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 2022/23

Planting Seeds of Growth

We are AEON

Contents

2 **Corporate Information**

3 **Shareholders' Calendar**

4 **Financial Summary**

6 **Management Discussion and Analysis**

19 **Corporate Sustainability Report**

49 **Board of Directors**

51 **Corporate Governance Report**

69 **Directors' Report**

76 **Independent Auditor's Report**

Financial Statements

80 Consolidated Statement of Profit or Loss

81 Consolidated Statement of Profit or Loss and Other Comprehensive Income

82 Consolidated Statement of Financial Position

84 Consolidated Statement of Changes in Equity

85 Consolidated Statement of Cash Flows

87 Notes to the Consolidated Financial Statements

161 **Glossary**

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)*
Daisuke Takenaka
Wei Aiguo

Non-executive Directors

Tomoyuki Mitsufuji *(Chairman)*
Jin Huashu

Independent Non-executive Directors

Lee Ching Ming Adrian
Shing Mo Han Yvonne
Junko Dochi

COMPANY SECRETARY

Hung Tun Shun Jason

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SHARE REGISTRAR

Tricor Secretaries Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

MAJOR BANKERS

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

REGISTERED OFFICE

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

INTERNET ADDRESS

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

STOCK CODE

900

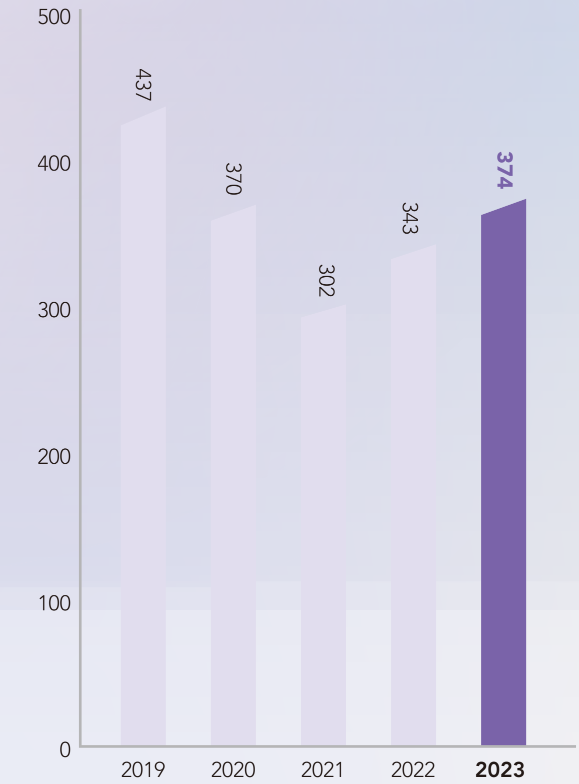
Shareholders' Calendar

26th September 2022	Announcement of interim results for the six months ended 31st August 2022
28th October 2022	Despatch of interim report for the six months ended 31st August 2022
13th – 14th October 2022	Book closing dates for interim dividend
28th October 2022	Payment of interim dividend of 22.0 HK cents per share
4th April 2023	Announcement of final results for the year ended 28th February 2023
19th May 2023	Despatch of annual report for the year ended 28th February 2023
26th – 29th June 2023	Book closing dates for 2023 AGM
29th June 2023	2023 AGM
6th – 7th July 2023	Book closing dates for final dividend
20th July 2023	Payment of final dividend of 22.0 HK cents per share (subject to shareholders' approval at the 2023 AGM)

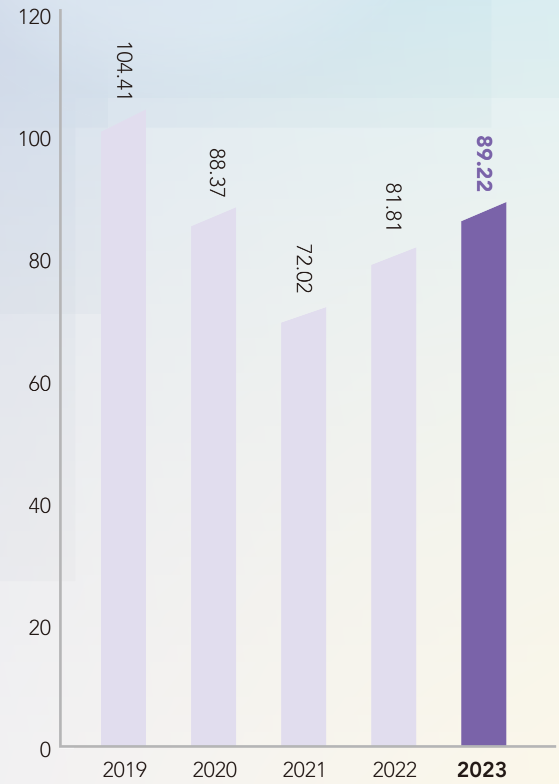
Financial Summary

CONSOLIDATED RESULTS

Profit (note 1)



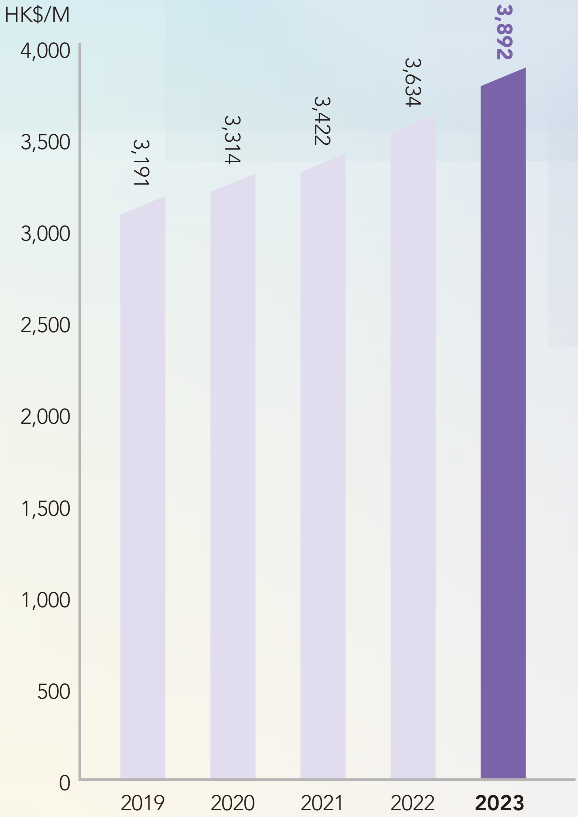
Earnings per share (note 2)



