transactions to hedge its exposure against foreign exchange and 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 consolidated income statement when the hedged item affects profit or loss. The ineffective portion is recognised immediately in the consolidated 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 consolidated income statement.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets transferred and the Group 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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement. If a transaction does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognise the transferred asset and recognise a financial liability for the consideration received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment losses on tangible assets

At each balance sheet date, the Group 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. An impairment loss is 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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgement in applying the Group's accounting policies

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

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

Key sources of estimation uncertainty (Cont'd)

Impairment allowances on loans and receivables

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

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

In determining collective impairment allowances, management 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.

5. FINANCIAL INSTRUMENTS

5A. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, loans receivable, interest receivable, bank deposits, bank borrowings, creditors, issued debt securities and collateralised debt obligation. 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.

5. FINANCIAL INSTRUMENTS (Cont'd)

5A. Financial risk management objectives and policies (Cont'd)

Market risk

(i) Currency risk

Certain equity investments and a bank borrowing of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

To minimise the foreign currency risk in relation to the bank borrowing, the Group has been using currency swap to convert the foreign currency debt to the functional currency of the relevant group entity. The critical term of this currency swap is similar to those of hedged borrowings.

As the amount in relation to equity investments is not material, the management considers that the exposure is insignificant and the Group currently does not enter into any hedging activities to hedge for the foreign currency risk.

(ii) Interest rate risk

Fair value interest rate risk

The Group is exposed to fair value interest rate risk through the impact of rate changes on interest-bearing financial assets and interest-bearing 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 rate risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Group are disclosed in notes 22, 23, 24, 37, 38 and 42.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to floating-rate financial liabilities (see notes 37 and 38).

The Group monitors the interest rate exposure, through assessing the interest rate gap of its interest bearing financial assets and financial liabilities. To minimise the cash flow interest rate gap, the Group 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 INSTRUMENTS (Cont'd)

5A. Financial risk management objectives and policies (Cont'd)

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

(iii) Price risk

The Group 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 Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 20th February 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group'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 Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. 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 Group'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 Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. FINANCIAL INSTRUMENTS (Cont'd)

5B. Fair value of financial instruments

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

– the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid (if only for financial assets) prices;

– the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

– the fair value of derivative instruments is estimated using discounted cash flow analysis and the applicable yield curve.

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

	2007		2006	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank borrowings	**2,420,178**	**2,406,021**	2,056,000	2,032,137

6. TURNOVER

	2007	2006
		(Restated)
	HK$'000	HK$'000
Interest income	**987,351**	930,325
Fees and commissions	**33,000**	24,754
	1,020,351	955,079

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

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

Principal activities are as follows:

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

Segment information about these businesses is presented below:

2007

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Corporate and other operations HK$'000	Combined HK$'000
CONSOLIDATED INCOME STATEMENT					
TURNOVER	657,816	338,455	8,296	15,784	1,020,351
RESULT					
Net interest income (expense)	538,707	299,708	4,448	(214)	842,649
Other operating income	97,711	16,923	15	1,226	115,875
Other income	–	–	–	18,819	18,819
Impairment losses and impairment allowances	(173,771)	(126,063)	(3,224)	–	(303,058)
Segment results	462,647	190,568	1,239	19,831	674,285
Unallocated operating expenses					(353,721)
Share of results in associates					(814)
Profit before tax					319,750
Income tax expense					(53,054)
Profit for the year					266,696

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Corporate and other operations HK$'000	Combined HK$'000
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	3,138,428	1,331,877	122,228	355,829	4,948,362
Unallocated corporate assets					1,000
Consolidated total assets					4,949,362
LIABILITIES					
Consolidated total liabilities	2,498,100	833,208	37,289	103,771	3,472,368
OTHER INFORMATION					
Additions to property, plant and equipment	–	–	–	44,145	44,145
Depreciation	–	–	–	42,828	42,828
Net loss on disposal of property, plant and equipment	–	–	–	64	64

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

2006 (Restated)

