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

ANNUAL REPORT 2020/21

Planting Seeds of Growth

We are AEON

Contents

ISO 9001 - QMS / FS 513193 ISO 14001 - EMS 538444 ISO 27001 - ISMS / IS 500955

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Masaaki Mangetsu *(Chairman)*

Independent Non-executive Directors

Lee Ching Ming Adrian
Kenji Hayashi
Shing Mo Han Yvonne
Junko Dochi

COMPANY SECRETARY

Hung Tun Shun Jason

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SHARE REGISTRAR

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

MAJOR BANKERS

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

REGISTERED OFFICE

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

INTERNET ADDRESS

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

STOCK CODE

900

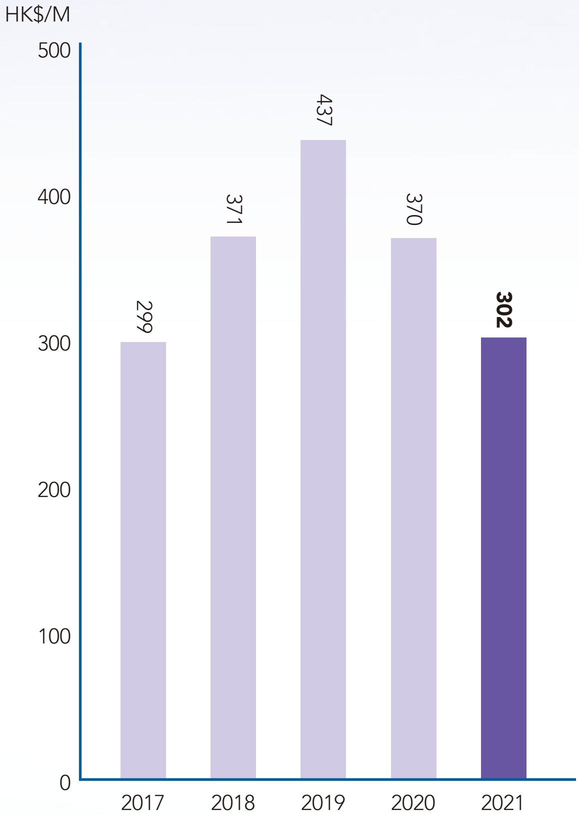
Shareholders' Calendar

30th September 2020	Announcement of interim results for the six months ended 31st August 2020
13th October 2020	Despatch of interim report for the six months ended 31st August 2020
15th – 16th October 2020	Book closing dates for interim dividend
30th October 2020	Payment of interim dividend of 22.0 HK cents per share
8th April 2021	Announcement of final results for the year ended 28th February 2021
21st May 2021	Despatch of annual report for the year ended 28th February 2021
22nd – 25th June 2021	Book closing dates for 2021 AGM
25th June 2021	2021 AGM
5th – 6th July 2021	Book closing dates for final dividend
16th July 2021	Payment of final dividend of 18.0 HK cents per share (subject to shareholders' approval at the 2021 AGM)

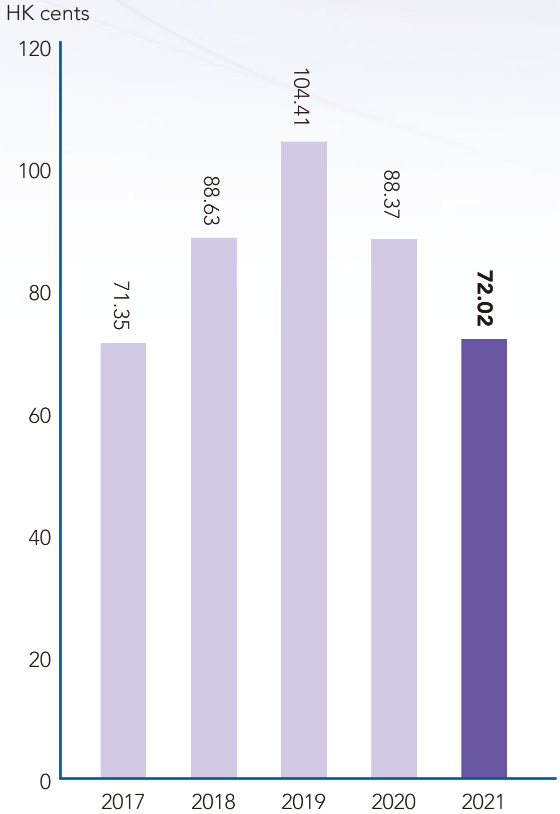
Financial Summary

CONSOLIDATED RESULTS

Profit (note 1)



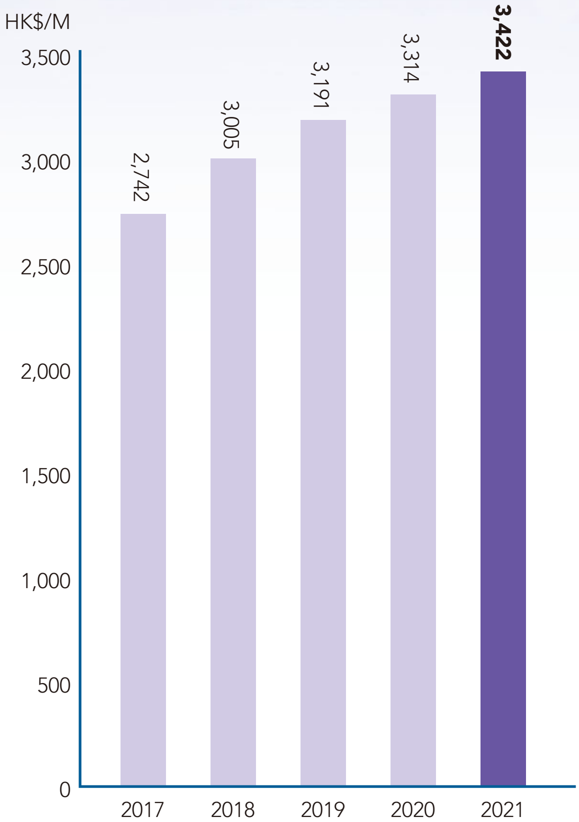
Earnings per share (note 2)



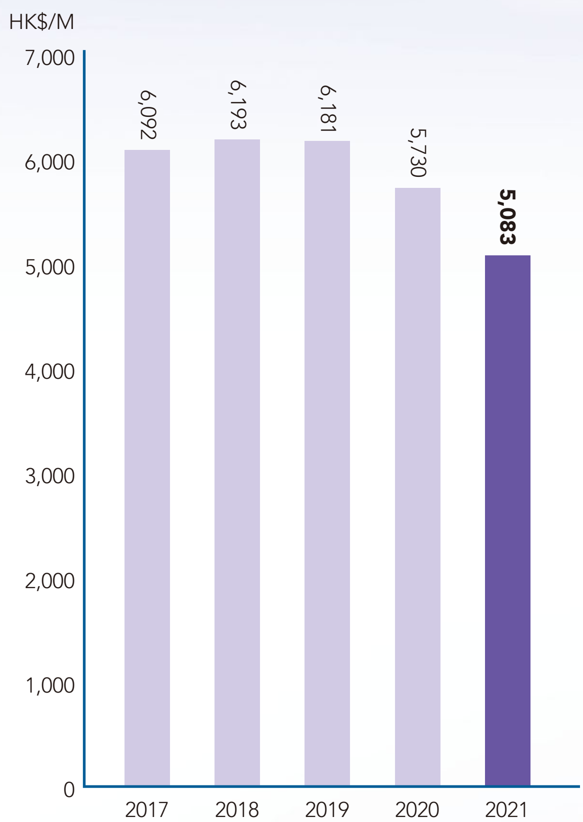
	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
Revenue	1,228,100	1,282,867	1,322,678	1,297,686	**1,089,858**
Profit before tax	367,234	447,265	524,122	444,930	**357,946**
Income tax expense	(68,438)	(76,117)	(86,868)	(74,847)	**(56,371)**
Profit for the year	298,796	371,148	437,254	370,083	**301,575**
Earnings per share	71.35 HK cents	88.63 HK cents	104.41 HK cents	88.37 HK cents	**72.02 HK cents**
Dividend per share	38.00 HK cents	42.00 HK cents	44.00 HK cents	44.00 HK cents	**40.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

Total equity (note 3)



Total assets (note 4)



	At				
	28.2.2017 *HK$'000*	28.2.2018 *HK$'000*	28.2.2019 *HK$'000*	29.2.2020 *HK$'000*	**28.2.2021** ***HK$'000***
Total assets	6,091,800	6,192,976	6,180,684	5,729,718	**5,083,366**
Total liabilities	(3,349,729)	(3,187,935)	(2,990,037)	(2,416,176)	**(1,661,336)**
Total equity	2,742,071	3,005,041	3,190,647	3,313,542	**3,422,030**

Notes:

1. Represents the consolidated profit for the financial years ended 28th February 2017, 28th February 2018, 28th February 2019, 29th February 2020 and 28th February 2021.

2. Represents the consolidated earnings per share for the financial years ended 28th February 2017, 28th February 2018, 28th February 2019, 29th February 2020 and 28th February 2021.

3. Represents the consolidated total equity at 28th February 2017, 2018, 2019, 29th February 2020 and at 28th February 2021.

4. Represents the consolidated total assets at 28th February 2017, 2018, 2019, 29th February 2020 and at 28th February 2021.

Management Discussion and Analysis

BUSINESS REVIEW

The Group faced an exceptionally uncertain market environment in the year under review. With the COVID-19 pandemic (the "Pandemic") becoming more serious and widespread across the whole world, international travel almost came to a halt and social distancing measures were implemented to various degrees in different countries, resulting in a drastic decrease in group gatherings and travelling. The way consumers run their daily lives has seen a shift to online shopping and indoor activities, which has boosted digital and household-related purchase transactions. This change of customer behaviour has prompted the Group to accelerate its digital transformation, through the continued upgrade of mobile applications and dedicating more resources to online merchant marketing promotions. Moreover, people in Hong Kong have generally become more cautious about spending under the Pandemic other than on daily necessities, resulting in the slowdown in demand for cash advances and personal loans. This was also reflected in the maintenance of stable asset quality in the second half of the year even in the face of rising unemployment. Although sales in the fourth quarter started to pick up owing to the launch of personalized marketing promotions, credit card and personal loan sales still recorded an overall drop of 13.7% for the year ended 28th February 2021.

In view of the slowdown of marketing activities under the Pandemic, the Group has made investing in digitalization a high priority, in order to enhance its capabilities across various areas of its business, and has also continued with the development of the new card and loan system to prepare for further technological upgrade in the payment industry.

OPERATIONAL REVIEW

During the year, the Group continued to enrich card member benefits and utilize new technologies to deliver premium services to our customers in a more efficient and effective way. The Group launched different promotional programs during the year, including the "AEON DAY" promotion and AEON Spending Reward promotion.

To improve customer convenience and accessibility, more features were added to the Company's mobile application and the Company's website was revamped, all in a bid to deliver a convenient service experience to our customers.

In view of the social unrest and social distancing measures under the Pandemic in the past two years, the Company completed the transformation of its branches to cashless operation with the cessation of all cash and cheque activities in branches and termination of its own ATM network operations in December 2020. Moreover, the Company decided to change its branch strategy to focus on branches inside department stores with a high concentration of shoppers and on mobile kiosks for card acquisition. The Company closed three branches during the year, including the flagship branch in Mongkok.

During the year, we continued with the development of the new card and loan system, with the front-end processor being successfully put in use in the third quarter as scheduled.

Meanwhile, the Group's Mainland China businesses continued to be hindered by the small scale of their operations. So far, we have been focusing on cost and bad debt control. In December 2020, the Group approved the commencement of the voluntary liquidation of AEON Micro Finance (Tianjin) Co., Ltd., since this subsidiary was likely to remain unable to make any material improvement in its financial performance or operations in the foreseeable future. The Group will concentrate on exploring the consumer finance market in the Guangdong-Hong Kong-Macau Greater Bay Area.

DIVIDEND

The Group has adopted a stable dividend policy, aiming to pay regular dividends with a target annual dividend payout ratio of not less than 30% of the consolidated net profits of the Group for the financial year. When proposing dividend, besides financial performance, the Board will take into consideration shareholders' interests, payout history, general business environment and cash flow requirements.

The Board has recommended a final dividend of 18.0 HK cents per share, bringing the total dividend for the year ended 28th February 2021 to 40.0 HK cents per share, representing a dividend payout ratio of 55.5%.

FINANCIAL REVIEW

For the year ended 28th February 2021, on an audited basis, profit before tax was HK$357.9 million, a decrease of HK$87.0 million when compared with the financial year ended 29th February 2020. After deducting income tax expense of HK$56.4 million, the Group recorded a decrease in profit of 18.5%, with profit after tax decreasing from HK$370.1 million in the previous financial year to HK$301.6 million in 2020/21. Earnings per share decreased from 88.37 HK cents to 72.02 HK cents for the reporting year.

Return on assets was 5.9% in 2020/21, as compared with 6.5% in 2019/20, while return on equity was 8.8% in 2020/21, as compared with 11.2% in 2019/20.

Net debt to equity ratio was 0.1 at 28th February 2021 and 0.4 at 29th February 2020, while total equity to total assets ratio was 67.3% and 57.8% at 28th February 2021 and 29th February 2020 respectively.

Net asset value per share (after final dividend) at 28th February 2021 was HK$8.0, as compared with the net asset value per share (after final dividend) of HK$7.7 at 29th February 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ANALYSIS

Revenue

Revenue for the year was HK$1,089.9 million, a decrease of 16.0% or HK$207.8 million when compared with HK$1,297.7 million in the previous financial year.

Net Interest Income

The adverse impacts of the Pandemic resulted in a drop in credit card and personal loan sales in the first half of the financial year. Although the brief partial uplift of social distancing measures in the third quarter brought about slight recovery in sales in the second half, gross advances and receivables at 28th February 2021 still recorded a drop of HK$628.2 million when compared with the balance at 29th February 2020. As a result, the Group recorded a decrease in interest income of 15.1% or HK$169.0 million, from HK$1,115.7 million in the previous financial year to HK$946.8 million in the current year.

The collateralized debt obligation arrangement was fully repaid in August 2020. In addition, the Group had also repaid other long-term banking borrowings upon maturity, with outstanding balance of indebtedness at 28th February 2021 reduced by HK$834.6 million when compared with the balance at 29th February 2020. The Group's average funding cost dropped from 2.8% in the previous year to 2.6% in the current year. Coupled with the reduction in outstanding indebtedness, the Group's interest expense recorded a decrease of 38.3% or HK$26.1 million, from HK$68.3 million in the previous financial year to HK$42.2 million in the current year.

Consequently, the Group's net interest income for 2020/21 was HK$904.6 million, representing a decrease of 13.6% or HK$142.8 million when compared with HK$1,047.4 million in 2019/20.

Operating Income

Fees and commissions from the credit card business recorded a drop of 30.7%, or HK$23.2 million, from HK$75.4 million in the previous financial year to HK$52.3 million in the current year. This was due to both the drop in credit card sales and the increase in the usage of award credits for credit card payments. There was a drop in fees and commissions from the insurance business of HK$4.2 million to HK$24.7 million in the current year due to the working arrangements implemented under the Pandemic. The Group recorded an overall decrease in fees and commissions of HK$27.4 million from HK$104.4 million in 2019/20 to HK$77.0 million in 2020/21.

Following a drop in demand for cash advances, handling and late charges recorded a decrease of 14.8% or HK$11.5 million to HK$66.1 million in the current year. The Group applied and recognized government subsidies of HK$12.4 million under the Employment Support Scheme, resulting in other income being HK$17.5 million in the current year, compared to HK$3.8 million in the previous year.

The Group's operating income for 2020/21 was HK$1,063.1 million, representing a decrease of 13.2% or HK$162.1 million when compared with HK$1,225.2 million of 2019/20.

Operating Expenses

Due to social distancing measures under the Pandemic, mass marketing activities were reduced during the year under review, resulting in a decrease of 12.1% or HK$9.9 million in marketing and promotion expenses to HK$72.0 million in the reporting year. With the closure of three branches and the termination of the whole ATM network, expenses related to leases decreased by around HK$6.1 million when compared with the previous year. There was also a reduction in expenses related to ATM operations, resulting in a drop of HK$12.6 million in general administrative expenses when compared with the previous year. The Group continued to realign its manpower by streamlining back-office operations while increasing manpower for new system implementation, with staff costs maintaining at a level similar to last year.

Overall operating expenses recorded a drop of HK$30.0 million from HK$565.9 million in 2019/20 to HK$535.9 million in the current year.

Cost-To-Income Ratio

Despite an effective control of operating expenses, with a drop in operating income, the Group recorded an increase in its cost-to-income ratio from 46.2% in the previous year to 50.4% in the current year.

Impairment Losses and Impairment Allowances

The continued adverse impacts of the Pandemic on businesses of all sizes caused the unemployment rate in Hong Kong to reach a record high in the year, with the latest figure being 7.2% (close to a 17-year high). Despite the continued decrease in advances and receivables, together with the early default detection action taken by the Group, had successfully reduced the overdue advances and receivables from HK$308.6 million at 29th February 2020 to HK$168.6 million at 28th February 2021. With the asset quality remaining at a stable level, there was an overall decrease of 18.5% or HK$47.9 million in impairment losses and impairment allowances from HK$258.7 million in FY2019/20 to HK$210.8 million for the year ended 28th February 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS

The Group's total equity at 28th February 2021 was HK$3,422.0 million, as compared with the balance of HK$3,313.5 million at 29th February 2020, while total assets at 28th February 2021 were HK$5,083.4 million, as compared with total assets of HK$5,729.7 million at 29th February 2020.

Property, Plant and Equipment/Right-of-Use Assets

During the year, the Group spent approximately HK$34.7 million on computer equipment and HK$0.5 million on leasehold improvements. For right-of-use assets, the Group as lessee recorded an addition of HK$41.6 million in the year.

Advances and Receivables

Due to the weakening credit demand in the market, personal loan receivables decreased by 23.9% from HK$1,025.9 million at 29th February 2020 to HK$781.0 million at 28th February 2021. Moreover, the social distancing and other preventive and control measures under the Pandemic resulted in a decrease in credit card sales, with credit card receivables also recording a decrease of 10.2%, or HK$364.2 million, from HK$3,579.1 million at 29th February 2020 to HK$3,214.9 million at 28th February 2021.

Coupled with a stable asset quality, impairment allowances decreased by HK$44.0 million, from HK$262.5 million at 29th February 2020 to HK$218.5 million at 28th February 2021.

Indebtedness

At 28th February 2021, the Group had bank borrowings (including syndicated term loan denominated in foreign currency) amounting to HK$1,182.9 million, with 7.6% having fixed interest rates and 92.4% being hedged against interest rate fluctuation by means of interest rate swaps. 44.6% of the indebtedness will mature within one year, 14.0% between one and two years, 34.4% between two and five years, and 7.0% over five years.

The average duration of indebtedness was 1.9 years at 28th February 2021, as compared with 1.6 years at 29th February 2020.

SEGMENT INFORMATION

The Group's business comprises three principal operating segments, namely credit cards, personal loans and insurance intermediary business. For the year ended 28th February 2021, credit card operations accounted for 78.6% of the Group's revenue, as compared with 76.8% in the previous financial year, while personal loan operations accounted for 19.1% of the Group's revenue, as compared with 21.0% in the previous financial year. For segment results, credit card operations in 2020/21 accounted for 82.9% of the Group's results, as compared with 81.8% in the previous financial year, while personal loan operations accounted for 13.7%, as compared with 15.2% in the previous financial year.

During the year under review, as the Group had recorded a decrease in credit card sales and receivables balance, revenue from credit card segment in 2020/21 recorded a decrease of 14.0% or HK$139.2 million from HK$996.2 million in 2019/20 to HK$857.0 million in 2020/21. Although the Group had effectively controlled operating expenses and contained the credit risk to reduce the impairment losses and impairment allowances by 12.3% or HK$20.7 million, the results from the credit card segment still recorded a decrease of 18.7% or HK$68.1 million from HK$364.1 million in the previous financial year to HK$296.0 million in 2020/21.

Given that the market demand for personal loan products remained weak under the Pandemic, there was a slowdown in sales throughout the financial year. Revenue from personal loan segment decreased by 23.6% or HK$64.4 million from HK$272.4 million in 2019/20 to HK$208.1 million in 2020/21. With effective credit management measures, the impairment losses and impairment allowances were reduced by 30.3% or HK$27.3 million, the segment results from personal loan operations recorded a decrease of HK$18.8 million from HK$67.8 million in 2019/20 to HK$49.1 million in the current financial year.

Following the special working arrangements under the Pandemic, revenue from insurance intermediary operations recorded a decrease of HK$4.3 million from HK$29.0 million in 2019/20 to HK$24.7 million in 2020/21, and the segment results was HK$12.0 million, as compared with HK$12.9 million in the previous financial year.

In terms of the financial results by geographical locations, Hong Kong operations accounted for 98.8% of the Group's revenue, as compared with 99.0% in the previous financial year, while China operations accounted for 1.2% of the Group's revenue, as compared with 1.0% in the previous financial year. For segment results, the losses from China operations impacted the Group's results by around 1.9% and 3.5% in 2020/21 and 2019/20 respectively.

Attributable to the drop in sales, revenue from the Hong Kong operations recorded a decrease of 16.2% or HK$208.1 million, from HK$1,284.9 million in 2019/20 to HK$1,076.8 million in 2020/21. Although there was a decrease in impairment losses and impairment allowances due to a drop in advances and receivables, the segment results of the Hong Kong operations still recorded a decrease of 20.9% or HK$96.4 million from HK$460.2 million in 2019/20 to HK$363.9 million in 2020/21.

