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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)

UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30TH NOVEMBER 2021

The board (the “Board”) of directors (the “Directors”) of AEON Credit Service (Asia) Company Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30th November 2021 (the “reporting period” or “nine months of FY2021/22”), together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30th November 2021

	<i>Notes</i>	1.3.2021 to 30.11.2021 (Unaudited) HK\$'000	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000
Revenue	2	770,280	839,595
Interest income		651,735	732,973
Interest expense		(24,558)	(33,384)
Net interest income		627,177	699,589
Fees and commissions		69,859	55,583
Handling and late charges		48,686	51,039
Other income	4	4,669	10,780
Other gains and losses	5	(3,614)	170
Operating income		746,777	817,161
Operating expenses	6	(421,475)	(394,879)
Operating profit before impairment losses and impairment allowances		325,302	422,282
Impairment losses and impairment allowances		(65,022)	(177,669)
Recoveries of advances and receivables written-off		30,597	28,518
Share of results of an associate		962	2,126
Profit before tax		291,839	275,257
Income tax expense		(48,583)	(44,886)
Profit for the period		243,256	230,371
Profit for the period attributable to: Owners of the Company		243,256	230,371
Earnings per share – Basic		58.09 HK cents	55.01 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30th November 2021

	1.3.2021 to 30.11.2021 (Unaudited) HK\$'000	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000
Profit for the period	<u>243,256</u>	<u>230,371</u>
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income	(25,597)	48,363
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	3,605	11,702
Net adjustment on cash flow hedges	11,475	(14,427)
Reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign operation	<u>3,783</u>	<u>–</u>
Other comprehensive (expense) income for the period	<u>(6,734)</u>	<u>45,638</u>
Total comprehensive income for the period	<u>236,522</u>	<u>276,009</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>236,522</u>	<u>276,009</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th November 2021

	<i>Notes</i>	30.11.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		99,547	107,214
Right-of-use assets		64,676	82,278
Investment in an associate		20,776	19,406
Equity instruments at fair value through other comprehensive income		39,873	65,470
Advances and receivables	7	700,061	589,136
Prepayments, deposits and other debtors		24,620	16,349
Derivative financial instruments	11	225	–
Deferred tax assets		940	2,509
		950,718	882,362
Current assets			
Advances and receivables	7	3,362,995	3,254,632
Prepayments, deposits and other debtors		60,153	51,446
Amount due from intermediate holding company		43	–
Amount due from an associate		38	37
Time deposits		182,614	135,302
Bank balances and cash		409,411	759,587
		4,015,254	4,201,004
Current liabilities			
Creditors and accruals		279,024	263,789
Contract liabilities		22,002	16,301
Amounts due to fellow subsidiaries		33,574	63,741
Amount due to intermediate holding company		990	1,497
Amount due to ultimate holding company		–	14
Amount due to an associate		1,926	1,672
Bank borrowings	10	165,000	527,635
Lease liabilities		38,718	42,002
Derivative financial instruments	11	718	4,384
Tax liabilities		54,502	20,726
		596,454	941,761
Net current assets		3,418,800	3,259,243
Total assets less current liabilities		4,369,518	4,141,605

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

At 30th November 2021

	<i>Notes</i>	30.11.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Capital and reserves			
Share capital		269,477	269,477
Reserves		3,221,569	3,152,553
Total equity		3,491,046	3,422,030
Non-current liabilities			
Bank borrowings	<i>10</i>	822,756	655,246
Lease liabilities		24,124	42,692
Derivative financial instruments	<i>11</i>	31,592	21,637
		878,472	719,575
		4,369,518	4,141,605

