

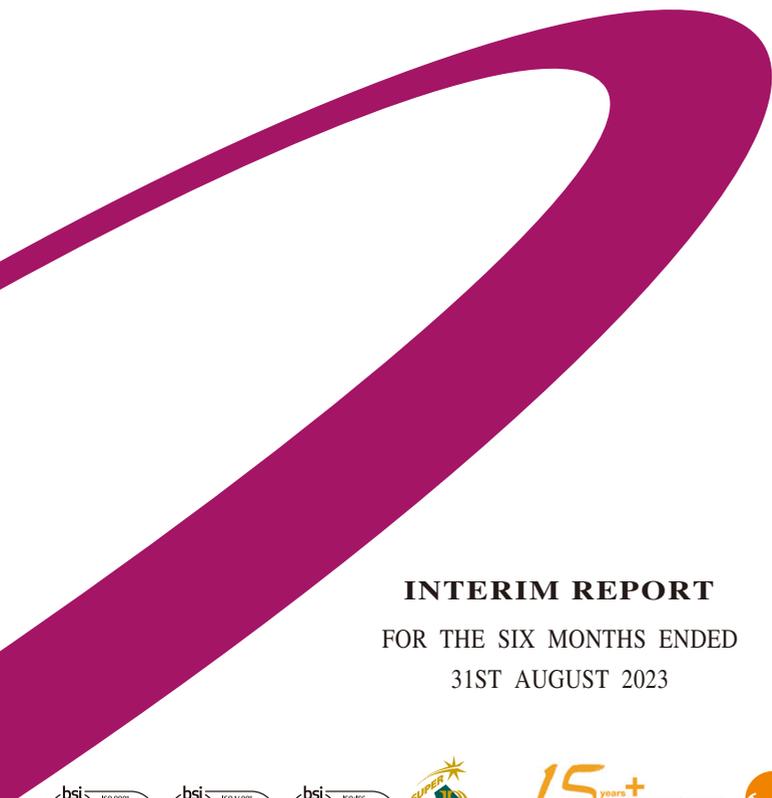


# AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

## 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 2023



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## **CORPORATE INFORMATION**

### **Board of Directors**

#### *Executive Directors*

Tomoharu Fukayama (*Managing Director*)  
Lai Yuk Kwong (*Deputy Managing Director*)  
Wei Aiguo

#### *Non-executive Directors*

Tomoyuki Mitsufuji (*Chairman*)  
Jin Huashu

#### *Independent Non-executive Directors*

Lee Ching Ming Adrian  
Shing Mo Han Yvonne  
Junko Dochi  
Choi Ping Chung

### **Company Secretary**

Hung Tun Shun Jason

### **Auditor**

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

### **Share Registrar**

Tricor Secretaries Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road,  
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](mailto:info@aeon.com.hk)

### **Stock Code**

900

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 31st August 2023*

		<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
	<i>Notes</i>		
Revenue	3	<b>783,109</b>	571,730
Interest income	5	<b>657,771</b>	479,715
Interest expense	6	<b>(46,721)</b>	(16,083)
Net interest income		<b>611,050</b>	463,632
Fees and commissions		<b>62,748</b>	59,377
Handling and late charges		<b>62,590</b>	32,638
Other income	7	<b>5,377</b>	16,475
Other gains and losses	8	<b>(9,085)</b>	143
Operating income		<b>732,680</b>	572,265
Operating expenses	9	<b>(351,383)</b>	(323,464)
Operating profit before impairment losses and impairment allowances		<b>381,297</b>	248,801
Impairment losses and impairment allowances		<b>(164,633)</b>	(89,538)
Recoveries of advances and receivables written-off		<b>14,201</b>	19,915
Gain on disposal of distressed assets		<b>–</b>	31,933
Profit before tax		<b>230,865</b>	211,111
Income tax expense	10	<b>(39,439)</b>	(34,337)
Profit for the period		<b>191,426</b>	176,774
Profit for the period attributable to: Owners of the Company		<b>191,426</b>	176,774
Earnings per share – Basic	12	<b>45.71 HK cents</b>	42.21 HK cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31st August 2023*

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Profit for the period	<u><b>191,426</b></u>	<u>176,774</u>
<b>Other comprehensive (expense) income</b>		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	<b>(21,306)</b>	8,224
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	<b>(6,292)</b>	(15,226)
Net adjustment on cash flow hedges	<b>(7,145)</b>	39,254
Other comprehensive (expense) income for the period	<u><b>(34,743)</b></u>	<u>32,252</u>
Total comprehensive income for the period	<u><b>156,683</b></u>	<u>209,026</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u><b>156,683</b></u>	<u>209,026</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2023

		<b>31.8.2023</b>	28.2.2023
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>13(a)</i>	<b>172,083</b>	84,584
Right-of-use assets	<i>13(b)</i>	<b>131,896</b>	43,077
Goodwill		<b>15,820</b>	15,820
Equity instruments at fair value through other comprehensive income	<i>14</i>	<b>75,827</b>	97,133
Advances and receivables	<i>15</i>	<b>1,424,727</b>	1,239,940
Prepayments, deposits and other debtors	<i>18</i>	<b>25,496</b>	64,282
Derivative financial instruments	<i>24</i>	<b>30,673</b>	34,768
Deferred tax assets		<b>5,115</b>	10,183
		<b>1,881,637</b>	1,589,787
<b>Current assets</b>			
Advances and receivables	<i>15</i>	<b>4,780,681</b>	4,404,568
Prepayments, deposits and other debtors	<i>18</i>	<b>73,780</b>	67,009
Amount due from immediate holding company		<b>3</b>	1
Amount due from an intermediate holding company		<b>166</b>	32
Amount due from ultimate holding company		<b>–</b>	9
Derivative financial instruments	<i>24</i>	<b>–</b>	878
Time deposits	<i>19</i>	<b>15,588</b>	13,073
Bank balances and cash	<i>20</i>	<b>331,214</b>	382,323
		<b>5,201,432</b>	4,867,893
<b>Current liabilities</b>			
Creditors and accruals	<i>21(a)</i>	<b>231,950</b>	202,983
Contract liabilities	<i>21(b)</i>	<b>23,890</b>	23,897
Amounts due to fellow subsidiaries	<i>22</i>	<b>45,135</b>	44,485
Amount due to an intermediate holding company		<b>6,566</b>	1,591
Borrowings from immediate holding company	<i>23</i>	<b>500,000</b>	–
Bank borrowings	<i>23</i>	<b>198,600</b>	789,977
Lease liabilities		<b>39,419</b>	34,392
Derivative financial instruments	<i>24</i>	<b>614</b>	–
Tax liabilities		<b>46,343</b>	93,507
		<b>1,092,517</b>	1,190,832
<b>Net current assets</b>		<b>4,108,915</b>	3,677,061
<b>Total assets less current liabilities</b>		<b>5,990,552</b>	5,266,848

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31st August 2023*

		<b>31.8.2023</b>	28.2.2023
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	25	<b>269,477</b>	269,477
Reserves		<b>3,687,538</b>	3,622,983
		<hr/>	<hr/>
<b>Total equity</b>		<b>3,957,015</b>	3,892,460
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Borrowings from immediate holding company	23	<b>100,000</b>	–
Bank borrowings	23	<b>1,772,164</b>	1,317,698
Lease liabilities		<b>91,343</b>	8,307
Derivative financial instruments	24	<b>70,030</b>	48,383
		<hr/>	<hr/>
		<b>2,033,537</b>	1,374,388
		<hr/>	<hr/>
		<b>5,990,552</b>	5,266,848
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 31st August 2023*

	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 2022 (Audited)	269,477	47,255	(2,180)	(2,598)	3,321,588	3,633,542
Profit for the period	–	–	–	–	176,774	176,774
Fair value gain on equity instruments at fair value through other comprehensive income	–	8,224	–	–	–	8,224
Exchange difference arising from translation of foreign operations	–	–	–	(15,226)	–	(15,226)
Net adjustment on cash flow hedges	–	–	39,254	–	–	39,254
<b>Total comprehensive income (expense) for the period</b>	<b>–</b>	<b>8,224</b>	<b>39,254</b>	<b>(15,226)</b>	<b>176,774</b>	<b>209,026</b>
Final dividend paid for 2021/22 (Note 11)	–	–	–	–	(92,128)	(92,128)
At 31st August 2022 (Unaudited)	<b>269,477</b>	<b>55,479</b>	<b>37,074</b>	<b>(17,824)</b>	<b>3,406,234</b>	<b>3,750,440</b>
At 1st March 2023 (Audited)	<b>269,477</b>	<b>73,311</b>	<b>50,342</b>	<b>(11,613)</b>	<b>3,510,943</b>	<b>3,892,460</b>
Profit for the period	–	–	–	–	191,426	191,426
Fair value loss on equity instruments at fair value through other comprehensive income	–	(21,306)	–	–	–	(21,306)
Exchange difference arising from translation of foreign operations	–	–	–	(6,292)	–	(6,292)
Net adjustment on cash flow hedges	–	–	(7,145)	–	–	(7,145)
<b>Total comprehensive (expense) income for the period</b>	<b>–</b>	<b>(21,306)</b>	<b>(7,145)</b>	<b>(6,292)</b>	<b>191,426</b>	<b>156,683</b>
Final dividend paid for 2022/23 (Note 11)	–	–	–	–	(92,128)	(92,128)
At 31st August 2023 (Unaudited)	<b>269,477</b>	<b>52,005</b>	<b>43,197</b>	<b>(17,905)</b>	<b>3,610,241</b>	<b>3,957,015</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st August 2023