For Mainland China operations, the microfinance subsidiary in Shenzhen re-started marketing activities on selected merchants, resulting in a slight increase in revenue from China operations of HK$0.3 million, from HK$12.8 million in 2019/20 to HK$13.0 million in 2020/21. Through continued cost and bad debt control measures, overall segment results of our China operations recorded a reduction in loss of HK$8.6 million, from a loss of HK$15.4 million in 2019/20 to a loss of HK6.8 million in 2020/21.

FUNDING AND CAPITAL RISK MANAGEMENT

The Group relies principally on its internally generated capital and bank borrowings to fund its business. At 28th February 2021, 74.3% of its funding was derived from total equity, and 25.7% from direct borrowings from financial institutions.

The net asset of the Group at 28th February 2021 was HK$3,422.0 million, as compared with HK$3,313.5 million at 29th February 2020. 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.

The Group's principal operations are transacted and recorded in HKD and therefore its core assets are not subject to any exposure on exchange rate fluctuation. During the year under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 28th February 2021, capital commitments entered into were mainly related to the purchase of property, plant and equipment.

PROSPECTS

The Pandemic and its effects have been lingering since 2020/21. Even though the Pandemic was expected from the outset to take some time to be contained, it has been more than one year and is still not showing significant signs of easing, notably in the emergence of new variants in different countries. With the rollout of vaccines around the globe, some hope for the end of the Pandemic is on the horizon. On the one hand, the market has started preparing to capture the resuming demand for overseas travel, dining out, and entertainment. We cannot expect our daily life to return to normal. Changing consumer spending behaviours under the new normal as a result of the Pandemic are expected to remain. People now spend more time at home, resulting in an increase in demand for household appliances to create a more comfortable living environment. Instead of shopping in physical stores, consumers are getting used to shopping online. The Group will adjust its business model to adapt to this changing consumer behaviour and ensure it is prepared to meet new customer needs. However, with the unemployment rate expected to remain at a high level for a while, an abrupt adverse impact on asset quality may occur.

If the Pandemic can be brought under control soon, economic activities in Hong Kong are expected to rebound in the second half of 2021/22. It is inevitable that the Group will face a competitive operating environment, and this will have a challenging impact on the traditional marketing channels. In particular, competition is expected to intensify as a result of new virtual banking players commencing operations and the launch of new e-money and mobile payment solutions. To ensure the effectiveness of marketing channels and to stay competitive in the market, the Group will put more emphasis on using social media and mobile applications to promote its products and marketing programs. Moreover, with the development of acquiring business merchant network, more promotions will be lined up with online merchants to stimulate customer spendings. In addition, the Group will work closely with AEON Stores to maximize the card payments of customers inside AEON Stores. To cater for any possible adverse change in the credit environment, the Group will enhance its credit policy to maximize the profitability in extending credit facilities to customers.

In order to strengthen operational efficiency, the Group will continue to commit significant resources to complete the digital transformation and upgrade its ability to respond to changes in the market. The Group will introduce new product benefits and provide premium user experiences to our customers. Furthermore, the Group will enhance its data analysis methodologies to raise the Group's marketing, credit assessment and credit management effectiveness.

To widen the business scope and market coverage, the Group will start to explore the development of new payment solutions and establish a strong management base for the Group to enter into the Greater Bay Area in the future.

A key element of the technology upgrade is the new card and loan system project. With the completion of phase one for acquiring system and phase two on front end processor, the Group will start the second part of phase two for issuing system in the first quarter of this year, with the estimated project completion date to be in early 2023. With a total estimated project cost of HK$630 million, around 30.8% has been committed or expensed at 28th February 2021.

The operating environment in Mainland China is likely to remain challenging under the Pandemic. Following the voluntary liquidation of two microfinance subsidiaries in the northern part of Mainland China, the Group will concentrate on consolidating its operations in the Greater Bay Area and strengthening the local management team. Besides improving the asset quality and streamlining the operations of the microfinance subsidiary in Shenzhen to achieve break-even status, the Group will also seek new business opportunities.

It is difficult to predict the timeframe for the economy's recovery. With the precautionary measures being taken and the Group's strong business partner relationships, as well as the Group's strong liquidity position and balance sheet, the Group is well prepared to face the challenges ahead and to move forward to capture new business opportunities that may arise as and when the right market conditions return.

IT DEVELOPMENT

Besides the completion of the first part of phase two on front-end processor in the new card and loan system, during the year under review, the Group completed several major projects, including enabling Faster Payment System (FPS) service for personal loan fund transfer, enhancing personal loan applications through mobile application to support the new version of Hong Kong identity cards, upgrading end use computing to Windows 10 platform, improving mobile application to support loan account overview, the implementation of additional network security enhancements, and work-from-home system functions.

In the coming year, the Group plans to adopt a 'Cloud First' direction on projects such as netmember and mobile application replacement and on development and testing. For the card and loan system project, following the completion of the card authorization front-end replacement, the Group will start the issuing phase in the first quarter of 2021/22. As IT security is critical to our operation, several security management functions will continue to be enhanced.

HUMAN RESOURCES

The total number of staff of the Group at 28th February 2021 and 29th February 2020 was 379 (Hong Kong: 334; PRC: 45) and 391 (Hong Kong: 338; PRC: 53) respectively. Employees are remunerated according to the job nature and market trends, with annual increment to reward and motivate individual employees based on their competency. Apart from medical and life insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Group.

The Group also provides a wide range of different in-house training programs and external training sponsorships for its employees. The in-house training programs include the yearly general training on AEON Code of Conduct and selected topics on compliance, which reconfirms the necessity of corporate ethics to create a shared set of values among employees. The training programs aim to enhance employees' professional knowledge and skills for providing customers with quality service.

BUSINESS MODEL AND STRATEGY

The Group has a mission to excel in customer service with the concept of "Customer First" whilst maintaining long-term profitability and assets growth with the adoption of flexible business model and strategy and prudential risk and capital management framework.

It is the Group's strategy to ride on credit cards to recruit new members and cross-sell other consumer finance products and services to these new members. The Group continues to benefit from the strong connections with affiliated merchants. By using the merchants' networks as card acquisition base and cross-selling channels, the Group continues to explore fee-based income business opportunities.

Customer Base

Around 51% of the Group's customers are in the age range of 40 to 60. In terms of gender, female cardholders represent 69% of our card portfolio at 28th February 2021. The Group intends to expand its customer profile to the young generation and the male segment.

Convenient Service

The Group added several new functions to its mobile application this year. It aims to deliver more convenient, better and faster services and premium experience to our customers utilizing the mobile application.

For ease of making payments, the Group continues to maintain multiple settlement channels, including convenience store networks, phone banking, internet banking, and JETCO ATMs in Hong Kong for customers to settle their payment.

Quality of Service

The Group obtained ISO 27001 certification for Information Security Management System, ISO 9001 certification for Quality Management System and ISO 14001 certification for Environmental Management System. These certifications help ensure that the highest level of service quality is being delivered to customers.

Tomoharu Fukayama
Managing Director
Hong Kong, 8th April 2021

Environmental, Social and Governance Report

Reporting Objectives
This fifth Environmental, Social and Governance ("ESG") report aims to give its stakeholders a better understanding of its visions, strategies and implementation of sustainability initiatives that should continue to be of interest to its various stakeholders.

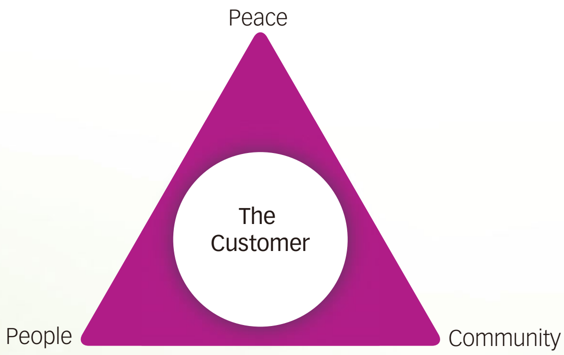
Reporting Scope and Boundary
The content of this ESG report is defined after taking into account the materiality of the sustainability issues arising from the Group's operations. As more than 90% of the Group's income is derived from the Company's operations in Hong Kong, this ESG report mainly highlights the ESG performance of the Hong Kong head office and branches for the period from 1st March 2020 to 28th February 2021.

Reporting Standard
The ESG report is prepared in accordance with the ESG Reporting Guide (the "ESG Guide") in Appendix 27 of the Listing Rules. Consistent methodologies have been adopted to allow for a fair comparison over time and to provide a balanced picture of our ESG performance.

Communication
We value comments and suggestions of stakeholders as an important driver for our continuous improvement. If you would like to share your opinions on this report or any matters in connection to our sustainability approach, please feel free to contact us.

OUR SUSTAINABILITY APPROACHES

AEON Basic Principles
The Company adheres to the AEON Group's corporate philosophy of "Peace, People and Community" in managing its business. The principles illustrate the eternal mission to benefit our customers and our operations are thus customer-centric to the highest degree. For further information on the AEON Basic Principles, please visit www.aeon.info/en/company/concept/



Peace — AEON is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.

People — AEON is a corporate group that respects human dignity and values personal relationships.

Community — AEON is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

Sustainability initiatives of the Company, is referenced with established international frameworks such as the United Nation's Sustainable Development Goals (SDGs), aspire to promote financial well-being of its customers and the wider community, to reduce negative impact to the environment from its operations, and to offer quality education opportunities, among others.

AEON Code of Conduct
AEON Code of Conduct guide and direct the future course of the Group for the benefits of our stakeholders. It charts the course for our future, helps us interpret AEON Basic Principles to know what actions have to be taken and how they should be done.

Determined to be a socially responsible entity, we endeavor to promote and apply AEON Code of Conduct into practice in daily operations. We hope all our stakeholders will join us in sharing this sense of purpose, thus strengthen the bonds of trust amongst us.

STAKEHOLDER ENGAGEMENT

Stakeholders' opinion are of utmost importance to the continuous improvement of the Company's sustainable development. We have maintained ongoing and close communications with stakeholders over the years through extensive channels including but not limited to regular meetings, activities, reports and website, so as to better understand their opinions on the Company's performances. We actively engage with stakeholders to collect their comments and feedback to identify areas for improvement.

Sustainability matters identified to be of relevance and significance are regularly reviewed to be in line with stakeholders' expectations, market trend, the latest laws and regulations, the ESG Guide and issues related to the financial industry.

Stakeholders Concerns and Communication Channels

	Major Concerns	**Communication Channels**
Government & Regulators	• Legal and Regulatory Compliance • Employment Protection • Business Ethics	• Correspondence • On-site inspection • Compliance reporting • Enquiries and clarifications
Investors	• Economic Performance • Information Transparency • Corporate Operations	• Annual general meetings and investors' briefings • Regular reporting • Announcements, circulars and other corporate communications
Customers	• Business Procedure • Information Security • Procedure/Service	• Customer surveys • Customer events • Service interaction at branch level • Customer service hotline • Social media: Facebook fan page • Newsletters and leaflets • Monthly statement inserts • Company website • Year-round publicity and donation campaigns • Short message service and multi-media messaging service • AEON HK Mobile App
Employees	• Remuneration and Welfare • Training and Development • Health and Safety	• Employee surveys • Newsletters and intranet communications • Meeting with employees • Orientation and exit interviews • Performance appraisal
Business Partners and Suppliers	• Brand Development • Integrity and Business Sustainability	• Ongoing audits and reviews • Best practice adoption • Mass communications
Community Partners	• Resolving Social Issues • Philanthropy	• Cultural exchange, internship and sponsorship programmes • Year-round green partnership programmes
Industry Associations	• Industry Development	• Regular meetings and correspondence

REWARDS AND RECOGNITIONS

We opt to provide with our customers quality products and services, and reduce emission in operations. We continuously improve our service and operation through implementing the management system standard. The following is achieved in the reporting year.

ISO 9001 - QMS / FS 513193

ISO 9001 Standard for Quality Management System

This is awarded for implementing the best practices according to the IS0 9001 Standard for continuous improvement in customer service quality.

Scope of certification: Head office and branches since 2007

ISO 14001 - EMS 538444

ISO 14001 Certification for Implementation of Environmental Management System

This is awarded for implementation of energy-efficient methods in operational processes such as reduction in paper and electricity.

Scope of certification: Head office and branches since 2009

ISO 27001 - ISMS / IS 500955

ISO 27001 Certification for Information Security Management System

This is awarded to the IT Division of the Company for implementation of the most stringent computer security policies and procedures for
- protection of customers' personal data;
- maintenance of confidentiality and integrity of customer data;
- availability of service to the satisfaction of customers.

Scope of certification: IT Division since 2006

Named Caring Company for 14 consecutive years – Hong Kong Council of Social Service

Manpower Developers of Employees Retraining Board – Manpower Developer Award Scheme

INDUSTRY-SPECIFIC MANAGEMENT

As a provider of consumer finance and related services, the Company is devoted to fulfilling its social responsibility and maintaining a high standard of corporate governance.

We are committed to operate our business with accountability and integrity. Every effort has been made to ensure that our operations are conducted in compliance with all applicable legal and regulatory requirements, including but not limited to anti-money laundering and counter-terrorist financing, anti-bribery and corruption and supply chain management. The whistleblowing channels are put in place for employees to report inappropriate conducts and irregularities concerning aspects such as financial reporting, internal control, anti-corruption and anti-discrimination, among others. Such reports will be brought to the senior management attention, who will look into them and decide on any further actions to be pursued for their proper investigation and handling.

Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CTF")

We strictly abide the relevant laws and regulations[1] and have developed and reviewed regularly AML and CTF policy, namely, the Guide on Prevention of Money Laundering and Terrorist Financing, in order to comply with the requirements stipulated by the Registrar of Money Lenders. A risk-based approach is adopted for the establishment of an effective AML and CTF system. To this end, we have developed and implemented policies, procedures and controls in our daily operations on:

- Risk assessment
- Customer due diligence
- Ongoing monitoring of customers
- Suspicious transactions reporting
- Record keeping
- Staff training
- Independent audit function

A clear and comprehensive mechanism has been put in place to detect and report on the matters relating to money laundering and terrorist financing. All staff are required to report when coming across any suspicious transactions. Independent checks and evaluations are carried out by the Internal Audit Department of the Company at least on a yearly basis to ensure that the Company's approaches and procedures continue to be appropriate and adequate. For the year ended 28th February 2021, the Company is not aware of any breach of laws or regulations concerning anti-money laundering and counter-terrorist financing.

Anti-bribery and corruption

In addition to strictly complying with the Prevention of Bribery Ordinance, we have also formulated clear rules and procedures to handle matters concerning protection of confidentiality, prevention of conflict of interest, bribery and fraud. It is the Company's policy to prohibit employees from unlawfully soliciting any advantage from customers, suppliers or any other persons. For the year ended 28th February 2021, we are not aware of any non-compliance of laws and regulations concerning anti-bribery and corruption by the Company.

[1] *Including but not limited to Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organized and Serious Crimes Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance ("UNATMO") and the United Nations Sanctions Ordinance.*

Supply Chain Management

To protect the Company's vital interests, we have formulated and implemented the supply chain measures to support the Company's daily operations. Suppliers are selected based on various objectives, predetermined quantitative and qualitative criteria such as costs, specific features, the relative advantages and disadvantages. For the year ended 28th February 2021, we worked with 381 suppliers. Most of these suppliers are located in Hong Kong.

The Company also attaches great value to communicate with suppliers to enhance understanding and recognition of the Company's value and to develop a cooperative relationship of mutual trust and assistance. In our suppliers' selection procedure, new suppliers go through three assessments before engagement, namely the reputation check, due diligence with reference to AML and CTF rules and conflict of interests check. Also continuous and regular review are conducted to assess suppliers' performances. For specific vendors such as certain contractors and recurring suppliers, a yearly evaluation is carried out specially to evaluate their performance on service delivery, completeness and quality.

We also attach great importance to fulfil our environmental and social responsibilities in relation to our office supplies. For consumables items, we take a balance between environmentally friendly products, user friendliness and price whenever possible.

COMMITMENT TO OUR CUSTOMERS[2]

We endeavour to provide our customers with assurance and trust. Being one of the Hong Kong's leading credit card issuers, we are committed to providing exceptional customer experience and consistently high standard of service. We believe the enhancement of customer satisfaction is our first priority for upholding our professional service quality. Not only do always keep our promises to our customers and act with integrity, we also offer quality services at reasonable price.

(Source: The AEON Code of Conduct)

2 *Our products and services principally involve credit card issuance, personal loan and related credit and financial services, which do not involve any recalls due to health and safety reasons.*

Customer Data Privacy

With increasing concerns over data privacy, we acknowledge our responsibility in safeguarding our customers' data. The Company strictly complies with the relevant laws and regulations including Personal Data (Privacy) Ordinance and have adequate measures in place for the protection of personal data throughout the operations.

The Personal Data Protection Policy and Data Security Guidelines are put in place to ensure that personal data and privacy of our customers are protected. We have designated the Head of Operations Division to serve as the Company's Data Protection Officer who has the responsibility to oversee the Company's fulfilment of data protection requirements. Our staff members receive relevant personal data protection training each year.

As an organization that processes, stores and transmits payment card data, the Company is required to comply with Payment Card Industry Data Security Standard ("PCI DSS"). This standard is developed by the payment card industry to promote secure working practices for the protection of payment card data. Annual assessments are performed by third party assessors for PCI DSS. Continuous improvement with compensating controls is put in place for incremental enhancement.

We also implemented physical and electronic controls to protect the Company's information and assets. A two-factor authentication tool is adopted for computer login for additional security. The Company has also implemented further security measures including encryption of stored payment card data, secure configuration of protection mechanisms such as firewalls, antivirus and intrusion prevention devices and secure procedures for physical controls such as access to offices. The Company also meet the standard required for IS0 27001 Certification for Information Security Management System since 2006.

Quality Service and Responsible Business Practices

We are committed to providing our customers with accountable and transparent products and services. Internal policies including approval procedures are developed to provide guidance for our operations. Our staff are trained to provide customers with the accurate and clear product information. Marketing materials and product factsheets are developed based on factual information and with language that can be easily understood.

To safeguard intellectual properties, the Company only uses licensed software at all times. As part of the IT management policy, computers are not allowed to be installed with any unlicensed or unauthorized software.

Customer Satisfaction

We serve our customers with our heart by offering wide range of premium products and services. We also listen to our customers carefully through various communication channels. We carry out regular checks to monitor customer service performance and identify areas for improvement.

Customers are mainly served through our branch offices, customer service hotline, mobile app and Company's website. It is vital for us to manage and respond to customers' feedback professionally and in a timely manner. The Complaint Management and corresponding complaint handling flows have been developed to handle customers' complaint. For the year ended 28th February 2021, we have received 30 complaints, with 3 related to promotion and 27 related to service delivery respectively.

For the year ended 28th February 2021, the Company is not aware of any breach of laws or regulations relating to its products, services, operations, sales and promotions or other business practices.

COMMITMENT TO OUR COMMUNITY

We aim to set an example as a good corporate citizenship by working together with the community for its growth and improvement of quality of life. Guided by AEON Group's corporate philosophy of "Peace, People and Community", the Company continues to support local community projects and activities in both Hong Kong and China. In order to align with the AEON Basic Principles, we continue to focus our contribution on environmental protection, education and cultural exchange.

Charity Support

Charity credit card

We utilise our capacity as a financial service provider to build a more charitable corporate culture by issuing co-branded credit cards with SPCA (Society for the Prevention of Cruelty to Animals) and Sowers Actions. Cardholders of these cards not only can benefit from the consumption rewards, but also having 0.1% or 0.4% of all credit purchase amount transacted with the cards will be donated by the Company to SPCA and Sowers Actions respectively.

Bonus Point donation

The Company also encourages customers to support community development through credit card bonus point donation. During the reporting year, credit card holders have channelled their HK$27,100 worth of donation through this bonus point donation scheme to support the conservation work of the World Wide Fund for Nature Hong Kong (WWF-Hong Kong).

Education

AEON Scholarship

We believe talented students should not be hindered by financial burden. Through AEON Scholarship, we continue to provide support to students undergoing university education. During the reporting year, we have supported students from the following universities, with total donation amounted to HK$472,000.

University in Mainland China

Shenzhen University
Sun Yat-Sen University

University in Hong Kong

University of Hong Kong
Hong Kong University of Science and Technology
Lingnan University

Community Partnership

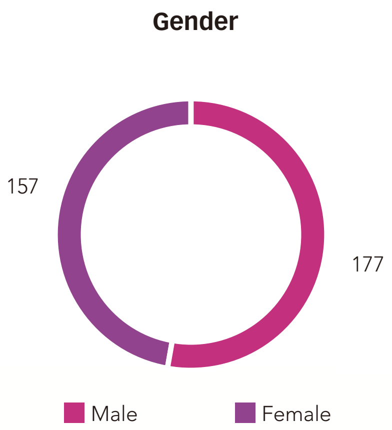
We believe that partnership with community organisations can create positive knock-on effects in creating a more caring community. "UNICEF Young Envoys Programme" is one of the major partnership programmes. We have donated HK$800,000 to support the programme. Through our continuous sole sponsorship, Hong Kong Committee for UNICEF continues to provide a valuable opportunity for local youngsters to explore global and local issues in relation to children's rights to survival, protection, development and participation.