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th November 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 2020 (Audited)	269,477	57,249	(17,416)	(24,951)	3,029,183	3,313,542
Profit for the period	-	-	-	-	230,371	230,371
Fair value gain on equity instruments at fair value through other comprehensive income	-	48,363	-	-	-	48,363
Exchange difference arising from translation of foreign operations	-	-	-	11,702	-	11,702
Net adjustment on cash flow hedges	-	-	(14,427)	-	-	(14,427)
Total comprehensive income (expense) for the period	-	48,363	(14,427)	11,702	230,371	276,009
Final dividend paid for the year from 1.3.2019 to 29.2.2020	-	-	-	-	(92,128)	(92,128)
Interim dividend paid for the year from 1.3.2020 to 28.2.2021	-	-	-	-	(92,128)	(92,128)
	-	48,363	(14,427)	11,702	46,115	91,753
At 30th November 2020 (Unaudited)	269,477	105,612	(31,843)	(13,249)	3,075,298	3,405,295
At 1st March 2021 (Audited)	269,477	41,648	(24,750)	(10,847)	3,146,502	3,422,030
Profit for the period	-	-	-	-	243,256	243,256
Fair value loss on equity instruments at fair value through other comprehensive income	-	(25,597)	-	-	-	(25,597)
Exchange difference arising from translation of foreign operations	-	-	-	3,605	-	3,605
Net adjustment on cash flow hedges	-	-	11,475	-	-	11,475
Reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign operation	-	-	-	3,783	-	3,783
Total comprehensive (expense) income for the period	-	(25,597)	11,475	7,388	243,256	236,522
Final dividend paid for the year from 1.3.2020 to 28.2.2021	-	-	-	-	(75,378)	(75,378)
Interim dividend paid for the year from 1.3.2021 to 28.2.2022	-	-	-	-	(92,128)	(92,128)
	-	(25,597)	11,475	7,388	75,750	69,016
At 30th November 2021 (Unaudited)	269,477	16,051	(13,275)	(3,459)	3,222,252	3,491,046

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30th November 2021

	1.3.2021 to 30.11.2021 (Unaudited) <i>HK\$'000</i>	1.3.2020 to 30.11.2020 (Unaudited) <i>HK\$'000</i>
Net cash from operating activities	95,484	939,383
Dividends received	618	178
Proceeds on disposal of property, plant and equipment	1	6
Purchase of property, plant and equipment	(9,561)	(15,257)
Deposits paid for acquisition of property, plant and equipment	(13,560)	(13,515)
Placement of time deposits with maturity of more than three months	(265,419)	(29,455)
Release of time deposits with maturity of more than three months	236,138	85,191
Net cash (used in) from investing activities	(51,783)	27,148
Placement of restricted deposits	–	(1,358,808)
Withdrawal of restricted deposits	–	1,396,808
Repayment of lease liabilities	(39,844)	(36,645)
Dividends paid	(167,506)	(184,256)
New bank loans raised	350,000	83,038
Repayment of collateralised debt obligation	–	(548,400)
Repayment of bank loans	(527,795)	(250,000)
Net cash used in financing activities	(385,145)	(898,263)
Net (decrease) increase in cash and cash equivalents	(341,444)	68,268
Effect of changes in exchange rate	7,767	4,394
Cash and cash equivalents at beginning of the period	864,964	764,987
Cash and cash equivalents at end of the period	531,287	837,649
Being:		
Time deposits with maturity of three months or less	121,876	282,926
Bank balances and cash	409,411	554,723
	531,287	837,649

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th November 2021

1. BASIS OF PREPARATION

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

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

Further information relating to these statutory financial statements is as follows:

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

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

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30th November 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 28th February 2021.

