

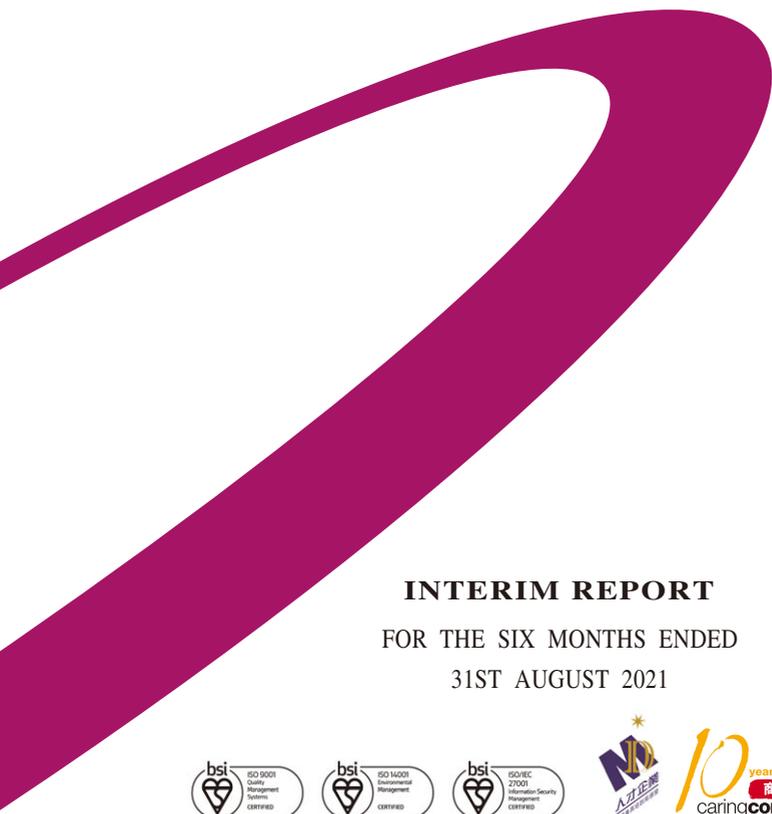


AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

AEON 信貸財務(亞洲)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 900)



INTERIM REPORT

FOR THE SIX MONTHS ENDED

31ST AUGUST 2021



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Tomoharu Fukayama (*Managing Director*)
Lai Yuk Kwong (*Deputy Managing Director*)
Daisuke Takenaka

Non-executive Directors

Tomoyuki Mitsufuji (*Chairman*)
Jin Huashu

Independent Non-executive Directors

Lee Ching Ming Adrian
Shing Mo Han Yvonne
Junko Dochi

Company Secretary

Hung Tun Shun Jason

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Share Registrar

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Major Bankers

Mizuho Bank, Ltd.
Hong Kong Branch
MUFG Bank, Ltd.
Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Hong Kong Branch

Registered Office

20/F, Mira Place Tower A
132 Nathan Road
Tsimshatsui, Kowloon
Hong Kong

Internet Address

Website address: <http://www.aeon.com.hk>
E-mail address: info@aeon.com.hk

Stock Code

900

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 31st August 2021*

		1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Revenue	3	511,570	574,460
Interest income	5	434,580	498,644
Interest expense	6	(17,533)	(24,091)
Net interest income		417,047	474,553
Fees and commissions		45,383	40,668
Handling and late charges		31,607	35,148
Other income	7	3,806	8,917
Other gains and losses	8	(3,736)	123
Operating income		494,107	559,409
Operating expenses	9	(274,974)	(257,536)
Operating profit before impairment losses and impairment allowances		219,133	301,873
Impairment losses and impairment allowances		(34,843)	(140,127)
Recoveries of advances and receivables written-off		21,819	18,371
Share of results of an associate		890	1,523
Profit before tax		206,999	181,640
Income tax expense	10	(34,659)	(29,239)
Profit for the period		172,340	152,401
Profit for the period attributable to: Owners of the Company		172,340	152,401
Earnings per share – Basic	12	41.15 HK cents	36.39 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31st August 2021

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Profit for the period	<u>172,340</u>	<u>152,401</u>
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	(20,136)	31,560
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	935	2,528
Net adjustment on cash flow hedges	(1,341)	(14,855)
Reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign operation	<u>3,783</u>	<u>–</u>
Other comprehensive (expense) income for the period	<u>(16,759)</u>	<u>19,233</u>
Total comprehensive income for the period	<u>155,581</u>	<u>171,634</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>155,581</u>	<u>171,634</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2021

	Notes	31.8.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	13(a)	103,770	107,214
Right-of-use assets	13(b)	74,145	82,278
Interest in an associate		20,417	19,406
Equity instruments at fair value through other comprehensive income	14	45,334	65,470
Advances and receivables	15	627,458	589,136
Prepayments, deposits and other debtors	18	22,866	16,349
Deferred tax assets	26	–	2,509
		<hr/>	<hr/>
		893,990	882,362
Current assets			
Advances and receivables	15	3,255,924	3,254,632
Prepayments, deposits and other debtors	18	54,186	51,446
Amount due from intermediate holding company		29	–
Amount due from an associate		37	37
Derivative financial instruments	24	147	–
Time deposits	19	383,351	135,302
Bank balances and cash	20	554,781	759,587
		<hr/>	<hr/>
		4,248,455	4,201,004
Current liabilities			
Creditors and accruals	21(a)	246,096	263,789
Contract liabilities	21(b)	20,106	16,301
Amounts due to fellow subsidiaries	22	38,546	63,741
Amount due to intermediate holding company		843	1,497
Amount due to ultimate holding company		1	14
Amount due to an associate		1,871	1,672
Bank borrowings	23	454,329	527,635
Lease liabilities		41,252	42,002
Derivative financial instruments	24	1,097	4,384
Tax liabilities		39,582	20,726
		<hr/>	<hr/>
		843,723	941,761
Net current assets		<hr/>	<hr/>
		3,404,732	3,259,243
Total assets less current liabilities		<hr/>	<hr/>
		4,298,722	4,141,605

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31st August 2021*

		31.8.2021	28.2.2021
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital	25	269,477	269,477
Reserves		3,232,756	3,152,553
		<hr/>	<hr/>
Total equity		3,502,233	3,422,030
		<hr/>	<hr/>
Non-current liabilities			
Bank borrowings	23	732,182	655,246
Lease liabilities		30,654	42,692
Derivative financial instruments	24	33,598	21,637
Deferred tax liabilities	26	55	–
		<hr/>	<hr/>
		796,489	719,575
		<hr/>	<hr/>
		4,298,722	4,141,605
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 2021

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2020 (Audited)	269,477	57,249	(17,416)	(24,951)	3,029,183	3,313,542
Profit for the period	–	–	–	–	152,401	152,401
Fair value gain on equity instruments at fair value through other comprehensive income	–	31,560	–	–	–	31,560
Exchange difference arising from translation of foreign operations	–	–	–	2,528	–	2,528
Net adjustment on cash flow hedges	–	–	(14,855)	–	–	(14,855)
Total comprehensive income (expense) for the period	–	31,560	(14,855)	2,528	152,401	171,634
Final dividend paid for 2019/20 (Note 11)	–	–	–	–	(92,128)	(92,128)
At 31st August 2020 (Unaudited)	<u>269,477</u>	<u>88,809</u>	<u>(32,271)</u>	<u>(22,423)</u>	<u>3,089,456</u>	<u>3,393,048</u>
At 1st March 2021 (Audited)	<u>269,477</u>	<u>41,648</u>	<u>(24,750)</u>	<u>(10,847)</u>	<u>3,146,502</u>	<u>3,422,030</u>
Profit for the period	–	–	–	–	172,340	172,340
Fair value loss on equity instruments at fair value through other comprehensive income	–	(20,136)	–	–	–	(20,136)
Exchange difference arising from translation of foreign operations	–	–	–	935	–	935
Net adjustment on cash flow hedges	–	–	(1,341)	–	–	(1,341)
Reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign operation	–	–	–	3,783	–	3,783
Total comprehensive (expense) income for the period	–	(20,136)	(1,341)	4,718	172,340	155,581
Final dividend paid for 2020/21 (Note 11)	–	–	–	–	(75,378)	(75,378)
At 31st August 2021 (Unaudited)	<u>269,477</u>	<u>21,512</u>	<u>(26,091)</u>	<u>(6,129)</u>	<u>3,243,464</u>	<u>3,502,233</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st August 2021