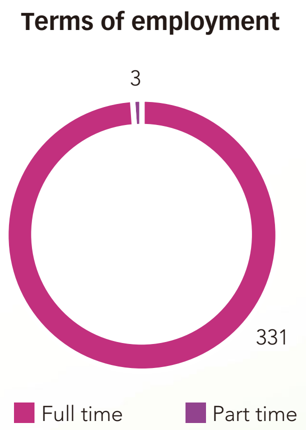
COMMITMENT TO OUR PEOPLE

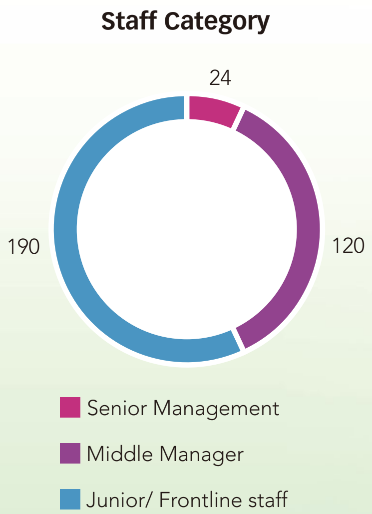
For employees' management, we strictly follow relevant laws and regulations of Hong Kong including but not limited to the Employment Ordinance, Employees' Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance, and various anti-discrimination ordinances to establish a robust employees management system. Any instance of irregularity or failure to comply with such rules and regulations will be forthwith rectified by the Company upon identifying such deficiencies.

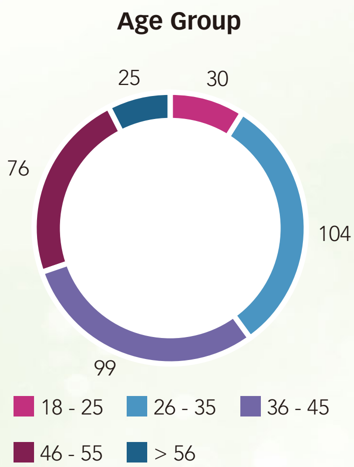
In order to build a harmonic workplace, we communicate with staff at all levels regularly. Employees are regularly updated on the development of the Company and the wider AEON Group through diversified channels such as AFS Group internal magazine 'As One' to boost office morale.

The Company strictly follows the requirements of Employment Ordinance in the prevention of child labour and forced labour. We adopt robust measures to confirm the identity and integrity of candidates during interview and when onboard to ensure staff members are not underage or otherwise not suitable to be engaged to work for us[3]. We understand the importance of achieving work-life balance. Overtime work is not encouraged. Certain employees are paid additional wages for working overtime. Workload is evaluated when excessive overtime work persistently occurs. As of 28th February 2021, the total number of staff in Hong Kong was 334.









[3] *With our current measures verifying candidates' identities, there is no risk of recruiting children in our operation, and therefore no contingency plan is set.*

Staff turnover for the year ended 28th February 2021 was 15%, with gender being 7% (male) and 8% (female), and age distribution being 2% (aged 18-25), 5% (aged 26-35), 3% (aged 36-45), 3% (aged 46-55) and 2% (aged >56). Exit interview is conducted with all leavers to understand their decisions and follow up with internal evaluation to improve our internal staff management system and future planning.

Diversity, Inclusion and Equal Opportunities

We are committed to providing employees with a fair, inclusive, diversified and non-discriminatory working environment where employees respect, cooperate and support each other. We strive to improve ourselves based on best practice and any lessons learnt from involvement in labour and related disputes to eliminate discrimination, harassment and vilification on unlawful grounds. Relevant laws and regulations and their rights are clearly communicated to all staff at orientation. Comprehensive complaint channel is set up to handle the relevant complaints.

Training and Development

The Company invests time and resources in employees' training and development to ensure employees will have the breadth and depth of skills and knowledge to achieve the business goals and to keep up with the competitive markets.

Building a culture of compliance

For new joiners to understand the Company's high standard of corporate values and to build a sustainable, professional and ethical workforce, comprehensive orientation programme is provided to all new joiners to align their understanding on our code of conduct, mission and value, business structure and relevant laws and regulations. As stated in our Staff Training and Development Policy, all staff are required to attend annual training on AEON Code of Conduct, compliance and data security. Additional training on PCI DSS is also conducted annually. We regularly review the changing training needs across frontline and backend departments and devise the approach to provide vital support to our executives along their career path.

Nourishing future management

To take account the company future business development and cherish the talented staff. For staff who meet the criteria and are expected to take on a higher management level, they will be nominated to attend management training.

Nurturing the future talents

Graduate trainee programme has been launched to provide tertiary students and recent graduates opportunity to have a taste of working in the financial industry. It is a two-years structured programme with support from senior and mentor to develop a wide range of practical work experience. Besides that, intern programme is in place and interns are assigned to departments and provide specific tasks during the programme period.

Training	2018/19	2019/20	2020/21
Type of Employee training			
Major Categories	12	13	13
No. of Training Programmes	17	17	17
No. of Training Sessions	153	166	209
Total Training Hours[4]	985	4,938	3,985
Total No. of Attendees	1,501	1,887	1,696
Gender of Attendees			
Male	733/51%	1,051/56%	908/54%
Female	728/49%	836/44%	788/46%
Training Hours by Gender/Percentage			
Male	–	–	2,384/60%
Female	–	–	1,601/40%
Training Hours by Employee Categories/Percentage			
Frontline and Junior Staff	1,341/47%	2,034/41%	1,152/29%
Middle Management	647/22%	2,067/42%	1,769/45%
Senior Management	310/11%	291/6%	326/8%
Directors	435/15%	139/3%	337/8%
Non-specific Target Group	133/5%	407/8%	401/10%

Occupational Health and Safety

Ensuring employees' health and safety in workplace is our responsibility. The Company strictly complies with relevant laws and regulations in this regard, such as Occupational Safety and Health Ordinance and Fire Safety (Commercial Premises) Ordinance of Hong Kong, and continuously improves through the establishment and management of health and safety systems. We endeavour to create a safe, healthy, and comfortable working environment, one which protects the physical and mental health of employees, and minimizes the probability of occupational diseases.

As many of the employees are office-based workers spending long hours at their workstations, we have offered training on health and safety awareness in an office setting. In additional to workstation risk assessment, we have also conducted spot checks on workstations arrangement and review on the need of replacing monitors, keyboards and chairs as further attempt to prevent work-related injuries.

Occupational Health and Safety	2018/19	2019/20	2020/21
No. of work-related fatalities	–	–	–
Rate of work-related fatalities	–	–	–
Lost days due to work-related injury	3	5	149.5

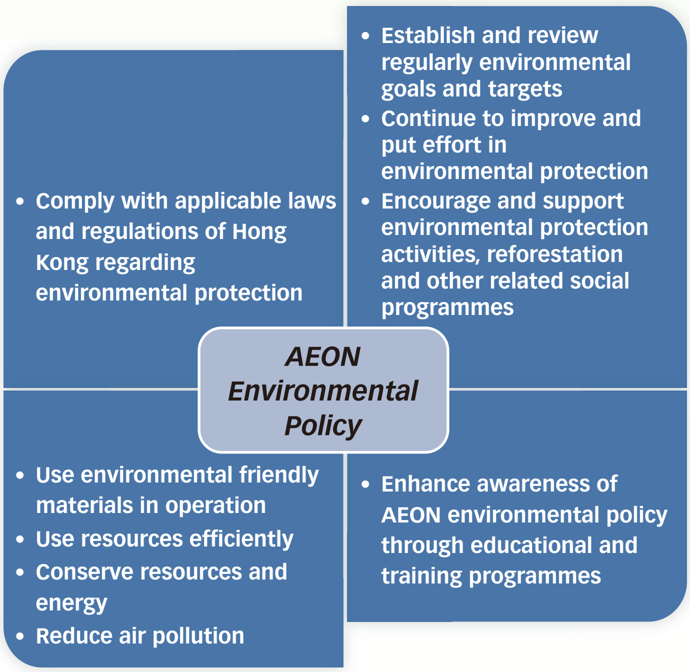
As part of our commitment to support our employees' health and wellness, we provide hospitalisation and surgical benefits, outpatient treatments, dental services and wellness support. Masks and necessary disinfection products are supplied in the office and branches during the Pandemic. Moreover, meeting rooms in office and branches are fitted with partitions in order to reduce viral infections. Working-from-Home Policy is adopted for office staff. Branch operating hours are adjusted to better protect staff and customers.

For the year ended 28th February 2021, save as to incidents of employee injured in the course of work, the Company is not aware of any claims against the Company itself or instances of breach of laws or regulations relating to occupational health and safety standard.

[4] *Include trainings on anti-bribery and corruption and anti-money laundering and counter-terrorist financing for all staff and Directors.*

COMMITMENT TO OUR ENVIRONMENT

The Company is putting effort to reduce consumption of energy and natural resources, to reduce waste and to use environmentally friendly products and service wherever possible. We strictly comply with relevant laws and regulations regarding environment protection[5]. The ease of such compliance is largely attributable to the nature of our business[6]. Environmental Management System ISO 14001 certification is obtained since 2009 for head office and branches. Measures and procedures are incorporated into the internal rules for green development. For the reporting year ended 28th February 2021, the Company is not aware of any significant impact of its activities on the environment and natural resources.



5 *Including but not limited to Air Pollution Control Ordinance, Ozone Layer Protection Ordinance, Road Traffic Ordinance, Noise Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance and Sewage Services Ordinance.*

6 *Due to the nature of our business, we do not use any packaging material.*

Energy Saving and Emissions Reduction

Energy saving and emissions reductions are important aspects in fulfilling our environmental responsibility. Electricity use on our premises is the largest contributor to our greenhouse gas footprint. We encourage our employees to join us in building a greener office by turning off the electrical appliances after office hours or when not in use or setting them to energy-saving mode. Office areas are set at a comfortable temperature.

Our carbon emission for Hong Kong operations have been summarized in the following table:

Greenhouse gas ("GHG") emissions[7]	Unit	2018/19	2019/20	2020/21
Scope 1	tCO_2e	5.81	4.88	6.35
Scope 2[8]	tCO_2e	314.98	298.03	233.52
Scope 3[9]	tCO_2e	23.81	28.94	–
GHG removal from tree planting	tCO_2e	5.69	10.30	–
Total GHG emission	tCO_2e	338.91	321.55	239.87
Total GHG emission intensity	tCO_2e/sq ft	–	–	5.24

Energy consumption	Unit	2018/19	2019/20	2020/21
Petrol	Litres	1,912.63	1,607.65	2,345.96
Electricity	kWh	415,315	380,381	361,773
Electricity consumption intensity	kWh/sq ft	–	–	8.07

Use of resources

Profoundly acknowledging the scarcity of the earth's resources, the Company actively advocates paperless operation to reduce unnecessary paper use in offices and branches. Employees are encouraged to prioritise the use of email, intranet and other electronic ways to communicate and disseminate information. Computers are in default duplex printing and ink-saving mode. We also opt to go paperless with our customers. For credit card application, we have streamlined the application process through a secure online application that enables a direct and speedy process. The online service platform and mobile app are also available as a channel for customers. From 10th June 2021, to encourage customers to switch to electronic statement, handling charge is applied for paper form statement.

In terms of water usage, the Company does not encounter any issues in sourcing water due to the use of municipal water. Nonetheless, the Company makes great effort in reducing the use of water and improving water efficiency. The Company encourages employees to save water. Water used at our head office during the reporting year was 356m^3 (intensity is 1.44m^3 per staff). To avoid water leakage, employees are required to ensure the equipment has been turned off properly after use.

7 *Calculated in accordance with "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" issued by The University of Hong Kong and City University of Hong Kong and "Guidance to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" by EPD and EMSD of the Government of the HKSAR.*

8 *Emission factors are updated yearly according to CLP and HKE.*

9 *Scope 3 includes air freight business travel. Due to the Pandemic, there is no air-freight business travel.*

Waste reduction

Steered by the spirit of environmental stewardship, the Company has implemented a number of measures in office and branches to promote reuse and recycling. Employees are encouraged to share the resources, for example, shared stationery stations for items that are not regularly needed. To enhance staff behaviour on waste reduction, there is no waste bin around the office. General waste is only centrally collected in the common area, and recycling bins of plastics and paper are provided to encourage recycling. We try to recycle as many furniture and equipment by making alternative use of them at other branches and office when a branch is closing down. For the year end 28th February 2021, total of 149.33 tonnes of wastes were generated and 0.75 tonnes of plastics bottles and paper were recycled, the intensity is 0.60 and 0.003 tonnes per staff respectively.

For hazardous waste, as the Company's business does not involve any industrial manufacturing activities, there is no significant generation of hazardous wastes. For general office hazardous wastes such as ink cartridge and fluorescent tube, we arrange suppliers and building management office for handling. Electronic wastes such as computers and servers are handled by the IT Division to properly delete the information stored in them before their disposal in accordance with internal regulations. During the year, there was no such disposal of electronic waste.

For the year ended 28th February 2021, the Company is not aware of any breach of laws or regulations relating to environmental protection.

Board of Directors

Mr. Masaaki Mangetsu, aged 63, was appointed as a Non-executive Director and the Chairman on 23rd June 2017. He is the Director and Managing Executive Officer in charge of overseas business strategy and operation planning of AEON Financial Service Co., Ltd., a listed public company. He is also a director of AEON Credit Service (M) Berhad, a listed pubic company and AEON Micro Finance (Shenzhen) Co., Ltd., a subsidiary of the Company He joined AEON Co., Ltd., a listed public company, in March 1981 after he graduated from Keio University with a Bachelor's degree in Law. He worked for AEON Co., Ltd. for 28 years before he joined AEON Retail Co., Ltd. in April 2009 and then AEON (China) Co., Ltd. in March 2012. He was the Chief Operating Officer in charge of the general merchandise stores business of AEON (China) Co., Ltd. prior to joining AEON Financial Service Co., Ltd. in April 2014 as the Head of the Marketing Department. He has over 20 years of experience in sales and marketing.

Mr. Tomoharu Fukayama, aged 47, was appointed as an Executive Director and the Managing Director on 23rd June 2020. He is the Managing Director of AEON Financial Service (Hong Kong) Co., Limited, an immediate holding company of the Company and a Director of AEON Insurance Brokers (HK) Ltd., a subsidiary of the Company. He joined AEON Credit Service Co., Ltd. in March 1997 after he graduated from Waseda University with a Bachelor's degree in Literature. From March 2010 to April 2015, he was transferred to AEON Co., Ltd., a listed public company. He joined the Company in April 2015 as General Manager in charge of the Business Development, Sales and Marketing Division of the Company, and subsequently became an Executive Director of the Company in June 2016. He left the Company in June 2019 to take up new management position in AEON Financial Service Co., Ltd., a listed public company. He has over 16 years of experience in the consumer finance industry.

Mr. Lai Yuk Kwong, aged 58, was appointed as an Executive Director and the Deputy Managing Director on 23rd June 2017. He is in charge of the Corporate Management Division of the Company. He is also the Managing Director of AEON Insurance Brokers (HK) Ltd., a subsidiary of the Company. He was a member of the Board from June 1999 to June 2016 and the Deputy Managing Director of AEON Financial Service (Hong Kong) Co., Limited from July 2012 to June 2015. After he retired from the Board in June 2016, he served as an advisor of the Company. He joined the Company in July 1996. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants.

Mr. Tony Fung, aged 61, was appointed as an Executive Director on 21st June 2019. He is in charge of the IT Division of the Company. He joined the Company in 2016 as the Chief Information Officer. He has over 31 years of IT industry and general management experience. He had worked for IBM China/Hong Kong Limited for 23 years and his last position was the Executive, Global Technology Services where he was in charge of all infrastructure service business in Hong Kong and Macau, including profit and loss responsibility. He had experience in IT strategy and planning consulting for major corporations in mainland China, including a major telecommunications equipment manufacturer and a major insurance group company. After leaving IBM, he joined a US-based procurement outsourcing company as the Asia Pacific Program Leader managing procurement projects for clients in Asia Pacific. He graduated from The University of Manchester Institute of Science and Technology in the United Kingdom with a Master of Science degree and a Bachelor of Science degree (1st Hons.), both in Computation.

Mr. Daisuke Takenaka, aged 40, was appointed as an Executive Director on 23rd June 2020. He is in charge of the Accounts and Finance Division of the Company. He graduated from Kochi University with a Bachelor's degree in Economic and Management Studies and further undertook postgraduate studies in accounting at the Central University of Finance and Economics, Beijing. He joined AEON Credit Service Co., Ltd. as a member of its finance division in May 2008. In June 2011, he took up the position of senior manager of the finance department of AEON Micro Finance (Shenyang) Co., Ltd., a subsidiary of the Company. He became manager of the corporate management department of AEON Financial Service (Hong Kong) Co., Ltd. in June 2013 and senior manager in November 2015. From May 2015 to October 2015, he was an executive director of AEON Micro Finance (Tianjin) Co., Ltd., a subsidiary of the Company, in charge of its finance department. He is currently the supervisor of AEON Micro Finance (Shenzhen) Co., Ltd., a subsidiary of the Company and AEON Information Service (Shenzhen) Co., Ltd.

Mr. Lee Ching Ming Adrian, aged 69, was appointed as an Independent Non-executive Director on 1st October 2016. He was the Chief Executive Officer and an Executive Director of Eagle Asset Management (CP) Limited, the manager of Champion REIT from 2008 till he retired on 30th June 2016. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over 43 years. Mr. Lee held senior management positions for more than 22 years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management of marketing, leasing and sale activities, banking relationships, corporate communications and investor relations, as well as the management of Champion REIT. Mr. Lee also had over two decades of corporate real estate lending and advisory experience with a multinational banking institution. Mr. Lee was a Non-executive Director of Cinderalla Media Group Limited, a listed public company, from June 2002 to September 2015. Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Sciences degree.

Mr. Kenji Hayashi, aged 70, was appointed as an Independent Non-executive Director on 24th June 2016. He is an Outside Director of AEON Credit Service Co., Ltd. and XTIA Ltd. (formerly known as Optical Comb, Inc.) and an Independent Director of AEON Thana Sinsap (Thailand) Public Company Limited, a listed public company. He is a founder and member of Institute of Corporate Governance, Japan. He was formerly the President and Representative Director of Plusum Co., Ltd., the President of Fisco Financial College and the President and CEO of Sigma Base Capital Corporation. He had held senior positions in Nippon Credit Bank Ltd., Deutsche Bank, Deutsche Securities Inc. and Westdeutsche Landesbank. He holds a Bachelor's degree in German Language from Tokyo University of Foreign Studies.

Ms. Shing Mo Han Yvonne, BBS, JP, aged 65, was appointed as an Independent Non-executive Director on 23rd June 2020. She was appointed as a Justice of Peace of the HKSAR in 2013 and awarded Bronze Bauhinia Star in 2017. Ms. Shing is currently the chairman of Yinn Advisory Services Limited. She is also an independent non-executive director of China Resources Pharmaceutical Group Limited and CSSC (Hong Kong) Shipping Company Limited, both of which are listed on the Stock Exchange of Hong Kong Limited and an independent director of China Merchants Energy Shipping Company Limited, a public company listed on the Shanghai Stock Exchange.

Ms. Shing was a partner of Deloitte China for over 26 years until her retirement in May 2016. She is also a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. She is a founding member and former president of the Association of Women Accountants (Hong Kong) Limited and the former chairman of the Hong Kong Institute of Certified Public Accountants Taxation Committee. Her professional qualifications include fellow member of the Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants and Institute of Chartered Secretaries and Administrators.

Ms. Shing's major current public appointments include treasurer of the Council of the Hong Kong Academy for Performing Arts, member of the Communications Authority, court member of the Hong Kong Polytechnic University, and advisor of Our Hong Kong Foundation. In 2006, Ms. Shing received the National Hundred Outstanding Women Entrepreneurs Award in the Great Hall of the People in Beijing. She also received the Outstanding Alumni Award of Hong Kong Polytechnic University in 2007 and has been it's University Honorary Fellow since 2016/17. Ms. Shing has been consecutively named from 2001 to 2015 in International Tax Review as one of the World's Leading Tax Advisors in Hong Kong and Mainland.

Ms. Shing graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and obtained a Higher Diploma in Accountancy.

Ms. Junko Dochi, aged 57, was appointed as an Independent Non-executive Director on 23rd June 2020. She graduated from the Faculty of Foreign Studies, Sophia University, Tokyo with the Bachelor of Arts degree and has the Master of Laws degree from Duke University School of Law, North Carolina, the United States of America. She completed her legal training at the Legal Training and Research Institute of the Supreme Court of Japan. She is an attorney at law admitted in Japan and in the State of California, the United States of America.

Before qualified as an attorney at law, Ms. Dochi had worked for a number of sizeable Japanese and international business enterprises. She was previously with a major US law firm, and is currently the representative attorney at law of DOCHI Law Office in Tokyo. She is an independent non-executive director of AEON Bank, Ltd. ("AEON Bank"), a fellow subsidiary of the Company, and COMTURE Corporation, a listed public company in Japan.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, employees and other stakeholders. The Company has complied with the code provisions of the CG Code throughout the year ended 28th February 2021, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Role of the Board

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. The Board has a formal schedule of matters reserved for its approval. Matters reserved for the Board's consideration and decision include:

- long-term objectives and strategy;
- risk management and internal control systems;
- annual budgets and business plans;
- capital management;
- annual, interim and quarterly financial reporting;
- declaration of dividends;
- Board membership; and
- corporate governance matters.

Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Company. Daily operations and administration are delegated to the management.

Composition

As at the date of this report, the Board comprises nine members, consisting of four Executive Directors, one Non-executive Director and four Independent Non-executive Directors. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise) and that the number of independent non-executive directors must be at least one third (1/3) of the board of directors. The name and biographical details of each Director are set out on pages 27 to 29 of this annual report.