	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
<b>Net cash used in operating activities</b>	<b>(327,527)</b>	<b>(312,019)</b>
Dividends received	36	36
Proceeds from sale of property, plant and equipment	7	–
Purchase of property, plant and equipment	(50,442)	(9,464)
Deposits paid for acquisition of property, plant and equipment	(26,237)	(19,035)
Placement of time deposits with maturity of more than three months	–	(64,408)
Release of time deposits with maturity of more than three months	7,858	61,102
<b>Net cash used in investing activities</b>	<b>(68,778)</b>	<b>(31,769)</b>
Repayment of lease liabilities	(30,726)	(25,812)
Dividends paid	(92,128)	(92,128)
New borrowings from immediate holding company raised	5,600,000	–
Repayment of borrowings from immediate holding company	(5,000,000)	–
New bank loans raised	6,305,064	616,137
Repayment of bank loans	(6,424,869)	(315,000)
<b>Net cash from financing activities</b>	<b>357,341</b>	<b>183,197</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(38,964)</b>	<b>(160,591)</b>
<b>Effect of changes in exchange rate</b>	<b>(1,742)</b>	<b>(1,450)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>387,508</b>	<b>588,963</b>
<b>Cash and cash equivalents at end of the period</b>	<b>346,802</b>	<b>426,922</b>
Being:		
Time deposits with maturity of three months or less	15,588	7,939
Bank balances and cash	331,214	418,983
	<b>346,802</b>	<b>426,922</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st August 2023

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 28th February 2023 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 2023 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 financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st August 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 28th February 2023.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1st March 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and 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)

### Application of amendments to HKFRSs (Continued)

#### 2.1 *Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

#### 2.2 *Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

##### 2.2.1 *Accounting policies*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

##### 2.2.2 *Transition and summary of effects*

As disclosed in the Group’s annual financial statements for the year ended 28th February 2023, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after 1st March 2023;

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of amendments to HKFRSs (Continued)

#### 2.2 *Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)*

##### 2.2.2 *Transition and summary of effects (Continued)*

- (ii) the Group also, as at 1st March 2023, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets, lease liabilities and provisions for decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group's financial position and performance.

#### 2.3 *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1st March 2023 for the preparation of the Group's consolidated financial statements for the year ending 29th February 2024.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 29th February 2024.

### 3. REVENUE

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Interest income	<b>657,771</b>	479,715
Fees and commissions		
Credit cards – issuing	<b>31,223</b>	31,851
Credit cards – acquiring	<b>20,469</b>	13,969
Insurance	<b>11,056</b>	13,557
Handling and late charges	<b>62,590</b>	32,638
Revenue from contracts with customers	<b>125,338</b>	92,015
Total revenue	<b>783,109</b>	571,730

#### 1.3.2023 to 31.8.2023 (Unaudited)

	<b>Credit cards HK\$'000</b>	<b>Personal loans HK\$'000</b>	<b>Insurance HK\$'000</b>	<b>Total HK\$'000</b>
Interest income	<b>516,080</b>	<b>141,691</b>	–	<b>657,771</b>
Fees and commissions	<b>51,692</b>	–	<b>11,056</b>	<b>62,748</b>
Handling and late charges	<b>56,280</b>	<b>6,310</b>	–	<b>62,590</b>
Segment revenue	<b>624,052</b>	<b>148,001</b>	<b>11,056</b>	<b>783,109</b>

#### 1.3.2022 to 31.8.2022 (Unaudited)

	<b>Credit cards HK\$'000</b>	<b>Personal loans HK\$'000</b>	<b>Insurance HK\$'000</b>	<b>Total HK\$'000</b>
Interest income	370,525	109,099	91	479,715
Fees and commissions	45,820	–	13,557	59,377
Handling and late charges	30,792	1,846	–	32,638
Segment revenue	447,137	110,945	13,648	571,730

### 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:

##### 1.3.2023 to 31.8.2023 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>624,052</b>	<b>148,001</b>	<b>11,056</b>	<b>783,109</b>
<b>RESULT</b>				
Segment results	<b>200,034</b>	<b>26,925</b>	<b>4,984</b>	<b>231,943</b>
Unallocated operating income				<b>1,438</b>
Unallocated expenses				<b>(2,516)</b>
Profit before tax				<b>230,865</b>

##### 1.3.2022 to 31.8.2022 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>447,137</b>	<b>110,945</b>	<b>13,648</b>	<b>571,730</b>
<b>RESULT</b>				
Segment results	<b>158,462</b>	<b>36,805</b>	<b>14,592</b>	<b>209,859</b>
Unallocated operating income				<b>3,539</b>
Unallocated expenses				<b>(2,287)</b>
Profit before tax				<b>211,111</b>

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 and government grants), unallocated expenses (including head office expenses). 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:

##### 1.3.2023 to 31.8.2023 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>770,192</u>	<u>12,917</u>	<u>783,109</u>
RESULT			
Segment results	<u>229,638</u>	<u>2,305</u>	231,943
Unallocated operating income			1,438
Unallocated expenses			<u>(2,516)</u>
Profit before tax			<u>230,865</u>

##### 1.3.2022 to 31.8.2022 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>561,187</u>	<u>10,543</u>	<u>571,730</u>
RESULT			
Segment results	<u>208,147</u>	<u>1,712</u>	209,859
Unallocated operating income			3,539
Unallocated expenses			<u>(2,287)</u>
Profit before tax			<u>211,111</u>

## 5. INTEREST INCOME

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Non-credit impaired advances	651,073	475,725
Credit impaired advances	6,530	3,070
Time deposits and bank balances	168	920
	<u>657,771</u>	<u>479,715</u>

## 6. INTEREST EXPENSE

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Interest on bank borrowings	50,433	15,163
Interest on lease liabilities	1,707	768
Net interest expense on interest rate swap contracts	(5,419)	152
	<u>46,721</u>	<u>16,083</u>

## 7. OTHER INCOME

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	36	36
Government grants	–	2,496
Marketing support fund	3,938	12,889
Others	1,403	1,054
	<u>5,377</u>	<u>16,475</u>

## 8. OTHER GAINS AND LOSSES

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Exchange (loss) gain		
Exchange loss on hedging instrument released from cash flow hedge reserve	<b>(15,770)</b>	(45,235)
Exchange gain on bank loans	<b>15,770</b>	45,235
Other exchange (loss) gain, net	<b>(21)</b>	27
Hedge ineffectiveness on cash flow hedges	<b>202</b>	202
Losses on disposal of property, plant and equipment	<b>(9,266)</b>	(86)
	<b>(9,085)</b>	143

## 9. OPERATING EXPENSES

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	<b>21,097</b>	14,145
Depreciation on right-of-use assets	<b>28,542</b>	26,398
Expenses relating to short-term leases	<b>2,337</b>	1,734
	<b>30,879</b>	28,132
General administrative expenses	<b>101,085</b>	93,792
Marketing and promotion expenses	<b>53,636</b>	57,040
Other operating expenses	<b>39,779</b>	34,541
Staff costs including Directors' emoluments	<b>104,907</b>	95,814
	<b>351,383</b>	323,464

## 10. INCOME TAX EXPENSE

	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	<b>29,899</b>	37,256
– PRC Enterprise Income Tax	<b>80</b>	820
Deferred tax	<b>9,460</b>	(3,739)
	<b>39,439</b>	34,337

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 20th July 2023, a dividend of 22.0 HK cents (six months ended 31st August 2022: 22.0 HK cents) per share amounting to a total of HK\$92,128,000 (six months ended 31st August 2022: HK\$92,128,000) was paid to shareholders as the final dividend for 2022/23.