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Net cash from operating activities	169,447	734,855
Dividends received	279	89
Proceeds on disposal of property, plant and equipment	1	–
Purchase of property, plant and equipment	(31,255)	(5,432)
Deposits paid for acquisition of property, plant and equipment	(11,759)	(7,308)
Placement of time deposits with maturity of more than three months	(255,298)	(12,403)
Release of time deposits with maturity of more than three months	29,622	29,281
Net cash (used in) from investing activities	(268,410)	4,227
Placement of restricted deposits	–	(1,358,808)
Withdrawal of restricted deposits	–	1,396,808
Repayment of lease liabilities	(26,090)	(23,717)
Dividends paid	(75,378)	(92,128)
New bank loans raised	150,000	83,038
Repayments of bank loans	(140,000)	(145,000)
Repayment of collateralised debt obligation	–	(548,400)
Net cash used in financing activities	(91,468)	(688,207)
Net (decrease) increase in cash and cash equivalents	(190,431)	50,875
Effect of changes in exchange rate	7,349	1,070
Cash and cash equivalents at beginning of the period	864,964	764,987
Cash and cash equivalents at end of the period	681,882	816,932
Being:		
Time deposits with maturity of three months or less	127,101	51,642
Bank balances and cash	554,781	765,290
	681,882	816,932

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st August 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The financial information relating to the year ended 28th February 2021 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 28th February 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st August 2021 are the same as those presented in the Group's annual financial statements for the year ended 28th February 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st March 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 10	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 *Financial Instruments* on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Transition and summary of effects

As at 1st March 2021, the Group has several USD LIBOR and JPY LIBOR bank borrowings which may be subject to interest rate benchmark reform.

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 28th February 2022.

3. REVENUE

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Interest income	434,580	498,644
Fees and commissions		
Credit cards	31,240	28,008
Insurance	14,143	12,660
Handling and late charges	31,607	35,148
Revenue from contracts with customers	76,990	75,816
Total revenue	511,570	574,460

1.3.2021 to 31.8.2021 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Total HK\$'000
Interest income	344,826	89,754	–	434,580
Fees and commissions	31,240	–	14,143	45,383
Handling and late charges	29,467	2,140	–	31,607
Segment revenue	405,533	91,894	14,143	511,570

1.3.2020 to 31.8.2020 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Total HK\$'000
Interest income	388,785	109,859	–	498,644
Fees and commissions	28,008	–	12,660	40,668
Handling and late charges	32,742	2,406	–	35,148
Segment revenue	449,535	112,265	12,660	574,460

4. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

Credit cards	–	Provide credit card services to individuals and acquiring services for member-stores
Personal loans	–	Provide personal loan financing to individuals
Insurance	–	Provide insurance agency and brokerage services

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

1.3.2021 to 31.8.2021 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	405,533	91,894	14,143	511,570
RESULT				
Segment results	158,429	44,809	7,118	210,356
Unallocated operating income				1,088
Unallocated expenses				(5,335)
Share of results of an associate				890
Profit before tax				206,999

1.3.2020 to 31.8.2020 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	449,535	112,265	12,660	574,460
RESULT				
Segment results	150,410	24,000	6,247	180,657
Unallocated operating income				809
Unallocated expenses				(1,349)
Share of results of an associate				1,523
Profit before tax				181,640

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit before tax earned by each segment without allocation of certain other operating income (including dividend income), unallocated head office expenses and share of results of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

4. SEGMENT INFORMATION (Continued)

Geographical information

The following is an analysis of the Group's revenue and results by geographical segments:

1.3.2021 to 31.8.2021 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	502,987	8,583	511,570
RESULT			
Segment results	212,183	(1,827)	210,356
Unallocated operating income			1,088
Unallocated expenses			(5,335)
Share of results of an associate			890
Profit before tax			206,999

1.3.2020 to 31.8.2020 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	568,929	5,531	574,460
RESULT			
Segment results	184,167	(3,510)	180,657
Unallocated operating income			809
Unallocated expenses			(1,349)
Share of results of an associate			1,523
Profit before tax			181,640

5. INTEREST INCOME

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Non-credit impaired advances	426,917	489,000
Credit impaired advances	5,859	5,787
Time deposits, restricted deposits and bank balances	1,804	3,857
	<u>434,580</u>	<u>498,644</u>

6. INTEREST EXPENSE

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Interest on bank borrowings	15,443	15,189
Interest on collateralised debt obligation	–	2,864
Interest on lease liabilities	1,041	1,333
Net interest expense on interest rate swap contracts	1,049	4,705
	<u>17,533</u>	<u>24,091</u>

7. OTHER INCOME

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	89	89
Unlisted equity securities	190	–
Government grants	–	5,891
Others	3,527	2,937
	<u>3,806</u>	<u>8,917</u>

8. OTHER GAINS AND LOSSES

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain (loss) on hedging instrument released from cash flow hedge reserve	6,800	(3,552)
Exchange (loss) gain on bank loans	(6,800)	3,552
Reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign operation	(3,783)	–
Other exchange gain (loss), net	65	(11)
Hedge ineffectiveness on cash flow hedges	137	136
Losses on disposal of property, plant and equipment	(155)	(2)
	(3,736)	123

9. OPERATING EXPENSES

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	14,356	16,594
Depreciation on right-of-use assets	26,663	23,615
Expenses relating to short-term leases	802	3,926
	27,465	27,541
General administrative expenses	81,060	77,643
Marketing and promotion expenses	43,529	26,494
Other operating expenses	30,092	31,907
Staff costs including Directors' emoluments	78,472	77,357
	274,974	257,536

10. INCOME TAX EXPENSE

	1.3.2021 to 31.8.2021 (Unaudited) HK\$'000	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	32,095	28,600
Deferred tax (<i>Note 26</i>)	2,564	639
	<hr/> 34,659 <hr/>	<hr/> 639 <hr/>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

11. DIVIDENDS

On 16th July 2021, a dividend of 18.0 HK cents (six months ended 31st August 2020: 22.0 HK cents) per share amounting to a total of HK\$75,378,000 (six months ended 31st August 2020: HK\$92,128,000) was paid to shareholders as the final dividend for 2020/21.

In respect of the current interim period, the Directors have declared an interim dividend of 22.0 HK cents per share amounting to HK\$92,128,000 payable to the shareholders of the Company whose names appear on the Register of Members on 18th October 2021. The interim dividend will be paid on 29th October 2021. This interim dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

12. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the unaudited profit for the period of HK\$172,340,000 (six months ended 31st August 2020: HK\$152,401,000) and on the number of shares of 418,766,000 (six months ended 31st August 2020: 418,766,000) in issue during the period.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

- (a) For property, plant and equipment, the Group acquired computer equipment and incurred costs in respect of leasehold improvements of approximately HK\$11,075,000 during the current period (six months ended 31st August 2020: HK\$7,742,000).
- (b) The Group leases various offices, branches, director and staff quarters (31st August 2020: offices, branches, ATM locations, director and staff quarters) for its operations. Lease contracts are entered into for fixed term of 1 to 5 years (28th February 2021: 1 to 5 years). The Group is required to make fixed monthly payments. During the current period, the Group recognised additional HK\$18,932,000 (six months ended 31st August 2020: HK\$14,724,000) of right-of-use assets and HK\$12,519,000 of lease liabilities (six months ended 31st August 2020: HK\$14,724,000).