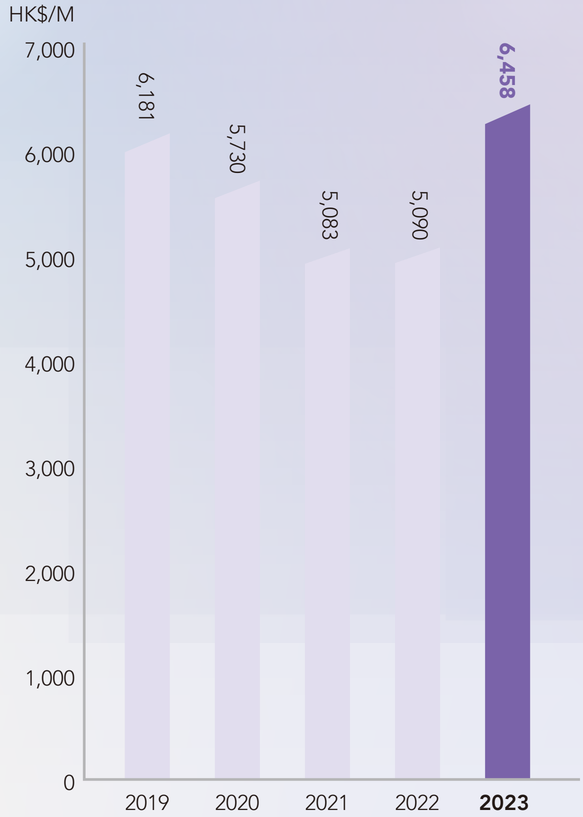
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023 HK$'000**
Revenue	1,322,678	1,297,686	1,089,858	1,049,589	**1,231,631**
Profit before tax	524,122	444,930	357,946	397,973	**449,294**
Income tax expense	(86,868)	(74,847)	(56,371)	(55,381)	**(75,683)**
Profit for the year	437,254	370,083	301,575	342,592	**373,611**
Earnings per share	104.41 HK cents	88.37 HK cents	72.02 HK cents	81.81 HK cents	**89.22 HK cents**
Dividend per share	44.00 HK cents	44.00 HK cents	40.00 HK cents	44.00 HK cents	**44.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

Total equity (note 3)



Total assets (note 4)



	At				
	28.2.2019 *HK$'000*	29.2.2020 *HK$'000*	28.2.2021 *HK$'000*	28.2.2022 *HK$'000*	**28.2.2023** ***HK$'000***
Total assets	6,180,684	5,729,718	5,083,366	5,089,556	**6,457,680**
Total liabilities	(2,990,037)	(2,416,176)	(1,661,336)	(1,456,014)	**(2,565,220)**
Total equity	3,190,647	3,313,542	3,422,030	3,633,542	**3,892,460**

Notes:

1. Represents the consolidated profit for the financial years ended 28th February 2019, 29th February 2020, 28th February 2021, 28th February 2022 and 28th February 2023.
2. Represents the consolidated earnings per share for the financial years ended 28th February 2019, 29th February 2020, 28th February 2021, 28th February 2022 and 28th February 2023.
3. Represents the consolidated total equity at 28th February 2019, 29th February 2020, at 28th February 2021, 2022 and 2023.
4. Represents the consolidated total assets at 28th February 2019, 29th February 2020, at 28th February 2021, 2022 and 2023.

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Hong Kong economy remained affected by the fifth wave of the COVID-19 pandemic (the "Pandemic") in the first three quarters, despite that there were signs of gradual economic recovery and an improvement in the employment rate in Hong Kong. In addition, the US Federal Reserve continued to raise its benchmark interest rate in response to high inflation, which had hindered the global economy. Due to the high interest rate environment and heightened geopolitical factors, locally in Hong Kong, there was a downward adjustment in property prices, a generally quiet stock market, and gross domestic product (GDP) fallen by 3.5% when compared with the previous year.

Following the launch of a range of economic stimulus measures and the progressive resumption of overseas travel throughout the year ended 28th February, 2023 ("FY2022" or the "Reporting Year"), the consumer spending market in Hong Kong recorded remarkable recovery in the second half of the Reporting Year, with the unemployment rate reaching a low level of 3.5% in the past few months. In this improving market environment, the Group has taken a number of timely initiatives to achieve healthy growth in both sales and receivables and to maintain a quality portfolio during the Reporting Year.

The Group achieved an overall sales growth of 32.7% when compared with the year ended 28th February 2022 ("FY2021" or the "Previous Year"), with card cash advances and personal loan sales recording an increase of 29.3% in the second half as compared with the first half of this Reporting Year, thereby maintaining an upward trend in the advances and receivables balance in the second half. The total advances and receivables balance at 28th February 2023 recorded an increase of 36.5% when compared with the balance at 28th February 2022. The percentage of overdue advances and receivables to gross advances and receivables declined from 3.5% at 28th February 2022 to 3.0% at 28th February 2023.

OPERATIONAL REVIEW

With regard to marketing, the Group rolled out several mass promotion activities, including the Summer Spending Mass Promotion, Japan Travel Promotion and other joint promotion programs with new and existing business partners to boost both credit card and personal loan sales. The Group also organised roadshows at exhibitions and shopping malls to attract new customers. In a bid to attract a greater number of customers who predominantly shop online and are generally more knowledgeable about spending rewards and incentives, the Group engaged celebrities to promote its first ever cashback credit card, AEON Card Wakuwaku (the "Wakuwaku Card").

Regarding its card acquiring business, following the full implementation of the platform to process retail purchase transactions made by AEON Stores' customers using non-AEON credit/debit cards across the whole AEON Store network, the Group has significantly increased the scale of its card acquiring business, and using this established platform, the Group continued to take on new merchants with relatively sizable transaction volumes and/or with multi-distribution networks.

To further enhance the reach and us of its existing products and services, the Group has been running new promotions with major payment solution providers in the market. In addition to increasing marketing activities for its online channels, the Group also revamped its physical branch network by opening new branches in different districts, including Kwun Tong, Yau Tong and Kwai Chung, and set up consultancy counters in six branches to offer insurance advisory services.

With regard to credit management, through the continued enhancement of the Group's credit assessment model, which helps to strike a better balance between customers' financial needs and credit risk, customers could enjoy more affordable credit facilities. At the same time, the analytical tools implemented in collections helped to determine the credit risk distribution across the portfolio, which facilitated the management of any increase in delinquent receivables and also increased operational efficiency.