In respect of the current interim period, the Directors have declared an interim dividend of 24.0 HK cents per share amounting to HK\$100,504,000 payable to the shareholders of the Company whose names appear on the Register of Members on 17th October 2023. The interim dividend will be paid on 31st October 2023. 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\$191,426,000 (six months ended 31st August 2022: HK\$176,774,000) and on the number of shares of 418,766,000 (six months ended 31st August 2022: 418,766,000) in issue during the period.

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

- (a) The Group acquired property, plant and equipment approximately HK\$118,100,000 during the current period (six months ended 31st August 2022: HK\$8,532,000).
- (b) The Group leases various offices, office equipment, branches, director and staff quarters and motor vehicles (six months ended 31st August 2022: offices, office equipment, branches, director and staff quarters and motor vehicles) for its operations. Lease contracts are entered into for fixed and renewable term of 1 to 6 years (six months ended 31st August 2022: 1 to 5 years). The Group is required to make fixed monthly payments. During the current period, the Group recognised additional HK\$117,472,000 (six months ended 31st August 2022: HK\$22,029,000) of right-of-use assets and HK\$115,453,000 of lease liabilities (six months ended 31st August 2022: HK\$21,913,000).

#### 14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>31.8.2023</b> (Unaudited) <i>HK\$'000</i>	28.2.2023 (Audited) <i>HK\$'000</i>
<b>Equity instruments at FVTOCI</b>		
– Listed investment in Hong Kong	1,421	1,669
– Unlisted investments	<u>74,406</u>	<u>95,464</u>
	<u><b>75,827</b></u>	<u>97,133</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

	<b>31.8.2023</b> (Unaudited) <i>HK\$'000</i>	28.2.2023 (Audited) <i>HK\$'000</i>
Credit card receivables	4,817,439	4,481,038
Personal loan receivables	<u>1,449,298</u>	<u>1,263,929</u>
	6,266,737	5,744,967
Accrued interest and other receivables	<u>173,166</u>	<u>91,250</u>
	6,439,903	5,836,217
Gross advances and receivables	6,439,903	5,836,217
Impairment allowances ( <i>Note 16</i> )	<u>(234,495)</u>	<u>(191,709)</u>
	6,205,408	5,644,508
Current portion included under current assets	<u>(4,780,681)</u>	<u>(4,404,568)</u>
	1,424,727	1,239,940
Amount due after one year	<u><b>1,424,727</b></u>	<u>1,239,940</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 2023 and 31st August 2022 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 2023	5,582,236	84,229	169,752	5,836,217
Net advance (repayment) in advances and receivables	715,183	26,936	(10,298)	731,821
Transfer to 12 months ECL (Stage 1)	94,694	(90,470)	(4,224)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(194,208)	202,823	(8,615)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(35,324)	(151,909)	187,233	–
Total transfer between stages	(134,838)	(39,556)	174,394	–
Amounts written-off as uncollectable	–	–	(121,573)	(121,573)
Exchange realignment	(6,304)	(41)	(217)	(6,562)
	<u>6,156,277</u>	<u>71,568</u>	<u>212,058</u>	<u>6,439,903</u>
At 31st August 2023				
	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 2022	4,058,094	63,425	153,031	4,274,550
Net advance (repayment) in advances and receivables	663,409	(17,119)	(6,235)	640,055
Transfer to 12 months ECL (Stage 1)	105,192	(102,511)	(2,681)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(199,103)	204,612	(5,509)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(3,325)	(88,318)	91,643	–
Total transfer between stages	(97,236)	13,783	83,453	–
Amounts written-off as uncollectable	–	–	(84,329)	(84,329)
Exchange realignment	(7,684)	(87)	(465)	(8,236)
	<u>4,616,583</u>	<u>60,002</u>	<u>145,455</u>	<u>4,822,040</u>
At 31st August 2022				

## 15. ADVANCES AND RECEIVABLES (Continued)

### (a) Credit card receivables

The term of credit card instalment plans entered into with customers ranges from 6 months to 5 years (28th February 2023: 3 months to 4 years).

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 8.5% to 35.9% (28th February 2023: 35.0% to 35.9%) 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 2023: 6 months to 5 years) and are denominated in HKD. The personal loan receivables carry effective interest ranging from 2.3% to 48.0% (28th February 2023: 2.3% to 48.0%) per annum.

## 16. IMPAIRMENT ALLOWANCES

	<b>31.8.2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2023 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	<b>153,489</b>	122,910
Personal loan receivables	<b>75,929</b>	66,229
Accrued interest and other receivables	<b>5,077</b>	2,570
	<b>234,495</b>	191,709

## 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 2023 and 31st August 2022 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 2023	97,642	18,878	75,189	191,709
Net advance (repayment) in advances and receivables	13,053	8,012	(4,494)	16,571
Transfer to 12 months ECL (Stage 1)	28,749	(26,909)	(1,840)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,544)	7,299	(3,755)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(645)	(45,181)	45,826	–
Total transfer between stages	24,560	(64,791)	40,231	–
Remeasurement of ECL during the period	(18,167)	64,476	101,753	148,062
Amounts written-off as uncollectable	–	–	(121,573)	(121,573)
Exchange realignment	(57)	(43)	(174)	(274)
	<b>117,031</b>	<b>26,532</b>	<b>90,932</b>	<b>234,495</b>
	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 2022	72,719	22,067	86,357	181,143
Net advance (repayment) in advances and receivables	12,110	(6,188)	(3,446)	2,476
Transfer to 12 months ECL (Stage 1)	38,537	(37,057)	(1,480)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,635)	6,679	(3,044)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(61)	(31,925)	31,986	–
Total transfer between stages	34,841	(62,303)	27,462	–
Remeasurement of ECL during the period	(33,943)	68,875	52,130	87,062
Amounts written-off as uncollectable	–	–	(84,329)	(84,329)
Exchange realignment	94	52	479	625
	<b>85,821</b>	<b>22,503</b>	<b>78,653</b>	<b>186,977</b>

## 17. ANALYSIS OF ADVANCES AND RECEIVABLES BY STAGE

Set out below is an analysis of gross balance of advances and receivables (excluding impairment allowances):

	31.8.2023 (Unaudited)		28.2.2023 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Stage 1	6,156,277	95.6	5,582,236	95.7
Stage 2	71,568	1.1	84,229	1.4
Stage 3	212,058	3.3	169,752	2.9
	<u>6,439,903</u>	<u>100.0</u>	<u>5,836,217</u>	<u>100.0</u>

\* *Percentage of gross advances and receivables*

Stage 1 covers the advances and receivables which credit risk has not significantly increased since initial recognition.

Stage 2 covers the advances and receivables which credit risk has significantly increased since initial recognition.

Stage 3 covers the advances and receivables for which credit loss events occurred and become credit-impaired.

## 18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	31.8.2023 (Unaudited) HK\$'000	28.2.2023 (Audited) HK\$'000
Deposits for property, plant and equipment	13,972	55,407
Rental and other deposits	16,734	16,268
Prepaid operating expenses	48,545	40,987
Other debtors	20,025	18,629
	<u>99,276</u>	<u>131,291</u>
Current portion included under current assets	(73,780)	(67,009)
	<u>25,496</u>	<u>64,282</u>

## 19. TIME DEPOSITS

Time deposits are denominated in RMB and carry fixed rates ranging from 1.55% to 2.00% (six months ended 31st August 2022: 0.21% to 1.95%) per annum during the current interim period.

	<b>31.8.2023</b> <b>(Unaudited)</b> <i>HK\$'000</i>	28.2.2023 (Audited) <i>HK\$'000</i>
Time deposit with maturity of three months or less	<b>15,588</b>	5,184
Time deposit with maturity of more than three months	–	7,889
	<b>15,588</b>	13,073

## 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:

	<b>HKD</b> <i>HK\$'000</i>	<b>RMB</b> <i>HK\$'000</i>	<b>USD</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>31.8.2023 (Unaudited)</b>				
Bank balances and cash	<b>302,639</b>	<b>24,015</b>	<b>4,560</b>	<b>331,214</b>
<b>28.2.2023 (Audited)</b>				
Bank balances and cash	358,906	22,541	876	382,323

## 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:

	<b>31.8.2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2023 (Audited) HK\$'000
Less than 1 month	<b>70,678</b>	78,609
Over 1 month but less than 3 months	<b>3,520</b>	5,325
Over 3 months	<b>276</b>	842
	<b>74,474</b>	84,776

- (b) At 31st August 2023, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of HK\$23,890,000 (28th February 2023: HK\$23,897,000).