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.8.2021 (Unaudited) <i>HK\$'000</i>	28.2.2021 (Audited) <i>HK\$'000</i>
Equity instruments at FVTOCI		
– Listed investment in Hong Kong	2,753	4,085
– Unlisted investments	42,581	61,385
	<u>45,334</u>	<u>65,470</u>

The investments included above represent investments in both listed and unlisted equity investments that offer the Group the opportunity for return through dividend income and fair value gains.

15. ADVANCES AND RECEIVABLES

	31.8.2021 (Unaudited) <i>HK\$'000</i>	28.2.2021 (Audited) <i>HK\$'000</i>
Credit card receivables	3,214,894	3,214,899
Personal loan receivables	783,050	781,014
	<u>3,997,944</u>	<u>3,995,913</u>
Accrued interest and other receivables	60,916	66,359
	<u>4,058,860</u>	<u>4,062,272</u>
Gross advances and receivables	4,058,860	4,062,272
Impairment allowances (<i>Note 16</i>)	(175,478)	(218,504)
	<u>3,883,382</u>	<u>3,843,768</u>
Current portion included under current assets	(3,255,924)	(3,254,632)
	<u>627,458</u>	<u>589,136</u>

At the end of the reporting period, all advances and receivables are unsecured.

15. ADVANCES AND RECEIVABLES (Continued)

An analysis of movements in the gross amount of advances and receivables during each of the two periods ended 31st August 2021 and 31st August 2020 are set out as below:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2021	3,830,376	71,986	159,910	4,062,272
Net advance (repayment) in advances and receivables	102,103	(13,335)	(14,791)	73,977
Transfer to 12 months ("12m") ECL (Stage 1)	92,276	(88,418)	(3,858)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(164,321)	172,557	(8,236)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(6,504)	(85,812)	92,316	-
Total transfer between stages	(78,549)	(1,673)	80,222	-
Amounts written-off as uncollectable	-	-	(77,821)	(77,821)
Exchange realignment	393	10	29	432
	<u>3,854,323</u>	<u>56,988</u>	<u>147,549</u>	<u>4,058,860</u>
At 31st August 2021				
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2020	4,306,771	188,719	195,024	4,690,514
Net repayment in advances and receivables	(308,602)	(2,642)	(34,081)	(345,325)
Transfer to 12m ECL (Stage 1)	209,134	(197,546)	(11,588)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(269,908)	280,938	(11,030)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(1,740)	(181,575)	183,315	-
Total transfer between stages	(62,514)	(98,183)	160,697	-
Amounts written-off as uncollectable	-	-	(145,728)	(145,728)
Exchange realignment	901	15	169	1,085
	<u>3,936,556</u>	<u>87,909</u>	<u>176,081</u>	<u>4,200,546</u>
At 31st August 2020				

15. ADVANCES AND RECEIVABLES (Continued)

(a) Credit card receivables

The term of credit card instalment plans entered into with customers ranges from 3 months to 4 years (28th February 2021: 3 months to 4 years).

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (28th February 2021: 26.8% to 43.5%) per annum.

(b) Personal loan receivables

Most of the personal loan receivables entered into with customers ranges from 6 months to 5 years (28th February 2021: 6 months to 5 years) and are denominated in HKD. The personal loan receivables carry effective interest ranging from 3.23% to 54.93% (28th February 2021: 3.6% to 56.5%) per annum.

16. IMPAIRMENT ALLOWANCES

	31.8.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	96,297	115,771
Personal loan receivables	76,902	99,518
Accrued interest and other receivables	2,279	3,215
	175,478	218,504

16. IMPAIRMENT ALLOWANCES (Continued)

An analysis of changes in impairment allowances including commitments on unused credit card limit during each of the two periods ended 31st August 2021 and 31st August 2020 are set out as below:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2021	80,218	30,777	107,509	218,504
Net advance (repayment) in advances and receivables	2,014	(5,293)	(9,145)	(12,424)
Transfer to 12m ECL (Stage 1)	37,477	(35,092)	(2,385)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,241)	8,333	(5,092)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(128)	(34,057)	34,185	–
Total transfer between stages	34,108	(60,816)	26,708	–
Remeasurement of ECL during the period	(44,993)	56,208	36,052	47,267
Amounts written-off as uncollectable	–	–	(77,821)	(77,821)
Exchange realignment	(7)	(7)	(34)	(48)
At 31st August 2021	71,340	20,869	83,269	175,478
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2020	91,705	49,711	121,092	262,508
Net repayment in advances and receivables	(6,960)	(876)	(23,007)	(30,843)
Transfer to 12m ECL (Stage 1)	73,305	(65,482)	(7,823)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(6,087)	13,533	(7,446)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(39)	(60,188)	60,227	–
Total transfer between stages	67,179	(112,137)	44,958	–
Remeasurement of ECL during the period	(58,238)	98,406	130,802	170,970
Amounts written-off as uncollectable	–	–	(145,728)	(145,728)
Exchange realignment	47	19	291	357
At 31st August 2020	93,733	35,123	128,408	257,264

17. OVERDUE ADVANCES AND RECEIVABLES

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

	31.8.2021		28.2.2021	
	(Unaudited)		(Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	34,187	0.8	44,087	1.1
Overdue 2 months but less than 3 months	32,565	0.8	37,261	0.9
Overdue 3 months but less than 4 months	15,052	0.4	20,330	0.5
Overdue 4 months or above	55,013	1.4	66,909	1.6
	<u>136,817</u>	<u>3.4</u>	<u>168,587</u>	<u>4.1</u>

* *Percentage of gross advances and receivables*

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	31.8.2021	28.2.2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Deposits for property, plant and equipment	10,933	4,342
Rental and other deposits	16,005	16,874
Prepaid operating expenses	39,731	35,072
Other debtors	10,383	11,507
	<u>77,052</u>	<u>67,795</u>
Current portion included under current assets	(54,186)	(51,446)
	<u>22,866</u>	<u>16,349</u>

19. TIME DEPOSITS

Time deposits carry fixed rates ranging from 0.03% to 2.25% (six months ended 31st August 2020: 1.35% to 2.25%) per annum during the current interim period.

	HKD <i>HK\$'000</i>	RMB <i>HK\$'000</i>	Total <i>HK\$'000</i>
31.8.2021 (Unaudited)			
Time deposit with maturity of three months or less	100,000	27,101	127,101
Time deposit with maturity of more than three months	200,000	56,250	256,250
	300,000	83,351	383,351
28.2.2021 (Audited)			
Time deposit with maturity of three months or less	–	105,377	105,377
Time deposit with maturity of more than three months	–	29,925	29,925
	–	135,302	135,302

20. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rates.

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	HKD <i>HK\$'000</i>	RMB <i>HK\$'000</i>	USD <i>HK\$'000</i>	Total <i>HK\$'000</i>
31.8.2021 (Unaudited)				
Bank balances and cash	543,189	10,722	870	554,781
28.2.2021 (Audited)				
Bank balances and cash	747,718	10,820	1,049	759,587

21. CREDITORS AND ACCRUALS/CONTRACT LIABILITIES

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

	31.8.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Less than 1 month	57,467	78,219
Over 1 month but less than 3 months	3,950	1,964
Over 3 months	655	2,718
	<u>62,072</u>	<u>82,901</u>

- (b) At 31st August 2021, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of HK\$20,106,000 (28th February 2021: HK\$16,301,000).

22. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand except for HK\$36,601,000 (28th February 2021: HK\$61,373,000) which is trade-related.

The aged analysis of amounts due to fellow subsidiaries that are trade-related based on the invoice date at the end of the reporting period is as follows:

	31.8.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Less than 1 month	<u>36,601</u>	<u>61,373</u>

23. BANK BORROWINGS

	31.8.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Bank loans, unsecured	1,186,511	1,182,881
Carrying amount repayable (<i>Note</i>)		
Within one year	454,329	527,635
Within a period of more than one year but not exceeding two years	230,000	165,000
Within a period of more than two years but not exceeding five years	502,182	407,100
Within a period of more than five years	–	83,146
Amount repayable within one year included under current liabilities	1,186,511 (454,329)	1,182,881 (527,635)
Amount repayable after one year	732,182	655,246

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	HKD HK\$'000	USD HK\$'000	JPY HK\$'000	Total HK\$'000
31.8.2021 (Unaudited)				
Bank loans	505,000	389,329	292,182	1,186,511
28.2.2021 (Audited)				
Bank loans	495,000	387,635	300,246	1,182,881

HKD bank loans of HK\$90,000,000 (28th February 2021: HK\$90,000,000) were arranged at fixed interest rates ranging from 2.08% to 2.66% (28th February 2021: 2.08% to 2.66%) per annum. Other HKD bank loans were arranged at floating interest rates ranging from 0.55% plus HIBOR to 0.60% plus HIBOR (28th February 2021: 0.55% plus HIBOR to 0.60% plus HIBOR) per annum. The USD bank loan was arranged at floating interest rate at 0.95% plus LIBOR (28th February 2021: 0.95% plus LIBOR) per annum and the JPY bank loans were arranged at floating interest rates at 0.40% plus LIBOR (28th February 2021: 0.40% plus LIBOR), thus exposing the Group to cash flow interest rate risk.

At 31st August 2021, the Group had available unutilised overdrafts and non-committed short term bank loan facilities of HK\$529,995,000 (28th February 2021: HK\$446,750,000) and HK\$788,000,000 (28th February 2021: HK\$1,245,570,000) respectively.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2021		28.2.2021	
	(Unaudited)		(Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	–	13,273	–	11,182
Cross-currency interest rate swap	147	21,422	–	14,839
	147	34,695	–	26,021
Current portion	(147)	(1,097)	–	(4,384)
Non-current portion	–	33,598	–	21,637

All derivative financial instruments entered into by the Group that remain outstanding at 31st August 2021 and 28th February 2021 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

Details of major derivative financial instruments for hedging purposes are as follows:

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of HK\$415,000,000 (28th February 2021: HK\$405,000,000) from floating rates to fixed rates. The interest rate swaps with aggregate notional amount of HK\$415,000,000 (28th February 2021: HK\$405,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 2.14% to 3.05% (28th February 2021: 2.29% to 3.29%) per annum and floating interest receipts quarterly ranging from 0.55% plus HIBOR to 0.60% plus HIBOR (28th February 2021: 0.55% plus HIBOR to 0.60% plus HIBOR) per annum for periods up until March 2026 (28th February 2021: until July 2023).

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Cash flow hedges: (Continued)

Interest rate swaps (Continued)

The interest rate swaps and the corresponding bank borrowings have similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

During the period, net adjustment on the above-mentioned cash flow hedges amounted to HK\$1,846,000 (six months ended 31st August 2020: HK\$3,339,000) and is included in other comprehensive income.

The fair values of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at the end of the reporting period.

Cross-currency interest rate swap

The Group uses cross-currency interest rate swaps designated as highly effective hedging instrument to minimise its exposures to foreign currency and cash flow interest rate risk of its USD bank borrowing and JPY bank borrowings by swapping the floating-rate USD bank borrowing and JPY bank borrowings to fixed-rate HKD bank borrowings.

The USD cross-currency interest rate swaps with notional amount of USD50,000,000 (28th February 2021: USD50,000,000) (equivalent to HK\$387,795,000 at the date of inception of the bank borrowing) have fixed currency payments in HKD at exchange rate of USD to HKD at 7.76 (28th February 2021: USD to HKD at 7.76), fixed interest payments quarterly in HKD at 2.27% (28th February 2021: 2.27%) per annum and floating interest receipts quarterly in USD at 0.95% plus LIBOR (28th February 2021: 0.95% plus LIBOR) per annum for periods up until September 2021 (28th February 2021: until September 2021).

The JPY cross-currency interest rate swaps with notional amount of JPY4,150,000,000 (28th February 2021: JPY4,150,000,000) (equivalent to HK\$300,398,000 at the date of inception of the bank borrowings) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07 (28th February 2021: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (28th February 2021: 2.17% to 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus LIBOR (28th February 2021: 0.40% plus LIBOR) per annum for periods up until March 2026 (28th February 2021: until March 2026).

The cross-currency interest rate swap and the corresponding bank borrowing have the same terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the cross-currency interest rate swap is highly effective hedging instrument.

During the period, net adjustment on the above-mentioned cash flow hedges amounted to HK\$505,000 (six months ended 31st August 2020: HK\$11,516,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swap is determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between USD/JPY and HKD estimated at the end of the reporting period.

25. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Issued and fully paid		
At 1st March 2021 and 31st August 2021		
– Ordinary shares with no par value	418,766,000	269,477

26. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during six months ended 31st August 2021 and 31st August 2020:

	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2021 (Audited)	(15,410)	17,919	–	2,509
Credit (charge) to profit or loss for the period	455	(3,019)	–	(2,564)
	<u>(14,955)</u>	<u>14,900</u>	<u>–</u>	<u>(55)</u>
At 31st August 2021 (Unaudited)	(14,955)	14,900	–	(55)
	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2020 (Audited)	(14,528)	22,994	303	8,769
Credit (charge) to profit or loss for the period	1,267	(2,107)	201	(639)
	<u>(13,261)</u>	<u>20,887</u>	<u>504</u>	<u>8,130</u>
At 31st August 2020 (Unaudited)	(13,261)	20,887	504	8,130

27. CAPITAL COMMITMENTS

	31.8.2021 (Unaudited) <i>HK\$'000</i>	28.2.2021 (Audited) <i>HK\$'000</i>
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	29,738	22,772

28. RELATED PARTY TRANSACTIONS

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

	(Unaudited)									
	Fellow subsidiaries		Immediate holding company		Intermediate holding company		Ultimate holding company		Associate	
	1.3.2021 to 31.8.2021	1.3.2020 to 31.8.2020	1.3.2021 to 31.8.2021	1.3.2020 to 31.8.2020	1.3.2021 to 31.8.2021	1.3.2020 to 31.8.2020	1.3.2021 to 31.8.2021	1.3.2020 to 31.8.2020	1.3.2021 to 31.8.2021	1.3.2020 to 31.8.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income received	2,237	2,144	-	-	-	-	-	-	-	-
Commissions received	4,311	4,531	-	-	-	-	-	-	-	-
Dividends received	89	89	-	-	-	-	-	-	-	-
Service fees received	-	-	796	579	-	-	-	-	210	-
Licence fees paid	6,680	6,754	-	-	-	-	-	10	-	-
Service fees paid	1,790	2,649	7,005	6,313	3,345	-	-	-	11,691	11,214
Gift certificates paid	1,390	1,450	-	-	-	-	-	-	-	-

Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	1.3.2021 to 31.8.2021 (Unaudited) <i>HK\$'000</i>	1.3.2020 to 31.8.2020 (Unaudited) <i>HK\$'000</i>
Short-term benefits	5,169	5,004
Post-employment benefits	166	68
	5,335	5,072

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

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ registration and operation	Proportion of ownership interest directly held by the Company				Principal activities
		Share capital/paid-up capital		Company		
		31.8.2021 (Unaudited)	28.2.2021 (Audited)	31.8.2021 (Unaudited)	28.2.2021 (Audited)	
AEON Insurance Brokers (HK) Limited	Hong Kong	HK\$1,000,000	HK\$1,000,000	100%	100%	Insurance brokerage services
AEON Micro Finance (Shenyang) Co., Ltd <i>(Note)</i>	Mainland China	–	HK\$124,221,000	–	100%	De-registered on 24 August 2021
AEON Micro Finance (Tianjin) Co., Ltd <i>(Note)</i>	Mainland China	RMB100,000,000	RMB100,000,000	100%	100%	Microfinance business under voluntary liquidation
AEON Micro Finance (Shenzhen) Co., Ltd <i>(Note)</i>	Mainland China	RMB150,000,000	RMB150,000,000	100%	100%	Microfinance business

Note: The companies are wholly foreign owned enterprises established in the Mainland China.

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the condensed consolidated statement of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position
(Continued)

	31.8.2021 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Derivative financial assets	–	147	–	147
Equity instruments at fair value through other comprehensive income				
– Listed equity securities	2,753	–	–	2,753
– Unlisted equity securities	–	–	42,581	42,581
Total	2,753	147	42,581	45,481
Derivative financial liabilities	–	34,695	–	34,695
	28.2.2021 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Equity instruments at fair value through other comprehensive income				
– Listed equity securities	4,085	–	–	4,085
– Unlisted equity securities	–	–	61,385	61,385
Total	4,085	–	61,385	65,470
Derivative financial liabilities	–	26,021	–	26,021

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position (Continued)

There were no transfers between Levels in the current period.

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 Group's condensed consolidated financial statements approximate to their fair values using the discounted cash flow analysis:

	31.8.2021 (Unaudited)		28.2.2021 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Bank borrowings	1,186,511	1,221,789	1,182,881	1,230,236

The fair value of listed equity securities is determined with reference to quoted market bid price from the Stock Exchange.

The fair values of unlisted equity investments have been arrived at on the basis of valuations which were principally arrived at using the market approach for business enterprises valuation with reference to the market capitalisation of listed entities in similar industries with consideration of marketability discount.

The fair value of derivative financial instruments is measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between USD/JPY and HKD (for cross-currency interest rate swap), which is observable at the end of the reporting period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 15th October 2021 to Monday, 18th October 2021, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 13th October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Despite the roll out of various vaccines in many parts of the world, the COVID-19 pandemic (the "Pandemic") continued to pose a significant threat to the Asia Pacific and other regions throughout the first half of FY2021 due to the more contagious Delta variant. Full resumption of business and tourism travel is thus not expected to happen in the near future. Following the further relaxation of social distancing rules and the launch of the government's Consumption Voucher Scheme to encourage consumer spending in local retail, catering and service sectors, economic activities in Hong Kong showed some signs of recovery amid a still generally uncertain market outlook. At the same time, the credit environment remained relatively stable during this period, with a progressive drop in unemployment rates.

Against this backdrop, the Group resumed its marketing efforts for AEON credit cards and also increased the frequency and scale of mass promotions, including the launch of the well-established AEON x Ocean Park promotion. Taking advantage of the changes in customer spending behavior under the Pandemic, the Group continued to stimulate and facilitate online credit utilization, most notably in the recent introduction of a new credit card application function in the Group's mobile application, in a bid to deliver a more rewarding experience to our customers. By improving the Group's credit assessment criteria to strike a better balance between customers' financial needs and prudent credit risk management, customers can enjoy greater flexibility in obtaining new credit facilities. Effective collection activities have helped contain the risk of an increase in delinquent receivables.

With the above-mentioned actions in place, the Group achieved an increase in overall sales of 22.4% when compared with the first half of last year ("1H2020", or the "previous period"), with card cash advances and personal loan sales recording an increase of 12.3% in the second quarter as compared with the first quarter of this year, thereby bringing the advance and receivable balance back to a rising trend in the second quarter. The percentage of overdue advances and receivables to gross advances and receivables reduced from 4.8% at 31st August 2020 and 4.2% at 28th February 2021 to 3.4% as at 31st August 2021.

Regarding information technology development, the Group began the second phase of its core system replacement project and commenced the replacement of its net-member and mobile application systems intended to deliver a better customer experience.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

With respect of the development of the merchant acquiring business, the Group entered into a card acquiring merchant agreement with AEON Stores (Hong Kong) Co., Limited (“AEON Stores”) for the processing of retail transaction payments made by non-AEON cards, with full implementation across all AEON Stores anticipated in the second half of FY2021. Together with the advanced acquiring system in place, the Group is set to expand the acquiring service both in terms of business volumes and scope, which, in return, will create more merchant co-operation opportunities and enable the addition of new benefits for our cardholders.

As for the China business, through focused business expansion in selected merchant sectors and effective credit assessment, the microfinance subsidiary in Shenzhen achieved profit on a monthly basis throughout the second quarter. Moreover, the liquidation proceedings of the microfinance subsidiary in Shenyang were completed, with the remaining equity in the sum of HK\$36.2 million paid to the Company in August 2021 and to be used by the Company for repaying its own certain matured bank borrowings.

Interim Dividend

In view of the sound fundamentals of the Group and to share the fruitful results with shareholders, the Board has resolved to declare an interim dividend of 22.0 HK cents per share (1H2020: 22.0 HK cents per share), representing a dividend payout ratio of 53.5%, which was in line with the Group’s policy of paying no less than 30% of its net profit as dividends each year.

Financial Review

For the six months ended 31st August 2021 (“1H2021”), profit before tax was HK\$207.0 million, an increase of 14.0% or HK\$25.4 million when compared with 1H2020. After deducting income tax expenses of HK\$34.7 million, the Group recorded an increase in profit of 13.1%, with profit after tax increasing from HK\$152.4 million for 1H2020 to HK\$172.3 million for 1H2021. Earnings per share increased by 13.1% from 36.39 HK cents to 41.15 HK cents for the reporting period.

Net debt to equity ratio remained at 0.1 at 31st August 2021, while total equity to total assets ratio was 68.1% and 67.3% at 31st August 2021 and 28th February 2021, respectively.

Net asset value per share (after interim dividend) was HK\$8.1 at 31st August 2021, compared with the net asset value per share (after final dividend) of HK\$8.0 at 28th February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Profit or Loss Analysis

Revenue

Revenue for 1H2021 was HK\$511.6 million, a decrease of 10.9% or HK\$62.9 million when compared with the HK\$574.5 million recorded in 1H2020.

Net interest income

Although there was an overall increase in sales in the reporting period as compared with the previous period, the fact that such an increase to generate growth in receivable balances was progressively taking place in the second quarter resulted in lower monthly revolving credit card balances and personal loan balances in the reporting period than in the previous period. The Group correspondingly recorded a decrease in interest income of 12.8% or HK\$64.1 million, from HK\$498.6 million in the previous period to HK\$434.6 million in the reporting period.

Following the repayment of certain long-term bank borrowings, interest expense recorded a decrease of 27.2% or HK\$6.6 million, from HK\$24.1 million in the previous period to HK\$17.5 million in the reporting period. The Group's average funding cost remained stable at 2.5% for both the previous period and the reporting period.