Regarding the insurance intermediary business, the Group entered into a new distribution partnership agreement in the second quarter to expand its offline and online insurance sales channels. By developing the Company's sales channels at its branches as well as on its website and mobile application, the Company's customers can now more conveniently access and purchase a wide range of insurance products.

To accelerate its digital transformation, the Group deployed additional resources to the issuing phase of its new card and loan system project, the replacement of its net-member and mobile application systems and the data lake project, and these three major systems were successfully launched in early March 2023. With the implementation of these systems, the Group aims to enhance the customer journey with new payment solutions and flexibility in offering product benefits, as well as easy access to even better data analytics tools and services.

On the sustainability front, the Group secured a sustainability-linked loan framework and entered into agreements for sustainability-linked loans (the "Loans") in the third quarter, with a total carrying amount of HK$320 million and each for a term of three years. The Loans form part of the Group's first sustainable financing initiative, and demonstrate the Group's commitment to sustainability by linking the interest margins of the Loans to the Group's environment, social and governance ("ESG") key performance indicators.

As for the Mainland China business in Shenzhen, the microfinance subsidiary achieved profitable status in the year with the launch of new personal loan products. Meanwhile, the newly acquired and wholly owned subsidiary for business process outsourcing services provided effective telemarketing activities to the Group to increase the sales of personal loans and cash advances.

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 30.0% of the consolidated net profits of the Group for the financial year. When proposing a 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 22.0 HK cents per share, bringing the total dividend for the year ended 28th February 2023 to 44.0 HK cents per share, representing a dividend payout ratio of 49.3%.

FINANCIAL REVIEW

For the year ended 28th February 2023, audited profit before tax was HK$449.3 million, an increase of HK$51.3 million when compared with the financial year ended 28th February 2022. During the Reporting Year, the Group recorded a gain of HK$31.9 million on the disposal of distressed assets. After deducting income tax expense of HK$75.7 million, the Group recorded an increase in profit of 9.1%, with profit after tax increasing from HK$342.6 million in FY2021 to HK$373.6 million in FY2022. Earnings per share increased from 81.81 HK cents to 89.22 HK cents for the Reporting Year.

Return on assets was 5.8% in FY2022 compared with 6.7% in FY2021, while return on equity was 9.6% in FY2022 compared with 9.4% in FY2021.

The net debt to equity ratio was 0.4 at 28th February 2023 compared with 0.1 at 28th February 2022, while total equity to total assets ratio was 60.3% and 71.4% at 28th February 2023 and 28th February 2022, respectively.

Net asset value per share (after final dividend) at 28th February 2023 and at 28th February 2022 was HK$9.1 and HK$8.5 respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ANALYSIS

Revenue

Revenue for the Reporting Year was HK$1,231.6 million, an increase of 17.3%, or HK$182.0 million, compared with HK$1,049.6 million in the Previous Year.

Net Interest Income

During the Reporting Year, the launch of Wakuwaku Card and mass promotion activities, as well as successful brand building activities, resulted in a strong increase in both credit card and personal loan sales, with gross advances and receivables recording an increase of HK$1,561.7 million at 28th February 2023 compared with the balance at 28th February 2022. As a result, the Group recorded an increase in interest income of 17.4%, or HK$152.9 million, from HK$879.3 million in the Previous Year to HK$1,032.1 million in the Reporting Year.

With the new bank borrowings to fund continued growth in receivables, the outstanding balance of bank borrowings increased by HK$1,023.5 million at 28th February 2023 when compared with the balance at 28th February 2022. Following the general increase in market interest rates, the Group's average funding cost increased from 2.6% to 3.5% in the Reporting Year. As a result, the Group's interest expense recorded an increase of 38.6%, or HK$12.3 million, from HK$31.8 million in the Previous Year to HK$44.1 million in the Reporting Year.

Consequently, the Group's net interest income for FY2022 was HK$988.0 million, representing an increase of 16.6%, or HK$140.6 million, compared with HK$847.4 million in FY2021.

Operating Income

Fees and commissions from the credit card business recorded an increase of 38.8%, or HK$29.4 million, from HK$75.8 million in the Previous Year to HK$105.2 million in the Reporting Year due to the increase in credit card sales and the 'off-us' acquiring service for AEON Stores. In the insurance intermediary business, due to the reduction in telemarketing activities in preparation for diversification in insurance distribution channels, fees and commissions decreased by HK$1.1 million to HK$26.5 million in the Reporting Year. The Group recorded an overall increase in fees and commissions of HK$28.3 million, from HK$103.4 million in FY2021 to HK$131.7 million in FY2022. Handling and late charges increased by 1.4%, or HK$0.9 million, to HK$67.8 million in the Reporting Year as the demand for cash advances increased.

Regarding other income, upon fulfilment of the terms and conditions under an insurance distribution agreement and more card related mass promotion activities with better card recruitment and card sales results, the Group recognised an income of HK$20.5 million when compared with HK$2.5 million in the Previous Year for the marketing support fund received or receivable from the insurance partner and card association partners of the Company. In addition, the Group recorded an income relating to the receipt of government subsidies of HK$2.5 million under the Employment Support Scheme in the Reporting Year. Under other gains and losses, the Group recorded a reclassification adjustment for a loss of HK$8.8 million on the cumulative exchange differences following the deregistration of a microfinance subsidiary in Tianjin in the Reporting Year and another HK$3.8 million with respect to deregistration of another microfinance subsidiary in Shenyang in the Previous Year.

In total, the Group's operating income for FY2022 was HK$1,204.2 million, representing an increase of 18.0%, or HK$183.6 million, compared with HK$1,020.5 million in FY2021.

Operating Expenses

In order to capitalise on the growing consumer demand for credit cards and personal loans, and to enhance its brand image, the Group stepped up relevant marketing activities and launched various mass promotion programs. Consequently, marketing and promotion expenses increased by 32.3%, or HK$28.9 million, to HK$118.3 million in the Reporting Year. Following the full acquisition of an associate to become a subsidiary of the Company and the expansion of the branch network, staff costs increased by HK$36.9 million and the lease-related expenses increased by HK$1.2 million compared with the Previous Year. Card association fees and computer-related expenses also increased due to costs incurred for the additional acquiring services in AEON Stores and the increase in card transactions, which resulted in an increase in general administrative expenses of HK$3.6 million compared with the Previous Year.