## 22. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand except for HK\$40,942,000 (28th February 2023: HK\$42,862,000) 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:

	<b>31.8.2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2023 (Audited) HK\$'000
Less than 1 month	<b>40,942</b>	42,862

### 23. BANK BORROWINGS/BORROWINGS FROM IMMEDIATE HOLDING COMPANY

	31.8.2023 (Unaudited)		28.2.2023 (Audited)	
	Bank borrowings HK\$'000	Borrowings from immediate holding company HK\$'000	Bank borrowings HK\$'000	Borrowings from immediate holding company HK\$'000
Carrying amounts repayable ( <i>Note</i> )				
Within one year	198,600	500,000	789,977	–
Within a period of more than one year but not more than two years	360,696	100,000	201,917	–
Within a period of more than two years but not more than five years	1,411,468	–	1,115,781	–
	<u>1,970,764</u>	<u>600,000</u>	<u>2,107,675</u>	<u>–</u>
Amount repayable within one year included under current liabilities	<u>(198,600)</u>	<u>(500,000)</u>	<u>(789,977)</u>	<u>–</u>
Amount repayable after one year	<u>1,772,164</u>	<u>100,000</u>	<u>1,317,698</u>	<u>–</u>

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

At the end of 31st August 2023 and 28th February 2023, all borrowings are unsecured. The carrying amounts of the borrowings are denominated in the following currencies:

	RMB HK\$'000	HKD HK\$'000	JPY HK\$'000	Total HK\$'000
<b>31.8.2023 (Unaudited)</b>				
Bank borrowings	8,600	1,740,000	222,164	1,970,764
Borrowings from immediate holding company	–	600,000	–	600,000
	<u>–</u>	<u>600,000</u>	<u>–</u>	<u>600,000</u>
<b>28.2.2023 (Audited)</b>				
Bank borrowings	21,977	1,848,000	237,698	2,107,675
Borrowings from immediate holding company	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

HKD bank loans of HK\$870,000,000 (28th February 2023: HK\$1,178,000,000) are arranged at fixed interest rates ranging from 2.17% to 5.78% (28th February 2023: 2.08% to 5.78%) per annum of which the interest rate of sustainability linked loans of HK\$200,000,000 (28th February 2023: HK\$200,000,000) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met. Other HKD bank loans are arranged at floating interest rates ranging from 0.56% plus HIBOR to 0.75% plus HIBOR (28th February 2023: 0.56% plus HIBOR to 0.70% plus HIBOR) per annum of which the interest margin of sustainability linked loans of HK\$120,000,000 (28th February 2023: HK\$120,000,000) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met.

All borrowings from immediate holding company are denominated in HKD, which are arranged at fixed interest rates ranging from 5.20% to 5.63% per annum (28th February 2023: Nil).

### 23. BANK BORROWINGS/BORROWINGS FROM IMMEDIATE HOLDING COMPANY (Continued)

JPY bank loans are arranged at floating interest rates at 0.40% plus TONA (28th February 2023: 0.40% plus TONA), thus exposing the Group to cash flow interest rate risk.

All RMB bank loans are arranged at fixed interest rates at 3.20% per annum (28th February 2023: 3.20%).

At 31st August 2023, the Group had available unutilised overdrafts and non-committed short term bank loan facilities of HK\$356,900,000 (28th February 2023: HK\$106,900,000) and HK\$656,500,000 (28th February 2023: HK\$1,122,934,000) respectively, while the Group had no (28th February 2023: HK\$600,000,000) unutilised loan facility with its immediate holding company.

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2023 (Unaudited)		28.2.2023 (Audited)	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	30,673	2,570	35,646	942
Cross-currency interest rate swap	–	67,460	–	47,441
Foreign exchange forward contract	–	614	–	–
	<u>30,673</u>	<u>70,644</u>	<u>35,646</u>	<u>48,383</u>
Current portion	–	(614)	(878)	–
Non-current portion	<u>30,673</u>	<u>70,030</u>	<u>34,768</u>	<u>48,383</u>

All derivative financial instruments entered into by the Group that remain outstanding at 31st August 2023 and 28th February 2023 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 and JPY purchases, the designated hedged items and the forward contract.

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\$870,000,000 (28th February 2023: HK\$670,000,000) from floating rates to fixed rates. The interest rate swaps with aggregate notional amount of HK\$870,000,000 (28th February 2023: HK\$670,000,000) have fixed interest payments at fixed interest rates ranging from 1.95% to 5.37% (28th February 2023: 1.95% to 5.37%) per annum and floating interest receipts monthly/quarterly (28th February 2023: quarterly) ranging from 0.56% plus HIBOR to 0.75% plus HIBOR (28th February 2023: 0.56% plus HIBOR to 0.70% plus HIBOR) per annum for periods up until August 2027 (28th February 2023: until August 2027).

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.

## 24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Cash flow hedges: (Continued)

#### Interest rate swaps (Continued)

During the period, net adjustment on the above-mentioned cash flow hedges amounted to HK\$5,603,000 (six months ended 31st August 2022: HK\$23,711,000) 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 JPY bank borrowings by swapping the floating-rate JPY bank borrowings to fixed-rate HKD bank borrowings.

The JPY cross-currency interest rate swaps with notional amount of JPY4,150,000,000 (28th February 2023: 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 2023: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (28th February 2023: 2.17% to 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus TONA (28th February 2023: 0.40% plus TONA) per annum for periods up until March 2026 (28th February 2023: 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\$928,000 (six months ended 31st August 2022: HK\$15,543,000) 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 TONA (28th February 2023: TONA) yield curves and the forward exchange rates between JPY and HKD (28th February 2023: JPY and HKD) estimated at the end of the reporting period.

## 25. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
<b>Issued and fully paid</b>		
At 1st March 2023 and 31st August 2023		
– Ordinary shares with no par value	<u>418,766,000</u>	<u>269,477</u>

## 26. CAPITAL COMMITMENTS

	<b>31.8.2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2023 (Audited) HK\$'000
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	<b>23,188</b>	39,886

## 27. 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	
	1.3.2023 to 31.8.2023 HK\$'000	1.3.2022 to 31.8.2022 HK\$'000						
Interest income received	1,535	1,812	-	-	-	-	-	-
Commissions received	10,495	11,386	-	-	-	-	-	-
Dividends received	36	36	-	-	-	-	-	-
Service fees received	-	-	664	788	-	9	-	-
Licence fees paid	9,802	8,894	-	-	-	-	-	-
Service fees paid and payable	1,879	3,017	-	6,117	9,743	3,122	-	10
Gift certificates paid	8,125	6,373	-	-	-	-	-	-
Interest on lease liabilities	164	145	-	-	-	-	-	-
Loan interest paid and payable	-	-	7,432	-	-	-	-	-

### Compensation of key management personnel

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

	<b>1.3.2023 to 31.8.2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1.3.2022 to 31.8.2022 (Unaudited) HK\$'000
Short-term benefits	<b>6,806</b>	5,209
Post-employment benefits	<b>123</b>	141
	<b>6,929</b>	5,350

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

## 28. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ registration and operation	Share capital/paid-up capital		Proportion of ownership interest directly held by the Company		Principal activities
		31.8.2023	28.2.2023	31.8.2023	28.2.2023	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	
AEON Insurance Brokers (HK) Limited	Hong Kong	HK\$1,000,000	HK\$1,000,000	100%	100%	Insurance brokerage services
AEON Micro Finance (Shenzhen) Co., Ltd <i>(Note)</i>	Mainland China	RMB200,000,000	RMB150,000,000	100%	100%	Microfinance business
AEON Information Service (Shenzhen) Co., Ltd. <i>(Note)</i>	Mainland China	HK\$2,000,000	HK\$2,000,000	100%	100%	Provision of business process outsourcing services

*Note:* The companies are wholly foreign owned enterprises, solely funded by Taiwan, Hong Kong or Macao corporate body established in Mainland China.