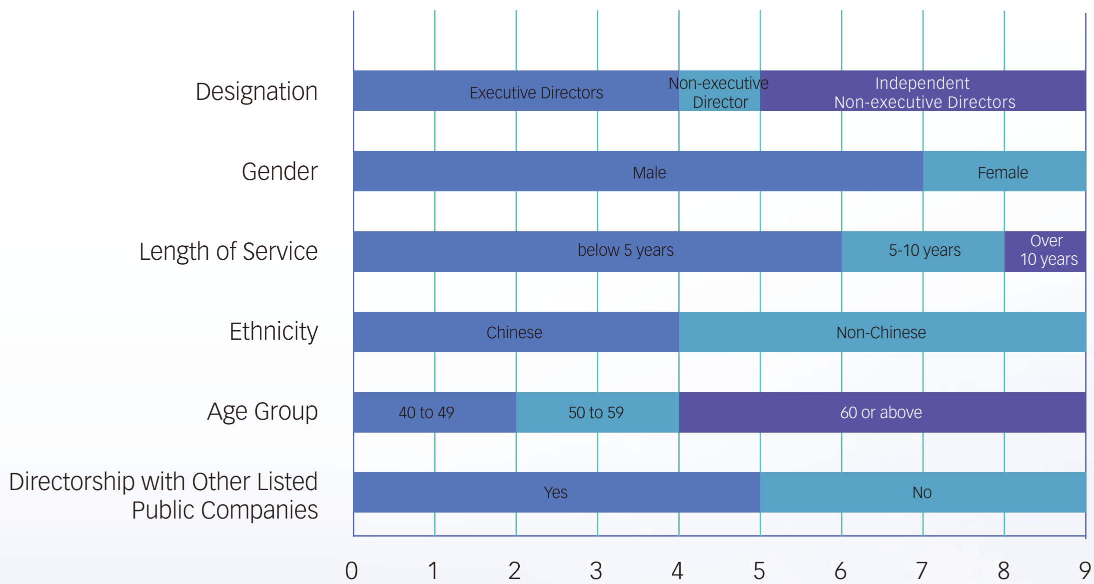
Independent Non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the role and function of the Directors is maintained on the Company's website and the Stock Exchange's website.

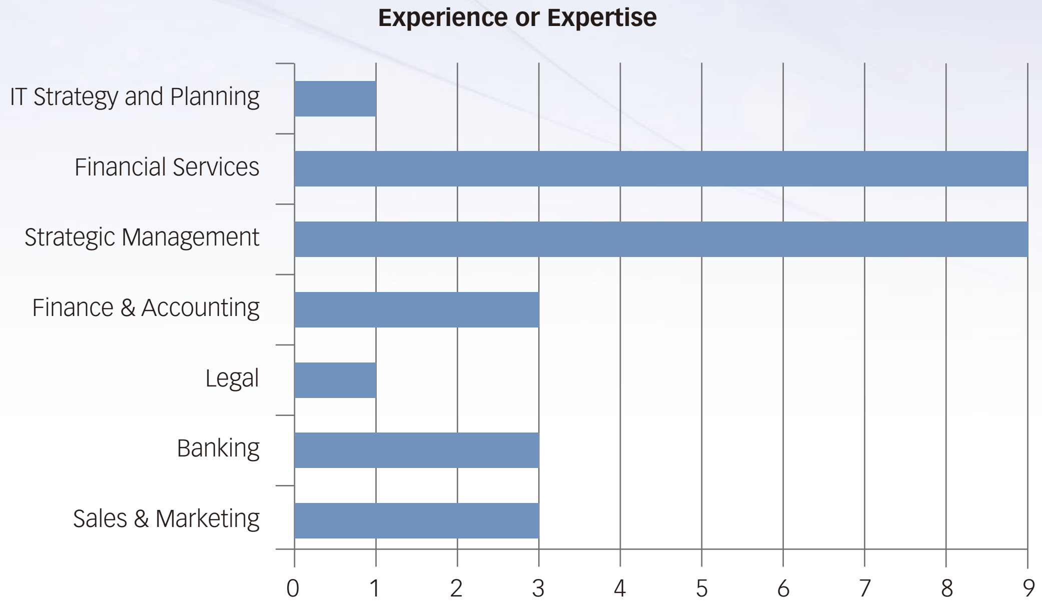
Members of the Board come from diverse backgrounds and have a diverse range of business, financial services, banking and professional expertise and experience. The Board possesses relevant experience, competencies and personal qualities to discharge its responsibilities adequately and effectively.

The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognizes the benefits of having a diverse Board and believes that Board diversity is an essential element in maintaining an effective Board. The Company endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of its business. Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefit of diversity on the Board including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Nomination Committee will give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

The following charts show the diversity profile of the Board as of the date of this report:

Board Composition





There is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Independence of Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee reviews and assesses the independence of all Independent Non-executive Directors on an annual basis.

Notwithstanding that Ms. Shing Mo Han Yvonne was previously a tax partner of the Company's current auditor Deloitte Touche Tohmatsu ("Deloitte") for over 26 years until May 2016, the Board considers Ms. Shing Mo Han Yvonne independent because (i) she retired from Deloitte in May 2016, which had already been more than two years to date, with no employment with Deloitte or financial interest in Deloitte ever since; (ii) she has never provided audit services to any clients of Deloitte; and (iii) she has never advised or otherwise provided any services to anyone as listed out in paragraphs (a) and (b) of Rule 3.13(3) of the Listing Rules, whether directly or indirectly. The Board takes the view that there are no facts or circumstances that materially cast doubt in any respect on Ms. Shing's independence as an Independent Non-executive Director.

Board Process

Board meetings are held on a monthly basis and scheduled at least three months in advance. The date of the next Board meeting is fixed at the close of each Board meeting. At least 14 days' notice is given to all Directors before each Board meeting and all Directors are given an opportunity to include matters for discussion in the agenda. The agenda and accompanying Board papers are sent to all Directors at least three days in advance of every Board meeting to facilitate informed discussion and decision-making. Management provides appropriate and sufficient information to the Board and its committees in a timely manner to enable them to make informed decisions. Members of the senior management may be invited to attend Board meetings to make presentations or answer the Board's and individual Directors' enquiries.

Minutes of the Board and committee meetings record in sufficient detail of matters and concerns discussed are kept by the Company Secretary and open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of Board and committee meetings are sent to Directors for their comments and records within a reasonable time after each meeting.

Under the Articles, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement or other proposal in which he/she or any of his/her associates is/are materially interested.

Appropriate liability insurance is in place to indemnify the Directors in respect of legal action against them.

Attendance at Board Meetings

During the year, the Board held 13 meetings and important matters discussed included:

- review of business strategies;
- review of financial and business performance;
- approval of the quarterly, half-yearly and annual results;
- approval of the annual and interim reports;
- approval of proposals for final and interim dividends;
- appointments to boards of subsidiaries;
- approval of the liquidation of subsidiary;
- review of Risk Management Committee reports;
- review of Compliance Committee reports;
- review of Executive Committee reports;
- review of internal audit reports;
- approval of the reappointment of external auditor;
- approval of the appointment of the Company Secretary and Directors;
- recommendation on the re-election of Directors;
- approval of the Directors' fees of the Independent Non-executive Directors; and
- approval of continuing connected transactions.

The attendance record of each Director at the Board meetings is set out below:

Directors	Attendance/ No. of Meetings
Executive Directors	
Tomoharu Fukayama *(Managing Director)**	8/8
Hideo Tanaka *(Managing Director)*#	4/4
Lai Yuk Kwong *(Deputy Managing Director)*	13/13
Tony Fung	13/13
Daisuke Takenaka*	8/8
Koh Yik Kung#	4/4
Non-executive Director	
Masaaki Mangetsu *(Chairman)*	13/13
Independent Non-executive Directors	
Lee Ching Ming Adrian	13/13
Kenji Hayashi	13/13
Shing Mo Han Yvonne*	8/8
Junko Dochi*	8/8
Wong Hin Wing#	4/4

* Appointed on 23rd June 2020
\# Retired on 23rd June 2020

Directors' Training

Every newly appointed Director will receive an induction package including key legal requirements, the Articles and the Company's relevant policies and guidelines, as well as a briefing given by an external lawyer on the general and specific duties of director under legal and regulatory requirements. The Company Secretary continuously updates Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, besides the annual AEON Code of Conduct training by e-learning for all staff, including the Executive Directors, an online training session was also delivered to all Directors on internal control and compliance. On the operations front, in-house compliance training covering the topics of Payment Card Industry Data Security Standard (PCI DSS), anti-money laundering (AML) and counter-terrorist financing (CTF) and liabilities and bribery and corruption was also arranged for all staff, including the Executive Directors. All Directors participated in continuous professional development training by attending seminars/conferences/forums relevant to the Company's business or their duties. The Company Secretary also forwarded to all Directors a series of directors' training webcasts and e-training for listed companies' directors launched by the Stock Exchange. All Directors had provided the Company Secretary with their training records for the year under review.

During the year ended 28th February 2021, the Directors received training on the following key areas:

Directors	Corporate Governance	Legal/ Regulatory Updates	Business/ Financial/ Management
Executive Directors			
Tomoharu Fukayama	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
Tony Fung	✓	✓	✓
Daisuke Takenaka	✓	✓	✓
Non-executive Director			
Masaaki Mangetsu	✓	✓	✓
Independent Non-executive Directors			
Lee Ching Ming Adrian	✓	✓	✓
Kenji Hayashi	✓	✓	✓
Shing Mo Han Yvonne	✓	✓	✓
Junko Dochi	✓	✓	✓

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Masaaki Mangetsu and the Managing Director is Mr. Tomoharu Fukayama. The respective roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual. The division of responsibilities between the Chairman and the Managing Director have been clearly established and set out in writing.

The Chairman is responsible for the leadership and effective running of the Board. The Managing Director is responsible for the day-to-day management of the Company.

During the year, the Chairman, who is a Non-executive Director, held a meeting with the Independent Non-executive Directors without the presence of other Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has a formal procedure for the appointment of new Directors. A proposal for the appointment of a new Director will be first reviewed by the Nomination Committee taking into consideration the Company's Nomination Policy and Board Diversity Policy. Upon recommendation by the Nomination Committee, the Board will make the final decision.

The Board may at any time appoint any person as a Director either to fill a vacancy or as an addition to the existing Board. All newly appointed Directors hold office until the next following annual general meeting of the Company and are eligible for re-election. All Directors retire at each annual general meeting of the Company and are eligible for re-election.

A letter of appointment setting out the terms and conditions of appointment is provided to each Director. None of the Directors has a service contract with the Group.

On 23rd June 2020, the Board approved (i) the appointment of Mr. Tomoharu Fukayama as an Executive Director and the Managing Director; (ii) the appointment of Mr. Daisuke Takenaka as an Executive Director; and (iii) the appointment of Ms. Shing Mo Han Yvonne and Ms. Junko Dochi as Independent Non-executive Directors. Mr. Tomoharu Fukayama, Mr. Daisuke Takenaka, Ms. Shing Mo Han Yvonne and Ms. Junko Dochi will retire at the 2021 AGM in accordance with the Articles and shall be eligible for re-election.

BOARD COMMITTEES

The Board has three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. All the Board committees are empowered by the Board under their own respective terms of reference, which have been posted on the Company's website and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises four Independent Non-executive Directors. The Audit Committee is chaired by Mr. Lee Ching Ming Adrian. The other members are Mr. Kenji Hayashi, Ms. Shing Mo Han Yvonne and Ms. Junko Dochi. Members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee meets at least twice a year.

The duties of the Audit Committee include:

- monitoring the effectiveness of external audit and overseeing the appointment, remuneration and terms of engagement of the Company's external auditor as well as its independence;
- reviewing and monitoring the integrity of the Company's financial information and overseeing the financial reporting system;
- overseeing the Company's internal audit, risk management and internal control systems as well as arrangements for concerns raised by staff on financial reporting, internal control and other matters; and
- undertaking corporate governance functions delegated by the Board.

The Audit Committee will also discuss matters raised by the external auditor to ensure that appropriate recommendations are implemented.

During the year, the external auditor held two meetings with the members of the Audit Committee in the absence of the Executive Directors.

The Audit Committee held four meetings for the year ended 28th February 2021, and three meetings were attended by the external auditor. The major work performed by the Audit Committee in 2020/21 was as follows:

- met with the external auditor to discuss the general scope of their audit work;
- reviewed the external auditor's management letter and management's response;
- reviewed the management representation letter;
- reviewed the effectiveness of risk management and internal control systems;
- reviewed the internal audit reports;
- reviewed and approved the annual internal audit plan;
- reviewed and approved the engagement and remuneration of external auditors for providing audit and non-audit services;
- reviewed the independence and objectivity of external auditor;
- met with the external auditor to discuss issues arising from the audit of annual accounts and review of interim accounts;
- reviewed the quarterly, half-yearly and annual results;
- reviewed the annual report and accounts and half-year interim report;
- recommended to the Board the reappointment of external auditor;
- reviewed the continuing connected transactions;
- reviewed the training and continuous professional development of the Directors; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The attendance record of each member at the Audit Committee meetings is set out below:

Members	Attendance/ No. of Meetings
Lee Ching Ming Adrian *(Chairman)*	4/4
Kenji Hayashi	4/4
Shing Mo Han Yvonne*	2/2
Junko Dochi*	2/2
Masaaki Mangestu❖	2/2
Wong Hin Wing#	2/2

* Appointed on 23rd June 2020
❖ Ceased as a member on 23rd June 2020
Retired on 23rd June 2020

Nomination Committee

The Nomination Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Masaaki Mangetsu. The other members are Mr. Lee Ching Ming Adrian, Mr. Kenji Hayashi and Ms. Junko Dochi.

The duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board;
- reviewing the Nomination Policy;
- identifying and nominating qualified individuals for appointment to the Board;
- reviewing the Board Diversity Policy;
- assessing the independence of Independent Non-executive Directors;
- making recommendations to the Board on the appointment and reappointment of Directors; and
- reviewing the time commitment required from Directors to perform their responsibilities.

The Nomination Committee has adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria for the selection, appointment and reappointment of Directors. The selection criteria that the Nomination Committee has to consider in evaluating and selecting a candidate for directorship include the following:

- character and integrity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committees of the Company;
- diversity including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
- such other relevant factors that the Committee may consider appropriate.

The Nomination Committee has the discretion to nominate any person as it considers appropriate.

The procedures for the appointment and reappointment of a Director are summarized as follows:

- selection of potential new candidates from amongst the senior management or external candidates referred by any Director and external recruitment agent;
- evaluation of the candidate based on the selection criteria as set out in the Nomination Policy and a range of diversity perspectives as set out in the Board Diversity Policy;
- in the case of nomination of an Independent Non-executive Director, assessing the candidate's independence under the Listing Rules;
- making recommendation for the Board's consideration and approval;
- appointment as Director by the Board;
- in the case of reappointment of a retiring Director, reviewing the candidate's performance and making recommendation to the Board for consideration and recommendation to shareholders for re-election at general meeting; and
- reappointment as Director by shareholders.

The Nomination Committee held one meeting for the year ended 28th February 2021 and the major work performed by the Nomination Committee in 2020/21 was as follows:

- reviewed the structure, size and composition of the Board;
- assessed the independence of Independent Non-executive Directors;
- reviewed the time commitment of Directors for performing their responsibilities;
- made recommendation to the Board on the re-election of Directors at the 2020 AGM; and
- made recommendation to the Board on the appointment of Directors.

The attendance record of each member at the Nomination Committee meeting is set out below:

Members	Attendance/ No. of Meetings
Masaaki Mangestu *(Chairman)*	1/1
Lee Ching Ming Adrian	1/1
Kenji Hayashi	1/1
Junko Dochi*	N/A
Wong Hin Wing#	1/1

* Appointed on 23rd June 2020
\# Retired on 23rd June 2020

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lee Ching Ming Adrian. The other members are Mr. Masaaki Mangetsu, Mr. Kenji Hayashi and Ms. Shing Mo Han Yvonne.

The duties of the Remuneration Committee include determining the remuneration packages of individual Executive Directors and making recommendations to the Board on the fees of the Independent Non-executive Directors.

The Company's remuneration policy aims to provide a fair and competitive remuneration package to attract, retain and motivate high calibre executives. The level of remuneration and fees payable to members of the Board is determined with reference to the Group's operating results, individual performance and responsibilities and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 12 to the financial statements.

The Remuneration Committee held one meeting for the year ended 28th February 2021, in which it approved the salaries and discretionary bonuses of the Executive Directors and made recommendation to the Board on the Directors' fees for the Independent Non-executive Directors.

The attendance record of each member at the Remuneration Committee meeting is set out below:

Members	Attendance/ No. of Meetings
Lee Ching Ming Adrian *(Chairman)*	1/1
Masaaki Mangetsu	1/1
Kenji Hayashi	1/1
Shing Mo Han Yvonne*	N/A
Wong Hin Wing#	1/1

* Appointed on 23rd June 2020
\# Retired on 23rd June 2020

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board, through the Audit Committee, assesses the effectiveness of the Group's risk management and internal control systems, which covers all material controls, including financial, operational and compliance controls, on an annual basis, and also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Significant issues in the management letters from both internal and external auditors will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time.

Each division across the Company embraces the Company's Enterprise Risk Management (the "ERM") framework for their process management in day-to-day business activities. The ERM framework includes credit, operational (administrative, system, human resources, tangible, reputation, personal data protection and business continuity), market, liquidity, compliance, legal and regulatory risks. There are risk management policies, regulations and guidelines issued for operating units to identify, assess, manage, and control risks across the Company. Exposure to these 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.

The internal control system of the Group includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The internal control system has been designed to safeguard the Group's assets against unauthorized use or disposition; to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standards.

The key processes that have been established under the risk management and internal control systems include the following:

- Three lines of defence model is set up as per the Enterprise Risk Management Policy:
  - 1st line of defence consists of all operating units;
  - 2nd line of defence consists of the Risk Management Department and the Risk Management Committee; and
  - 3rd line of defence consists of the Internal Audit Department and the Audit Committee.
- Each division has to follow the relevant policies, regulations and guidelines to conduct risk assessment in their areas and report any incidents to the Risk Management Committee.
- The Risk Management Department will monitor the key risk indicators and risk events occurred to ensure effective controls are in place in operating units.
- The Risk Management Committee has the responsibility to oversee enterprise risk management and internal control functions.
- The Internal Audit Department will provide independent assurance on the effectiveness of our risk management and internal control systems.
- The Audit Committee oversees the Group's risk management and internal control systems.
- Members of the Risk Management Committee consist of the Executive Directors, Heads of Divisions and Head of Risk Management Department. The Head of Internal Audit Department and other relevant Department Heads are regularly invited to attend the monthly meetings of the Risk Management Committee.
- Significant risk events, material losses and internal control weaknesses are reported at the Risk Management Committee meetings.
- Members of the Risk Management Committee are responsible for ensuring the effectiveness of implementations and adequacy of the ERM framework and ensuring significant risks are mitigated with preventive measures.
- Risk management reports and details of incidents are reported to the Board on a monthly basis and reviewed by the Audit Committee on a quarterly basis.
- On-going trainings on risk management and internal control are provided to the relevant employees.

During the year under review, no major internal control weaknesses were identified, but several areas for improvement were recommended by the internal and external auditors, as well as the Risk Management Committee, and appropriate improvement actions were taken. The Board considered that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining a high standard of probity, openness, and accountability. A Whistleblowing Policy is in place to create a system for the employees and other stakeholders of the Company to raise concerns, in confidence, about possible improprieties. A designated email account and a dedicated hotline have been set up for this purpose. The identity of each whistleblower and all information provided in connection with a whistleblowing report will be treated with the strictest confidence.

Continuous Disclosure Policy

A Continuous Disclosure Policy is in place to ensure potential inside information as defined in the SFO is identified and confidentiality of such information is maintained until timely and appropriate disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Roles and responsibilities of the divisions/departments of the Company in identifying and escalating any potential inside information within the Company;
- Procedures for determining the necessity, means and/or extent of disclosure of such information; and
- Designation of persons to act as spokespersons to speak on behalf of the Company and to respond to external enquiries

Internal Audit

The Company's Internal Audit Department monitors the Group's internal governance and provides independent and objective assurance to the Board that adequate and effective risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards by performing periodic checking. The Head of the Internal Audit Department reports functionally to the Audit Committee and administratively to the Managing Director. The annual internal audit plan, which is prepared based on risk assessment methodology, is approved by the Audit Committee.

The Internal Audit Department conducts audits on financial, operational and compliance controls of the Group on a regular basis. A summary of key audit findings (if any) and recommendations for improvement is reported monthly to the Board and reviewed quarterly by the Audit Committee. Management team is responsible for ensuring that any control deficiencies highlighted in internal audit reports are rectified within a reasonable time. In addition, J-SOX audit is performed yearly by the internal and external auditors where risk management and internal control systems and procedures for key operating areas are evaluated and tested for adequacy and effectiveness.

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Management provides the Board with sufficient explanation and information to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. Directors are also provided with monthly updates on the Group's performance to assist them to discharge their duties.

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 28th February 2021, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. A statement by the external auditor of the Company about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 53 to 57 of this annual report.

The Group has announced its annual, interim and quarterly results within three months, two months and 45 days respectively after the end of the relevant year or period, as laid down in the Listing Rules.

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu has been reappointed as the Company's external auditor at the 2020 AGM until the conclusion of the 2021 AGM.

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process in accordance with applicable standards. Deloitte Touche Tohmatsu has confirmed its independence and objectivity and its compliance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. To ensure the external auditor's independence, all audit and permitted non-audit services to be undertaken by Deloitte Touche Tohmatsu have to be approved by the Audit Committee. The Company has a policy in place which sets out the permissible types of non-audit services that may be provided by the external auditor.