Consequently, the Group's net interest income for 1H2021 was HK\$417.0 million, representing a decrease of 12.1% or HK\$57.5 million when compared with 1H2020.

Operating income

Following the increase in credit card sales, there was an increase in fees and commissions from the credit card business of 11.5% or HK\$3.2 million to HK\$31.2 million for the reporting period. There was also an increase in fees and commissions from the insurance business of 11.7% or HK\$1.5 million to HK\$14.1 million in the reporting period due to the resumption of sales activities. The Group therefore recorded an increase in overall fees and commission of 11.6% or HK\$4.7 million from HK\$40.7 million for 1H2020 to HK\$45.4 million for 1H2021.

With more customers making payments on schedule in the reporting period, handling and late charges recorded a decrease of 10.1% or HK\$3.5 million to HK\$31.6 million in the reporting period. The Group recorded a loss on liquidation of the microfinance subsidiary in Shenyang of HK\$3.8 million under other gains and losses in the reporting period, while there was an income recorded relating to the recognition of government subsidies of HK\$5.9 million under the Employment Support Scheme under other income in the previous period.

The Group's operating income for 1H2021 recorded a drop of 11.7% or HK\$65.3 million, declining from HK\$559.4 million in 1H2020 to HK\$494.1 million in the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Profit or Loss Analysis (Continued)

Operating expenses

During the period under review, the Group launched various marketing activities to widen its customer portfolio and capture the potential sales opportunities arising from the recovery in consumer spending. As a result, marketing and promotion expenses recorded an increase of 64.3% or HK\$17.0 million to HK\$43.5 million in the reporting period. With the continued upgrade of card features and functionalities to enrich the customer experience, there was an increase in card issuing related expenses in the reporting period, resulting in an increase in general administrative expenses of 4.4% or HK\$3.4 million to HK\$81.1 million in the reporting period. Overall operating expenses recorded an increase of 6.8% or HK\$17.4 million, from HK\$257.5 million in the previous period to HK\$275.0 million in the reporting period. Although the additional marketing expenses incurred by the Group have successfully driven up sales in the reporting period, it will take more time for the receivable balances to recover and generate more revenue, and, as a result, the cost-to-income ratio increased from 46.0% for 1H2020 to 55.7% for 1H2021.

At the operating level and before impairment allowances, the Group recorded an operating profit of HK\$219.1 million in 1H2021, representing a decrease of 27.4% from the HK\$301.9 million recorded in 1H2020.

Impairment losses and impairment allowances

The continued refinement of the approach to credit assessment helped the Group to build up a better-quality portfolio. Coupled with the anticipated improvement in the economic situation and a drop in the unemployment rate, as well as its effective collection efforts to reduce overdue advances and receivables, there was a significant reduction in impairment losses and impairment allowances in the reporting period, recording a decrease of 75.1% or HK\$105.3 million, from HK\$140.1 million in 1H2020 to HK\$34.8 million in 1H2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Financial Position Analysis

The Group's total equity at 31st August 2021 was HK\$3,502.2 million, representing a growth of 2.3% or HK\$80.2 million when compared with a balance of HK\$3,422.0 million at 28th February 2021.

Total assets at 31st August 2021 were HK\$5,142.4 million, as compared with total assets of HK\$5,083.4 million at 28th February 2021.

Advances and Receivables

With the effective credit assessment efforts to cater for the increase in demand for loans, personal loan sales recorded an increase of 66.0% in 1H2021 when compared with 1H2020, and personal loan sales recorded an increase of 29.8% in the second quarter of the reporting period when compared with the first quarter, resulting in personal loan receivables increasing from HK\$781.0 million at 28th February 2021 to HK\$783.1 million at 31st August 2021.

There was no significant increase in the revolving credit card balances in the reporting period, with credit card receivables remaining at HK\$3,214.9 million at both 28th February 2021 and 31st August 2021.

Overall, the Group's gross advances and receivables remained at a stable level in 1H2021, sitting at HK\$4,058.9 million at 31st August 2021, as compared with the HK\$4,062.3 million recorded at 28th February 2021. Impairment allowances amounted to HK\$175.5 million at 31st August 2021, covering 4.3% of gross advances and receivables, as compared with HK\$218.5 million, covering 5.4% of gross advances and receivables at 28th February 2021. The percentage of overdue advances and receivables to gross advances and receivables was 3.4% at 31st August 2021, compared with 4.2% at 28th February 2021 and 4.8% at 31st August 2020.

Bank Borrowings

The Group maintained bank borrowings at a broadly similar level in the reporting period, with balances of HK\$1,186.5 million at 31st August 2021 and HK\$1,182.9 million at 28th February 2021. For bank borrowings at 31st August 2021, 7.6% had fixed interest rates and 92.4% were hedged against interest rate and currency exchange rate fluctuation by interest rate and currency swaps. Of these bank borrowings, 38.3% will mature within one year, 19.4% between one and two years and 42.3% between two and five years.

The average duration of bank borrowings was 2.0 years at 31st August 2021, compared with 1.9 years at 28th February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Segment Information

The Group's business comprises three operating segments, namely credit cards, personal loans and insurance intermediary business. For 1H2021, 79.3% of the Group's revenue was derived from credit card operations, compared with 78.3% in 1H2020, while personal loan operations accounted for 18.0% of the Group's revenue, compared with 19.5% in the previous period. As for segment results, credit card operations accounted for 75.3% of the Group's whole operations as compared with 83.3% in the previous period, while personal loan operations accounted for 21.3% as compared with 13.3% in the previous period.

Through the launch of various different marketing activities, the Group recorded an increase in credit card sales and continued to accumulate revolving credit card balances in the reporting period. However, monthly revolving credit card balances were still lower than the previous period, resulting in revenue from credit card operations recording a decrease of 9.8% or HK\$44.0 million from HK\$449.5 million in 1H2020 to HK\$405.5 million in 1H2021. Thanks to a better-quality portfolio and an improved economic outlook, together with effective collection efforts to reduce overdue receivables, there was a sizable decrease in impairment losses and impairment allowances during the reporting period. As a result, the segment result recorded an increase of HK\$8.0 million, from HK\$150.4 million in 1H2020 to HK\$158.4 million in 1H2021.

For personal loans, the latest increase in loan sales was mainly reflected in the second quarter of the reporting period, with the balance of personal loan receivables at 31st August 2021 returning to the same level recorded at 28th February 2021. However, personal loan receivables only achieved 90.3% as compared with the balance at 31st August 2020. Consequently, revenue from personal loan operations decreased by 18.1% or HK\$20.4 million, from HK\$112.3 million in 1H2020 to HK\$91.9 million in 1H2021. Thanks in large part to more effective credit assessment and collection efforts, there was a sizable decrease in impairment losses and impairment allowances. As a result, segment results for the reporting period recorded an increase of HK\$20.8 million, from HK\$24.0 million in 1H2020 to HK\$44.8 million in 1H2021.

With full resumption of telemarketing activities, revenue from insurance operations recorded an increase of HK\$1.5 million, from HK\$12.7 million in 1H2020 to HK\$14.1 million in 1H2021. The segment result for the reporting period was HK\$7.1 million, as compared with HK\$6.2 million in the previous period.