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Corporate and other operations HK$'000	Combined HK$'000
CONSOLIDATED INCOME STATEMENT					
TURNOVER	650,794	292,381	9,703	2,201	955,079
RESULT					
Net interest income (expense)	534,780	260,066	4,646	(146)	799,346
Other operating income	93,517	18,220	47	428	112,212
Other income	–	–	–	4,690	4,690
(Increase in) reversal of impairment losses and impairment allowances	(246,911)	(70,472)	1,418	–	(315,965)
Segment results	381,386	207,814	6,111	4,972	600,283
Unallocated operating expenses					(294,674)
Share of results in an associate					340
Profit before tax					305,949
Income tax expense					(53,966)
Profit for the year					251,983

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	Credit card HK$'000	Instalment loan HK$'000	Hire purchase HK$'000	Corporate and other operations HK$'000	Combined HK$'000
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	2,805,683	1,083,192	135,427	392,073	4,416,375
Unallocated corporate assets					7,017
Consolidated total assets					4,423,392
LIABILITIES					
Consolidated total liabilities	2,299,285	659,614	33,811	110,137	3,102,847
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

(b) Geographical segments

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

For the year ended 20th February 2007

8. INTEREST INCOME

	2007	2006
		(Restated)
	HK$'000	HK$'000
Time deposits, bank balances and cash	**15,784**	10,037
Credit card receivables, instalment loans receivable and hire purchase debtors	**940,617**	888,894
Impaired credit card receivables, instalment loans receivable and hire purchase debtors	**30,950**	31,394
	987,351	930,325

9. INTEREST EXPENSE

	2007	2006
		(Restated)
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts wholly repayable within five years	**123,552**	93,197
Interest on bank borrowings and overdrafts wholly repayable after five years	**1,040**	–
Interest on issued debt securities wholly repayable within five years	**18,220**	40,416
Interest on collateralised debt obligation wholly repayable after five years	**1,890**	–
	144,702	133,613
Gain arising on derivative financial instruments not in a designated hedge accounting relationship	**–**	(2,634)
	144,702	130,979

Included in the interest expense on issued debt securities wholly repayable within five years and collateralised debt obligation wholly repayable after five years are amortisation of upfront costs of HK$1,861,000 and HK$71,000 respectively. (2006: HK$2,877,000 and Nil).

10. OTHER OPERATING INCOME

	2007	2006
		(Restated)
	HK$'000	HK$'000
Dividends received on available-for-sale investments	983	428
Net foreign exchange gain	243	–
Fees and commissions	33,000	24,754
Handling and late charges	79,735	82,633
Others	1,914	4,397
	115,875	112,212

11. OTHER INCOME

	2007	2006
	HK$'000	HK$'000
Gain on disposal of available-for-sale investments	19,206	–
Loss on disposal of investments held for trading	(323)	–
Gain on derivative financial instruments	–	4,110
Net loss on disposal of property, plant and equipment	(64)	(558)
Unrealised gain on revaluation of investments held for trading	–	1,138
	18,819	4,690

12. OPERATING EXPENSES

	2007 HK$'000	2006 (Restated) HK$'000
Administrative expenses	**84,113**	71,334
Advertising expenses	**39,445**	28,147
Auditor's remuneration	**1,790**	1,600
Depreciation	**42,828**	41,143
Net foreign exchange loss	**–**	61
Operating lease rentals in respect of rented premises, advertising space and equipment	**56,537**	46,462
Other operating expenses	**34,334**	29,883
Staff costs including directors' emoluments	**94,674**	76,044
	353,721	294,674

Operating lease rentals in respect of staff quarters of HK$747,000 (2006: HK$553,000) are included under staff costs.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the thirteen (2006: 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
2007					
Yoshiki Mori	–	–	–	–	–
Masanori Kosaka *(Note)*	–	1,482	470	12	1,964
Lai Yuk Kwong	–	1,224	130	12	1,366
Koh Yik Kung	–	1,560	30	12	1,602
Pan Shu Pin, Ban (14.6.2006 - 20.2.2007)	–	576	100	8	684
Tomoyuki Kawahara (14.6.2006 - 20.2.2007)	–	588	100	8	696
Fung Kam Shing, Barry (14.6.2006 - 20.2.2007)	–	617	100	8	725
Kazuhide Kamitani	–	–	–	–	–
Yoichi Kimura (21.2.2006 - 26.4.2006)	38	–	–	–	38
Shao You Bao (21.2.2006 - 12.3.2006)	22	–	–	–	22
Tsang Wing Hong	240	–	–	–	240
Wong Hin Wing	210	–	–	–	210
Hui Ching Shan (26.6.2006 - 20.2.2007)	131	–	–	–	131
	641	6,047	930	60	7,678

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

(a) Directors' emoluments (Cont'd)

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

Note: Operating lease rentals in respect of director's accommodation of HK$342,000 (2006: HK$342,000) are included under salaries and other benefits.