During the year under review, the fees paid or payable to Deloitte Touche Tohmatsu for the provision of audit services amounted to HK$3.1 million. In addition, the following fees were paid or payable to Deloitte Touche Tohmatsu for the provision of non-audit related services to the Group:

Services rendered	Fees *HK$'000*
Taxation compliance	54
Taxation consulting	120
Interim review	150
Agreed upon procedures	130
Liquidation services	239
Annual compliance review - insurance brokerage	20
J-SOX annual compliance review	590
Total	1,303

COMPANY SECRETARY

The Company Secretary's role is to support the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on governance matters and facilitating induction and professional development of Directors. The Company Secretary is an employee of the Company and reports to the Chairman and the Managing Director. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is delegated with the responsibility for drawing up the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda and that all applicable rules and regulations are followed. All Directors may ask for matters to be included in the agenda for regular board meetings by request to the Company Secretary. For the year under review, the Company Secretary has taken over 15 hours of relevant professional training to update his skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the year ended 28th February 2021, there was no change in the Company s constitutional documents. A copy of the latest consolidated version of the Articles is posted on the Company's and the Stock Exchange's respective websites.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with shareholders and investors. The Company establishes various communication channels with its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, announcements, circulars, the Company's website and meetings with investors and analysts.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Board welcomes shareholders to express their opinions at the annual general meeting. Directors, senior management and external auditor attend the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors. The notice of the meeting, the annual report and the circular containing information on the proposed resolutions are sent to shareholders at least 20 clear business days before the meeting. Voting at the annual general meeting is by way of a poll. Details of the poll voting procedures are explained to shareholders at the annual general meeting to ensure that shareholders are familiar with such procedures. The results of the poll are published on the Company's website and the Stock Exchange's website.

The Company's 2020 AGM was held on Tuesday, 23rd June 2020. The notice of the 2020 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than 20 clear business days before the 2020 AGM. All Board members together with the key executives and the external auditor attended the 2020 AGM. The Company Secretary explained the poll voting procedures at the 2020 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2020 AGM. All the resolutions at the 2020 AGM were dealt with by poll. The poll results of the 2020 AGM are available on the Company's website and the Stock Exchange's website.

The attendance record of each Director at the 2020 AGM is set out below:

Directors	Attendance/ No. of Meeting
Executive Directors	
Tomoharu Fukayama *(Managing Director)**	N/A
Hideo Tanaka *(Managing Director)*#	1/1
Lai Yuk Kwong *(Deputy Managing Director)*	1/1
Tony Fung	1/1
Daisuke Takenaka*	N/A
Koh Yik Kung#	1/1
Non-executive Director	
Masaaki Mangetsu *(Chairman)*	1/1
Independent Non-executive Directors	
Lee Ching Ming Adrian	1/1
Kenji Hayashi	1/1
Shing Mo Han Yvonne*	N/A
Junko Dochi*	N/A
Wong Hin Wing#	1/1

* Appointed on 23rd June 2020
# Retired on 23rd June 2020

The management personnel responsible for investor relations holds regular meetings with equity research analysts, fund managers and institutional shareholders and investors. In addition, press conferences and investors' and analysts' presentations might be held after the interim and final results announcements.

The market capitalization of the Company as at 28th February 2021 was HK$2,261 million (issued share capital: 418,766,000 shares at closing market price: HK$5.4 per share).

The 2021 AGM will be held at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 25th June 2021 at 10:00 a.m.

SHAREHOLDERS' RIGHTS

Calling a general meeting of the Company

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having the right to vote at general meetings may request the Directors to call a general meeting of the Company. The requisition, duly signed by the shareholder(s) concerned, must clearly state the objects of the meeting and must be deposited at the registered office of the Company for the attention of the Company Secretary. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 566 to 568 of the Companies Ordinance once a valid requisition is received.

Putting forward proposals at a general meeting of the Company

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have the right to vote or at least 50 shareholders who have a relevant right to vote may by requisition in writing to the Company either put forward a proposal at a general meeting or circulate to other shareholders a written statement with respect to matter to be dealt with at a general meeting. The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 581 to 583 of the Companies Ordinance once valid documents are received.

Proposing a candidate for election as a Director at an annual general meeting of the Company ("AGM")

Pursuant to Article 88 of the Articles, if a shareholder of the Company intends to propose a person other than a Director for election as a Director at an AGM, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the despatch of the AGM notice and ending no later than seven days prior to the date of the AGM. Detailed procedures can be found in the document titled "Procedures for Election of Directors by Shareholders" which is available on the Company's website.

Enquiries to the Board

Enquiries may be put forward to the Board through the Company Secretary at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements for the year ended 28th February 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of consumer credit finance services, which include the issuance of credit cards and the provision of personal loan financing, payment processing services, insurance agency and brokerage business, and microfinance business.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, description of possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis on pages 6 to 13 of the annual report. Additionally, financial risk management objectives and policies of the Group can be found in note 41 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group Financial Highlights on pages 4 to 5 of the annual report, in the Management Discussion and Analysis on pages 6 to 13 of the annual report and in note 5 to the consolidated financial statements.

Discussion on the Company's policies and practices on different aspects of corporate sustainability, its relationships with key stakeholders as well as compliance with relevant laws and regulations which are of significant impact, are covered in the Environmental, Social and Governance Report on pages 14 to 26.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 28th February 2021.

NET DEBT TO EQUITY RATIO

At 28th February 2021, the net debt to equity ratio was 0.1 (29th February 2020: 0.4), with the basis on which it is computed as set out in note 40 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company amounted to HK$3,131,879,000 at 28th February 2021 (29th February 2020: HK$3,015,936,000).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28th February 2021 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 58 to 138.

An interim dividend of 22.0 HK cents per share (2020: interim dividend of 22.0 HK cents per share) amounting to HK$92,128,000 (2020: HK$92,128,000) was paid to the shareholders during the year. The Directors have recommended the payment of a final dividend of 18.0 HK cents per share (2020: 22.0 HK cents per share) in respect of the current year to the shareholders on the register of members on 6th July 2021 amounting to HK$75,378,000 (2020: HK$92,128,000).

MAJOR CUSTOMERS

During the year, the aggregate amount of revenue attributable to the Group's five largest customers accounted for less than 30% of the Group's total revenue.

DIRECTORS OF THE COMPANY

The Directors during the year ended 28th February 2021 and up to the date of this report were:

Executive Directors:

Tomoharu Fukayama *(Managing Director)*	(Appointed on 23rd June 2020)
Hideo Tanaka *(Managing Director)*	(Retired on 23rd June 2020)
Lai Yuk Kwong *(Deputy Managing Director)*	
Koh Yik Kung	(Retired on 23rd June 2020)
Tony Fung	
Daisuke Takenaka	(Appointed on 23rd June 2020)

Non-executive Director:

Masaaki Mangetsu *(Chairman)*

Independent Non-executive Directors:

Lee Ching Ming Adrian	
Kenji Hayashi	
Shing Mo Han Yvonne	(Appointed on 23rd June 2020)
Junko Dochi	(Appointed on 23rd June 2020)
Wong Hin Wing	(Retired on 23rd June 2020)

In accordance with Article 102 of the Articles, all Directors shall retire at the 2021 AGM and shall be eligible for re-election.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the board of directors of the subsidiaries of the Company during the year and up to the date of this report are as follows:

AEON Insurance Brokers (HK) Limited

Lai Yuk Kwong	
Tomoharu Fukayama	(Appointed on 18th June 2020)
Yasushi Ogusu	(Appointed on 18th June 2020)
Hideo Tanaka	(Resigned on 18th June 2020)
Senichi Takemura	(Resigned on 18th June 2020)

AEON Micro Finance (Tianjin) Co., Ltd.*(Note)*

Tomoyuki Kawahara	(Resigned on 31st December 2020)
Hideki Nagashima	(Resigned on 31st December 2020)
Jin Hua Shu	(Resigned on 31st December 2020)

AEON Micro Finance (Shenzhen) Co., Ltd.

Masaaki Mangetsu
Jin Hua Shu
Shinnosuke Aragane
Yoji Sowa

Note: AEON Micro Finance (Tianjin) Co., Ltd. has commenced voluntary liquidation and liquidation committee was formed on 1st January 2021.

DIRECTORS' SERVICE CONTRACTS

No Director eligible for re-election at the 2021 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 28th February 2021, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the shares of the Company

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

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

Director	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Masaaki Mangetsu	6,742	0.01
Tomoharu Fukayama	5,600	0.01
Daisuke Takenaka	546	0.01

(c) Long positions in the shares of AEON Japan – ultimate holding company of Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Japan
Masaaki Mangetsu	1,591	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 28th February 2021.

STATUS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At 28th February 2021, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions in the shares of the Company

Name	Nature of interest	Number of shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	Beneficial owner/Interest of a controlled corporation	281,138,000	67.13
AFS *(Note 2)*	Interest of a controlled corporation	221,364,000	52.86
AFS (HK) *(Note 3)*	Beneficial owner	221,364,000	52.86
FMR LLC	Interests of controlled corporations	37,690,896	9.00
Fidelity Puritan Trust	Beneficial owner	21,810,000	5.21

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 47.79% of the issued share capital of AFS, the holding company of AFS (HK) and 60.59% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 221,364,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.

2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 221,364,000 shares owned by AFS (HK).

3. Out of 221,364,000 shares, 213,114,000 shares were held by AFS (HK) and 8,250,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited as nominee 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 28th February 2021.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

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

(a) On 3rd April 2020, the Company and AEON Stores entered into a 2020 Renewal Agreement to extend the term of the master agreement for a further term of three years whereby the Company would receive commission from this fellow subsidiary in respect of purchases made by customers using credit purchase facilities, card instalment facilities, and payment solutions provided by the Company.

The total amount of commission received and receivable by the Company from AEON Stores for the period from 1st March 2020 to 14th April 2020 under a 2017 Renewal Agreement dated 13th April 2017 was HK$1,598,000, of which HK$548,000 is classified as interest income under HKFRS 9 and from 15th April 2020 to 28th February 2021 under the 2020 Renewal Agreement dated 3rd April 2020 was HK$12,233,000, of which HK$3,423,000 is classified as interest income under HKFRS 9. The total commission amount under the 2017 Renewal Agreement and the 2020 Renewal Agreement did not exceed the respective caps of HK$2,800,000 and HK$19,000,000 as disclosed in the Company's announcements dated 13th April 2017 and 3rd April 2020 respectively.

(b) Pursuant to a master agreement-gift certificate dated 26th February 2019 entered into between the Company and AEON Stores, the Company may from time to time place purchase orders with AEON Stores for cash certificates issued by AEON Stores.

The total amount of consideration paid by the Company to AEON Stores for the year ended 28th February 2021 amounted to HK$9,000,000, which did not exceed the cap of HK$15,000,000 as disclosed in the Company's announcement dated 26th February 2019.

(c) Pursuant to a master service agreement dated 1st March 2019 entered into between the Company and AIS, the Group would pay service fees to AIS for the provision of holistic business process outsourcing services.

The total amount of service fees paid and payable by the Group to AIS for the year ended 28th February 2021 was HK$23,193,000, which did not exceed the cap of HK$43,000,000 as disclosed in the Company's announcement dated 1st March 2019.

(d) Pursuant to a master service agreement dated 1st March 2019 entered into between the Company and ACSS, the Company would pay service fees to ACSS for the provision of IT-related services.

On 19th October 2020, the Company entered into a novation agreement with ACSS and AFS, whereby ACSS agreed to transfer and AFS agreed to assume all of ACSS's rights and obligations under the master service agreement dated 1st March 2019 for the remaining term of the master service agreement from 1st November 2020 to 28 February 2022.

The total amount of service fees paid by the Company to ACSS for the period from 1st March 2020 to 31st October 2020 under the master service agreement dated 1st March 2019 was HK$5,667,000 and the amount of service fees paid by the Company to AFS for the period from 1st November 2020 to 28th February 2021 under the novation agreement dated 19th October 2020 was HK$890,000, of which the total service fees paid by the Company under the master service agreement was HK$6,557,000 and did not exceed the cap of HK$14,000,000 as disclosed in the Company's respective announcements dated 1st March 2019 and 19th October 2020.

(e) Pursuant to a business advisory service agreement dated 28th February 2020 entered into between the Company and AFS (HK), the Company would pay an advisory fee to AFS (HK) for the provision of consultation and advisory services.

The total amount of advisory fee paid and payable by the Company to AFS (HK) for the year ended 28th February 2021 amounted to HK$12,491,000, which did not exceed the cap of HK$14,000,000 as disclosed in the Company's announcement dated 28th February 2020.

(f) Pursuant to a licence agreement dated 30th March 2020 entered into between the Company and AEON Stores ("2020 Licence Agreement"), the Company would pay a fixed monthly licence fee, rates, management fees and utility charges to AEON Stores for the lease of premises insides AEON Stores as a branch office of the Company for a term of one year from 1st April 2020.

The total amount of licence fees, rates, management fees and utility charges paid by the Company to AEON Stores for the period from 1st April 2020 to 28th February 2021 amounted to HK$2,701,000, which did not exceed the cap of HK$3,025,000 as disclosed in the Company's announcement dated 30th March 2020.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a) to (f) above and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year the Group had the following connected transaction:

(g) Pursuant to licence agreement dated 23rd February 2021 ("2021 Licence Agreement"), the Company renewed the 2020 Licence Agreement for a further term of one year from 1st April 2021.

The cost of the right-of-use asset recognised by the Company for the lease of the premises under 2021 Licence Agreement amounted to HK$3,258,000 at 28th February 2021.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The related party transactions as disclosed in note 46 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

LOAN FACILITY WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

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

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

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

During the year of review, no repayment was made under the Facility.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in the execution of his duties or otherwise in relation thereto. Directors and officers liability insurance has been arranged to indemnify the Directors.

EQUITY-LINKED AGREEMENTS

For the year ended 28th February 2021, the Company has not entered into any equity-linked agreements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$1,272,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at 28th February 2021 and the date of this report.

AUDITOR

The financial statements for the year ended 28th February 2021 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the 2021 AGM to reappoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Tomoharu Fukayama
Managing Director

Hong Kong, 8th April 2021

Independent Auditor's Report

Deloitte. 德勤

To the Members of AEON Credit Service (Asia) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the 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 58 to 138, which comprise the consolidated statement of financial position as at 28th February 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28th February 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of advances and receivables	
We identified impairment assessment of advances and receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with management's estimation in measuring the expected credit loss ("ECL") under ECL model as stipulated in HKFRS 9 "Financial Instruments" ("HKFRS 9"). As explained in note 20 to the consolidated financial statements, advances and receivables are unsecured and amounted to approximately HK$3,843,768,000 as at 28th February 2021, representing approximately 76% of the Group's total assets. As explained in note 21 to the consolidated financial statements, the balance of impairment allowances is approximately HK$218,504,000 as at 28th February 2021, of which approximately HK$210,812,000 has been charged to the consolidated statement of profit or loss during the year ended 28th February 2021. As set out in note 4 to the consolidated financial statements, the measurement of ECL requires estimation of the amount and timing of future cash flows and the assessment of whether have been a significant increase in credit risk. The estimations and assumptions applied in the ECL model include (i) the selection of inputs which the entity used in the ECL model including loss given default and probability of default; (ii) the portfolio segmentation of financial assets based on risk characteristics of the customers; (iii) and the selection of forward-looking information. The Group applies the general impairment approach of HKFRS 9 for advances and receivables based on a three-stage process to recognise impairment. The ECL on advances and receivables is assessed individually and/or collectively using a provision matrix based on internal credit rating.	Our procedures in relation to impairment assessment of the advances and receivables included: – Obtaining an understanding of the Group's credit loss policy and methodology for impairment assessment in relation to the application of ECL model under HKFRS 9 including the formulation of the model and inputs used in the ECL model; – Understanding and evaluating the management's judgement in determining significant increase in credit risk and the staging criteria based on the internal credit rating which reflect the shared credit risk characteristics; – Engaging our internal modelling specialist to assess the reasonableness and appropriateness of the Group's methodology of ECL model, including the model design and calculation and model inputs in compliance with HKFRS 9; – Engaging our internal information technology specialist to test relevant automated controls related to delinquency system used in the ECL calculation; and – Testing the completeness and accuracy of a selection of input data used in the ECL model.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group. In addition, due to the significant volume of transactions and heavy reliance on the information technology systems, minor errors could, in aggregate, have a material impact to the consolidated financial statements that could be subject to manipulation. An analysis of the Group's revenue for the year is set out in note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: – Understanding the revenue business process of the Group; – Evaluating and testing the operating effectiveness of key controls on the recognition of interest income; – Testing automated controls related to the calculation of interest income and the completeness and accuracy of information capture; and – Using regression analysis techniques based on historical data on advances and receivables and interest income to test interest income.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 April 2021

Consolidated Statement of Profit or Loss

For the year ended 28th February 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	5	**1,089,858**	1,297,686
Interest income	7	**946,774**	1,115,725
Interest expense	8	**(42,151)**	(68,300)
Net interest income		**904,623**	1,047,425
Fees and commissions		**76,985**	104,388
Handling and late charges		**66,099**	77,573
Other income	9	**17,521**	3,781
Other gains and losses	10	**(2,140)**	(8,001)
Operating income		**1,063,088**	1,225,166
Operating expenses	11	**(535,900)**	(565,933)
Operating profit before impairment losses and impairment allowances		**527,188**	659,233
Impairment losses and impairment allowances		**(210,812)**	(258,744)
Recoveries of advances and receivables written-off		**38,660**	43,536
Share of results of an associate	18	**2,910**	905
Profit before tax		**357,946**	444,930
Income tax expense	13	**(56,371)**	(74,847)
Profit for the year		**301,575**	370,083
Profit for the year attributable to:			
Owners of the Company		**301,575**	370,083
Earnings per share – Basic	15	**72.02 HK cents**	88.37 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 28th February 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**301,575**	370,083
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at FVTOCI	**(15,601)**	(37,516)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**14,104**	(11,738)
Net adjustment on cash flow hedges	**(7,334)**	(13,678)
Other comprehensive expense for the year	**(8,831)**	(62,932)
Total comprehensive income for the year	**292,744**	307,151
Total comprehensive income for the year attributable to:		
Owners of the Company	**292,744**	307,151

Consolidated Statement of Financial Position

At 28th February 2021

	NOTES	28.2.2021 HK$'000	29.2.2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**107,214**	105,173
Right-of-use assets	17	**82,278**	92,786
Interest in an associate	18	**19,406**	15,587
Equity instruments at fair value through other comprehensive income	19	**65,470**	81,071
Advances and receivables	20	**589,136**	719,765
Prepayments, deposits and other debtors	23	**16,349**	26,258
Derivative financial instruments	35	**–**	1,809
Deferred tax assets	36	**2,509**	8,769
		882,362	1,051,218
Current assets			
Advances and receivables	20	**3,254,632**	3,708,241
Prepayments, deposits and other debtors	23	**51,446**	70,425
Amount due from immediate holding company	31	**–**	250
Amount due from an associate	32	**37**	81
Derivative financial instruments	35	**–**	353
Restricted deposits	24	**–**	38,000
Time deposits	25	**135,302**	150,812
Bank balances and cash	27	**759,587**	710,338
		4,201,004	4,678,500
Current liabilities			
Creditors and accruals	28	**263,789**	215,992
Contract liabilities	29	**16,301**	10,562
Amounts due to fellow subsidiaries	30	**63,741**	38,775
Amount due to intermediate holding company	31	**1,497**	283
Amount due to ultimate holding company	31	**14**	50
Amount due to an associate	32	**1,672**	3,203
Bank borrowings	33	**527,635**	370,000
Collateralised debt obligation	39	**–**	548,400
Lease liabilities	34	**42,002**	37,869
Derivative financial instruments	35	**4,384**	839
Tax liabilities		**20,726**	16,514
		941,761	1,242,487
Net current assets		**3,259,243**	3,436,013
Total assets less current liabilities		**4,141,605**	4,487,231

	NOTES	28.2.2021 HK$'000	29.2.2020 HK$'000
Capital and reserves			
Share capital	37	**269,477**	269,477
Reserves	38	**3,152,553**	3,044,065
Total equity		**3,422,030**	3,313,542
Non-current liabilities			
Bank borrowings	33	**655,246**	1,099,102
Lease liabilities	34	**42,692**	56,760
Derivative financial instruments	35	**21,637**	17,827
		719,575	1,173,689
		4,141,605	4,487,231

The consolidated financial statements on pages 58 to 138 were approved and authorised for issue by the Board on 8 April 2021 and are signed on its behalf by:

TOMOHARU FUKAYAMA
MANAGING DIRECTOR

DAISUKE TAKENAKA
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 28th February 2021

	Share capital HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st March 2019	269,477	93,042	(3,738)	(13,213)	2,845,079	3,190,647
Profit for the year	–	–	–	–	370,083	370,083
Fair value loss on equity instruments at FVTOCI	–	(37,516)	–	–	–	(37,516)
Exchange difference arising from translation of foreign operations	–	–	–	(11,738)	–	(11,738)
Net adjustment on cash flow hedges	–	–	(13,678)	–	–	(13,678)
Total comprehensive (expense) income for the year	–	(37,516)	(13,678)	(11,738)	370,083	307,151
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at FVTOCI	–	1,723	–	–	(1,723)	–
Final dividend paid for 2018/19	–	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2019/20	–	–	–	–	(92,128)	(92,128)
	–	(35,793)	(13,678)	(11,738)	184,104	122,895
At 29th February 2020	**269,477**	**57,249**	**(17,416)**	**(24,951)**	**3,029,183**	**3,313,542**
Profit for the year	**–**	**–**	**–**	**–**	**301,575**	**301,575**
Fair value loss on equity instruments at FVTOCI	**–**	**(15,601)**	**–**	**–**	**–**	**(15,601)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**14,104**	**–**	**14,104**
Net adjustment on cash flow hedges	**–**	**–**	**(7,334)**	**–**	**–**	**(7,334)**
Total comprehensive (expense) income for the year	**–**	**(15,601)**	**(7,334)**	**14,104**	**301,575**	**292,744**
Final dividend paid for 2019/20	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2020/21	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	–	**(15,601)**	**(7,334)**	**14,104**	**117,319**	**108,488**
At 28th February 2021	**269,477**	**41,648**	**(24,750)**	**(10,847)**	**3,146,502**	**3,422,030**