The overall operating expenses recorded an increase of HK$69.6 million from HK$577.9 million in the Previous Year to HK$647.5 million in the Reporting Year.

Cost-To-Income Ratio

With the increase in operating income and effective control of operating expenses, the Group recorded a decrease in its cost-to-income ratio from 56.6% in the Previous Year to 53.8% in the Reporting Year.

At the operating level and before impairment allowances, the Group recorded an operating profit of HK$556.7 million for the Reporting Year, representing an increase of 25.8% from HK$442.7 million in the Previous Year.

Impairment Losses and Impairment Allowances

With continuous improvement in credit assessment techniques, the Group has steadily built up a quality credit portfolio, and overdue advances and receivables as a percentage of gross advances and receivables have decreased from 3.5%, at 28th February 2022 to 3.0% at 28th February 2023. Nevertheless, geopolitical issues and the continued rise in interest rates led to a slow rebound in key economic indicators in comparison with the Previous Year. As a result, together with an increase in write-offs of HK$30.2 million, or 23.1%, to HK$161.5 million and an increase in the gross advances and receivables balance, impairment losses and impairment allowances increased by HK$78.6 million, or 83.5%, to HK$172.6 million in the Reporting Year compared with HK$94.1 million in the Previous Year.

Gain on Disposal of Distressed Assets

In order to deploy more resources to the timely collection of delinquent receivables, the Group disposed of written-off receivables accumulated over the past few years and recorded a gain on their disposal of HK$31.9 million in the Reporting Year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS

The Group's total equity at 28th February 2023 was HK$3,892.5 million (HK$3,633.5 million at 28th February 2022), while total assets at 28th February 2023 were HK$6,457.7 million (HK$5,089.6 million at 28th February 2022).

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

During the year, the Group spent approximately HK$7.6 million on computer equipment, HK$5.8 million on leasehold improvements, HK$1.0 million on motor vehicles and HK$0.3 million on furniture and fixtures. As for right-of-use assets, the Group recorded an increase of HK$38.3 million in the current year as a lessee.

Goodwill

Goodwill of HK$15.8 million represented the amount by which the consideration for the acquisition of AIS exceeded the amounts of the assets acquired and liabilities assumed. At 28th February 2023, the management considered that no impairment charge of the goodwill was required as AIS generated positive cash flow as per the original estimation in the Reporting Year.

Advances and Receivables

The easing of social distancing measures and resumption of outbound travel resulted in a sharp rebound in credit card sales, with credit card receivables recording an increase of 35.6%, or HK$1,176.6 million, from HK$3,304.5 million at 28th February 2022 to HK$4,481.0 million at 28th February 2023. In addition, due to the increased credit demand in the market, personal loan receivables also recorded an increase, climbing 39.6%, or HK$358.5 million, from HK$905.4 million at 28th February 2022 to HK$1,263.9 million at 28th February 2023. Overall, the Group's gross advances and receivables recorded an increase of HK$1,561.7 million from HK$4,274.6 million at 28th February 2022 to HK$5,836.2 million at 28th February 2023.

Despite the increase in gross advances and receivables, overdue advances and receivables as a percentage of gross advances and receivables declined from 3.5% at 28th February 2022 to 3.0% at 28th February 2023 as asset quality improved. In addition, impairment allowances increased slightly by HK$10.6 million from HK$181.1 million, accounting for 4.2% of gross advances and receivables at 28th February 2022 to HK$191.7 million, accounting for 3.3% of gross advances and receivables at 28th February 2023.

Bank Borrowings

At 28th February 2023, the Group's bank borrowings amounted to HK$2,107.7 million, of which 56.9% had fixed interest rates and 43.1% were hedged against interest rate fluctuations through interest rate swaps. 37.5% of the bank borrowings will mature within one year, 9.6% between one and two years, and 52.9% between two and five years.

At 28th February 2023, the average duration of bank borrowings was 1.9 years, compared with 2.9 years at 28th February 2022.

SEGMENT INFORMATION

The Group's business comprises three main operating segments, namely credit cards, personal loans and insurance intermediary business. For the year ended 28th February 2023, credit card operations accounted for 78.2% of the Group's revenue, compared with 79.4% in the Previous Year, while personal loan operations accounted for 19.6% of the Group's revenue, compared with 18.0% in the Previous Year. As for segment results, credit card operations in FY2022 accounted for 73.7% of the Group's results, compared with 79.3% in the Previous Year, while the personal loan operations accounted for 21.8%, compared with 17.2% in the Previous Year.

For credit cards, the Reporting Year saw growth in both credit card sales and receivable balances, with revolving credit card receivables balances exceeding the pre-Pandemic level due to successful brand building activities and the resumption of outbound travel. Consequently, revenue from the credit card segment recorded an increase of 15.7%, or HK$130.4 million, up from HK$833.0 million in FY2021 to HK$963.4 million in FY2022. However, despite the effective control of operating expenses, the increase in funding costs and higher revolving balances led to an increase in impairment allowances, which resulted in only a slight increase of 9.1%, or HK$28.1 million, in the credit card segment result from HK$309.6 million in the Previous Year to HK$337.6 million in the Reporting Year.

With respect to personal loans, sales and receivable balances increased significantly as economic activity and the market demand for personal loan products correspondingly increased. Revenue from the personal loan segment recorded an increase of 27.9%, or HK$52.7 million, from HK$189.0 million in FY2021 to HK$241.7 million in FY2022, as the receivables balance at 28th February 2023 achieved 139.6% of the receivables balance recorded at 28th February 2022. With the effective control of operating expenses and continued improvement in credit assessment, the segment result from personal loan operations recorded an increase of HK$32.5 million from HK$67.2 million in the Previous Year to HK$99.7 million in the Reporting Year.

For the insurance intermediary business, due to the reduction in telemarketing activities in preparation for diversification in insurance distribution channels, the revenue recorded a decrease of HK$1.1 million from HK$27.7 million in FY2021 to HK$26.5 million in FY2022. After recognising the marketing support fund received under the insurance distribution agreement as income, the segment result was HK$20.7 million, compared with HK$13.5 million in the Previous Year.

With regard to the financial results by geographical location, the Hong Kong operations accounted for 98.2% of the Group's revenue, while Mainland China operations accounted for 1.8% of the Group's revenue. In terms of segment results, the Mainland China operations turned from a loss of HK$2.8 million in FY2021 to a profit of HK$3.6 million in FY2022.