(b) Employees' emoluments

During the year, the five highest paid individuals were all directors (2006: three directors), details of whose emoluments are set out above. The emoluments paid to the remaining two individuals in 2006 were within the band of Nil to HK$1,000,000 and as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**–**	1,698
Discretionary bonus	**–**	140
	–	1,838

14. IMPAIRMENT LOSSES AND IMPAIRMENT ALLOWANCES

	2007	2006 (Restated)
	HK$'000	HK$'000
Charge to the consolidated income statement	**333,985**	333,858
Recoveries	**(30,927)**	(17,893)
	303,058	315,965

15. INCOME TAX EXPENSE

	2007	2006 (Restated)
	HK$'000	HK$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax		
– Current year	**53,917**	36,687
– Overprovision in respect of prior years	**(6,880)**	(121)
	47,037	36,566
Deferred tax *(note 28)*		
– Current year	**–**	17,400
– Reversal of deferred tax assets	**6,017**	–
	53,054	53,966

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

Notes to the Consolidated Financial Statements

For the year ended 20th February 2007

15. INCOME TAX EXPENSE (Cont'd)

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

	2007 HK$'000	2006 (Restated) HK$'000
Profit before tax	**319,750**	305,949
Tax at the applicable rate of 17.5% (2006: 17.5%)	**55,956**	53,541
Tax effect of share of results in associates	**143**	(59)
Tax effect of expenses not deductible for tax purpose	**5**	17
Tax effect of income not taxable for tax purpose	**(3,881)**	(659)
Overprovision in respect of prior years	**(6,880)**	(121)
Reversal of deferred tax	**6,017**	–
Others	**1,694**	1,247
Tax charge for the year	**53,054**	53,966

16. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Dividend recognised as distribution during the year:		
Final dividend paid in respect of 2006 of 11.5 cents (2005: 10.5 cents) per share	**48,158**	43,970
Interim dividend paid in respect of 2007 of 8.5 cents (2006: 6.5 cents) per share	**35,595**	27,220
	83,753	71,190
Final dividend proposed in respect of 2007 of 17.5 cents (2006: 11.5 cents) per share	**73,284**	48,158

The final dividend of 17.5 HK cents per share has been proposed by the directors and will be paid to shareholders on 28th June 2007. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these consolidated financial statements. The proposed dividend is payable to all shareholders on the register of members on 15th June 2007.

17. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK$266,696,000 (2006: HK$251,983,000) and on the number of 418,766,000 (2006: 418,766,000) shares in issue during the year.

Impact of changes in accounting policies

Changes in 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 2007 and 2006, 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:

	2007	2006
	HK cents	HK cents
Figures before adjustments	**47.14**	44.44
Adjustments arising from changes in accounting policies	**16.55**	15.73
As reported/restated	**63.69**	60.17

18. 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 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**
Additions	**5,612**	**1,138**	**37,395**	**–**	**44,145**
Disposals	**–**	**(1,276)**	**(2,215)**	**–**	**(3,491)**
At 20th February 2007	**18,339**	**15,692**	**252,281**	**352**	**286,664**
DEPRECIATION					
At 21st February 2005	10,654	11,231	119,587	232	141,704
Provided 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**
Provided for the year	**3,376**	**1,034**	**38,301**	**117**	**42,828**
Eliminated on disposals	**–**	**(1,276)**	**(2,151)**	**–**	**(3,427)**
At 20th February 2007	**10,606**	**11,864**	**165,478**	**264**	**188,212**
CARRYING VALUES					
At 20th February 2007	**7,733**	**3,828**	**86,803**	**88**	**98,452**
At 20th February 2006	5,497	3,724	87,773	205	97,199

The Group has reviewed the residual values used for the purposes of depreciation calculations. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior years. These residual values will be reviewed and updated annually in the future.