Consolidated Statement of Cash Flows

For the year ended 28th February 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit before tax	**357,946**	444,930
Adjustments for:		
Amortisation of upfront cost of borrowings	**862**	523
Depreciation on property, plant and equipment	**31,813**	36,773
Depreciation on right-of-use-assets	**49,506**	46,868
Dividends received from financial instruments	**(178)**	(929)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**210,812**	258,744
Interest expense	**41,289**	67,777
Interest income	**(946,774)**	(1,115,725)
Losses on disposal of property, plant and equipment	**1,527**	697
Losses on termination of lease contracts	**949**	7,067
Share of results of an associate	**(2,910)**	(905)
Operating cash flows before movements in working capital	**(255,158)**	(254,180)
Decrease in advances and receivables	**357,591**	191,958
Decrease (increase) in prepayments, deposits and other debtors	**18,732**	(16,101)
Decrease in amounts due from fellow subsidiaries	**–**	160
Decrease in amount due from immediate holding company	**254**	20
Decrease (increase) in amount due from an associate	**47**	(44)
Decrease in fiduciary bank balances	**–**	35
Increase (decrease) in creditors and accruals	**60,076**	(43,626)
Increase in contract liabilities	**5,739**	1,076
Increase (decrease) in amounts due to fellow subsidiaries	**24,998**	(4,203)
Increase in amount due to intermediate holding company	**1,214**	283
(Decrease) increase in amount due to ultimate holding company	**(36)**	22
(Decrease) increase in amount due to an associate	**(1,531)**	1,176
Cash from (used in) operations	**211,926**	(123,424)
Tax paid	**(45,898)**	(83,919)
Interest paid	**(43,968)**	(68,326)
Interest received	**966,050**	1,118,449
Net cash from operating activities	**1,088,110**	842,780

	2021 HK$'000	2020 HK$'000
Investing activities		
Dividends received	**178**	929
Proceeds from disposal of equity instruments at FVTOCI	**–**	114
Proceeds from disposal of property, plant and equipment	**9**	53
Purchase of property, plant and equipment	**(17,220)**	(15,421)
Deposits paid for acquisition of property, plant and equipment	**(15,559)**	(26,552)
Placement of time deposits with maturity of more than three months	**(29,455)**	(93,348)
Release of time deposits with maturity of more than three months	**99,092**	48,433
Net cash from (used in) investing activities	**37,045**	(85,792)
Financing activities		
Placement of restricted deposits	**(1,358,808)**	(841,930)
Withdrawal of restricted deposits	**1,396,808**	1,223,396
Repayment of lease liabilities	**(49,084)**	(52,091)
Dividends paid	**(184,256)**	(184,256)
New bank loans raised	**83,038**	415,565
Repayment of bank loans	**(370,000)**	(325,000)
Repayment of collateralised debt obligation	**(548,400)**	(701,600)
Net cash used in financing activities	**(1,030,702)**	(465,916)
Net increase in cash and cash equivalents	**94,453**	291,072
Effect of changes in exchange rate	**5,524**	(4,641)
Cash and cash equivalents at beginning of the year	**764,987**	478,556
Cash and cash equivalents at end of the year	**864,964**	764,987
Being:		
Time deposits with maturity of three months or less	**105,377**	54,649
Bank balances and cash	**759,587**	710,338
	864,964	764,987

Notes to the Consolidated Financial Statements

For the year ended 28th February 2021

1. GENERAL INFORMATION

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on the Stock Exchange. Its immediate holding company is AFS (HK), incorporated in Hong Kong and its ultimate holding company is AEON Japan, incorporated in Japan and listed on the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing, card payment processing services, insurance agency and brokerage business and microfinance business.

The consolidated financial statements are presented in HKD, which is the same as the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1st March 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1st January 2023
2 Effective for annual periods beginning on or after 1st January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st June 2020
5 Effective for annual periods beginning on or after 1st January 2021

2. APPLICATION OF AMENDMENTS TO HKFRSs (Cont'd)

New and amendments to HKFRSs in issue but not yet effective (Cont'd)

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 28th February 2021, the Group has several USD LIBOR and JPY LIBOR bank borrowings which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments. The Group is in the process of planning and managing the transition to new benchmark interest rate with lenders.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the investment in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised is not allocated to any asset including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Investment in an associate (Cont'd)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Revenue from contracts with customers (Cont'd)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (award credits for customers under customer loyalty programmes), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Variable consideration

For contracts that contain variable consideration (award credits for customers under customer loyalty programmes), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group is a principal except where the Group acts as an agent in placing the insurable risks of their clients with insurers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies the practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's investment in an associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Foreign currencies (Cont'd)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Taxation (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individually group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generated unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generated unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generated unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value, except for debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including advances and receivables, other debtors, amounts due from immediate holding company and an associate, restricted deposits, time deposits, and bank balances) and unused credit card limit which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for debtors and amounts due from related parties which are trade-related arising from contracts with customers which are initially measured in accordance with HKFRS 15. The ECL on these assets are assessed individually based on past due analysis.

The Group applies the general impairment approach of HKFRS 9 for other financial assets and unused credit card limit to recognise impairment based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument. The ECL on these assets is assessed individually and/or collectively using a provision matrix with appropriate groupings.

Stage 1 covers instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk. Stage 2 covers financial instruments that have deteriorated significantly in credit quality since initial recognition. Stage 3 covers financial assets for which credit loss events occur and become credit-impaired. 12m ECL is recognised in Stage 1, while lifetime expected credit losses are recognised in Stages 2 and 3.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; or

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For unused credit card limit, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of an unused credit card limit, the Group considers changes in the risk of a default occurring on the advance to which an unused credit card limit relates.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event; or

(c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of advances and receivables, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on advances and receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(v) Measurement and recognition of ECL (Cont'd)

For unused credit card limit, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the unused credit card limit utilises the limit, and the cash flows that the Group expects to receive if the limit is utilised. The estimate is consistent with the Group's expectations of drawdowns of the unused credit card limit, i.e. the expected portions of the unused credit card limit that will be drawn down within 12 months of the reporting date when estimating 12m ECL, and the expected portion of unused credit card limit that will be drawn down over the expected life of the unused credit card limit when estimating lifetime ECL. The ECL is measured over the period the Group is exposed to the credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments; and
- Past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of advances and receivables and unused credit card limit where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL, except for derivative financial instruments under cash flow hedges.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, intermediate holding company, ultimate holding company and an associate, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Hedge accounting (Cont'd)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

For the purpose of reclassifying the amount of gains and losses accumulated in the hedging reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship). Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Insurance broking debtors and creditors

As an insurance broker, the Group act as an intermediary for various insurers in placing the insurable risks of their clients with such insurers. Under these terms of business the Group is generally not liable as principal for the amounts that its clients owe to the insurer as they enter in an insurance contract with the insurer and become its policyholders. Accordingly, receivables arising from policyholders are not included as assets of the Group. The receivable from the insurer for fees and commissions earned on the transaction continues to be recognised within insurance broking debtors. In the event that the insurer has delegated to the Group the collection of premiums or the payment of claims to the policyholders, the Group recognises the cash received in segregated bank balances with a corresponding liability for amounts due to the insurer or the policyholder when cash is received in deposit from the policyholder or the insurer respectively. These financial liabilities are classified in the consolidated statement of financial position as insurance broking creditors.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment assessment of advances and receivables

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated loss on advances and receivables. The measurement of impairment losses under HKFRS 9 requires management's estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

In determining impairment allowances, management applied the ECL model with a number of estimations and assumptions including:

- The selection of inputs which the entity used in the ECL model including loss given default and probability of default;
- The portfolio segmentation of financial assets based on risk characteristics of the customers; and
- The selection of forward-looking information.

The management regularly review the estimation and assumptions used in the ECL calculation to reduce any differences between loss estimates and actual loss experience.

The impairment allowance is sensitive to changes in estimates. Details of advances and receivables and the impairment allowances are disclosed in notes 20 to 22.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information is as follows:

	2021 HK$'000	2020 HK$'000
Interest income *(note 7)*	**946,774**	1,115,725
Fees and commissions		
– Credit cards	**52,258**	75,422
– Insurance	**24,727**	28,966
Handling and late charges	**66,099**	77,573
Revenue from contracts with customers	**143,084**	181,961
Total revenue	**1,089,858**	1,297,686

For the year ended 28th February 2021

	Credit cards HK$'000	**Personal loans HK$'000**	**Insurance HK$'000**	**Total HK$'000**
Interest income	**742,639**	**204,135**	**–**	**946,774**
Fees and commissions	**52,258**	**–**	**24,727**	**76,985**
Handling and late charges	**62,146**	**3,953**	**–**	**66,099**
Segment revenue	**857,043**	**208,088**	**24,727**	**1,089,858**

For the year ended 29th February 2020

	Credit cards HK$'000	Personal loans HK$'000	Insurance HK$'000	Total HK$'000
Interest income	849,833	265,839	53	1,115,725
Fees and commissions	75,422	–	28,966	104,388
Handling and late charges	70,968	6,605	–	77,573
Segment revenue	996,223	272,444	29,019	1,297,686

5. REVENUE (Cont'd)

(ii) Performance obligations for contracts with customers

Fees and commissions

The Group receives fees and commissions from credit card transactions. Revenue is recognised at a point in time when the Group has satisfied its performance obligation in providing the promised services to the customer (i.e. completion of the transactions), and are recognised based on contractual rates agreed with customers.

The Group also grants award credits for cardholders under the Group's customer loyalty scheme. Revenue is recognised when control of the goods has been transferred, being at the point the cardholders purchases the goods using the award credits or expiry of the points.

The Group acts as an agent in placing the insurable risks of their clients with insurers and receives the commission income from these transactions. Revenue is recognised at a point in time when the Group has an unconditional right to receive the commission income from the insurance company (i.e. execution of insurance contracts).

Handling and late charges

The Group receives handling and late charges from credit card and personal loan transactions. Revenue is recognised at a point in time when the Group has unconditional right to receive the income from the customers based on the contractual rates agreed with customers (i.e. completion of transactions).

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 28th February 2021 and 29th February 2020 and the expected timing of recognising revenue are as follows:

Customer loyalty programmes	2021 HK$'000	2020 HK$'000
Within one year	**10,147**	8,975
More than one year but not more than two years	**6,154**	1,587
	16,301	10,562

The customer loyalty programmes have expiration ranged from 1 to 2 years and can be redeemed anytime at cardholders' discretion. The amounts disclosed above represent the Group's expectation on the timing of redemption made by the cardholders.

6. 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

6. SEGMENT INFORMATION (Cont'd)

Services from which operating and reportable segments derive their revenues (Cont'd)

The accounting policies of operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before tax earned by each segment without allocation of certain other operating income (including dividend income), unallocated head office expenses and share of results of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources amongst segments:

- all assets are allocated to operating and reportable segments other than interest in an associate, equity instruments at FVTOCI and deferred tax assets.
- all liabilities are allocated to operating and reportable segments other than tax liabilities.

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

For the year ended 28th February 2021

	Credit cards *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**857,043**	**208,088**	**24,727**	**1,089,858**
RESULT				
Segment results	**295,986**	**49,053**	**11,987**	**357,026**
Unallocated operating income				**2,452**
Unallocated expenses				**(4,442)**
Share of results of an associate				**2,910**
Profit before tax				**357,946**

For the year ended 29th February 2020

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
REVENUE	996,223	272,444	29,019	1,297,686
RESULT				
Segment results	364,072	67,811	12,933	444,816
Unallocated operating income				4,110
Unallocated expenses				(4,901)
Share of results of an associate				905
Profit before tax				444,930

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

At 28th February 2021

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**3,959,842**	**1,029,955**	**6,184**	**4,995,981**
Unallocated assets				**87,385**
Consolidated total assets				**5,083,366**
LIABILITIES				
Segment liabilities	**1,359,583**	**278,995**	**2,032**	**1,640,610**
Unallocated liabilities				**20,726**
Consolidated total liabilities				**1,661,336**

At 29th February 2020

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	4,284,769	1,333,704	5,818	5,624,291
Unallocated assets				105,427
Consolidated total assets				5,729,718
LIABILITIES				
Segment liabilities	2,032,922	364,696	2,044	2,399,662
Unallocated liabilities				16,514
Consolidated total liabilities				2,416,176

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure of segment results or segment assets:

For the year ended 28th February 2021

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
Additions to non-current assets *(Note)*	**59,376**	**15,002**	**–**	**74,378**
Depreciation	**63,063**	**18,132**	**124**	**81,319**
Impairment losses and impairment allowances	**147,959**	**62,853**	**–**	**210,812**
Recoveries of advances and receivables written-off	**(26,482)**	**(12,178)**	**–**	**(38,660)**

For the year ended 29th February 2020

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
Additions to non-current assets *(Note)*	148,977	41,689	–	190,666
Depreciation	63,048	20,469	124	83,641
Impairment losses and impairment allowances	168,629	90,115	–	258,744
Recoveries of advances and receivables written-off	(28,301)	(15,235)	–	(43,536)

Note: Non-current assets exclude interest in an associate, financial assets, derivative financial instruments and deferred tax assets.

6. SEGMENT INFORMATION (Cont'd)

Geographical information

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

For the year ended 28th February 2021

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
REVENUE	**1,076,813**	**13,045**	**1,089,858**
RESULT			
Segment results	**363,873**	**(6,847)**	**357,026**
Unallocated operating income			**2,452**
Unallocated expenses			**(4,442)**
Share of results of an associate			**2,910**
Profit before tax			**357,946**

For the year ended 29th February 2020

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
REVENUE	1,284,903	12,783	1,297,686
RESULT			
Segment results	460,230	(15,414)	444,816
Unallocated operating income			4,110
Unallocated expenses			(4,901)
Share of results of an associate			905
Profit before tax			444,930

Most of the Group's non-current assets (excluding financial assets and deferred tax assets) are located in Hong Kong. Accordingly, no geographical analysis is presented.

Information about major customers

During the years ended 28th February 2021 and 29th February 2020, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

	2021 *HK$'000*	2020 *HK$'000*
Non-credit impaired advances	**930,187**	1,098,401
Credit impaired advances	**10,184**	10,223
Time deposits, restricted deposits and bank balances	**6,403**	7,101
	946,774	1,115,725

8. INTEREST EXPENSE

	2021 *HK$'000*	2020 *HK$'000*
Interest on bank borrowings	**22,524**	34,658
Interest on collateralised debt obligation	**2,864**	25,061
Interest on lease liabilities	**2,394**	2,971
Net interest expense on interest rate swap contracts		
– released from hedging reserve	**14,369**	5,610
	42,151	68,300

Amortisation of upfront cost of HK$862,000 (2020: HK$523,000) is included in the interest expense on bank borrowings.

9. OTHER INCOME

	2021 *HK$'000*	2020 *HK$'000*
Dividends received from financial instruments		
– Listed equity securities	**178**	781
– Unlisted equity securities	**–**	148
Government grants	**12,371**	–
Others	**4,972**	2,852
	17,521	3,781

During the current year, the Group recognised government grants of HK$12,371,000 in respect of COVID-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government.

10. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Exchange (loss) gain		
– Exchange (loss) gain on hedging instrument released from hedging reserve	(567)	3,469
– Exchange gain (loss) on a bank loan	567	(3,469)
Other exchange gains (losses), net	63	(262)
Hedge ineffectiveness on cash flow hedges, net	273	25
Losses on disposal of property, plant and equipment	(1,527)	(697)
Losses on termination of lease contracts	(949)	(7,067)
	(2,140)	(8,001)

11. OPERATING EXPENSES

	2021 HK$'000	2020 HK$'000
Auditor's remuneration	3,086	3,248
Depreciation on property, plant and equipment	31,813	36,773
Depreciation on right-of-use assets	49,506	46,868
Expenses relating to short-term leases and other leases with lease terms ending within 12 months from the date of initial application of HKFRS 16	5,592	14,321
	55,098	61,189
General administrative expenses	151,698	164,294
Marketing and promotion expenses	71,985	81,881
Other operating expenses	65,246	62,561
Staff costs including directors' emoluments	156,974	155,987
	535,900	565,933

Non-monetary benefits in respect of directors' and staff accommodation of HK$1,243,000 (2020: HK$1,060,000) are included under operating expenses.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the twelve (2020: nine) Directors were as follows:

For the year ended 28th February 2021

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus *(Note a)* HK$'000	Retirement benefits HK$'000	Total HK$'000
Executive Directors					
Tomoharu Fukayama *(Note b)* (23.6.2020–28.2.2021)	–	1,322	–	36	1,358
Hideo Tanaka *(Note b)* (1.3.2020–23.6.2020)	–	1,444	206	27	1,677
Lai Yuk Kwong	–	1,613	153	18	1,784
Koh Yik Kung (1.3.2020–23.6.2020)	–	599	137	6	742
Tony Fung	–	1,941	362	18	2,321
Daisuke Takenaka *(Note b)* (23.6.2020–28.2.2021)	–	1,307	–	36	1,343
Sub-total	–	8,226	858	141	9,225
The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.					
Non-executive Director					
Masaaki Mangetsu	–	–	–	–	–
The non-executive director's emoluments shown above were for his services as director of the Company and the Group.					
Independent Non-executive Directors					
Lee Ching Ming, Adrian	337	–	–	–	337
Wong Hin Wing (1.3.2020–23.6.2020)	110	–	–	–	110
Kenji Hayashi	337	–	–	–	337
Shing Mo Han Yvonne (23.6.2020–28.2.2021)	213	–	–	–	213
Junko Dochi (23.6.2020–28.2.2021)	213	–	–	–	213
Sub-total	1,210	–	–	–	1,210
The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.					
Total					10,435

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

(a) Directors' emoluments (Cont'd)

For the year ended 29th February 2020

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus (Note a) HK$'000	Retirement benefits HK$'000	Total HK$'000
Executive Directors					
Hideo Tanaka *(Note b)*	–	2,268	425	60	2,753
Lai Yuk Kwong	–	1,661	379	18	2,058
Koh Yik Kung	–	1,871	156	18	2,045
Tony Fung (21.6.2019–29.2.2020)	–	1,321	–	12	1,333
Tomoharu Fukayama *(Note b)* (1.3.2019–21.6.2019)	–	570	285	26	881
Sub-total	–	7,691	1,245	134	9,070
The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.					
Non-executive Director					
Masaaki Mangetsu	–	–	–	–	–
The non-executive director's emoluments shown above were for his services as director of the Company and the Group.					
Independent Non-executive Directors					
Lee Ching Ming, Adrian	326	–	–	–	326
Wong Hin Wing	326	–	–	–	326
Kenji Hayashi	326	–	–	–	326
Sub-total	978	–	–	–	978
The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.					
Total					10,048

Notes:

(a) The discretionary bonus is determined by the Remuneration Committee of the Company with reference to the financial performance of the Group and the performance of the individual Director.

(b) Non-monetary benefits in respect of directors' accommodation of HK$968,000 (2020: HK$710,000) are included under salaries and other benefits.

(c) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2020: four) were Directors, details of their emoluments were set out as above. The emoluments of the remaining three (2020: one) individual were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	5,928	1,803
Discretionary bonus	92	–
Retirement benefits	36	13
	6,056	1,816

Their emoluments were within the following bands:

	No. of employees	
	2021	2020
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	2	–
	3	1

13. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Hong Kong Profits Tax		
— Current year	50,700	67,868
— Overprovision in respect of prior years	(589)	(950)
	50,111	66,918
Deferred tax *(note 36)*		
— Current year	6,260	7,929
	56,371	74,847

On 21st March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 years.