## 29. 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).

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

	31.8.2023 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Derivative financial assets	–	30,673	–	30,673
Equity instruments at fair value through other comprehensive income				
– Listed equity securities	1,421	–	–	1,421
– Unlisted equity securities	–	–	74,406	74,406
	<u>1,421</u>	<u>–</u>	<u>74,406</u>	<u>74,406</u>
Total	<u>1,421</u>	<u>30,673</u>	<u>74,406</u>	<u>106,500</u>
Derivative financial liabilities	–	70,644	–	70,644
	<u>–</u>	<u>70,644</u>	<u>–</u>	<u>70,644</u>
	28.2.2023 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Derivative financial assets	–	35,646	–	35,646
Equity instruments at fair value through other comprehensive income				
– Listed equity securities	1,669	–	–	1,669
– Unlisted equity securities	–	–	95,464	95,464
	<u>1,669</u>	<u>–</u>	<u>95,464</u>	<u>95,464</u>
Total	<u>1,669</u>	<u>35,646</u>	<u>95,464</u>	<u>132,779</u>
Derivative financial liabilities	–	48,383	–	48,383
	<u>–</u>	<u>48,383</u>	<u>–</u>	<u>48,383</u>

## 29. 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:

	31.8.2023 (Unaudited)		28.2.2023 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Bank borrowings	1,970,764	2,053,409	2,107,675	2,087,465
Borrowings from immediate holding company	600,000	606,299	–	–

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 JPY and HKD (for cross-currency interest rate swap and foreign exchange forward contract), 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 Monday, 16th October 2023 to Tuesday, 17th October 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 13th October 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

With the COVID-19 pandemic (the "Pandemic") ceasing to be a public health emergency, economic and social activities steadily returned to normalcy during the six months ended 31st August 2023 ("1H2023" or the "Reporting Period"). However, given the macro challenges persisting amid rising US policy rates, continuing stress on the real property market in Mainland China and global economic slowdown, among others, consumers have yet to regain full confidence in the local and the wider economy to be returning to pre-Pandemic consumption levels.

As market recovery continued to gain momentum, the Group took a number of timely measures during the Reporting Period to drive healthy growth in both sales and receivables for a quality portfolio that should offer income, growth and resilience, all at the same time.

With regard to marketing, the Group utilized targeted marketing and attractive marketing promotions such as "Muk Muk Buy to Earn" and "Ocean Park x AEON Card emoji® Summer Splash 2023" to better make known to the right customers its competitive products and services. The Group also organized thematic roadshows at exhibitions and shopping malls to increase our reach. Following on the popularity of the cash-back loyalty incentive scheme established under AEON CARD WAKUWAKU, with approximately 81,000 cards issued within just the first year, the Group launched similar incentive programs such as the "AEON Card Japan Spending Rewards" and "AEON UnionPay Card – Mainland China & Macau Spending Rewards" to stimulate local dining and overseas spending.

To enhance credit card service and security, the revamped mobile apps incorporate biometric authentication, along with one-time password for online transactions and short message service alert for high-risk card transactions. In addition, the AEON UnionPay Card was enhanced with "QR Pay" and "QR Cash" functions to make payment and cash withdrawals simpler and more handy.

In order to diversify its branch network and meet customers' growing demand for face-to-face advisory services, the Group continued to revamp and expand its branch network. Of special note is, the new Tuen Mun branch from late March 2023, with almost double the floor area of its predecessor and a dedicated insurance consultation counter for providing an enhanced customer experience.

Regarding credit management, the continued enhancement of the Group's credit assessment model with updated market indicators, which helps achieve a finer balance between customers' financial needs and credit risk, has allowed customers to get access to flexible credit facilities that remain relevant and affordable. At the same time, implementation of a new analytical tool in collections department has gone some significant way to control the increase in delinquent receivables.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Business Review (Continued)**

With the above measures in place, the Group achieved an overall increase in sales of 24.6% in 1H2023 compared with the first half of last year (“1H2022” or the “Previous Period”), and the gross advances and receivables balance increased by 10.3% from the end of February 2023. The Group’s credit risk management has proved itself effective against the market’s increasing bankruptcy trend in the second quarter, with the percentage of the Group’s higher credit risk or otherwise credit impaired advances and receivables (i.e. stage 2 and stage 3 receivables) to total advances and receivables maintained at similar level as at 31st August 2023 and 28th February 2023.

Regarding information technology, the rollout of the new card and loan system project, AEON Netmember service and “AEON HK” Mobile App will provide a flexible and integrated platform for the creation and delivery of new payment solutions and product benefits, as well as easy access to better data analytics tools and services in the near future.

In addition to business growth, the Group also places great emphasis on integrating sustainability into its business operations. In early April 2023, the new branch uniforms made from environmentally friendly materials were introduced. Using recycled materials, for the new uniforms will help reduce the Group’s carbon footprint. More comfortable outfit for staff members is conducive to higher productivity, thus transforming their overall work experience.

As for the Mainland China business, the Company completed the capital injection of RMB50 million into AMF (SZ) in the second quarter to meet the capital requirements for further business growth in the personal loan business. AMF (SZ) achieved an increasing sales trend throughout the Reporting Period, while AIS provided the Group with effective telemarketing activities to increase personal loan and cash advance sales.

### **Interim Dividend**

In view of the Group’s strong and sound financial position and in order to once again share its fruitful results with shareholders, the Board has resolved to declare an interim dividend of 24.0 HK cents per share (1H2022: 22.0 HK cents per share), representing a dividend payout ratio of 52.5%, which is in line with the Group’s policy of paying no less than 30% of its net profit for the period as dividends each year.

### **Financial Review**

Although there was no disposal of distressed assets in the Reporting Period as in the case of the Previous Period with a gain of HK\$31.9 million, profit before tax for 1H2023 was HK\$230.9 million, an increase of 9.4%, or HK\$19.8 million, when compared with 1H2022. After deducting income tax expenses of HK\$39.4 million, the Group recorded an increase in profit of 8.3%, and profit after tax increased from HK\$176.8 million for 1H2022 to HK\$191.4 million for 1H2023. Earnings per share increased from 42.21 HK cents to 45.71 HK cents for the Reporting Period.

The net debt to equity ratio increased from 0.5 as at 28th February 2023 to 0.6 as at 31st August 2023, while the total equity to total assets ratio was 55.9% and 60.3% as at 31st August 2023 and 28th February 2023, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

Net asset value per share (after interim dividend) was HK\$9.2 as at 31st August 2023, compared with a net asset value per share (after final dividend) of HK\$9.1 as at 28th February 2023.

### *Consolidated Statement of Profit or Loss Analysis*

#### *Revenue*

Revenue for 1H2023 was HK\$783.1 million, an increase of 37.0%, or HK\$211.4 million, when compared with the HK\$571.7 million recorded in 1H2022.

#### *Net interest income*

As the economy gradually recovered from the Pandemic, the Group implemented various marketing programs to meet the market demand, which resulted in the continued increase of revolving credit card receivables and personal loan receivables. Together with the increase in the interest rate on card credit purchases, the Group recorded a significant increase in interest income of 37.1%, or HK\$178.1 million, from HK\$479.7 million in the Previous Period to HK\$657.8 million in the Reporting Period.

The Group's interest expenses recorded an increase of HK\$30.6 million, from HK\$16.1 million in the Previous Period to HK\$46.7 million in the Reporting Period as a result of an increase in both the amount of bank borrowings to finance the debtor receivable balances and the generally higher interest rates in line with the market. With a bank borrowing portfolio comprising a mix of bank borrowing rates and different maturities, the Group managed to have a gradual increase from 2.6% in the Previous Period to 3.9% in 1H2023 for its average cost of funds.

As a result, the Group's net interest income for 1H2023 was HK\$611.1 million, representing an increase of 31.8%, or HK\$147.4 million, compared with 1H2022.

#### *Operating income*

Although the value of credit card purchases increased significantly during the Reporting Period, increase in commission income was offset by increase in the cost of running the attractive cashback incentive scheme, resulting in a slight decrease in fees and commissions from credit card issuing business by HK\$0.6 million to HK\$31.2 million in the Reporting Period. For credit card acquiring business, fees and commissions increased by HK\$6.5 million to HK\$20.5 million during the Reporting Period as sales increased due to an increase in the number of card acquiring merchants and the average transaction size. Due to an adjustment period and market repositioning following diversification in insurance distribution channels, fees and commissions from the insurance intermediary business fell from HK\$13.6 million in the Previous Period to HK\$11.1 million in the Reporting Period. Overall, the Group recorded an increase in fees and commissions of 5.7%, or HK\$3.4 million, from HK\$59.4 million in 1H2022 to HK\$62.8 million in 1H2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

#### *Consolidated Statement of Profit or Loss Analysis (Continued)*

##### *Operating income (Continued)*

As a result of the higher demand for cash advances and the increase in the number of customers making minimum payments in 1H2023, handling and late charges increased by HK\$30.0 million to HK\$62.6 million for 1H2023.

In terms of other income, the Group recognized an income of HK\$3.2 million from card scheme sponsorship in 1H2023, while in 1H2022, the Group recognized income of both the marketing support fund of HK\$7.8 million from an insurance partner upon complete fulfilment of relevant contractual terms and conditions and government subsidies of HK\$2.5 million under the Employment Support Scheme, which resulted in a decrease of other income by HK\$11.1 million to HK\$5.4 million for 1H2023 compared with the Previous Period.

Following the completion of the new card and loan system and mobile apps revamp projects, a loss on disposal of property, plant and equipment of HK\$9.3 million was recognized in other gains and losses during the Reporting Period, resulting in a loss of HK\$9.1 million in 1H2023, compared to a gain of HK\$0.1 million in 1H2022.