19. INVESTMENTS IN ASSOCIATES

	2007 HK$'000	2006 HK$'000
Cost of unlisted investments in associates	**39,946**	1,000
Share of post-acquisition results	**500**	1,314
	40,446	2,314
Amount due to an associate	**(299)**	(94)
	40,147	2,220

Details of the Group's associates at 20th February 2007 are as follows:

Name of associates	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activities
AEON Credit Guarantee (China) Co., Ltd.	People's Republic of China ("China")	50%	$33^1/_3$%	Provision of guarantee business
AEON Information Service (Shenzhen) Co., Ltd.	China	50%	$33^1/_3$%	Provision of call centre services

The above associates are also fellow subsidiaries of the Company.

19. INVESTMENTS IN ASSOCIATES (Cont'd)

Summarised financial information in respect of the Group's associates is set out below:

Balance sheet	**2007**	2006
	HK$'000	HK$'000
Total assets	**84,658**	7,536
Total liabilities	**(3,766)**	(2,908)
Net assets	**80,892**	4,628
Share of associates' net assets	**40,446**	2,314

Income statement	**2007**	2006
	HK$'000	HK$'000
Revenue	**18,440**	13,669
(Loss) profit for the year	**(1,628)**	680
Share of associates' (loss) profit for the year	**(814)**	340

20. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	HK$'000	HK$'000
At fair value:		
Issued by corporate entities		
Listed shares		
Hong Kong	**17,583**	13,853
Overseas	**–**	26,545
Unlisted shares	**34,792**	24,672
	52,375	65,070

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

The investments included above represent investments in both listed and unlisted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of listed shares are based on quoted market bid 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 9 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.

21. INVESTMENTS HELD FOR TRADING

Investments held for trading at 20th February 2006 represented shares listed overseas and were stated at fair value based on quoted market bid prices.

22. CREDIT CARD RECEIVABLES

	2007	2006 (Restated)
	HK$'000	HK$'000
Due:		
Within one year	**2,755,391**	2,518,328
In the second to fifth year inclusive	**116,909**	35,227
	2,872,300	2,553,555
Impairment allowances		
– individually assessed	**(24,181)**	(41,377)
– collectively assessed	**(45,466)**	(56,533)
	(69,647)	(97,910)
	2,802,653	2,455,645
Current portion included under current assets	**(2,688,578)**	(2,421,535)
Amount due after one year	**114,075**	34,110

The term of card instalment plans entered with customers 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 19.6% to 43.6%.

22. CREDIT CARD RECEIVABLES (Cont'd)

Asset backed financing transactions

During the year, the Group entered into asset backed financing transactions, which are collateralised by the Group's revolving credit card receivables portfolio. The transactions do not meet the "transfer of assets" tests under HKAS 39 Financial Instruments: Recognition and Measurement. Accordingly, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received as collateralised debt obligation (see note 42) (2006: issued debt securities (see note 37)). At 20th February 2007, the carrying amount of the credit card receivables under these financing transactions is HK$1,284,786,000 (2006: HK$1,217,639,000). The carrying amount of the collateralised debt obligation is HK$850,000,000 (2006: issued debt securities – HK$850,000,000).

23. INSTALMENT LOANS RECEIVABLE

	2007	2006
	HK$'000	HK$'000
Due:		
Within one year	**859,417**	740,148
In the second to fifth year inclusive	**498,441**	370,515
	1,357,858	1,110,663
Impairment allowances		
– individually assessed	**(19,352)**	(33,307)
– collectively assessed	**(37,175)**	(20,422)
	(56,527)	(53,729)
	1,301,331	1,056,934
Current portion included under current assets	**(823,640)**	(704,343)
Amount due after one year	**477,691**	352,591

The term of instalment loans entered with customers 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 5.6% to 51.7%.