Revenue from the Hong Kong operations increased by 17.2%, or HK$177.5 million, from HK$1,032.2 million in FY2021 to HK$1,209.7 million in FY2022, as monthly revolving credit card balances and personal loan receivable balances for the financial year exceeded pre-Pandemic levels due to good sales recovery on credit cards and personal loans. Despite an increase in marketing and promotion expenses, funding cost and impairment losses and impairment allowances, the segment result of the Hong Kong operations recorded an increase of 15.6%, or HK$61.5 million, from HK$393.0 million in FY2021 to HK$454.5 million in FY2022.

For Mainland China operations, the Group completed the liquidation of its microfinance subsidiary in Tianjin in the Reporting Year. During the Reporting Year, the microfinance subsidiary in Shenzhen launched a new personal loan product, which increased revenue by HK$4.5 million from HK$17.4 million in FY2021 to HK$21.9 million in FY2022. Together with reduction in operating costs and bad debts following the liquidation of the microfinance subsidiary in Tianjin, the overall segment result of the Mainland China operations shifted from a loss of HK$2.8 million in FY2021 to a profit of HK$3.6 million in FY2022, representing an increase of HK$6.4 million.

FUNDING AND CAPITAL MANAGEMENT

The Group relies primarily on its internally generated capital and bank borrowings to fund its business. At 28th February 2023, 64.9% of its funding was derived from total equity, and 35.1% from direct borrowings from financial institutions.

The Group's net assets were HK$3,892.5 million at 28th February 2023, compared with HK$3,633.5 million at 28th February 2022. 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 current operating requirements.

The Group's principal operations are transacted and recorded in HKD and therefore its core assets are not subject to any exposure to exchange rate fluctuations. During the Reporting Year, the Group used derivative financial instruments mainly to hedge its exposure to interest rate and exchange rate fluctuations on its bank borrowings. At 28th February 2023, capital commitments entered into by the Group were mainly related to the purchase of property, plant and equipment.

PROSPECTS

Economic activities have accelerated following the full removal of Pandemic-related social distancing measures and travel restrictions around the world. However, ongoing geopolitical and economic conflicts may continue to overshadow the road to recovery in consumer sentiment. Hong Kong unemployment rate is expected to remain stable. With the regulatory changes in interest rate cap and threshold of extortionate rate under the Money Lenders Ordinance, the Group is presented with opportunities to leverage its strong capital base to pursue business expansion and to acquire asset portfolios from competitors in the coming year.

Consumer finance behaviour in the wake of the Pandemic will insist more on contact through both brick-and-mortar branches and online service channels. Technology solutions will only be part of the appeal to younger customers, with physical branches being preferred for conversations about more complex financial products. The Group has demonstrated a better understanding of evolving consumer spending behaviour, offering enhanced digital experiences and providing more “value” to online purchase by offering cash rebates, while revamping its branch network to meet the needs of customers for face-to-face advisory services. As upgrades to the card and loan systems are completed and new mobile applications and a net-member platform are launched, new services and rewards, including mobile wallets and virtual card solutions, will be continuously offered in the coming year in time to meet market changes and meet new customer needs more closely.

In terms of organic growth, the Group will focus on maintaining the momentum of sales and receivables growth in this recovering but competitive and challenging market, while also closely monitoring asset quality as much as possible. On the marketing side, the Group will continue to launch mass promotion activities for both its credit card and personal loan businesses, such as ”Muk Muk Buy to Earn – Japan Spending”, so as to capture the surge in consumer spending in the market. Moreover, the Group will continue to refine its credit assessment policy with the aim of maximising profitability by extending credit facilities to customers on a sustainable basis. The Group will also further strengthen its customer relationship management and foster customer engagement through different channels.

As inflation in both the US and Hong Kong has reached a near-decade high, it is expected that both the US Federal Funds Rate and the Hong Kong Prime Rate will remain high in 2023/24. This may result in a general decline in interest spread on the Group’s interest-bearing products. In addition to interest income, the Group will expand its other sources of revenue, namely fee income, which will help mitigate the impact on net interest income from declining interest spread. For card acquiring business, the Group will upgrade its acquiring system platform and work with other payment solution providers to extend the merchant network and to add in new services. Regarding the insurance agency business, the Group will expand its direct sales team and explore new insurance products to meet the needs of its customers.

The Group embraces sustainability and believes that improving environment, social and governance performance is crucial to its long-term business development. Certain sustainability-related key performance indicators have been set up to measure the Group’s overall level of sustainability. The Group will continue to invest significant resources in digitalisation in order to improve its internal business processes, achieve greater sustainability and enhance its ability to respond to both the continuously evolving market environment and climate change. While completing major information technology projects, the Group will aim to employ more paperless payment solutions to reduce its impact on the environment. In addition, as human resources are a key driver of the Group’s sustainable growth, it will deploy more resources to develop and train employees with the breadth and depth of skills and knowledge to build a stronger succession plan.

In terms technology development, with the completion of the card and loan system replacement project, the Group can promote new product benefits by enhancing digital marketing and providing premium user experiences or new payment solutions to its customers. Moreover, data analytics tools are ready to support the improvement of the effectiveness of the Group’s marketing, credit assessment and credit management activities. On the customer service side, the Group plans to provide a live chat platform to increase sales opportunities and customer satisfaction.

For the Mainland China businesses, the microfinance subsidiary in Shenzhen will continue to focus on exploring business opportunities in the Greater Bay Area to grow its receivables with sound asset quality. The Group will also make greater use of its business process centre in Shenzhen to enhance the Group’s operational effectiveness in order to create greater value for its shareholders.

It is difficult to predict the time frame for a full economic recovery. With the Group’s responsiveness and strong business relationships with its partners, as well as its solid liquidity position and balance sheet, the Group is well prepared to face the challenges ahead and remains confident in its future growth prospects. The Group is well funded and looks forward to a satisfactory performance in the coming year.

IT DEVELOPMENT

During the Reporting Year, the Group focused its efforts on preparing for the deployment of the new card and loan system, new mobile application and net-member systems. At the same time, the Group continued its efforts to upgrade card usage security, the cloud security framework and the web application firewall. As part of the digitalisation roadmap, the Company has implemented a workflow system for its payment process.

Following the successful deployment of the core system and the new mobile application in early March 2023, in the coming year the Group will use these new platforms to develop mobile wallet and virtual card solutions. In addition, the Group has completed a review of its current design and will further upgrade its system infrastructure to improve flexibility and cybersecurity protection and control for future strategic utilisation. To mitigate cybersecurity risks, the Group will develop a security foundation for its cloud Infrastructure, implement endpoint detection and response mechanisms, and implement home page monitoring for its security operations centre.