13. INCOME TAX EXPENSE (Cont'd)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2021 HK$'000	2020 HK$'000
Profit before tax	**357,946**	444,930
Tax at the applicable rate of 16.5% (2020: 16.5%)	**59,061**	73,413
Tax effect of share of results of an associate	**(480)**	(149)
Tax effect of expenses not deductible for tax purpose	**1,165**	2,100
Tax effect of income not taxable for tax purpose	**(2,771)**	(750)
Overprovision in respect of prior years	**(589)**	(950)
Tax effect of tax losses in current year not recognised	**354**	1,996
Utilisation of tax losses previously not recognised	**(55)**	(60)
Others	**(314)**	(753)
Income tax expense for the year	**56,371**	74,847

14. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid of 22.0 HK cents in respect of 2019/20 (2020: 22.0 HK cents in respect of 2018/19) per share	**92,128**	92,128
Interim dividend paid of 22.0 HK cents in respect of 2020/21 (2020: 22.0 HK cents in respect of 2019/20) per share	**92,128**	92,128
	184,256	184,256
Final dividend proposed of 18.0 HK cents in respect of 2020/21 (2020: 22.0 HK cents in respect of 2019/20) per share	**75,378**	92,128

The Directors have recommended a final dividend of 18.0 HK cents per share. Subject to the approval of the shareholders at the 2021 AGM, the final dividend will be paid on 16th July 2021 to shareholders whose names appear on the register of members of the Company on 6th July 2021. This dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of HK$301,575,000 (2020: HK$370,083,000) and on the number of shares of 418,766,000 (2020: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1st March 2019	31,758	11,787	413,335	226	457,106
Additions	2,502	–	70,133	–	72,635
Disposals	(8,389)	(9,564)	(49,683)	–	(67,636)
Exchange realignment	(268)	(35)	(561)	–	(864)
At 29th February 2020	**25,603**	**2,188**	**433,224**	**226**	**461,241**
Additions	**468**	**–**	**34,681**	**–**	**35,149**
Disposals	**(4,834)**	**(593)**	**(41,793)**	**–**	**(47,220)**
Exchange realignment	**368**	**29**	**696**	**–**	**1,093**
At 28th February 2021	**21,605**	**1,624**	**426,808**	**226**	**450,263**
DEPRECIATION					
At 1st March 2019	29,525	11,646	345,344	226	386,741
Provided for the year	2,500	94	34,179	–	36,773
Eliminated on disposals	(8,389)	(9,559)	(48,938)	–	(66,886)
Exchange realignment	(234)	(32)	(294)	–	(560)
At 29th February 2020	**23,402**	**2,149**	**330,291**	**226**	**356,068**
Provided for the year	**1,721**	**15**	**30,077**	**–**	**31,813**
Eliminated on disposals	**(4,834)**	**(581)**	**(40,269)**	**–**	**(45,684)**
Exchange realignment	**344**	**28**	**480**	**–**	**852**
At 28th February 2021	**20,633**	**1,611**	**320,579**	**226**	**343,049**
CARRYING VALUES					
At 28th February 2021	**972**	**13**	**106,229**	**–**	**107,214**
At 29th February 2020	2,201	39	102,933	–	105,173

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$% or over the lease term, if shorter
Furniture and fixtures	20%
Computer equipment	10%–$33^1/_3$%
Motor vehicles	20%–$33^1/_3$%

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Cost	
At 1st March 2019	55,234
Additions	91,479
Termination of lease contracts	(8,995)
Exchange realignment	8
At 29th February 2020	**137,726**
Additions	**41,599**
Termination of lease contracts	**(16,761)**
Exchange realignment	**136**
At 28th February 2021	**162,700**
DEPRECIATION	
At 1st March 2019	–
Provided for the year	46,868
Eliminated on termination of lease contracts	(1,928)
At 29th February 2020	**44,940**
Provided for the year	**49,506**
Eliminated on termination of lease contracts	**(14,067)**
Exchange realignment	**43**
At 28th February 2021	**80,422**
CARRYING VALUES	
At 28th February 2021	**82,278**
At 29th February 2020	92,786

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases and other leases with lease terms ending within 12 months of the date of initial application of HKFRS 16	**5,592**	14,321
Total cash outflow for leases	**57,070**	69,383

For both years, the Group leases various offices, office equipment, branches, ATM locations, director and staff quarters for its operations. Lease contracts are entered into for fixed term of one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

18. INTEREST IN AN ASSOCIATE

	28.2.2021 HK$'000	29.2.2020 HK$'000
Cost of unlisted investment in an associate	**1,000**	1,000
Share of post-acquisition results	**17,961**	15,051
Exchange difference arising from translation	**445**	(464)
	19,406	15,587

At 28th February 2021 and 29th February 2020, the Group had interests in the following associate:

Name of associate	Place of incorporation and operation	Proportion of ownership interest held by the Company		Proportion of board member representative		Principal activities
		28.2.2021	29.2.2020	**28.2.2021**	29.2.2020	
AEON Information Service (Shenzhen) Co., Ltd.	Mainland China	**50%**	50%	**33.3%**	33.3%	Provision of business process outsourcing services

The Group is able to exercise significant influence over AIS because it has the power to appoint one out of the three directors of that company.

The above associate is a subsidiary of the Group's intermediate holding company.

This associate's financial statements are prepared in accordance with HKFRSs and are accounted for using the equity method in these consolidated financial statements.

Aggregate information of associate that is not individually material

The summarised financial information below represents the aggregate amount of the Group's share of its interests in an associate which is not individually material:

	2021 HK$'000	2020 HK$'000
Profit and total comprehensive income for the year	**2,910**	905

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	**4,085**	5,417
— Unlisted investments	**61,385**	75,654
	65,470	81,071

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.

The fair value of listed equity investments is determined with reference to quoted market bid price from 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 above unlisted equity investments represent equity interest in two (29th February 2020: two) private entities incorporated overseas engaged in consumer finance services and related business held for long-term investment strategic purposes and the Directors have elected to designate these investments in equity instruments as at FVTOCI.

20. ADVANCES AND RECEIVABLES

	28.2.2021 HK$'000	29.2.2020 HK$'000
Credit card receivables	**3,214,899**	3,579,077
Personal loan receivables	**781,014**	1,025,858
	3,995,913	4,604,935
Accrued interest and other receivables	**66,359**	85,579
Gross advances and receivables	**4,062,272**	4,690,514
Impairment allowances *(note 21)*	**(218,504)**	(262,508)
	3,843,768	4,428,006
Current portion included under current assets	**(3,254,632)**	(3,708,241)
Amount due after one year	**589,136**	719,765

An analysis of changes in the gross amount of advances and receivables are set out below:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1st March 2020	**4,306,771**	**188,719**	**195,024**	**4,690,514**
Net repayment in advances and receivables	**(333,196)**	**(5,346)**	**(39,397)**	**(377,939)**
Transfer to 12m ECL (Stage 1)	**340,049**	**(319,319)**	**(20,730)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(481,122)**	**500,489**	**(19,367)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(5,327)**	**(292,641)**	**297,968**	**–**
Total transfer between stages	**(146,400)**	**(111,471)**	**257,871**	**–**
Amounts written-off as uncollectable	**–**	**–**	**(254,134)**	**(254,134)**
Exchange realignment	**3,201**	**84**	**546**	**3,831**
At 28th February 2021	**3,830,376**	**71,986**	**159,910**	**4,062,272**

20. ADVANCES AND RECEIVABLES (Cont'd)

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2019	4,816,267	128,325	182,788	5,127,380
Net repayment in advances and receivables	(141,036)	(19,811)	(32,172)	(193,019)
Transfer to 12m ECL (Stage 1)	537,987	(521,261)	(16,726)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(872,815)	891,777	(18,962)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(31,446)	(290,184)	321,630	–
Total transfer between stages	(366,274)	80,332	285,942	–
Amounts written-off as uncollectable	–	–	(240,560)	(240,560)
Exchange realignment	(2,186)	(127)	(974)	(3,287)
At 29th February 2020	4,306,771	188,719	195,024	4,690,514

At the end of the reporting periods, all advances and receivables are unsecured and the credit risk exposures are disclosed in note 41(b).

(a) Credit card receivables

The term of credit card instalment plans entered with customers ranges from 3 months to 4 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (29th February 2020: 26.8% to 43.5%) per annum.

Asset backed financing transaction

The Group entered into asset backed financing transaction, which is collateralised by the Group's revolving credit card receivables portfolio and related deposits. Under the revolving structure, as the excess cash flows collected in respect of the transferred credit card receivables are to be reinvested, the transaction does not meet the "transfer of asset" tests under HKFRS 9 for the derecognition of financial assets. Accordingly, the Group continues to recognise the full amount of the transferred credit card receivables and related deposits and recognised the cash receipt as collateralised debt obligation.

In respect of the collateralised debt obligation, the Trust (see notes 39 and 49) is set up and controlled by the Group and therefore, the Trust is consolidated by the Group. The transaction is accounted for as a collateralised borrowing arrangement in the Group's consolidated financial statements.

The Group is restricted from selling, pledging, assigning or transferring any of the transferred receivables and related deposits to any person other than the bank.

On 4th August 2020, the collateralised debt obligation was fully repaid and the Trust was terminated on 4th September 2020.

20. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables (Cont'd)

Asset backed financing transaction (Cont'd)

The financial assets and associated liabilities being transferred but not derecognised are carried at amortised cost in the Group's consolidated statement of financial position and the amounts are set out below.

	28.2.2021 **HK$'000**	29.2.2020 HK$'000
Carrying amount and fair value		
Credit card receivables	–	1,482,338
Restricted deposits	–	38,000
Collateralised debt obligation	–	(548,400)
	–	971,938

(b) Personal loan receivables

Most of the personal loan receivables entered with customers ranges from 6 months to 5 years and are denominated in HKD. The personal loan receivables carry effective interest ranging from 3.6% to 56.5% (29th February 2020: 3.6% to 56.5%) per annum.

21. IMPAIRMENT ALLOWANCES

	28.2.2021 **HK$'000**	29.2.2020 HK$'000
Analysis by products as:		
Credit card receivables	**115,771**	140,022
Personal loan receivables	**99,518**	115,923
Accrued interest and other receivables	**3,215**	6,563
	218,504	262,508

21. IMPAIRMENT ALLOWANCES (Cont'd)

An analysis of changes in impairment allowances including commitments on unused credit card limit are set out below:

ECL model under HKFRS 9	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2020	91,705	49,711	121,092	262,508
Net repayment in advances and receivables	(7,036)	(1,847)	(25,474)	(34,357)
Transfer to 12m ECL (Stage 1)	123,722	(110,317)	(13,405)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(10,160)	22,684	(12,524)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(112)	(101,101)	101,213	–
Total transfer between stages	113,450	(188,734)	75,284	–
Remeasurement of ECL during the year	(117,809)	171,743	191,235	245,169
Amounts written-off as uncollectable	–	–	(254,134)	(254,134)
Exchange realignment	(92)	(96)	(494)	(682)
At 28th February 2021	80,218	30,777	107,509	218,504

21. IMPAIRMENT ALLOWANCES (Cont'd)

ECL model under HKFRS 9	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2019	107,811	48,575	87,107	243,493
Net repayment in advances and receivables	(3,082)	(6,360)	(17,651)	(27,093)
Transfer to 12m ECL (Stage 1)	176,491	(167,313)	(9,178)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(19,061)	29,466	(10,405)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(686)	(93,143)	93,829	–
Total transfer between stages	156,744	(230,990)	74,246	–
Remeasurement of ECL during the year	(169,832)	238,421	217,248	285,837
Amounts written-off as uncollectable	–	–	(240,560)	(240,560)
Exchange realignment	64	65	702	831
At 29th February 2020	91,705	49,711	121,092	262,508

22. OVERDUE ADVANCES AND RECEIVABLES

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

	28.2.2021		29.2.2020	
	HK$'000	***%****	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**44,087**	**1.1**	143,457	3.1
Overdue 2 months but less than 3 months	**37,261**	**0.9**	59,422	1.3
Overdue 3 months but less than 4 months	**20,330**	**0.5**	35,930	0.8
Overdue 4 months or above	**66,909**	**1.6**	69,820	1.5
	168,587	**4.1**	308,629	6.7

* Percentage of gross advances and receivables

23. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	28.2.2021 HK$'000	29.2.2020 HK$'000
Deposits for property, plant and equipment	**4,342**	14,814
Rental and other deposits	**16,874**	21,188
Prepaid operating expenses	**35,072**	49,030
Other debtors	**11,507**	11,651
	67,795	96,683
Current portion included under current assets	**(51,446)**	(70,425)
Amount due after one year	**16,349**	26,258

24. RESTRICTED DEPOSITS

The restricted deposits are in relation to the arrangement under collateralised debt obligation which was terminated on 4th August 2020. This represents time deposits carrying fixed-rates ranging from 0.15% to 1.98% (29th February 2020: 0.80% to 2.60%) per annum during the year. There was no restricted deposit at 28th February 2021 as the related collaterlised debt obligation was fully repaid during the year. At 29th February 2020, restricted deposits of HK$38,000,000 was matured within one year from the end of the year.

25. TIME DEPOSITS

Time deposits are denominated in RMB and carry fixed-rates ranging from 1.57% to 2.25% (29th February 2020: 1.76% to 2.25%) per annum during the year.

	28.2.2021 HK$'000	29.2.2020 HK$'000
Time deposits with maturity of three months or less	**105,377**	54,649
Time deposits with maturity of more than three months	**29,925**	96,163
	135,302	150,812

26. FIDUCIARY BANK BALANCES

The fiduciary bank balances are in relation to the money deposited by clients in the course of the conduct of the regulated activities under insurance brokerage business. These clients' monies are maintained in one segregated bank account. The Group has recognised the corresponding payables to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

27. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

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

	HKD *HK$'000*	RMB *HK$'000*	USD *HK$'000*	Total *HK$'000*
At 28th February 2021				
Bank balances and cash	**747,718**	**10,820**	**1,049**	**759,587**
At 29th February 2020				
Bank balances and cash	696,309	13,175	854	710,338

28. CREDITORS AND ACCRUALS

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

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Less than 1 month	**78,219**	57,372
Over 1 month but less than 3 months	**1,964**	3,070
Over 3 months	**2,718**	2,563
	82,901	63,005

29. CONTRACT LIABILITIES

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Contract liabilities		
— Deferred revenue in relation to customer loyalty programmes	**16,301**	10,562

At 1st March 2019, contract liabilities amounted to HK$9,486,000.

Revenue recognised during the year ended 28th February 2021 amounted to HK$6,620,000 (2020: HK$7,745,000) was included in the contract liabilities at the beginning of the year.

Under the Group's customer loyalty programmes, the Group grants credits to customers for credit card transactions. The customers can redeem the awarded credits for goods or services in the future at their discretion and the awarded credits have expiration dates.

30. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand, except for HK$61,373,000 (29th February 2020: HK$35,982,000) 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:

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Less than 1 month	**61,373**	35,982

31. AMOUNTS DUE FROM/TO IMMEDIATE/INTERMEDIATE/ULTIMATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

32. AMOUNTS DUE FROM/TO AN ASSOCIATE

The amounts are unsecured, non-interest bearing and repayable on demand.

33. BANK BORROWINGS

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Carrying amount repayable *(Note)*		
Within one year	**527,635**	370,000
Within a period of more than one year but not more than two years	**165,000**	529,162
Within a period of more than two years but not more than five years	**407,100**	569,940
Within a period of more than five years	**83,146**	–
	1,182,881	1,469,102
Amount repayable within one year included under current liabilities	**(527,635)**	(370,000)
Amount repayable after one year	**655,246**	1,099,102

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

33. BANK BORROWINGS (Cont'd)

At the end of the reporting periods, all bank loans are unsecured. The carrying amounts of the bank borrowings are denominated in the following currencies:

	HKD HK$'000	USD HK$'000	JPY HK$'000	Total HK$'000
At 28th February 2021				
Bank loans	**495,000**	**387,635**	**300,246**	**1,182,881**
At 29th February 2020				
Bank loans	865,000	389,162	214,940	1,469,102

HKD bank loans of HK$90,000,000 (29th February 2020: HK$190,000,000) are arranged at fixed interest rates ranging from 2.08% to 2.66% (29th February 2020: 2.06% to 2.64%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates at 0.55% to 0.60% plus HIBOR (29th February 2020: 0.55% to 0.60% plus HIBOR) per annum, the USD bank loan is arranged at floating interest rate at 0.95% plus LIBOR (29th February 2020: 0.95% plus LIBOR) per annum and the JPY bank loans are arranged at floating interest rates at 0.40% plus LIBOR (29th February 2020: 0.40% plus LIBOR), thus exposing the Group to cash flow interest rate risk.

At 28th February 2021, the Group has available unutilised overdrafts and non-committed bank loan facilities of HK$446,750,000 (29th February 2020: HK$792,750,000) and HK$1,245,570,000 (29th February 2020: HK$383,038,000) respectively.

34. LEASE LIABILITIES

	28.2.2021 HK$'000	29.2.2020 HK$'000
Lease liabilities payable:		
Within one year	**42,002**	37,869
Within a period of more than one year but not more than two years	**26,247**	31,800
Within a period of more than two years but not more than five years	**16,445**	24,960
	84,694	94,629
Amount due for settlement within one year included under current liabilities	**(42,002)**	(37,869)
Amount due for settlement after one year	**42,692**	56,760

35. DERIVATIVE FINANCIAL INSTRUMENTS

	28.2.2021		29.2.2020	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	–	**11,182**	353	9,613
Cross-currency interest rate swaps	–	**14,839**	1,809	9,053
	–	**26,021**	2,162	18,666
Current portion	–	**(4,384)**	(353)	(839)
Non-current portion	–	**21,637**	1,809	17,827

All derivative financial instruments entered into by the Group that remain outstanding at 28th February 2021 and 29th February 2020 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 collateralised debt obligation, the designated hedged items.

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

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of HK$405,000,000 (29th February 2020: HK$675,000,000) from floating-rates to fixed-rates. The interest rate swaps with aggregate notional amount of HK$405,000,000 (29th February 2020: HK$675,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 2.29% to 3.29% (29th February 2020: 2.29% to 3.29%) per annum and floating interest receipts quarterly ranging from 0.55% to 0.60% plus HIBOR (29th February 2020: 0.55% to 0.60% plus HIBOR) per annum for periods up until July 2023 (29th February 2020: until July 2023).

Besides bank borrowings, the Group also entered into interest rate swaps to minimise its exposures to cash flow changes of its collateralised debt obligation transaction. At 29th February 2020, one interest rate swap for HK$150,000,000 was entered into by the Group to swap its HK$150,000,000 floating-rate financing facility from floating-rate to fixed-rate. The interest rate swap has fixed interest payments monthly at fixed interest rate of 3.2% per annum and floating interest receipts monthly at 0.55% plus HIBOR per annum for periods up until July 2020. The interest rate swap ended on 6th July 2020.

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate swaps (Cont'd)

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

During the year, net adjustment on the above-mentioned cash flow hedges amounted to HK$752,000 (2020: HK$3,362,000) 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 swaps

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

The USD cross-currency interest rate swaps with notional amount of USD50,000,000 (29th February 2020: USD50,000,000) (equivalent to HK$387,795,000 at the date of inception of the bank borrowings (29th February 2020: HK$387,795,000)) have fixed currency payments in HKD at exchange rates of USD to HKD at 7.76 (29th February 2020: 7.76), fixed interest payments quarterly in HKD at 2.27% (29th February 2020: 2.27%) per annum and floating interest receipts quarterly in USD at 0.95% plus LIBOR (29th February 2020: 0.95% plus LIBOR) per annum for periods up until September 2021 (29th February 2020: until September 2021).

The JPY cross-currency interest rate swaps with notional amount of JPY4,150,000,000 (29th February 2020: JPY3,000,000,000) (equivalent to HK$300,398,000 at the date of inception of the bank borrowings (29th February 2020: HK$217,360,000)) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07 (29th February 2020: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (29th February 2020: at 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus LIBOR (29th February 2020: 0.40% plus LIBOR) per annum for periods up until March 2026 (29th February 2020: until October 2022).

The cross-currency interest rate swaps and the corresponding bank borrowings 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 swaps are highly effective hedging instruments.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to HK$6,582,000 (2020: HK$17,040,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swaps are determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between USD or JPY and HKD (29th February 2020: USD or JPY and HKD) estimated at the end of the reporting period.

36. DEFERRED TAX

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the years ended 28th February 2021 and 29th February 2020:

	Accelerated tax depreciation *HK$'000*	Impairment allowances *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1st March 2019	7,902	(24,600)	–	(16,698)
Charge (credit) to profit or loss for the year	6,626	1,606	(303)	7,929
At 29th February 2020	**14,528**	**(22,994)**	**(303)**	**(8,769)**
Charge to profit or loss for the year	**882**	**5,075**	**303**	**6,260**
At 28th February 2021	**15,410**	**(17,919)**	**–**	**(2,509)**

At the end of the reporting period, the Group had unused tax losses of HK$40,511,000 (29th February 2020: HK$54,470,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of HK$32,606,000 (29th February 2020: HK$46,229,000) will expire in 2021 to 2025 (29th February 2020: 2020 to 2024) and the remaining tax losses may be carried forward indefinitely.

37. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Issued and fully paid		
At 1st March 2019, 29th February 2020 and 28th February 2021		
— Ordinary shares with no par value	418,766,000	269,477

38. RESERVES

The Company's reserves available for distribution to shareholders at 28th February 2021 amounted to HK$3,131,879,000 (29th February 2020: HK$3,015,936,000), representing the Company's accumulated profits as shown in note 47.

39. COLLATERALISED DEBT OBLIGATION

	28.2.2021 HK$'000	29.2.2020 HK$'000
Tranche A	–	199,200
Tranche B	–	199,200
Tranche C	–	150,000
	–	548,400
Amount repayable within one year included under current liabilities	–	(548,400)
Amount repayable after one year	–	–

(a) The Group entered into a HK$1,250,000,000 collateralised debt obligation financing transaction (the "Transaction") with three tranches arranged at floating interest rates from 0.40% plus HIBOR per annum to 0.55% plus HIBOR per annum. Three corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, were arranged to swap these three tranches from floating-rates to fixed-rates from 3.2% to 3.8% per annum before the commencement of scheduled repayment. Starting from September 2019, the three tranches have entered into scheduled repayment period and were fully repaid on 4th August 2020. The effective interest rate was 2.4% (2020: 3.6%) per annum during the year.

(b) The Group transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the "Trust") pursuant to the Transaction. The Group holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10 *Consolidated Financial Statements*, the Trust is controlled by the Group and the results thereof are consolidated by the Group in its consolidated financial statements. According to HKFRS 9, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group's consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD. The Trust was terminated on 4th September 2020.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that:

- the Group will continue as a going concern;
- to maintain healthy capital ratio to instil 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
- to fund receivable growth and to generate reasonable returns from available funds.

The capital structure of the Group consists of debt (which includes bank borrowings and collateralised debt obligation) and equity attributable to owners of the Group (comprising share capital and reserves).

Net debt to equity ratio

The Group's management review 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 year end was as follows:

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Debt *(Note a)*	**1,182,881**	2,017,502
Cash and cash equivalents	**(864,964)**	(764,987)
Net debt	**317,917**	1,252,515
Equity *(Note b)*	**3,422,030**	3,313,542
Net debt to equity ratio	**0.1**	0.4

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 33 and 39 respectively.