Application of amendments to HKFRSs

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

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

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. REVENUE

	1.3.2021 to 30.11.2021 (Unaudited) HK\$'000	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000
Interest income	651,735	732,973
Fees and commissions		
Credit cards	48,813	37,366
Insurance	21,046	18,217
Handling and late charges	48,686	51,039
	770,280	839,595

3. 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

Segment revenue and results

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

1.3.2021 to 30.11.2021 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Consolidated HK\$'000
REVENUE	611,204	138,029	21,047	770,280
RESULT				
Segment results	224,037	60,568	10,485	295,090
Unallocated operating income				1,847
Unallocated expenses				(6,060)
Share of results of an associate				962
Profit before tax				291,839

1.3.2020 to 30.11.2020 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Consolidated HK\$'000
REVENUE	659,046	162,332	18,217	839,595
RESULT				
Segment results	223,385	40,476	8,894	272,755
Unallocated operating income				2,141
Unallocated expenses				(1,765)
Share of results of an associate				2,126
Profit before tax				275,257

3. SEGMENT INFORMATION (Continued)

Geographical information

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

1.3.2021 to 30.11.2021 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	757,310	12,970	770,280
RESULT			
Segment results	297,377	(2,287)	295,090
Unallocated operating income			1,847
Unallocated expenses			(6,060)
Share of results of an associate			962
Profit before tax			291,839

1.3.2020 to 30.11.2020 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	830,350	9,245	839,595
RESULT			
Segment results	278,061	(5,306)	272,755
Unallocated operating income			2,141
Unallocated expenses			(1,765)
Share of results of an associate			2,126
Profit before tax			275,257

4. OTHER INCOME

	1.3.2021 to 30.11.2021 (Unaudited) HK\$'000	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	142	178
Unlisted equity securities	476	–
Government grants	–	6,046
Others	4,051	4,556
	<u>4,669</u>	<u>10,780</u>

5. OTHER GAINS AND LOSSES

	1.3.2021 to 30.11.2021 (Unaudited) HK\$'000	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain (loss) on hedging instrument released from cash flow hedge reserve	16,420	(5,727)
Exchange (loss) gain on a bank loan	(16,420)	5,727
Reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign operation	(3,783)	–
Other exchange gain, net	89	89
Hedge ineffectiveness on cash flow hedges, net	238	136
Losses on disposal of property, plant and equipment	(158)	(55)
	<u>(3,614)</u>	<u>170</u>

6. OPERATING EXPENSES

	1.3.2021 to 30.11.2021 (Unaudited) HK\$'000	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	21,651	23,996
Depreciation on right-of-use assets	40,674	35,999
Expenses relating to short-term leases	1,445	5,582
	42,119	41,581
General administrative expenses	124,731	117,945
Marketing and promotion expenses	65,071	45,986
Other operating expenses	47,211	48,574
Staff costs including Directors' emoluments	120,692	116,797
	<u>421,475</u>	<u>394,879</u>

7. ADVANCES AND RECEIVABLES

	30.11.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Credit card receivables	3,348,787	3,214,899
Personal loan receivables	831,850	781,014
	4,180,637	3,995,913
Accrued interest and other receivables	62,162	66,359
	4,242,799	4,062,272
Gross advances and receivables	4,242,799	4,062,272
Impairment allowances (<i>Note 8</i>)	(179,743)	(218,504)
	4,063,056	3,843,768
Current portion included under current assets	(3,362,995)	(3,254,632)
	700,061	589,136

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

8. IMPAIRMENT ALLOWANCES

	30.11.2021 (Unaudited) HK\$'000	28.2.2021 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	99,062	115,771
Personal loan receivables	78,408	99,518
Accrued interest and other receivables	2,273	3,215
	179,743	218,504