HUMAN RESOURCES

The Group's total number of staff at 28th February 2023 and 28th February 2022 was 545 (Hong Kong: 373; PRC:172) and 510 (Hong Kong: 358; PRC: 152), respectively. Employees are remunerated according to their job nature and market trends, with annual increments to reward and motivate individual employees based on their competency. In addition to medical and life insurance and provident funds, discretionary bonuses are paid to employees based on their individual performance and the Group's financial performance.

The Group also provides a variety of different in-house training programmes and external training sponsorships for its employees. The in-house training programmes include annual general training on the AEON Code of Conduct and selected topics on compliance, including information security and anti-money laundering, which reaffirms the need for corporate ethics to create a common set of values among employees. The Group has recently implemented a learning management system, with training programmes designed to enhance the professional knowledge and skills of its employees to provide quality services to its customers.

Although the Pandemic is coming to its end, the Group allows most of its non-frontline employees to adopt a hybrid working mode. This enriches the flexibility of employees and promotes a company culture where the team can find a good balance of creativity and collaboration in both virtual and physical modes of working. Ultimately, the overall work efficiency can be further enhanced.

CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS

The Group's mission is to achieve excellence in customer service in accordance with its "Customer First" philosophy, whilst maintaining long-term profitability and asset growth through the adoption of a flexible business model and strategy, a prudent risk and capital management framework, as well as appropriate internal control measures.

In order to meet the diverse and evolving credit needs of the Group's existing and potential customers, the Company continues to provide the Group's consumer credit financing services in Hong Kong through the provision of personal loans and the issuance of credit cards exclusively to individuals.

The Group's strategy is to use its credit card business to recruit new customers and cross-sell other consumer finance products and services to these new customers. The Group continues to benefit from its strong connections with its affiliated and acquiring merchants. By using the merchants' networks as cardholder recruitment bases and cross-selling channels, the Group continues to explore business opportunities for fee and commission-based income through card acquiring and insurance agency business.

In Hong Kong, the Company has been conducting its personal loan business as a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), while credit cards are issued under the licences granted by the relevant international card associations.

The Company generally offers personal loan products of fixed but larger loan amounts with longer repayment terms to meet customers' cash flow needs for specific personal purposes, while credit card products offer revolving credit facilities for smaller retail transactions and for unanticipated cash needs in the short term. Credit extended under both personal loan products and credit card products is entirely granted on an unsecured basis which does not require any guarantee or collateral from the borrower or cardholder. The Company competes primarily with other licensed money lenders, authorised banking institutions and non-bank credit card issuers.

As a licensed money lender, the Company is able to provide credit facilities through simpler and faster approval procedures that are more flexible, responsive and tailored to customers' specific circumstances. Regarding personal loan business, the Company provides installment loans to customers and earns interest income for their duration, with loan amount (mostly ranging from HK$10,000 to either 12 times the monthly salary or HK$1,000,000, (whichever is the lower) for FY2021 and FY2022. Interest rates range from 3.1% to 52.3% for FY2021 and 2.3% to 50.7% for FY2022, with reference to the nature of the loan, the credit score of the applicant, as well as the credit risks identified with regard to the nature of the loan and the aspects taken into account in the relevant credit assessment as stated in the sub-paragraph headed `Credit assessment' down below) and tenors (mostly ranging from six months to five years for FY2021 and FY2022). In general, without taking into account specific circumstances or considerations, (i) interest rates range from 2% or less to 15% for applicants with credit scores assigned by credit rating agency TransUnion (TU) in the range of AA to CC, 15% to 30% for DD to GG, 30% to 36% for HH to II, and beyond 36% for applicant under debt restructuring; (ii) tenors are up to 12 months for tax loans, up to 36 months for normal personal loans, and up to five years for debt restructuring loans.

For card issuing business, the Company issues credit cards of different brands to individuals with approved credit limits. In order to maintain the credit facility, cardholders may be charged an annual fee. For card credit purchase transactions, the Company receives interchange fees from the various card associations for 'off-us' transactions (i.e., transactions made through a card associations' network) and commissions directly from certain merchants for 'on-us' transactions (i.e., transactions made only through the Company's own network and not a card association's) and card installment plans. Cardholders are provided with an interest-free period of up to around 53 days, with interest being charged on the unpaid balance and new transactions after the due date of the relevant payment (i.e., the 2nd of each month). For card cash advance transactions, a one-time cash advance handling fee will be charged and interest will accrue on the unpaid balance from the cash advance drawdown. Each credit card account will be subject to a monthly minimum payment amount for outstanding balance over HK$5,000. A late payment fee will be charged for each minimum payment not received by the payment due date. For FY2021 and FY2022, the Company provided credit limits under credit card facilities mostly ranging from HK$5,000 to HK$400,000, with effective interest rates ranging from 26.8% to 43.5% (with reference to card types and nature of credit card transactions).

Customer Acquisition

The Company has been reaching out to its personal loan customers through online and media advertising, telemarketing and the Company's extensive branch network. This helps create a customer base with low customer concentration (e.g. less than 1% based on the aggregate outstanding balances of the top five customers in terms of the entire personal loan portfolio outstanding balance as at 28 February 2023) that comprised primarily of individuals with a stable source of income. In addition to the channels used for personal loan customers, the Company also reaches out to credit card customers through merchant referrals and roadshows. The Company organises various promotional activities with retail co-branded partners to build brand loyalty among customers, which helps maintain a steady stream of credit card customers, predominantly housewives and working women who enjoy shopping within the Group's network of retail merchants. In order to expand its customer base to the younger generations and the male customer segments, the Company launched the Wakuwaku Card in 1H FY2022, positioning the Company to attract customers in the 20 to 30 age group, who tend to use credit cards for online purchases and are generally more knowledgeable about spending rewards and incentives. Approximately 49% of the Company's customers are currently between the age of 40 and 60, and this customer diversification initiative is expected to go some way towards reducing the impact of possible structural changes in the economy and the emergence of technology-driven spending patterns. The Company has now revamped its mobile application and net-member functions. They are designed to deliver more convenient, better and faster services and premium experiences to customers.

The cardholder base is a key source for cross-selling of personal loans and other financial services provided by the Company. To create additional cross-selling synergies, the Company launched a ‘card-binding’ offer in FY2022 with major payment solution providers in the market.