Overall, the Group's operating income for 1H2023 recorded an increase of 28.0%, or HK\$160.4 million, from HK\$572.3 million in 1H2022 to HK\$732.7 million in the Reporting Period.

##### *Operating expenses*

Although the Group have been conducting more marketing and advertising promotional activities to capture the growing consumer demand after the Pandemic, effective use of a combination of traditional and digital marketing channels successfully reduced marketing and promotional expenses by HK\$3.4 million to HK\$53.6 million in 1H2023. With the launch of new card and loan system and upgraded mobile apps, additional manpower to support the back-office digitalization and new systems, together with an increase in card association fees due to the increase in card sales, depreciation on property, plant and equipment, staff costs and general administrative expenses increased by HK\$7.0 million, HK\$9.1 million and HK\$7.3 million, respectively, compared with the Previous Period.

Although total operating expenses increased by 8.6%, or HK\$27.9 million, from HK\$323.5 million in the Previous Period to HK\$351.4 million in the Reporting Period, the cost-to-income ratio decreased from 56.5% in 1H2022 to 48.0% in 1H2023 due to the increase in operating income.

At the operating level before impairment losses and impairment allowances, the Group recorded an operating profit of HK\$381.3 million in 1H2023, representing an increase of 53.3% from the HK\$248.8 million recorded in 1H2022.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

#### *Consolidated Statement of Profit or Loss Analysis (Continued)*

##### *Impairment losses and impairment allowances*

The high global inflation and interest rate environment in 1H2023, coupled with a continuing pressure on the real property market in Mainland China, led to an increase in credit defaults and weakened expected economic indicators. Nevertheless, the Group made significant efforts to fine-tune the credit assessment model to reduce the proportion of advances and receivables with higher credit risk, and used effective credit risk management and fraud detection tools to reduce the possibility of the occurrence of credit impaired assets. Despite the significant increase in gross advances and receivables after the Pandemic in 1H2023, impairment losses and impairment allowances recorded a gradual increase of HK\$75.1 million to HK\$164.6 million in 1H2023 from HK\$89.5 million in 1H2022.

#### *Consolidated Statement of Financial Position Analysis*

The Group's total equity as at 31st August 2023 was HK\$3,957.0 million, representing an increase of 1.7%, or HK\$64.5 million, compared with a balance of HK\$3,892.5 million as at 28th February 2023.

Total assets as at 31st August 2023 were HK\$7,083.1 million, compared with total assets of HK\$6,457.7 million as at 28th February 2023.

##### *Advances and receivables*

With the launch of successful marketing and advertising activities and the expansion of the service network to stimulate the sales after the end of the Pandemic, cash advance sales and personal loan sales recorded an increase of 27.5% and 43.2%, respectively, in 1H2023 when compared with 1H2022. Personal loan receivables increased from HK\$1,263.9 million as at 28th February 2023 to HK\$1,449.3 million as at 31st August 2023, while credit card receivables increased substantially from HK\$4,481.0 million as at 28th February 2023 to HK\$4,817.4 million as at 31st August 2023.

Gross advances and receivables increased by 10.3%, or HK\$603.7 million, to HK\$6,439.9 million as at 31st August 2023 from HK\$5,836.2 million as at 28th February 2023. Gross advances and receivables exposed to high credit risk and credit impaired increased progressively and amounted to HK\$254.0 million and HK\$283.6 million as at 28th February 2023 and 31st August 2023, respectively. Impairment allowances stood at HK\$234.5 million as at 31st August 2023, representing 3.6% of gross advances and receivables, compared with HK\$191.7 million as at 28th February 2023, representing 3.3% of gross advances and receivables.

##### *Indebtedness*

Due to the increase in the gross advances and receivables balance, the Group raised additional bank borrowings and borrowing from immediate holding company during the Reporting Period, with a balance of HK\$2,570.8 million as at 31st August 2023, compared with HK\$2,107.7 million as at 28th February 2023. Of the indebtedness as at 31st August 2023, 57.5% had fixed interest rates and 42.5% were hedged against interest rate and/or currency exchange rate fluctuations through relevant swap instruments. Of these indebtedness, 27.2% will mature within one year, 17.9% between one and two years and 54.9% between two and five years.

The average duration of indebtedness at 31st August 2023 was 2.1 years, compared with 1.9 years as at 28th February 2023.

## 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 1H2023, 79.7% of the Group's revenue was derived from credit card related operations, compared with 78.2% in 1H2022, while personal loan operations accounted for 18.9% of the Group's revenue, compared with 19.4% in the Previous Period. As for segment results, credit card operations accounted for 86.2% of the Group's overall business, compared with 75.5% in the Previous Period, while personal loan operations accounted for 11.6%, compared with 17.5% in the Previous Period.

For credit cards, the Group recorded a progressive increase in credit card sales and continued to accumulate revolving credit card balances during the Reporting Period as a result of continuous brand building efforts to generate greater market awareness and the launch of well-received marketing programs. As a result, revenue from credit card operations increased by 39.6%, or HK\$177.0 million, to HK\$624.1 million from HK\$447.1 million in 1H2022. This remarkable surge in revenue successfully mitigated the impact of the rise in borrowing costs and impairment losses and allowances, resulting in the segment result for the Reporting Period increasing by HK\$41.6 million or 26.3% to HK\$200.0 million from HK\$158.4 million in 1H2022.

For personal loans, through personalized marketing activities in social media, the expansion of the branch network and the promotion of instant loans, the personal loan receivables balance as at 31st August 2023 increased by 38.5% as compared with the balance as at 31st August 2022. Revenue from personal loan operations increased by 33.4%, or HK\$37.1 million, from HK\$110.9 million in 1H2022 to HK\$148.0 million in 1H2023. However, with the increase in funding costs and impairment losses and impairment allowances during the Reporting Period, together with the recording of a gain on disposal of distressed assets in the Previous Period, the segment results of personal loan operations decreased by HK\$9.9 million to HK\$26.9 million from HK\$36.8 million in 1H2022.

The insurance intermediary business went through a period of tactical changes and launches of new product line due to the restructuring of the distribution channels. As a result, the growth momentum of the insurance intermediary business suffered slightly, with segment revenue amounting to HK\$11.1 million for the Reporting Period, a decrease of 19%, or HK\$2.5 million, compared with HK\$13.6 million for the Previous Period. The segment results amounted to HK\$5.0 million for the Reporting Period, a decrease of 65.8%, or HK\$9.6 million, when compared with HK\$14.6 million for the Previous Period, which included the recognition of the marketing supporting fund received under an insurance distribution agreement as income.

In terms of financial results by geographical location, as the overall economic climate is improving and market confidence is gradually increasing, with the significant stimulation of consumer spending boosting sales for both credit card and personal loan business, revenue from the Hong Kong operations recorded an increase of 37.2%, or HK\$209.0 million, from HK\$561.2 million in 1H2022 to HK\$770.2 million in 1H2023 due to higher revolving receivables balances. Segment results from the Hong Kong operation recorded an increase of 10.3%, or HK\$21.5 million, from HK\$208.1 million in 1H2022 to HK\$229.6 million in 1H2023.

As for the Mainland China operation, the Group focused on improving the financial performance and diversifying the loan products of its microfinance subsidiary in Shenzhen. Revenue recorded an overall increase of HK\$2.4 million, from HK\$10.5 million in 1H2022 to HK\$12.9 million in 1H2023. In addition, following completion of the liquidation process of the microfinance subsidiary in Tianjin, the results of this segment increased to HK\$2.3 million in 1H2023 from HK\$1.7 million in 1H2022.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Prospects

The resilience of the global economy in the second half of this year (“2H2023”) will continue to be tested by the impact of rapid monetary tightening, geopolitical rivalry and geoeconomic fragmentation. A prolonged period of high interest rates will sustain the dampening of consumer confidence. Notwithstanding these unfavourable circumstances, there are evident signs of recovery in Hong Kong on many fronts. Tourism and other service-related industries see an obvious rebound as a result of increased visitor arrivals from Mainland China. Overall, the local economy is expected to recover from last year’s Pandemic-related lows.

The Group will strive to accelerate the momentum of sales and receivables growth in this recovering but still competitive and challenging market, while improving the credit assessment technique to maintain a stable asset quality. On the marketing side, the Group will continue to launch mass promotion initiatives for both its credit card and personal loan businesses, such as the “AEON x Ocean Park ‘Admission Ticket Promotion’” and others with exciting gamification and incentives, in order to capture an anticipated surge in consumer spending in the market. Moreover, the Group will further strengthen its customer relationship management and foster customer engagement through various channels. New contactless payment products and digital services are expected to be launched to enrich the customer journey and ensure that the Group stays ahead in this competitive environment.