8. IMPAIRMENT ALLOWANCES (Continued)

An analysis of movements in impairment allowances including commitments on unused credit limit during each of the two periods ended 30th November 2021 and 30th November 2020 are set out as below:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2021	80,218	30,777	107,509	218,504
Net advance (repayment) in advances and receivables	6,287	(7,739)	(11,785)	(13,237)
Transfer to 12 months Expected Credit Loss (Stage 1)	56,320	(52,809)	(3,511)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(4,902)	11,937	(7,035)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(162)	(47,538)	47,700	–
Total transfer between stages	51,256	(88,410)	37,154	–
Remeasurement of Expected Credit Loss during the period	(64,298)	86,339	56,218	78,259
Amounts written-off as uncollectable	–	–	(103,630)	(103,630)
Exchange realignment	(24)	(23)	(106)	(153)
At 30th November 2021	73,439	20,944	85,360	179,743
	<i>Stage 1 HK\$'000</i>	<i>Stage 2 HK\$'000</i>	<i>Stage 3 HK\$'000</i>	<i>Total HK\$'000</i>
At 1st March 2020	91,705	49,711	121,092	262,508
Net repayment in advances and receivables	(6,586)	(13,402)	(6,655)	(26,643)
Transfer to 12 months Expected Credit Loss (Stage 1)	100,557	(89,196)	(11,361)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(8,243)	18,873	(10,630)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(38)	(77,233)	77,271	–
Total transfer between stages	92,276	(147,556)	55,280	–
Remeasurement of Expected Credit Loss during the period	(90,937)	144,147	151,102	204,312
Amounts written-off as uncollectable	–	–	(205,643)	(205,643)
Exchange realignment	101	40	625	766
At 30th November 2020	86,559	32,940	115,801	235,300

9. 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:

	30.11.2021 (Unaudited)		28.2.2021 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	36,425	0.9	44,087	1.1
Overdue 2 months but less than 3 months	31,981	0.7	37,261	0.9
Overdue 3 months but less than 4 months	13,658	0.3	20,330	0.5
Overdue 4 months or above	55,192	1.3	66,909	1.6
	<u>137,256</u>	<u>3.2</u>	<u>168,587</u>	<u>4.1</u>

* Percentage of gross advances and receivables

10. BANK BORROWINGS

	30.11.2021 (Unaudited)	28.2.2021 (Audited)
	HK\$'000	HK\$'000
Bank loans, unsecured	<u>987,756</u>	<u>1,182,881</u>
Carrying amount repayable (<i>Note</i>)		
Within one year	165,000	527,635
Within a period of more than one year but not exceeding two years	130,000	165,000
Within a period of more than two years but not exceeding five years	692,756	407,100
Within a period of more than five years	–	83,146
	<u>987,756</u>	<u>1,182,881</u>
Amount repayable within one year included under current liabilities	<u>(165,000)</u>	<u>(527,635)</u>
Amount repayable after one year	<u>822,756</u>	<u>655,246</u>

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30.11.2021 (Unaudited)		28.2.2021 (Audited)	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	225	7,298	–	11,182
Cross-currency interest rate swap	–	25,012	–	14,839
	<u>225</u>	<u>32,310</u>	<u>–</u>	<u>26,021</u>
Current portion	–	(718)	–	(4,384)
	<u>–</u>	<u>(718)</u>	<u>–</u>	<u>(4,384)</u>
Non-current portion	225	31,592	–	21,637
	<u>225</u>	<u>31,592</u>	<u>–</u>	<u>21,637</u>

All derivative financial instruments entered into by the Group that remain outstanding at 30th November 2021 and 28th February 2021 are for hedging purposes. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the reporting period, with social distancing measures relaxed and the Consumption Voucher Scheme in Hong Kong stimulating consumption, local consumer spending on food and beverages saw a progressive recovery. However, due to the COVID-19 pandemic (the “Pandemic”) still rampant abroad and the emergence of new coronavirus variants restraining full resumption of international travel in the near future, overseas spending remained confined largely to online shopping.

In confronting the unprecedented headwinds and to match the rapidly shifting consumer spending behavior, the Group launched different promotion programs to help it capture recovering credit card spending. Following the overwhelming success of the Ocean Park promotion, the Group launched another promotion in the three months ended 30th November 2021 (the “third quarter”) offering 10 times bonus points for local dining and online spending. Moreover, a tailored tax loan rebate program was launched to enlarge the personal loan customer base. Thanks to more effective credit assessment providing suitable credit exposure for customers, the default rates of overdue advances and receivables continued to decrease in the nine months of FY2021/22. With these measures in place, sales in the third quarter recorded an overall increase of 18.5% when compared with the correspondence period of FY2020/21, with gross advances and receivables balance at 30th November 2021 up by 4.5% against the same at 31st August 2021, and the percentage of overdue advances and receivables to total advances and receivables reduced to 3.2% at 30th November 2021. Sales for the nine months of FY2021/22 overall increased by 21.0% when compared with the nine months ended 30th November 2020 (the “previous period” or “nine months of FY2020/21”).