Credit Assessment

For credit assessment of personal loans, the Company’s credit control department, supported by the Group’s outsourced business process centre, conducts credit background checks on applications received, taking into account aspects such as occupation, income, age, credit status and history, as well as credit reports issued by credit reference agencies, for approval and interest rate setting. Approval of amounts below HK$400,000 will be judged by the credit officer and approved by the credit manager, and those exceeding HK$400,000 are escalated to the senior management for approval. Given the skills and knowledge required for approving personal loan products, the approval process for personal loans is not yet fully automated. Any refinancing of a personal loan will be treated as a new application, with related supporting documents on latest income sources and contact details to be submitted for the approval process.

For credit cards assessment, credit facilities with approved credit limits generally lower than those for personal loan amounts on average are offered to cardholders subject to application approval. The interest rates for both cash advances and credit purchases after the interest-free period are fixed for all cardholders for each type of card. The credit limits are granted largely on the same basis as stated above for personal loan products. Lines of credit of up to HK$100,000 will be automatically determined through the outsourced business process centre’s automated judgement system (with credit approval criteria pre-set in the system), lines of credit between HK$100,000 and HK$400,000 will be approved by credit officers and credit managers, and lines of credit above HK$400,000 will be escalated to senior management for approval. For credit purchases or cash advance installment plan loans drawn under credit card facilities with fixed repayment terms, the interest rate (no interest on credit purchase installment plan loans) and the duration of the loans are fixed across all card types. On a quarterly basis, the Company will review the credit limits under the credit card facilities to determine credit needs, which will involve a review of the cardholders’ repayment history and the latest reports issued by credit reference agencies.

In order to improve the reliability of its judgement model for both personal loans and credit cards, the Company uses advanced reports and credit scores from credit reference agencies to which it has subscribed in the credit assessment process to more accurately predict customer default probability.

In order to prevent the Company’s products and services from being illegitimately used for money laundering and terrorism financing, the Company conducts customer due diligence through AML and CTF checks to assess the level of risk associated with the customer. The Company has also been using an alarm system for credit card fraud effectuation to monitor authorisation data in real time to detect and prevent fraudulent transactions and to minimise fraud-related losses.

Credit Management

In order to ensure a convenient and easy payment process for customers, the Company continues to maintain multiple settlement channels, including convenience store networks, phone banking, internet banking and JETCO ATMs in Hong Kong. Regarding credit management, the Company uses its outsourcing business process centre in Shenzhen to perform reminder calls, while the collection team in Hong Kong and external collection agencies will arrange for reminder letters and legal demand letters to be sent, and conduct outdoor visits to follow up on the customers’ payments. Reminder calls will be made to contactable accounts that are 60 days overdue, while reminder letters, legal demand letters, outdoor visits or deployment to external collection agencies will be arranged if the customer cannot be contacted or if their repayment is overdue for more than 60 days. If a customer has financial difficulties in meeting the minimum monthly repayment, the Company may enter into a restructuring arrangement with the customer to reduce their debt burden, depending on the circumstances.

The credit control department regularly reviews its credit judgement guidelines to ensure the ongoing suitability of the judgment criteria. Monthly credit policy meetings are held to coordinate and align the practices of the departments responsible for sales and marketing, credit assessment and collections to achieve an up-to-date and optimal balance between revenue and credit cost. The Company holds monthly Risk Management Committee meetings to review the key risk indicators for the whole enterprise so as to more effectively identify and mitigate the overall risk to its credit business, while monthly business review meetings are held to report the key performance indicators of the credit business to senior management.

Money Lending Business in Mainland China

In Mainland China, AMF (SZ), a microfinance subsidiary in Shenzhen, provides loans to the general public residing in Shenzhen under a microfinance licence granted by the Shenzhen Local Financial Supervision and Administration Bureau. The microfinance subsidiary provides installment loans to individuals and earns interest income over their duration, with the loan amount (mostly ranging from RMB1,000 to RMB50,000 for FY2021 and from RMB1,700 to RMB200,000 for FY2022. Interest rate range from 7.2% to 20.4% for FY2021 and 7.5% to 24.0% for FY2022 with reference to the nature of the loan, the credit score of the applicant, the amount and tenor mostly ranging from six months to two years for FY2021 and from six months to three years for FY2022 of the loan, varying according to the needs of the customer and the associated risks.

Credit assessment, credit monitoring, risk management and internal controls are similar to those for personal loans for the Hong Kong operation.

MANAGEMENT OF RISKS

Market Risk

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

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

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

Foreign Currency Risk

Certain bank balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk arising from changes in foreign currency exchange rates.

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

Interest Rate Risk

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

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

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

Equity Price Risk

The Group is exposed to equity price risk through its equity instruments in FVTOCI. The management will monitor price movements and take appropriate action when required.

Credit Risk

The Group's credit risk exposure arises mainly from advances and receivables (including unused credit limits), other debtors, amounts due from intermediate holding companies, time deposits, derivative financial instruments and bank balances and cash.

In order to minimise the credit risk, the Group has established policies and systems to monitor and control credit risk. The management has delegated responsibility to different departments for determining credit limits, credit approvals and other monitoring procedures 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 believes that the Group's credit risk has been significantly reduced. In addition, the Group performs impairment assessment under the Expected Credit Loss model.

The Group may be exposed to losses in an amount equal to the total unused credit card limit granted to credit card customers. The Group monitors the credit quality of its customers and has the contractual right to cancel the credit facilities granted, therefore the management believes that the Group's credit risk is limited.

The Group does not have any other significant concentrations of credit risk, except for credit risk on liquidity funding and derivative financial instruments, which are deposited or entered with several banks with high credit ratings, with the risk spread over a number of counterparties and customers.

Liquidity Risk

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

Capital Risk

It is the Group's policy to maintain a strong capital base to support the development of the Group's business. The Group relies primarily on internally generated capital and bank borrowings for working capital. The funding position is regularly monitored and reviewed to ensure that it is within internally established limits and at a reasonable cost.

Operational risk

The Group's operational risk includes processing risk, human risk, information technology risk, tangible risk and reputational risk. The Group's policy is to implement an operational risk management framework across the Group. It provides a system of risk management and internal control for the identification, assessment, mitigation and prevention of risks. The primary responsibility of each division head, department head and branch manager are to manage inherent risks to the extent that they can be tolerated. The main inherent risks are processing, data security, compliance and financial crime. All business units have established procedures and key risk indicators and key performance indicators to ensure continuity of operations capability, high quality customer service and effective risk control through proactive management, operational excellence and alignment with best market practices. Management manages significant risks and ensures that risk mitigation efforts are prioritised and adequately controlled.