To further reduce its carbon footprint and energy consumption, the Company will accelerate its efforts to gradually remove traditional first-use PVC plastics from its credit cards. From September 2023, the newly produced AEON CARD WAKUWAKU will be the first batch of credit cards to be made from more sustainable plastic approved by the Global Recycled Standard. This initiative is in line with the Group’s commitment to sustainability and expands the more sustainable card offerings to the more environmentally conscious consumers. After completion of major information technology projects, the Group will strive to employ more paperless payment solutions to reduce its impact on the environment.

For the Mainland China operation, in addition to achieving continued business growth in its microfinance and business process centre subsidiaries in Shenzhen, the Group has established sustainability-related key performance indicators in these two subsidiaries as well to determine the Group’s overall level of sustainability. The Group will continue to improve its internal business processes to achieve greater sustainability and create greater value for its shareholders.

This year marks the 30th anniversary of AEON Credit Card since the first issue in 1993. Going forward, the Group will continue to enhance the customer experience by launching convenient and premium services. It will remain committed to providing exceptional credit card services, meeting the evolving needs of its customers and expanding its customer base with more innovative and tailored offerings. With the Group’s strong liquidity position and balance sheet, it will capture the vast opportunities in the growing consumer finance market and deliver sustainable growth in the years ahead.

## 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:

	<b>31.8.2023</b> <i>HK\$'000</i>	28.2.2023 <i>HK\$'000</i>
Debt ( <i>Note a</i> )	<b>2,701,526</b>	2,150,374
Cash and cash equivalents	<b>(346,802)</b>	(387,507)
Net debt	<b>2,354,724</b>	1,762,867
Equity ( <i>Note b</i> )	<b>3,957,015</b>	3,892,460
Net debt to equity ratio	<b>0.6</b>	0.5

#### *Notes:*

- (a) Debt comprises lease liabilities, bank borrowings and borrowings from immediate holding company.
- (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 and JPY purchases. At 31st August 2023, 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 2023 and 28th February 2023, the Group's total number of employees was 558 (Hong Kong: 379; PRC: 179) and 545 (Hong Kong: 373; PRC: 172), respectively. The Group continues to recognize and reward its staff in a manner similar to that disclosed in its 2022/23 Annual Report.

### CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS

The Group's approach and strategy underpinning its credit business model as detailed in the annual report for the financial year ended 28th February 2023 remained largely identical for 1H 2023.

Regarding personal loan business, the Company provides instalment loans to customers and earns interest income for their durations, with loan amount mostly ranging from HK\$5,000 to HK\$990,000 for 1H 2023 and HK\$10,000 to HK\$1,000,000 for 1H 2022, interest rates ranging from 2.3% up to 48.0% for 1H 2023 and 2.3% to 50.7% for 1H 2022, with reference to the nature of the loan, the credit score of the applicant, as well as credit risks identified with regard to the aspects taken into account in the relevant credit assessment and tenors (mostly ranging from six months to five years for 1H 2023 and 1H 2022).

In general, without taking into account of specific circumstances and considerations, (i) interest rates range from 2.0% to less than 15.0% for applicants with credit scores assigned by credit reference agency TransUnion (TU) in the range of AA to EE, 15.0% to 30.0% for FF and GG, 30.0% to 36.0% for HH, and beyond 36.0% for applicants under debt restructuring; (ii) tenors are up to 36 months for tax loans, up to 60 months for normal personal loans, and up to six years for debt restructuring loans.

For card issuing business, the Company issues credit cards of different brands to individuals with approved credit limits. In order to maintain the credit facility, cardholders may be charged an annual fee. For card credit purchase transactions, the Company receives interchange fees from the various card associations for 'off-us' transactions (i.e., transactions made through a card associations' networks) and commissions directly from certain merchants for 'on-us' transactions (i.e., transactions made only through the Company's own network and not a card association's network) and card instalment plans. Cardholders are provided with interest-free period of up to around 52 days, with interest being charged on the unpaid balance and new transactions after the due date of the relevant payment. For card cash advance transactions, a one-time cash advance handling fee will be charged, and interest will accrue on the unpaid balance from the cash advance drawdown. A late payment fee will be charged for each minimum payment not received by the payment due date. For 1H 2023 and 1H 2022, the Company provided household credit limits under credit card facilities mostly ranging from HK\$5,000 to HK\$490,000 and HK\$5,000 to HK\$400,000 respectively, with effective interest rates ranging from 8.5% to 35.9% for 1H 2023 and 26.8% to 43.5% for 1H 2022 (with reference to card types and the nature of the credit card transactions).

For both 1H 2023 and 1H 2022, all of the customers in the Group's consumer credit financing business are either residing in Hong Kong or the Mainland China.

## **CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS (Continued)**

### **Customer Acquisition**

The aggregate outstanding balances of the top five customers represented less than 1% of the entire personal loan outstanding balance at 28th February 2023 and 31st August 2023 that comprised primarily of individuals with a stable source of income. Around 47.4% of the Company's customers are currently in the age range of 41 to 60.

### **Credit Assessment and Management**

There is no change in the credit assessment or management process for personal loans and credit cards for the six months ended 31st August 2023, of which details are stated in the annual report for the year ended 28th February 2023.

### **Internal Control**

There is no change in the key internal controls of the credit business for the six months ended 31st August 2023, of which details are stated in the annual report for the year ended 28th February 2023.

### **Income and Source of Funding**

For the six months ended 31st August 2023, interest income from money lending business accounted for 84.0% of the Group's revenue (1H 2022: 83.9%). Details of the aggregate principal amount and interest receivable, duration and the effective interest rates of the loans under credit card facilities and personal loans are listed in note 15 to the condensed consolidated financial statements in this interim report. The Group also received fees and commissions from credit card transactions and from handling and late charges from credit card and personal loan transactions, which accounted for 6.6% and 8.0% respectively of the Group's revenue in 1H 2023 (1H 2022: 8.0% and 5.7% respectively).

The source of funding for both credit card and personal loan business comes from bank borrowings, borrowings from immediate holding company and the internal resources of the Group. At 31st August 2023 and 28th February 2023, the Group's indebtedness are either with fixed interest rates or hedged against interest rate fluctuation by means of interest rate swaps. Moreover, the Group has an evenly distributed indebtedness portfolio to lessen the impact of short-term interest rate fluctuations. The average duration of indebtedness was 2.1 years at 31st August 2023, as compared with 1.9 years at 28th February 2023.

Regarding liquidity risk, the Group continues to utilise long-term bank borrowings to fund its receivables growth, with the majority of tenors for the receivables being within one to two years. The Group therefore does not have any liquidity risk issues.

## **CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS (Continued)**

### **Income and Source of Funding (Continued)**

In relation to capital base, at 31st August 2023, 59.4% of its funding was derived from total equity, and 40.6% from direct borrowings, with debt-to-equity ratio being 0.6 (28th February 2023: 0.5). 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 operating requirements.

### **Money Lending Business in the Mainland China**

In the Mainland China, the microfinance subsidiary in Shenzhen, AMF (SZ), provides loans to the general public residing in Shenzhen under its microfinance licence granted by the Shenzhen Local Financial Supervision and Administration Bureau. The microfinance subsidiary provides instalment loans to individuals and earns interest income for the durations of such loans, with the loan amounts mostly ranging from RMB3,500 to RMB350,000 for 1H 2023 and from RMB1,000 to RMB200,000 for 1H 2022, interest rates ranging from 9.0% up to 24.0% for 1H 2023 and 7.2% up to 24.0% for 1H 2022 (depending on the loan amount and tenor, as well the credit risks identified with regard to the nature of the loan and the aspects taken into account in the relevant credit assessment) and tenors mostly ranging from three months to three years for 1H 2023 and from six months to two years for 1H 2022.

The credit assessment, credit monitoring, risk management and internal control are similar to that for the Company's personal loan business in Hong Kong.

## **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, amount due from intermediate holding company and immediate holding company, bank borrowings, borrowings from immediate holding company, creditors, lease liabilities, amounts due to fellow subsidiaries, intermediate holding company, and derivative financial instruments in the designated hedge accounting relationships. Details of the Group's derivative financial instruments are disclosed in respective notes.

The Board is responsible for evaluating and determining the nature and extent of significant risks (including ESG 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. 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.