In the third quarter, the Group launched the acquiring service for AEON Stores (Hong Kong) Company Limited (“AEON Stores”) that involves processing non-AEON credit card purchases inside AEON Stores (“Off-us Acquiring Service”). The Group also enhanced the functions of the “AEON HK” Mobile App, which now includes direct debit authorization and permits changing of personal identification number. The Group will continue to develop other new functions for the App to enhance customer experience, as well as continue to move forward with developing new card and loan system.

Financial Review

For the nine months of FY2021/22, profit before tax was HK\$291.8 million, an increase of HK\$16.6 million, or 6.0%, when compared with the nine months of FY2020/21, as a result of continued decrease in impairment losses and impairment allowances in the reporting period. After deducting income tax expenses of HK\$48.6 million, the Group recorded an increase in profit after tax of HK\$12.9 million, or 5.6% from HK\$230.4 million in the previous period to HK\$243.3 million in the reporting period. Earnings per share increased from 55.01 HK cents to 58.09 HK cents for the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (continued)

Net debt to equity ratio was 0.2 and 0.1 at 30th November 2021 and 28th February 2021 respectively, while total equity to total assets ratio was 70.3% and 67.3% at 30th November 2021 and 28th February 2021 respectively.

Net asset value per share was HK\$8.1 at 30th November 2021 (28th February 2021 (after final dividend): HK\$8.0).

Consolidated Profit or Loss Analysis

Revenue

Revenue for the reporting period was HK\$770.3 million, a decrease of HK\$69.3 million, or 8.3%, from HK\$839.6 million in the previous period.

Net interest income

In the reporting period, although there was a rebound in overall sales and revolving credit card and personal loan balances in line with improving market sentiment, the credit card receivable and personal loan receivable still could not reach back to the pre-pandemic level. As a result, the Group recorded a HK\$81.2 million, or 11.1%, decrease in interest income from HK\$733.0 million in the previous period down to HK\$651.7 million in the reporting period.

After full repayment of certain long-term bank borrowings, the Group's average funding cost remained at 2.5% in the reporting period, with interest expense down 26.4%, or HK\$8.8 million, from HK\$33.4 million in the previous period to HK\$24.6 million in the reporting period.

Consequently, the Group's net interest income in the reporting period was HK\$627.2 million, representing a decrease of 10.4%, or HK\$72.4 million, when compared with the previous period.

Operating income

With an increase in credit card sales and the launch of Off-us Acquiring Service for AEON Stores, there was a 30.6% increase in fees and commissions from the credit card business, or HK\$11.4 million, to HK\$48.8 million in the reporting period. As for fees and commissions from the insurance intermediary business, thanks to higher number of solicited policies, there was an increase of HK\$2.8 million, bringing the total to HK\$21.0 million in the reporting period. The Group recorded an overall increase of HK\$14.3 million in fees and commissions to HK\$69.9 million in the reporting period from HK\$55.6 million in the previous period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Consolidated Profit or Loss Analysis (continued)

Operating income (continued)

With more customers making timely repayment in the reporting period, handling and late charges recorded a slight decrease of HK\$2.4 million, or 4.6%, to HK\$48.7 million. Taking into account the receipt of government subsidy of HK\$6.0 million under the Employment Support Scheme in the previous period, other income in the nine months of FY2021/22 was HK\$4.7 million, as compared to HK\$10.8 million in the nine months of FY2020/21.