In relation to financial information by geographical locations, although sales have shown progressive recoveries for both credit cards and personal loans, monthly revolving credit card balances and personal loan receivable balances in the reporting period were still lower than that of the previous period, and, as a result, revenue from the Hong Kong operations recorded a decrease of 11.6% or HK\$65.9 million, from HK\$568.9 million in 1H2020 to HK\$503.0 million in 1H2021. Through the enhancement of credit assessment methods to build up a quality portfolio, together with effective collection efforts and an improvement in the economic outlook, impairment allowances on doubtful and loss receivables were reduced, and there was a sizable decrease in impairment losses and impairment allowances. As a result, segment results from Hong Kong operations recorded an increase of 15.2% or HK\$28.0 million, from HK\$184.2 million in 1H2020 to HK\$212.2 million in 1H2021.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Segment Information (Continued)

In regard to Mainland China operations, through efficient control of costs and bad debts, the microfinance subsidiary in Shenzhen has achieved monthly profit throughout the second quarter, with a profit of HK\$0.3 million in 1H2021, compared with a loss of HK\$1.9 million in 1H2020. The Group completed the liquidation of the microfinance subsidiary in Shenyang in the reporting period and continued with the liquidation proceedings for another subsidiary in Tianjin. Revenue from its Mainland China operations recorded an increase of HK\$3.1 million, from HK\$5.5 million in 1H2020 to HK\$8.6 million in 1H2021, while losses from our Mainland China operations recorded a reduction of HK\$1.7 million, from a loss of HK\$3.5 million in 1H2020 to a loss of HK\$1.8 million in 1H2021.

Prospects

With an increasing number of incentives being introduced to encourage vaccine, the vaccination rate is expected to rise. However, the emergence of the more contagious Delta variant may impede the rate of resumption of normal social activities and overseas travel in the near future. The government's consumption voucher scheme will propel the use of electronic payment methods to new highs. The unemployment rate in Hong Kong is expected to remain stable, which will create opportunities for the Group's continued business expansion during the second half of the year.

Amid this competitive and challenging business environment, which is also providing new opportunities, the Group will primarily focus on continued sales and receivables growth, while also containing any deterioration of asset quality as far as possible. The Group will make greater use of data analytics to strengthen its marketing and credit control activities. On the marketing side, the Group will increase mass promotion activities for both its credit card and personal loan business so as to capture any possible surge in consumer spending in the market. Moreover, the Group will further strengthen its mobile application and net-member functions and marketing activities to enhance the convenience and benefits of using the Group's online services.

As financial technology is developing at a fast pace, the Group will continue to commit significant resources to digitalization in order to enhance operational efficiency and upgrade its ability to respond to market changes. Alongside the issuing phase of new card and loan system projects and the revamp of the Group's mobile application and net-member systems, the Group will also commence a project in the second half of FY2021 to enhance the data warehouse so as to strengthen future campaign management capabilities.

For the Mainland China businesses, the operating environment remains competitive and the microfinance subsidiary in Shenzhen will focus on growing its receivables with sound asset quality in the hope of achieving yearly profit. The Group will allocate more resources to the upgrade of the information technology infrastructure in the Shenzhen operation and continue to fine-tune the operating model, when necessary, in order to create greater value for shareholders.

It is difficult to reliably predict when cross-border travel and related economic activities will fully resume. With the continued upgrade in technology development and analytical techniques, as well as the Group's strong liquidity position and balance sheet, the Group should be adequately resilient and responsive to upcoming challenges in the second half of the year and be able to move forward to capture new business opportunities to drive business growth and stay ahead in the face of a competitive business environment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Funding and Capital Management

The Group manages its capital to ensure that:

- the Group will continue as a going concern;
- a healthy capital ratio is maintained to instill confidence in stakeholders during periods of uncertainty and turmoil in financial markets;
- funds are available at competitive costs to meet all contractual financial commitments; and
- the Group is able to fund receivable growth and to generate reasonable returns from available funds.

Net debt to equity ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

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

	31.8.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Debt (Note a)	1,186,511	1,182,881
Cash and cash equivalents	(681,882)	(864,964)
Net debt	504,629	317,917
Equity (Note b)	3,502,233	3,422,030
Net debt to equity ratio	0.1	0.1

Notes:

- (a) Debt comprises bank borrowings as detailed in Note 23.
- (b) Equity includes all capital and reserves of the Group.

The principal source of internally generated capital was from accumulated profits. Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

The Group's principal operations are transacted and recorded in HKD and thereby its core assets are not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 31st August 2021, capital commitments entered into were mainly related to the purchase of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Human Resources

At 31st August 2021 and 28th February 2021, the Group's total number of employees was 377 (Hong Kong: 339; PRC: 38) and 379 (Hong Kong: 334; PRC: 45), respectively. The Group continues to recognize and reward its staff in a manner similar to that disclosed in its 2020/21 Annual Report.

MANAGEMENT OF RISKS

The Group's major financial instruments include equity instruments at FVTOCI, advances and receivables, other debtors, time deposits, bank balances and cash, amounts due from intermediate holding company and an associate, bank borrowings, creditors, lease liabilities, amounts due to fellow subsidiaries, intermediate holding company, ultimate holding company and an associate and derivative financial instruments.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The risk management and internal control systems are designed to provide reasonable, but not absolute assurance against misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

Each division across the Company embraces the Company's Enterprise Risk Management framework for their process management in day-to-day business activities. The Group has established policies, procedures and controls for measuring, monitoring and controlling market, credit, liquidity, capital, operational and cyber security risks, which are monitored by the Board through the management-level Risk Management Committee comprising the Executive Directors and members of senior management on an on-going basis. The major risk control tool kits are key risk indicators and key performance indicators that are set up for critical business processes. The management manages and monitors these indicators to ensure effective risk management and internal controls are in place in the operating units. The internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including:

- currency swap to convert the foreign currency debts to the functional currency of the relevant group entity; and
- interest rate swaps and interest rate caps to mitigate the cash flow interest rate risk.

The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, and the use of derivative financial instruments. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. The Group does not enter into or trade derivative financial instruments for speculative purposes.

MANAGEMENT OF RISKS (Continued)

Market risk (Continued)

Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's position as a result of a change in foreign currency exchange rates. Certain bank balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

To minimise the foreign currency risk, the Group has been using cross currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk after taking derivative financial instruments into consideration is not material to the Group.

Interest rate risk management

The Group's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings, including variable rate borrowings under hedge accounting to change from variable rate to fixed rate. All interest-bearing financial assets are exposed to fair value interest rate risk only.

The Group's cash flow interest rate risk relates primarily to floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed rate.

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.

Other price risks

The Group is exposed to equity price risk through its equity instruments at FVTOCI operating in consumer credit finance services and related business. The management will monitor the price movements and take appropriate actions when it is required.

MANAGEMENT OF RISKS (Continued)

Credit risk

Credit risk refers to the risk that the Group's counterparties' default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to advances and receivables (including unused credit limit), other debtors, amounts due from intermediate holding company and an associate, time deposits, derivative financial instruments and bank balances and cash.

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 departments responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's asset portfolio. In this regard, management considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under Expected Credit Loss model.

The Group is potentially exposed to loss in an amount equal to the total unused credit card limit granted to credit card customers. The Group monitors the credit quality of the customers and has contractual right to cancel the credit facilities granted, therefore management considers that the Group's credit risk is limited. At 31st August 2021, unused credit card limit of HK\$28,598,772,000 (28th February 2021: HK\$25,920,932,000) was unrecorded in the consolidated statement of financial position.

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 does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and maintain a conservative level of long-term funding to finance its short-term financial assets.

Capital risk

The Group's policy is to maintain a strong capital base to support the development of the Group's business. During the period under review, the Group relied principally on internally generated capital and bank borrowings for the working capital. The funding position is monitored and reviewed regularly to ensure it is within internally established limits and at reasonable costs.