24. HIRE PURCHASE DEBTORS

	Minimum payments		Present value of minimum payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable under hire purchase contracts:				
Within one year	**107,682**	121,875	**106,831**	121,023
In the second to fifth year inclusive	**18,367**	18,157	**18,078**	17,832
	126,049	140,032	**124,909**	138,855
Unearned finance income	**(1,140)**	(1,177)	**–**	–
Present value of minimum payments receivable	**124,909**	138,855	**124,909**	138,855

Analysed as:

	2007	2006
	HK$'000	HK$'000
Due:		
Within one year	**106,831**	121,023
In the second to fifth year inclusive	**18,078**	17,832
	124,909	138,855
Impairment allowances		
– individually assessed	**(1,142)**	(2,282)
– collectively assessed	**(1,637)**	(1,337)
	(2,779)	(3,619)
	122,130	135,236
Current portion included under current assets	**(104,454)**	(117,804)
Amount due after one year	**17,676**	17,432

24. HIRE PURCHASE DEBTORS (Cont'd)

The term of hire purchase contracts entered with customers ranges from 5 months to 3 years. All hire purchase agreements are denominated in Hong Kong dollars. Hire purchase debtors of HK$116,311,000 (2006: HK$129,990,000) are non-interest bearing. The remaining hire purchase debtors carry interest ranging from 11.1% to 14.8%.

25. OVERDUE DEBTOR BALANCE

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

	2007		2006 (Restated)	
	HK$'000	**%***	HK$'000	%*
Overdue 1 month but less than 2 months	**96,448**	**2.2**	86,871	2.3
Overdue 2 months but less than 3 months	**27,859**	**0.6**	34,468	0.9
Overdue 3 months or above	**57,051**	**1.3**	81,902	2.1
	181,358	**4.1**	203,241	5.3

* *Percentage of total debtor balance*

26. PREPAYMENTS, DEPOSITS, INTEREST RECEIVABLE AND OTHER DEBTORS

	2007	2006 (Restated)
	HK$'000	HK$'000
Within one year	**129,105**	162,276
Impairment allowances	**(5,257)**	(3,440)
	123,848	158,836

27. IMPAIRMENT ALLOWANCES

	2007 HK$'000	2006 (Restated) HK$'000
At 21st February	**158,698**	199,017
Net charge to the consolidated income statement for the year	**303,058**	315,965
Amounts written off during the year	**(358,473)**	(374,177)
Recoveries during the year	**30,927**	17,893
At 20th February	**134,210**	158,698
Analysis by products as:		
Credit card receivables *(note 22)*	**69,647**	97,910
Instalment loans receivable *(note 23)*	**56,527**	53,729
Hire purchase debtors *(note 24)*	**2,779**	3,619
Prepayments, deposits, interest receivable and other debtors *(note 26)*	**5,257**	3,440
	134,210	158,698

28. DEFERRED TAX ASSETS

	2007 HK$'000	2006 (Restated) HK$'000
At 21st February	**7,017**	24,417
Charge to consolidated income statement for the year	**–**	(17,400)
Reversal	**(6,017)**	–
At 20th February	**1,000**	7,017

28. DEFERRED TAX ASSETS (Cont'd)

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

	2007	2006
		(Restated)
	HK$'000	HK$'000
Tax effect of temporary differences because of:		
Impairment allowances	**15,800**	23,017
Excess of tax allowances over depreciation	**(14,800)**	(16,000)
Net deferred tax assets	**1,000**	7,017

29. RESTRICTED CASH

The Group's restricted cash is in relation to collateralised debt obligation at 20th February 2007 and issued debt securities at 20th February 2006. This represents time deposits carrying at fixed rates ranging from 3.7% to 4.5% (0.3% to 4.1% for the year ended 20th February 2006) during the year.

30. TIME DEPOSITS

Time deposits carry fixed rates ranging from 3.0% to 5.0% (0.3% to 4.1% for the year ended 20th February 2006) during the year.

31. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

Functional currency of relevant group entity is Hong Kong dollars. The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	Hong Kong dollars	**Yen**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
2007			
Bank balances and cash	**93,032**	**21,163**	**114,195**
2006			
Bank balances and cash	72,258	187	72,445

32. CREDITORS AND ACCRUED CHARGES

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

	2007	2006 (Restated)
	HK$'000	HK$'000
Current	**121,078**	123,926
Over 1 month but less than 3 months	**653**	273
Over 3 months	**207**	329
	121,938	124,528