With loss of HK\$3.8 million recognized in other gains and losses from the liquidation of a subsidiary in the reporting period, the Group's operating income for the nine months of FY2021/22 recorded a drop of HK\$70.4 million to HK\$746.8 million in the reporting period from HK\$817.2 million in the previous period.

Operating expenses

During the reporting period, with the Group putting great effort into boosting both credit card and personal loan sales by offering better incentives for higher card spending and number of loan applications, marketing and promotion expenses increased by HK\$19.1 million when compared with the previous period. After the Off-us Acquiring Service for AEON Stores was launched, general administrative expenses increased by HK\$6.8 million in the reporting period. Overall operating expenses amounted to HK\$421.5 million in the reporting period, an increase of HK\$26.6 million from HK\$394.9 million in the previous period. Due to a decrease in operating income, cost-to-income ratio increased from 48.3% in the previous period to 56.4% in the reporting period.

At the operating level before impairment losses and impairment allowances, the Group recorded operating profit of HK\$325.3 million for the nine months of FY2021/22, down 23.0% from HK\$422.3 million in the previous period.

Impairment losses and impairment allowances

Through its continuous effort to refine credit assessment technique, the Group has built a healthy credit portfolio. With economic situation and unemployment rate continuing to improve, plus the Group's effective debt management efforts to reduce overdue advances and receivables, there was a significant reduction in impairment losses and impairment allowances in the reporting period of HK\$112.6 million, or 63.4%, to HK\$65.0 million in the nine months of FY2021/22 from HK\$177.7 million in the nine months of FY2020/21.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Consolidated Statement of Financial Position Analysis

The Group's total equity at 30th November 2021 was HK\$3,491.0 million, representing an increase of HK\$69.0 million, or 2.0%, from HK\$3,422.0 million at 28th February 2021.

Total assets at 30th November 2021 were HK\$4,966.0 million, representing a decrease of HK\$117.4 million, or 2.3%, from HK\$5,083.4 million at 28th February 2021.

Advances and Receivables

Growing demand for consumer loans raised personal loan receivables by HK\$50.8 million to HK\$831.9 million at 30th November 2021 from HK\$781.0 million at 28th February 2021. Moreover, with various promotions mounted to drive credit card sales, credit card receivables recorded an increase of HK\$133.9 million, or 4.2%, to HK\$3,348.8 million at 30th November 2021 from HK\$3,214.9 million at 28th February 2021. The gross advances and receivables of the Group was HK\$4,242.8 million at 30th November 2021, as compared to HK\$4,058.9 million at 31st August 2021 and HK\$4,062.3 million at 28th February 2021, respectively. Impairment allowances amounted to HK\$179.7 million at 30th November 2021, covering 4.2% of gross advances and receivables, as compared to HK\$218.5 million at 28th February 2021, covering 5.4% of gross advances and receivables. The percentage of overdue advances and receivables to gross advances and receivables was 3.2% at 30th November 2021, as compared to 3.4% at 31st August 2021 and 4.1% at 28th February 2021, respectively.

Bank Borrowings

With certain bank borrowings repaid, the Group's total debt reduced from HK\$1,182.9 million at 28th February 2021 to HK\$987.8 million at 30th November 2021. At 30th November 2021, 19.2% of the bank borrowings had fixed interest rates, while 80.8% were hedged against interest rate fluctuation by interest rate swaps. Of the total outstanding bank borrowings, 16.7% will mature within one year, 13.2% between one and two years and 70.1% between two and five years.

The average duration of bank borrowings was 3.0 years and 1.9 years at 30th November 2021 and 28th February 2021 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Segment Information

For the nine months of FY2021/22, 79.3% of the Group's revenue was derived from credit cards operations, compared to 78.5% in the previous period. Personal loans operations accounted for 17.9% of the Group's revenue, compared to 19.3% in the previous period. For segment results, credit cards operations accounted for 75.9% of the Group's entire operations, compared to 81.9% in the previous period, while personal loans operations accounted for 20.5%, as compared to 14.8% in the previous period.