MANAGEMENT OF RISKS (Continued)

Operational risk

Operational risk is the risk event loss resulting from operation incidents, accidents and rumours. The Group's operational risk covers processing risk, human risk, information technology risk, tangible risk and reputational risk. The Group's policy is to implement operational risk management framework across the Group. It provides risk management and internal control systems for risk identification, assessment, mitigation and prevention. The primary responsibility of each division head, department head and branch manager is to manage inherent risks within the tolerance levels. The key inherent risks are processing, data security, compliance and financial crime. All business units set up procedures and key risk indicators and key performance indicators to ensure operation continuity capacity, high quality of customer service and effective risk control through proactive management, operational excellence and alignment with best market practices. Management manages significant risks and ensures mitigating risks are prioritized and controlled adequately.

Cyber security risk

Cyber security risk is the risk of loss resulting from a cyber attack or information security breach on the Group. The Group has put in place adequate resources to manage cyber security risk, improve cyber resilience as well as to ensure adequate cyber security awareness throughout the Group. The Group also periodically engaged qualified professional assessors to conduct assessments and simulation attacks to assess the robustness of the Group's cyber security controls.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, employees and other stakeholders. The Company has complied with the code provisions of the CG Code throughout the six months ended 31st August 2021, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Non-executive Directors are not appointed for a specific term and Directors are not subject to retirement by rotation. However, all Directors, including the executive, non-executive and independent non-executive, are subject to retirement at each annual general meeting of the Company in accordance with the articles of association of the Company.

Compliance with Model Code

The Company has adopted the Model Code as its own code for securities transactions by Directors pursuant to its own Securities Dealing Code. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code/the Company's own Securities Dealing Code throughout the period under review.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interest in Shares, Underlying Shares and Debentures

At 31st August 2021, the interests of the Directors and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) *Long positions in the shares of the Company*

<i>Director</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of the Company</i>
Tomoharu Fukayama	10,000	0.01

(b) *Long positions in the shares of AFS – intermediate holding company of the Company*

<i>Directors</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of AFS</i>
Tomoyuki Mitsufuji	1,900	0.01
Tomoharu Fukayama	5,900	0.01
Daisuke Takenaka	235	0.01

Other than the holdings disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st August 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Substantial Shareholders' Interests in Shares

At 31st August 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name	Nature of interest	Number of shares held	Percentage of the issued share capital of the Company
AEON Japan (<i>Note 1</i>)	Beneficial owner/Interest of a controlled corporation	281,138,000	67.13
AFS (<i>Note 2</i>)	Interest of a controlled corporation	221,364,000	52.86
AFS (HK) (<i>Note 3</i>)	Beneficial owner	221,364,000	52.86
FMR LLC	Interest of controlled corporations	41,875,560	9.99
Fidelity Puritan Trust	Beneficial owner	21,810,000	5.21

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 48.08% of the issued share capital of AFS, the holding company of AFS (HK), and 60.59% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 221,364,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.
2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 221,364,000 shares owned by AFS (HK).
3. Out of 221,364,000 shares, 213,114,000 shares were held by AFS (HK) and 8,250,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited as nominees on behalf of AFS (HK).

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the share capital of the Company at 31st August 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Changes in Information of Directors

The changes in the information of Directors since the publication of the 2020/21 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Directors	Details of Changes
Tomoyuki Mitsufuji	<ul style="list-style-type: none">Appointed as a Non-executive Director, the Chairman of the Board and the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee on 25th June 2021
Massaki Mangetsu	<ul style="list-style-type: none">Retired as a Non-executive Director, the Chairman of the Board on 25th June 2021Ceased as the chairman of the Nomination Committee and a member of the Remuneration Committee on 25th June 2021
Tomoharu Fukayama	<ul style="list-style-type: none">Appointed as the chairman of AEON Micro Finance (Shenzhen) Co., Ltd. on 27th May 2021Resigned as a director of AIB on 16th June 2021Received an annual discretionary bonus of HK\$160,000 in June 2021Entitled to an annual base salary of HK\$1,056,000 with effect from 25th June 2021
Lai Yuk Kwong	<ul style="list-style-type: none">Resigned as the managing director of AIB on 16th June 2021Received an annual discretionary bonus of HK\$110,000 in June 2021Entitled to an annual base salary of HK\$1,656,000 with effect from 25th June 2021
Daisuke Takenaka	<ul style="list-style-type: none">Received an annual discretionary bonus of HK\$120,000 in June 2021Entitled to an annual base salary of HK\$960,000 with effect from 25th June 2021
Tony Fung	<ul style="list-style-type: none">Received an annual discretionary bonus of HK\$150,000 in June 2021Entitled to an annual base salary of HK\$2,040,000 with effect from 25th June 2021 (pro-rata up to his resignation on 31st August 2021)Resigned as an Executive Director on 31st August 2021

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Changes in Information of Directors (Continued)

Name of Directors	Details of Changes
Jin Huashu	<ul style="list-style-type: none">• Appointed as a Non-executive Director on 25th June 2021• Entitled to an annual base salary of HK\$1,024,000 from AEON Micro Finance (Shenzhen) Co., Ltd with effect from 1st July 2021
Lee Ching Ming Adrian	<ul style="list-style-type: none">• Ceased as the chairman of the Audit Committee on 25th June 2021• Entitled to an annual fee of HK\$340,000 with effect from 1st July 2021
Shing Mo Han Yvonne	<ul style="list-style-type: none">• Ceased as a member of the Communications Authority on 31st March 2021• Appointed as the chairman of the Audit Committee on 25th June 2021• Entitled to an annual fee of HK\$330,000 with effect from 1st July 2021
Junko Dochi	<ul style="list-style-type: none">• Entitled to an annual fee of HK\$330,000 with effect from 1st July 2021
Kenji Hayashi	<ul style="list-style-type: none">• Retired as an Independent Non-executive Director on 25th June 2021• Ceased as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 25th June 2021

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Loan Facility with Covenants relating to Specific Performance of the Controlling Shareholder

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the Directors reported below the loan facility which exists during the period and includes a condition relating to specific performance of the controlling shareholder of the Company.

On 9th September 2016, the Company obtained a term loan of USD50,000,000 (the “Facility”) from a syndicate of banks, with the repayment date on 20th September 2021.

Under the Facility, the Company has given an undertaking to the lenders that the Company would continue to be a consolidated subsidiary of AFS, which is a controlling shareholder of the Company currently holding approximately 52.86% of the issued share capital of the Company. A breach of the above undertaking will constitute an event of default. If the event occurs, the Facility may become due and payable on demand.

The term loan was fully repaid in September 2021.

Purchase, Sale or Redemption of Listed Securities

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

Review of Unaudited Financial Information

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 31st August 2021. In addition, the condensed consolidated financial statements for the six months ended 31st August 2021 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA and an unqualified review report is issued.

By order of the Board
Tomoharu Fukayama
Managing Director

28th September 2021



TO THE BOARD OF DIRECTORS OF AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of AEON Credit Service (Asia) Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 31, which comprise the condensed consolidated statement of financial position as of 31st August 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28th September 2021

GLOSSARY

AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AFS	AEON Financial Service Co., Ltd.
AFS (HK)	AEON Financial Service (Hong Kong) Co., Limited
AIB	AEON Insurance Brokers (HK) Limited
Board	the board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time
Company	AEON Credit Service (Asia) Company Limited
Director(s)	the director(s) of the Company
ECL	Expected Credit Loss
FVTOCI	Fair value through other comprehensive income
Group	the Company and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HKAS	Hong Kong Accounting Standard
HKD or HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC
JPY	Japanese Yen, the lawful currency of Japan

GLOSSARY (Continued)

LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Mainland China or PRC	the People's Republic of China
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States Dollars, the lawful currency of the United States of America