33. MATURITY PROFILE

	2007				
	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	2,531,812	223,579	116,909	–	2,872,300
Instalment loans receivable	245,083	614,334	487,404	11,037	1,357,858
Hire purchase debtors	36,566	70,265	18,078	–	124,909
Restricted cash	–	–	–	120,000	120,000
Time deposits	166,116	–	–	–	166,116
	2,979,577	908,178	622,391	131,037	4,641,183
LIABILITIES					
Collateralised debt obligation	–	–	–	846,806	846,806
Bank borrowings	411,000	295,000	1,140,000	574,178	2,420,178
Bank overdrafts	1,695	–	–	–	1,695
	412,695	295,000	1,140,000	1,420,984	3,268,679

33. MATURITY PROFILE (Cont'd)

	2006				
	(Restated)				
	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	2,424,111	94,217	35,227	–	2,553,555
Instalment loans receivable	226,932	513,216	364,822	5,693	1,110,663
Hire purchase debtors	46,628	74,395	17,832	–	138,855
Restricted cash	–	120,000	–	–	120,000
Time deposits	237,519	–	–	–	237,519
	2,935,190	801,828	417,881	5,693	4,160,592
LIABILITIES					
Issued debt securities	131,659	716,480	–	–	848,139
Bank borrowings	386,000	275,000	1,030,000	365,000	2,056,000
Bank overdrafts	2,079	–	–	–	2,079
	519,738	991,480	1,030,000	365,000	2,906,218

34. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

35. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

36. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

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

37. ISSUED DEBT SECURITIES

The issued debt securities are backed by credit card receivables in Hong Kong (see notes 22 and 45) and with the carrying amount denominated in Hong Kong dollars. The issued debt securities have been fully repaid on 20th February 2007. 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 and 0.45% per annum afterwards. The effective interest rate is 4.5% during the year.

38. BANK BORROWINGS

	2007	2006
	HK$'000	HK$'000
Bank loans, unsecured	**2,420,178**	2,056,000
The maturity of bank borrowings is as follows:		
Within one year	**706,000**	661,000
Between one and two years	**415,000**	325,000
Between two and five years	**1,269,178**	1,070,000
Over five years	**30,000**	–
	2,420,178	2,056,000
Amount repayable within one year included under current liabilities	**(706,000)**	(661,000)
Amount repayable after one year	**1,714,178**	1,395,000

Functional currency of relevant group entity is Hong Kong dollars. The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	Hong Kong dollars	**Yen**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
2007			
Bank loans	**1,921,000**	**499,178**	**2,420,178**
2006			
Bank loans	2,056,000	–	2,056,000

38. BANK BORROWINGS (Cont'd)

Hong Kong dollar bank loans of HK$615,000,000 (2006: HK$850,000,000) are arranged at fixed interest rates ranging from 3.7% to 7.0% (2006: 3.4% to 7.0%) and expose the Group to fair value interest rate risk. Other Hong Kong dollar bank borrowings are arranged at floating interest rates ranging from HIBOR plus 0.5% to 0.75% per annum while the Yen borrowing is arranged at floating interest rate of JPY-LIBOR-BBA plus 0.4% per annum, thus exposing the Group to cash flow interest rate risk.

At 20th February 2007, the Group did not have available (2006: HK$360,000,000) undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

39. DERIVATIVE FINANCIAL INSTRUMENTS

	2007		2006	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Interest rate swaps	**7,115**	**3,506**	12,894	2,794
Cross-currency interest rate swap	**–**	**10,133**	–	–
	7,115	**13,639**	12,894	2,794

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposure to cash flow changes of its floating-rate Hong Kong dollar bank borrowings by swapping a proportion of the floating-rate bank borrowings from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of HK$ 925,000,000 have fixed interest payments at an average rate of 4.6% and floating interest receipts at an average rate of 0.7% plus HIBOR for periods up until July 2013. The interest rate swaps and the corresponding bank borrowings have the same terms and the directors of the Company consider that the interest rate swaps are highly effective hedging instruments.

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

39. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Cross-currency interest rate swap

During the year, the Group had the following cross-currency interest rate swap designated as highly effective hedging instrument to minimise its exposure to foreign currency risk of its floating-rate Yen syndicated bank borrowing by swapping the floating-rate Yen bank borrowing to fixed-rate Hong Kong dollar bank borrowing. The cross-currency interest rate swap of the Group with notional amount of HK$499,178,000 has fixed currency payments in Japanese Yen at an exchange rate of 15.0, fixed interest payments at 4.9% and floating interest receipts at 0.4% plus JPY-LIBOR-BBA for periods up until September 2011. The cross-currency interest rate swap and the corresponding syndicated bank borrowing have the same terms and the directors of the Company consider that the cross-currency interest rate swap is highly effective hedging instrument.