During the reporting period, despite the increase in credit card sales and revolving balance, receivable balance had just recovered to the level at 28th February 2021 in the third quarter. Revenue from credit cards operations recorded a decrease of HK\$47.8 million, or 7.3%, to HK\$611.2 million in the nine months of FY2021/22 from HK\$659.0 million in the nine months of FY2020/21. Due to a drop in impairment losses and impairment allowances, segmental results of the credit card operations for the reporting period increased by HK\$0.6 million to HK\$224.0 million in the nine months of FY2021/22 from HK\$223.4 million in the nine months of FY2020/21.

For personal loans operations, as the personal loan receivable amount only started to increase at a faster pace in the third quarter of FY2021/22, revenue from personal loans operations in the nine months of FY2021/22 was down HK\$24.3 million, or 15.0%, to HK\$138.0 million in the reporting period from HK\$162.3 million in the nine months of FY2020/21. Thanks to better collection results that contributed to a drop in impairment losses and impairment allowances, the segmental results for the period increased by HK\$20.1 million to HK\$60.6 million in the nine months of FY2021/22 from HK\$40.5 million in the nine months of FY2020/21.

With more insurance sales activities resumed, revenue from insurance operation recorded an increase of HK\$2.8 million to HK\$21.0 million in the nine months of FY2021/22 from HK\$18.2 million in the nine months of FY2020/21, with segmental results of HK\$10.5 million, as compared to HK\$8.9 million in the previous period.

By geographical locations, revenue from Hong Kong operations recorded a decrease of HK\$73.0 million, or 8.8%, to HK\$757.3 million in the nine months of FY2021/22 from HK\$830.4 million in the nine months of FY2020/21. The surge in credit card sales during the reporting period had yet to start pushing revolving credit card balance up back to pre-pandemic level. Thanks to the reduction in funding costs as well as impairment losses and impairment allowances, segmental results of the Hong Kong operations recorded an increase of HK\$19.3 million, or 6.9%, to HK\$297.4 million in the nine months of FY2021/22 from HK\$278.1 million in the nine months of FY2020/21.

For its Mainland China operations, the Group concentrated resources and efforts on its microfinance subsidiary in Shenzhen, which revenue increased by HK\$3.7 million, to HK\$13.0 million in the nine months of FY2021/22 from HK\$9.3 million in the nine months of FY2020/21, with losses reduced by HK\$3.0 million to HK\$2.3 million in the reporting period from HK\$5.3 million in the previous period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

Although the vaccination rate in Hong Kong has reached a new height, the emergence of the Omicron variant is likely to impede resumption of overseas travel in the near future. On a positive note, unemployment rate in Hong Kong is expected to remain stable, which means the Group will have opportunities to continue to expand business in the fourth quarter of the reporting year.

To further diversify customer segments, the Group will continue to invest in new products and new branches in the fourth quarter. The Group will also continue to mount different promotion programs, such as Winter Spending Rewards, in the fourth quarter to capture the improving consumer credit demand in the market in its bid to increase receivable balance. For the Mainland China business, the Group will focus on developing new products and services for its microfinance subsidiary in Shenzhen and transforming its structure so as to capture future business opportunities in the Greater Bay Area.

Please note that the quarterly results of the Group presented herein have not been audited or reviewed by the Company's auditors. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
TOMO HARU FUKAYAMA
Managing Director

Hong Kong, 23rd December 2021

As at the date of this announcement, the Board comprises Mr. Tomoharu Fukayama (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director) and Mr. Daisuke Takenaka as Executive Directors; Mr. Tomoyuki Mitsufuji (Chairman) and Ms. Jin Huashu as Non-executive Directors; and Mr. Lee Ching Ming Adrian, Ms. Shing Mo Han Yvonne and Ms. Junko Dochi as Independent Non-executive Directors.