## **MANAGEMENT OF RISKS (Continued)**

Each department across the Group embraces the Group's Enterprise Risk Management (the "ERM") framework for its process management in day-to-day business activities. The ERM framework includes credit, operational (process, system, human, tangible assets, reputation), market, liquidity, legal and compliance risks. There are risk management policies, regulations and guidelines issued for each department to identify, assess, manage, and control risks across the Group. All business units have established procedures, key risk indicators and key performance indicators to ensure continuity of operations capability, high quality customer service and effective risk control through proactive management, operational excellence and alignment with best market practices. Management manages significant risks and ensures that risk mitigation efforts are prioritised and adequately controlled. Exposure to risks is continuously 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.

### **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 way in which risk is managed and measured. The Group does not enter into or trade derivative financial instruments for speculative purposes.

### *Foreign currency risk*

Certain bank balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk as a result of a change in foreign currency exchange rates.

In order to minimise the foreign currency risk, the Group has been using cross-currency swaps which are designed to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are structured to factor in and reflect those of the hedged borrowings in order to ensure that the net foreign currency risk after taking derivative financial instruments into consideration is not material to the Group.

## **MANAGEMENT OF RISKS (Continued)**

### **Market risk (Continued)**

#### *Interest rate risk*

The Group's exposures to fair value interest rate risk relates primarily to fixed-rate loans and borrowings, including variable/floating rate borrowings that change from variable rate to fixed rate under hedge accounting. 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 financial liabilities with floating rates, except for those that change from variable rate to fixed rate under hedge accounting.

The Group monitors the interest rate risk exposure through assessing the interest rate gap of its interest-bearing financial assets and financial liabilities. To minimise interest rate gap on cash flows, the Group has been using interest rate swaps to convert its variable rate debts to fixed rates. The key terms of these interest rate swaps are structured to factor in and reflect those of hedged borrowings.

#### *Equity price risk*

The Group is exposed to equity price risk through its equity instruments at FVTOCI. The management will monitor the price movements and take appropriate actions when it is required.

### **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, amount due from intermediate holding company, time deposits, and bank balances.

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. However, the likely amount of loss is less than the total unused credit card limit, as the credit facilities are contingent upon customers maintaining specific credit standards. 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 2023, unused credit card limit of HK\$35,604,487,000 (28th February 2023: HK\$36,466,290,000) was unrecorded in the consolidated statement of financial position.

Other than concentration of credit risk on liquid funds and derivative financial instruments which are deposited with several banks with high credit-rating, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

## **MANAGEMENT OF RISKS (Continued)**

### **Liquidity risk**

The Group has an appropriate liquidity risk management framework in place 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 maintaining a conservative level of long-term funding to finance its short-term financial assets.

### **Capital risk**

It is the Group's policy to maintain a strong capital base to support the development of the Group's businesses. The Group relied principally on internally generated capital and external borrowings for the working capital. The funding position is regularly monitored and reviewed to ensure that it is within internally established limits and at reasonable costs.

### **Operational risk**

The Group's operational risk includes processing risk, human risk, information technology risk, tangible risk, reputational risk and legal and compliance risks. The Group's operational risk management framework provides a system of risk management and internal controls for the identification, assessment, mitigation and prevention of operational risks. The primary responsibility of each division head, department head and branch manager are to manage inherent risks to the extent that they can be tolerated based on management's risk appetite. The main inherent risks are compliance for Anti-Money Laundering and Counter-Terrorist Financing and financial crime.

### **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 invested resources to manage cyber security risks, improve cyber resilience and ensure adequate cyber security awareness across 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.

### **Climate risk**

Climate risk is the risk of loss due to changes in the climate or the Group's adjustment process to a lower-carbon and more environmentally sustainable economy. The Group has incorporated climate-related risks into operational, regulatory, reputational and strategic risks. The Group has identified strong typhoons, power suspensions, fire hazards and pandemics as physical climate-related risk drivers, and market sentiment and technology and regulatory changes as transitional climate-related risk drivers. The Group combats with physical climate-related risks by digitalisation of the process in which financial services are delivered, for example, via the "AEON Netmember" and "AEON HK" mobile App, to minimise the impact. For transitional climate-related risks, the Company's Strategy Committee oversees medium and long-term strategy planning and development of the Group, taking into consideration of the risks faced by the Group, including climate risk.

## **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 continued to comply with the code provisions of the CG Code as applicable to the Company throughout the six months ended 31st August 2023 and set out then in Appendix 14 to the Listing Rules, with the exception of code provision B.2.2 which is explained below.

Code provision B.2.2 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 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.

### **Establishment of Strategy Committee**

With effect from 29th June 2023, the Board has established the Strategy Committee as an additional Board committee. Members of the Strategy Committee currently comprise Mr. Tomoharu Fukayama and Mr. Lee Ching Ming Adrian, with Mr. Choi Ping Chung as its chairman.

### **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 2023, 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>Directors</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of the Company</i>
Tomoharu Fukayama	100,000	0.02
Lai Yuk Kwong	20,000	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	4,583	0.01
Tomoharu Fukayama	7,136	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 2023.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### Substantial Shareholders' Interests in Shares

At 31st August 2023, 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	286,088,000	68.32
AFS ( <i>Note 2</i> )	Interest of a controlled corporation	226,314,000	54.04
AFS (HK) ( <i>Note 3</i> )	Beneficial owner	226,314,000	54.04
FMR LLC	Interest of controlled corporations	37,630,568	8.99
Fidelity Puritan Trust	Beneficial owner	25,109,949	5.99

#### 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 48.20% 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 226,314,000 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 226,314,000 shares owned by AFS (HK).
3. Out of 226,314,000 shares, 213,114,000 shares were held by AFS (HK), and 8,250,000 shares and 4,950,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited and Everbright Securities Investment Services (HK) Limited respectively, both 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 2023.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

The changes in the information of Directors since the publication of the 2022/23 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

<b>Name of Directors</b>	<b>Details of Changes</b>
Tomoharu Fukayama	<ul style="list-style-type: none"><li>Received an annual discretionary bonus of HK\$730,000 in June 2023</li><li>Appointed as a member of the Strategy Committee on 29th June 2023</li></ul>
Lai Yuk Kwong	<ul style="list-style-type: none"><li>Received an annual discretionary bonus of HK\$400,000 in June 2023</li><li>Entitled to an annual base salary of HK\$1,680,000 with effect from 29th June 2023</li></ul>
Daisuke Takenaka	<ul style="list-style-type: none"><li>Received an annual discretionary bonus of HK\$234,516 in June 2023</li><li>Retired as an Executive Director on 29th June 2023</li></ul>
Wei Aiguo	<ul style="list-style-type: none"><li>Received an annual discretionary bonus of HK\$530,000 in June 2023</li><li>Entitled to an annual base salary of HK\$1,464,000 with effect from 29th June 2023</li></ul>
Jin Huashu	<ul style="list-style-type: none"><li>Entitled to an annual base salary of CNY601,500 and a contractual bonus of CNY280,000 from AEON Micro Finance (Shenzhen) Co., Ltd with effect from 1st July 2023</li></ul>
Lee Ching Ming Adrian	<ul style="list-style-type: none"><li>Ceased as a member of the Audit Committee and the Nomination Committee on 29th June 2023</li><li>Appointed as a member of the Strategy Committee on 29th June 2023</li><li>Entitled to an annual fee of HK\$380,000 with effect from 1st July 2023</li></ul>
Shing Mo Han Yvonne	<ul style="list-style-type: none"><li>Appointed as an Independent Non-executive Director of Analogue Holdings Limited on 27th June 2023</li><li>Appointed as a member of the Hong Kong Deposit Protection Board on 1st July 2023</li><li>Entitled to an annual fee of HK\$400,000 with effect from 1st July 2023</li></ul>
Junko Dochi	<ul style="list-style-type: none"><li>Entitled to an annual fee of HK\$360,000 with effect from 1st July 2023</li></ul>
Choi Ping Chung	<ul style="list-style-type: none"><li>Appointed as an Independent Non-executive Director on 29th June 2023</li><li>Appointed as the Chairman of the Strategy Committee, and a member of the Nomination Committee on 29th June 2023</li><li>Entitled to an annual fee of HK\$400,000 with effect from 1st July 2023</li></ul>

## **CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)**

### **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 2023. In addition, the condensed consolidated financial statements for the six months ended 31st August 2023 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*

Hong Kong, 28th September 2023



**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 2023 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 2023

## **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
AIS	AEON Information Service (Shenzhen) Co., Ltd.
AMF (SZ)	AEON Micro Finance (Shenzhen) Co., Ltd
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
ESG	Environmental, Social and Governance
FVTOCI	Fair value through other comprehensive income
Group	the Company and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HKAS	Hong Kong Accounting Standards
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)**

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
TONA	Tokyo Overnight Average Rate
USD	United States Dollars, the lawful currency of the United States of America