The fair value of the cross-currency interest rate swap is based on JPY-LIBOR-BBA yield curve at balance sheet date estimated by using the discounted cash flow method.

40. ISSUED CAPITAL

	Number of shares 2007 & 2006	Share capital 2007 & 2006 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

41. SHARE PREMIUM AND RESERVES

The Group's reserves available for distribution to shareholders at 20th February 2007 amounted to HK$1,212,975,000 (2006: HK$1,038,431,000), representing the accumulated profits.

42. COLLATERALISED DEBT OBLIGATION

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

(b) The collateralised debt obligation is backed by the credit card receivables transferred (see notes 22 and 45) and with the carrying amount denominated in Hong Kong dollars. The revolving period of the Transaction will end in February 2012. The monthly interest of the collateralised debt obligation is fixed at 4.9% during the revolving period, thus exposing the Group to fair value interest rate risk. The effective interest rate is 4.9% during the year.

43. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group 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:

	2007	2006
	HK$'000	HK$'000
Within one year	**40,710**	35,840
In the second to fifth year inclusive	**44,820**	44,641
After five years	**–**	3,132
	85,530	83,613

Leases for rented premises, including head office and data centre, 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.

43. OPERATING LEASE COMMITMENTS (Cont'd)

In prior year, the Group 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 Group had 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. All leases were expired during the year and the Group did not exercise further option to renew the remaining lease. At balance sheet date, the Group did not have any commitments for minimum future lease payments in respect of the lease (2006: HK$1,650,000 falling due within one year).

44. CAPITAL COMMITMENTS

	2007 **HK$'000**	2006 HK$'000
Contracted for, but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**11,946**	21,081
Authorised but not contracted for in the consolidated financial statements:		
Purchase of available-for-sale investments	**2,273**	–
	14,219	21,081

45. PLEDGE OF ASSETS

At 20th February 2007, the Group's collateralised debt obligation was secured by credit card receivables of HK$1,284,786,000 (2006: HK$1,217,639,000) (see note 22).

46. 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 of HK$2,950,000 (2006: HK$2,348,000) represents contributions payable to the MPF Scheme by the Company in respect of the current accounting year. As at 20th February 2007, contributions of HK$496,000 (2006: HK$415,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

47. RELATED PARTY TRANSACTIONS

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

	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associates	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income received	**9,255**	9,358	**–**	–	**–**	–	**–**	–
Commission received	**2,751**	2,465	**–**	–	**–**	–	**–**	–
Dividends received	**729**	249	**–**	–	**–**	–	**–**	–
Licence fees received	**–**	–	**–**	203	**–**	–	**–**	–
Licence fees paid	**5,888**	5,728	**148**	181	**50**	45	**–**	–
Service fees paid	**–**	–	**–**	–	**–**	–	**14,952**	11,066
Subscription of new shares	**10,120**	14,092	**–**	–	**–**	–	**–**	–
Capital injected in an incorporated associate	**–**	–	**–**	–	**–**	–	**38,946**	–
Purchase of motor vehicle	**–**	–	**–**	223	**–**	–	**–**	–

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
	HK$'000	HK$'000
Short-term benefits	**12,268**	12,341

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

48. PARTICULARS OF A SUBSIDIARY AND A MASTER TRUST OF THE COMPANY

(a) Subsidiary

Name of subsidiary	Place of incorporation and operation	Issued share capital/ paid-up capital	Proportion of ownership interest deemed to be held by the Company	Principal activities
Nihon (Hong Kong) Company Limited *(note)*	Hong Kong	HK$1,000	100%	Investment holding

Note: Nihon (Hong Kong) Company Limited is a special purpose entity set up for a securitisation program. At 20th February 2007, assets in this special purpose entity consist of time deposit.

(b) Master trust

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. At 20th February 2007, assets in this special purpose entity mainly consist of credit card receivables, restricted cash, time deposits, subordinated beneficiary and seller beneficiary.