(b) Equity includes all capital and reserves of the Group.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	28.2.2021 HK$'000	29.2.2020 HK$'000
Financial assets		
Equity instruments at FVTOCI	**65,470**	81,071
Financial assets at amortised cost	**4,750,201**	5,339,138
Derivative instruments in designated hedge accounting relationships	**–**	2,162
Financial liabilities		
Financial liabilities at amortised cost	**1,352,675**	2,129,200
Derivative instruments in designated hedge accounting relationships	**26,021**	18,666

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, advances and receivables, other debtors, amounts due from immediate holding company and an associate, restricted deposits, time deposits, bank balances and cash, bank borrowings, collateralised debt obligation, creditors, lease liabilities, amounts due to fellow subsidiaries, intermediate holding company, ultimate holding company and an associate, and derivative instruments in designated hedge accounting relationships. Details of the Group's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and impairment assessment, and liquidity risk.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group seeks to minimise the effects of cash flow risk by using derivative financial instruments to hedge the cash flow risk exposures. 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. Compliance with policies on effectiveness of hedging activities is reviewed by internal auditors on a regular basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risk

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

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

Market risk exposures are measured using sensitivity analysis.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

There has been no change to the Group's exposures to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

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

The Group's currency risk exposure primarily relates to its USD and JPY denominated bank borrowings. To minimise the currency risk, the Group has been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk is not material to the Group. In this regard, no sensitivity analysis is presented.

(ii) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings including variable rate borrowings under hedge accounting to change from variable rate to fixed-rate and lease liabilities (see note 34). All interest-bearing financial assets are exposed to fair value interest rate risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Group are disclosed in notes 20, 33 and 39.

The Group's cash flow interest rate risk relates primarily to floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed-rate (see notes 33, 35 and 39).

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

In November 2019, HKICPA issued Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

The amendments are relevant to the Group as it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has floating rate debt, linked to USD LIBOR (bank borrowing) and JPY LIBOR (bank borrowing) (collectively "IBORs"), which it cash flow hedges using cross-currency interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The Group will continue to apply the amendments to HKFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. The Group is in the process of planning and managing the transition to new benchmark interest rate with lenders.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable rate financial instruments (excluding variable rate borrowings which are hedged by interest rate swaps) and derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole period. A 100 basis points increase in HIBOR/LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

If interest rates had been 100 basis points (2020: 100 basis points) higher and all other variables were held constant:

- post-tax profit would decrease by HK$Nil (2020: HK$4,579,000) mainly as a result of the changes in interest rates on its variable rate collateralised debt obligation; and

- other comprehensive income would decrease by HK$12,396,000 (2020: HK$18,994,000) mainly as a result of the changes in the fair value of derivative financial instruments, excluding the impact of foreign exchange component for the cross-currency interest rate swap.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the period end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity price risk through its equity instruments at FVTOCI. In addition, the Group also invested in certain unquoted equity securities for long term strategic purposes which had been designed as FVTOCI. The management will monitor the price movements and take appropriate actions when it is required.

Credit risk and impairment assessment

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 card limit), other debtors, amounts due from immediate holding company and an associate, restricted deposits, 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 ECL 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 28th February 2021, unused credit card limit of HK$25,920,932,000 (29th February 2020: HK$25,712,437,000) was unrecorded in the consolidated statement of financial position.

Other than concentration of credit risk on liquid funds 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.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The management is responsible in developing and maintaining the processes for measuring ECL of the Group's asset portfolio and unused credit card limit. The ECL is assessed by the management regularly. The Group applies simplified approach to measure ECL on trade-related receivables (including other debtors and amounts due from related parties) arising from contracts with customers which are initially measured in accordance with HKFRS 15 and general approach to measure ECL on other financial assets at amortised cost and commitments on unused credit card limits. In addition, forward-looking information is required in estimating the ECL, with the Directors considering expectation of certain macroeconomic indicators such as consumer price index and gross domestic product growth rate.

Under the simplified approach, the Group measures the loss allowance of trade-related receivables (including other debtors and amounts due from related parties) arising from contracts with customers which are initially measured in accordance with HKFRS 15 at an amount equal to lifetime ECL. Under the general approach, financial assets are classified into three stages to reflect the deterioration in credit quality. Impairment allowance of each stage is calculated based on the product of probability of default, loss given default and exposure at default. Stage 1 covers financial assets that have not deteriorated significantly in credit quality since initial recognition including those that are considered to be low credit risk investments. Stage 2 covers financial assets that have deteriorated significantly in credit quality since initial recognition. Stage 3 covers financial assets for which credit loss events occur and become credit-impaired. 12m ECL is recognised in Stage 1, while lifetime ECL are recognised in Stages 2 and 3.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit ratings	Description	Advances and receivables including commitments on unused credit card limit
D0	Less than 30 days past due	12m ECL
D1	More than 30 days but less than 60 days past due	Lifetime ECL – not credit-impaired
D2	More than 60 days but less than 90 days past due	Lifetime ECL – not credit-impaired
D3	More than 90 days but less than 120 days past due	Lifetime ECL – credit-impaired
D4 or above	More than 120 days past due	Lifetime ECL – credit-impaired

Internal credit ratings	Description	Trade-related receivables under HKFRS 15	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The decision rules for stage allocation under general approach are as follows:

Stage	Decision rules (based on internal credit rating)
Stage 1	– "Low risk and watch list" or "D0"
Stage 2	– "Doubtful" or "D1 and D2", unless reasonable and supportable information demonstrates otherwise
Stage 3	– "Loss" or "D3 and D4 or above", unless reasonable and supportable information demonstrates otherwise

Advances and receivables (including commitments on unused credit card limit)

Movements of amounts of advances and receivables, impairment allowances during the years ended 28th February 2021 and 29th February 2020 and analysis of credit quality at the end of the reporting period are set out in notes 20 to 22.

Other debtors and amounts due from related parties (trade-related)

The management regularly review and assess the credit quality of the counterparties. The Group uses lifetime ECL to assess the loss allowance of other debtors and amounts due from related parties (trade-related). Since these receivables are not past due, and there has been no material historical default record, the Directors consider that the Group's credit risk is not significant after considering the financial background and condition of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of other debtors and amounts due from related parties (trade-related) is not material.

Other debtors and amounts due from related parties (non trade-related)

The management regularly review and assess the credit quality of the counterparties. Since other debtors and amounts due from related parties (non trade-related) are not past due, there has not been a significant increase in credit risk since initial recognition and the Group uses 12m ECL to assess these receivables. In this regard, the Directors also consider Group's credit risk is not significant after considering the financial background of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of other debtors and amounts due from related parties (non trade-related) is not material.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Bank balances/derivative financial instruments

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Accordingly, no loss allowance was provided as the ECL in respect of bank balances as the amount is not material.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities and lease liabilities including interest that will accrue to those liabilities except where the Group is entitled and intends to repay the liabilities before their maturities. To the extent that interest flows are floating-rate, the undiscounted amount is derived from interest yield curve at the end of the reporting period.

	28.2.2021					
	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3–12 months *HK$'000*	1–4 years *HK$'000*	Over 4 years *HK$'000*	Total *HK$'000*
Bank borrowings						
— fixed-rate	359	152	1,558	94,232	–	96,301
— variable rate	71,710	550	464,163	491,163	84,040	1,111,626
Lease liabilities	4,227	8,087	30,772	43,613	80	86,779
Other financial liabilities	169,250	544	–	–	–	169,794
Total undiscounted financial liabilities	245,546	9,333	496,493	629,008	84,120	1,464,500

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	29.2.2020					
	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3–12 months *HK$'000*	1–4 years *HK$'000*	Over 4 years *HK$'000*	Total *HK$'000*
Collateralised debt obligation	87,293	145,864	321,141	–	–	554,298
Bank borrowings						
— fixed-rate	679	472	102,513	65,868	30,397	199,929
— variable rate	45,238	57,837	196,092	823,578	217,242	1,339,987
Lease liabilities	4,124	7,782	28,282	58,525	–	98,713
Other financial liabilities	110,874	824	–	–	–	111,698
Total undiscounted financial liabilities	248,208	212,779	648,028	947,971	247,639	2,304,625

The amounts included above with respect to the variable interest rate for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

The following tables detail the Group's contractual maturity for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	28.2.2021				
	Up to 3 months ***HK$'000***	**3–12 months** ***HK$'000***	**1–4 years** ***HK$'000***	**Over 4 years** ***HK$'000***	**Total** ***HK$'000***
Derivative financial instruments					
Net cash outflow	**(4,720)**	**(10,191)**	**(21,490)**	**(1,922)**	**(38,323)**

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	29.2.2020				
	Up to 3 months *HK\$'000*	3–12 months *HK\$'000*	1–4 years *HK\$'000*	Over 4 years *HK\$'000*	Total *HK\$'000*
Derivative financial instruments					
Net cash outflow	(206)	(1,321)	(13,666)	(4,502)	(19,695)

(c) Fair value measurements of financial instruments

Fair value measurements recognised in the statements 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.

	28.2.2021			
	Level 1 *HK\$'000*	Level 2 *HK\$'000*	Level 3 *HK\$'000*	Total *HK\$'000*
Equity instruments at FVTOCI				
Listed equity investment	4,085	–	–	4,085
Unlisted equity investments	–	–	61,385	61,385
Total	4,085	–	61,385	65,470
Derivative financial liabilities	–	26,021	–	26,021

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value measurements recognised in the statements of financial position (Cont'd)

	29.2.2020			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Derivative financial assets	–	2,162	–	2,162
Equity instruments at FVTOCI				
Listed equity investment	5,417	–	–	5,417
Unlisted equity investments	–	–	75,654	75,654
Total	5,417	2,162	75,654	83,233
Derivative financial liabilities	–	18,666	–	18,666

There were no transfers between Level 1, 2 and 3 in the current year.

The fair value of listed equity investments is determined with reference to quoted market bid price from 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 interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between USD/JPY and HKD (for cross-currency interest rate swap), which are observable at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value measurements recognised in the statements of financial position (Cont'd)

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
At 1st March 2019	111,171
Disposal of financial assets	(114)
Fair value loss recognised in other comprehensive income	(35,403)
At 29th February 2020	**75,654**
Fair value loss recognised in other comprehensive income	**(14,269)**
At 28th February 2021	**61,385**

At 28th February 2021, a small percentage, 1.2% (29th February 2020: 1.3%), of total assets of the Group, is based on estimates and recorded as financial assets with Level 3 fair value measurements. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a big impact on the Group's financial positions.

Included in other comprehensive income is an amount of HK$14,269,000 (2020: HK$35,403,000) loss relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "investment revaluation reserve".

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 financial statements approximate to their fair values, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis:

	28.2.2021		29.2.2020	
	Carrying amount *HK$'000*	**Fair value *HK$'000***	Carrying amount *HK$'000*	Fair value *HK$'000*
Bank borrowings	**1,182,881**	**1,230,236**	1,469,102	1,518,941

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements

The Group has entered certain derivative transactions that are covered by the ISDA Agreements signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group's consolidated statements of financial position or are subject to similar netting arrangements.

(a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial assets *HK$'000*	Gross amounts of recognised financial liabilities set off in the statements of financial position *HK$'000*	Net amounts of financial assets presented in the statements of financial position *HK$'000*
At 28th February 2021			
Derivative financial instruments	–	–	–
At 29th February 2020			
Derivative financial instruments	2,162	–	2,162

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the statements of financial position *HK$'000*	Financial liabilities not set off in the statements of financial position *HK$'000*	Net amount *HK$'000*
At 28th February 2021			
Counterparty A	–	–	–
Counterparty B	–	–	–
Counterparty C	–	–	–
Total	–	–	–
At 29th February 2020			
Counterparty A	2,063	(2,063)	–
Counterparty B	99	(99)	–
Counterparty C	–	–	–
Total	2,162	(2,162)	–

(c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial liabilities *HK$'000*	Gross amounts of recognised financial assets set off in the statements of financial position *HK$'000*	Net amounts of financial liabilities presented in the statements of financial position *HK$'000*
At 28th February 2021			
Derivative financial instruments	**(26,021)**	–	**(26,021)**
At 29th February 2020			
Derivative financial instruments	(18,666)	–	(18,666)

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(d) Net financial liabilities subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial liabilities presented in the statements of financial position *HK$'000*	Financial assets not set off in the statements of financial position *HK$'000*	Net amount *HK$'000*
At 28th February 2021			
Counterparty A	**(11,625)**	**–**	**(11,625)**
Counterparty B	**(1,271)**	**–**	**(1,271)**
Counterparty C	**(13,125)**	**–**	**(13,125)**
Total	**(26,021)**	**–**	**(26,021)**
At 29th February 2020			
Counterparty A	(6,019)	2,063	(3,956)
Counterparty B	(2,332)	99	(2,233)
Counterparty C	(10,315)	–	(10,315)
Total	(18,666)	2,162	(16,504)

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Collateral debt obligation *HK$'000*	Bank borrowings *HK$'000*	Lease liabilities *HK$'000*	Dividend payable *HK$'000*	Total *HK$'000*
At 1st March 2019	1,250,000	1,381,483	55,234	–	2,686,717
Financing cash flows *(Note)*	(701,600)	90,565	(52,091)	(184,256)	(847,382)
Interest paid	–	–	(2,971)	–	(2,971)
Interest expense	–	–	2,971	–	2,971
Amortisation of upfront cost	–	523	–	–	523
New leases entered	–	–	91,479	–	91,479
Dividends recognised as distribution	–	–	–	184,256	184,256
Exchange realignment	–	(3,469)	7	–	(3,462)
At 29th February 2020	**548,400**	**1,469,102**	**94,629**	**–**	**2,112,131**
Financing cash flows *(Note)*	**(548,400)**	**(286,962)**	**(49,084)**	**(184,256)**	**(1,068,702)**
Interest paid	**–**	**–**	**(2,394)**	**–**	**(2,394)**
Interest expense	**–**	**–**	**2,394**	**–**	**2,394**
Amortisation of upfront cost	**–**	**862**	**–**	**–**	**862**
New leases entered	**–**	**–**	**40,793**	**–**	**40,793**
Early termination of leases	**–**	**–**	**(1,745)**	**–**	**(1,745)**
Dividends recognised as distribution	**–**	**–**	**–**	**184,256**	**184,256**
Exchange realignment	**–**	**(121)**	**101**	**–**	**(20)**
At 28th February 2021	**–**	**1,182,881**	**84,694**	**–**	**1,267,575**

Note: Final payment in relation to the termination of lease contracts of HK$960,000 (2020: HK$7,067,000) was included in the financing cash flows of lease liabilities.

43. CAPITAL COMMITMENTS

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**22,772**	27,210

44. PLEDGE OF ASSETS

The Group has no pledged asset at 28th February 2021 as the related collateralised debt obligation was fully repaid on 4th August 2020. At 29th February 2020, the collateralised debt obligation was secured by credit card receivables and restricted deposits of HK$1,482,338,000 and HK$38,000,000 respectively (see Notes 20(a) and 24).

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$18,000 (2020: HK$18,000) per annum of each individual employee) to the MPF Scheme, which contribution is matched by employees. The total cost charged to profit or loss of HK$5,038,000 (2020: HK$4,894,000) represents contribution payable to MPF Scheme by the Group in respect of the current accounting year. At 28th February 2021, contributions of the Group amounting to HK$726,000 (29th February 2020: HK$736,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

The employees employed in China subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The China subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

46. RELATED PARTY TRANSACTIONS

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

	Fellow subsidiaries		Immediate holding company		Intermediate holding company		Ultimate holding company		Associate	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Interest income received	3,971	4,851	–	–	–	–	–	–	–	–
Commission received	9,859	7,721	–	–	–	–	–	–	–	–
Dividends received	178	781	–	–	–	–	–	–	–	–
Service fees received	–	–	1,158	1,142	–	–	–	–	–	–
Licence fees paid	13,785	12,886	–	–	–	–	15	50	–	–
Service fees paid	8,366	11,078	12,491	13,267	890	–	–	–	23,193	20,690
Gift certificate purchased	9,000	10,994	–	–	–	–	–	–	–	–

Compensation of key management personnel

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

	2021 HK$'000	2020 HK$'000
Short-term benefits	10,294	10,705
Retirement benefits	141	140
	10,435	10,845

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

47. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

	28.2.2021 HK$'000	29.2.2020 HK$'000
Non-current assets		
Property, plant and equipment	**104,285**	100,395
Right-of-use assets	**81,061**	91,268
Investments in subsidiaries	**203,264**	211,165
Investment in an associate	**19,406**	15,587
Equity instruments at fair value through other comprehensive income	**65,470**	81,071
Advances and receivables	**555,437**	706,477
Prepayments, deposits and other debtors	**14,778**	26,258
Derivative financial instruments	**–**	1,809
Deferred tax assets	**2,544**	8,825
	1,046,245	1,242,855
Current assets		
Advances and receivables	**3,233,758**	3,695,739
Prepayments, deposits and other debtors	**49,285**	65,297
Amount due from a subsidiary	**337**	101
Derivative financial instruments	**–**	353
Restricted deposits	**–**	38,000
Bank balances and cash	**743,328**	692,507
	4,026,708	4,491,997
Current liabilities		
Creditors and accruals	**258,355**	212,253
Contract liabilities	**16,301**	10,562
Amounts due to fellow subsidiaries	**63,424**	38,010
Amount due to intermediate holding company	**1,497**	283
Amount due to ultimate holding company	**14**	50
Amount due to an associate	**1,672**	3,203
Bank borrowings	**527,635**	370,000
Collateralised debt obligation	**–**	548,400
Lease liabilities	**41,086**	37,233
Derivative financial instruments	**4,384**	839
Tax liabilities	**20,726**	16,514
	935,094	1,237,347
Net current assets	**3,091,614**	3,254,650
Total assets less current liabilities	**4,137,859**	4,497,505

47. FINANCIAL POSITION OF THE COMPANY (Cont'd)

	28.2.2021 ***HK$'000***	29.2.2020 *HK$'000*
Capital and reserves		
Share capital	**269,477**	269,477
Reserves	**3,149,144**	3,055,227
Total equity	**3,418,621**	3,324,704
Non-current liabilities		
Bank borrowings	**655,246**	1,099,102
Lease liabilities	**42,355**	55,872
Derivative financial instruments	**21,637**	17,827
	719,238	1,172,801
	4,137,859	4,497,505

The financial statements of the Company were approved and authorised for issue by the Board on 8 April 2021 and are signed on its behalf by:

TOMOHARU FUKAYAMA
MANAGING DIRECTOR

DAISUKE TAKENAKA
DIRECTOR

47. FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movements in reserves are present below:

	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st March 2019	93,042	(3,738)	224	2,817,144	2,906,672
Profit for the year	–	–	–	384,771	384,771
Fair value loss on equity instruments at FVTOCI	(37,516)	–	–	–	(37,516)
Exchange difference arising from translation of foreign operations	–	–	(766)	–	(766)
Net adjustment on cash flow hedges	–	(13,678)	–	–	(13,678)
Total comprehensive (expense) income for the year	(37,516)	(13,678)	(766)	384,771	332,811
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at FVTOCI	1,723	–	–	(1,723)	–
Final dividend paid for the 2018/19	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2019/20	–	–	–	(92,128)	(92,128)
	(35,793)	(13,678)	(766)	198,792	148,555
At 29th February 2020	**57,249**	**(17,416)**	**(542)**	**3,015,936**	**3,055,227**
Profit for the year	**–**	**–**	**–**	**300,199**	**300,199**
Fair value loss on equity instruments at FVTOCI	**(15,601)**	**–**	**–**	**–**	**(15,601)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**909**	**–**	**909**
Net adjustment on cash flow hedges	**–**	**(7,334)**	**–**	**–**	**(7,334)**
Total comprehensive (expense) income for the year	**(15,601)**	**(7,334)**	**909**	**300,199**	**278,173**
Final dividend paid for the 2019/20	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2020/21	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	(15,601)	**(7,334)**	**909**	**115,943**	**93,917**
At 28th February 2021	**41,648**	**(24,750)**	**367**	**3,131,879**	**3,149,144**

48. PARTICULARS OF THE SUBSIDIARIES

At 28th February 2021 and 29th February 2020, the Company had interests in the following subsidiaries:

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
		28.2.2021	29.2.2020	**28.2.2021**	29.2.2020	
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage service
AEON Micro Finance (Shenyang) Co., Ltd *(Note)*	China	**HK$124,221,000**	HK$124,221,000	**100%**	100%	Microfinance business under voluntary liquidation
AEON Micro Finance (Tianjin) Co., Ltd *(Note)*	China	**RMB100,000,000**	RMB100,000,000	**100%**	100%	Microfinance business under voluntary liquidation
AEON Micro Finance (Shenzhen) Co., Ltd *(Note)*	China	**RMB150,000,000**	RMB150,000,000	**100%**	100%	Microfinance business

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

49. PARTICULARS OF A MASTER TRUST OF THE COMPANY

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. On 4th August 2020, the collateralised debt obligation was fully repaid and the Trust was terminated on 4th September 2020. At 29th February 2020, assets in this special purpose entity mainly consisted of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

Glossary

12m ECL	12-month expected credit loss
2020 AGM	the annual general meeting of the Company held on 23rd June 2020
2021 AGM	the annual general meeting of the Company to be held on 25th June 2021
ACS Malaysia	AEON Credit Service (M) Berhad
ACS Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
ACSS	AEON Credit Service Systems (Philippines) Inc.
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
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles	the articles of association of the Company
Board	the board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
China or Mainland or PRC	the People's Republic of China
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
COVID-19 or Pandemic	Novel coronavirus
Director(s)	the director(s) of the Company
ECL	Expected credit loss
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
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
HKFRS 9	HKFRS 9 *Financial Instruments*
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
ISDA Agreements	International Swaps and Derivatives Association Master Agreements
JPY	Japanese Yen, the lawful currency of Japan
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
OCI	Other comprehensive income
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended from time to time
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States Dollars, the lawful currency of the United States of America