Cyber security risk

Cyber security risk is the risk of loss resulting from a cyber-attack or information security breach on the Group. The Group has invested resources to manage cyber security risks, improve cyber resilience and ensure adequate cyber security awareness across the Group. The Group also periodically engages qualified professional assessors to conduct assessments and simulate attacks to assess the robustness of the Group's cyber security controls.

Climate risk

Climate risk is the risk of loss due to changes in the climate or the Group's adjustment process to a lower-carbon and more environmentally sustainable economy. The Group has incorporated climate-related risks into operational, legal, reputational and strategic risks. The Group has identified strong typhoons, power suspensions, fire hazards and pandemics as physical climate-related risk drivers, and market sentiment and technology as transitional climate-related risk drivers. During the Reporting Year, management adopted work-from-home arrangements and set up back-up operations centres during the Pandemic to maintain the service levels provided to customers during periods of high infection rates in Hong Kong and Mainland China.

Tomoharu Fukayama
Managing Director
Hong Kong, 4th April 2023

Corporate Sustainability Report

Reporting Objectives

This Corporate Sustainability ("CS") report aims to provide an overview of the Group's Environmental, Social and Governance ("ESG") performance, its visions, strategies and implementation of sustainability initiatives that should continue to be of interest to its various stakeholders.

Reporting Scope and Boundary

This CS report covers the sustainability issues arising from the Group's operations. As more than 95% of the Group's income is derived from the Group's operations in Hong Kong, this report mainly highlights the ESG performance of the head office and all 16 branches in Hong Kong during the reporting period of 1st March 2022 to 28th February 2023 (the "Reporting Year"). Apart from the opening of 1 new branch in 2022, there were no significant changes in the scope and boundaries of reporting compared to the period of 1st March 2021 to 28th February 2022 (the "Previous Year").

Reporting Standard

This CS report is prepared in accordance with the requirements of ESG Reporting Guide (the "ESG Guide") set out in Appendix 27 of the Listing Rules. It fulfils the mandatory disclosure requirements and "comply or explain" provisions of the ESG Guide.

Reporting Principles

Materiality	Quantitative	Balance	Consistency
• Materiality assessment is conducted via survey and focus group to identify and prioritise material sustainability issues • The issues are reviewed and reported to the Executive Committee and the Board	• Quantitative metrics are disclosed in this report for our stakeholders to keep track of and evaluate the Group's ESG performance	• This report provides an unbiased disclosure of the Group's sustainability performance	• This report has been prepared in accordance with the ESG Guide • Consistent methodologies have been adopted to allow for a fair comparison over time

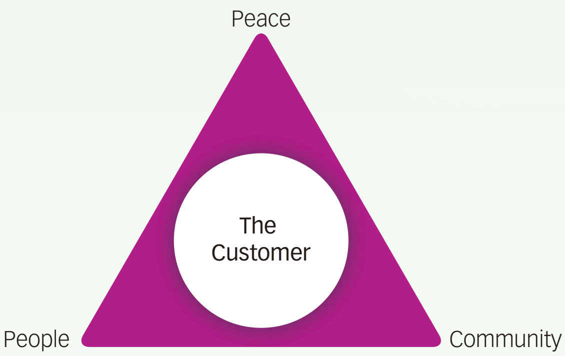
Major Achievements and ESG Highlights

Sustainability-linked Loan ("SLL")	Climate Actions	Local Community	Corporate Governance
Reached SLL agreements with 3 banks for an aggregate of **HK$320 million**	**Tree Planting** • Offset around **8.05 tonnes of CO_2e** by planting approximately **350 trees**	**Scholarship** • **70** beneficiaries in Hong Kong	**Trainings** • **21.3** training hours per employee in average **Supplier Management** • Adding **ESG assessment** during new vendor registration procedure
	Electricity Usage • **Approximately 377,000 kWh** total electricity consumption	**Community Investment** • Supported **3** environmental/social programmes (excluding scholarship)	**Board Diversity** • Target to reach **40%** female board members by 2026
	Paper Usage • **31.0%** increase in paper recycling weight year-on-year • **81.7%** electronic statement usage	**Recognition** • Awarded "**Caring Company 15 year+**" Logo • Awarded "**Happy Company**" Logo	**Internal Policy** • Amended internal policies to maintain stringent standards on ESG related matters, including Board Diversity Policy, Nomination Policy and Corporate Governance Policy

OUR SUSTAINABILITY APPROACHES

AEON Basic Principles

The Group 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 https://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.

AEON Code of Conduct

"AEON Code of Conduct" guides and directs the future course of the Group for the benefits of our stakeholders. It helps us to 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 endeavour 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 strengthening the bonds of trust amongst us.

Management Approach to Sustainability

Our sustainability development is built on trust from stakeholders. We always seek to meet stakeholders' needs and expectations. To provide clear guidance for our employees on developing and implementing sustainability initiatives aligned with the AEON Basic Principles and leadership ambitions, the Group establishes the Sustainability Development Policy during 2021. The Policy outlines the commitment to stakeholders and strategy on sustainability and its details can be found on the Group's website (https://www.aeon.com.hk/en/corporate-info/sustainability_development_policy.html).

The Group integrates the management of ESG issues through our corporate governance structure – from board-level committees to operational-level departments and branches. The Board is accountable for the overall sustainability development framework setting, strategy formulation and implementation of sustainability initiatives. The Group's Sustainability Committee was established in 2021 and is responsible for assisting and advising the Board on current and future sustainability development plan, fulfilling its responsibility on sustainability development activities, and contributing to the development of a sustainable society. Chaired by the Executive Director in charge of sustainability development, the Sustainability Committee is also responsible for establishing ESG targets for periodical reviews, as well as monitoring the Group's sustainability performance and related issues. During the Reporting Year, the Sustainability Committee held four meetings and reported at Board meetings regularly, which includes review, report and discussion on the Group's sustainability targets, Sustainability-Linked Loan and sustainability-related updates on business operations.

Besides, the Group's Corporate Affairs and Sustainability Development Department is responsible for coordinating responses across departments and branches for the disclosure of sustainability-related performance, and closely monitoring the enforcement of sustainability-related targets and practices across the Group for regular reporting and reviewing policy updates.

MATERIALITY ASSESSMENT

Understanding the expectations and needs of our stakeholders is fundamental to the development of our ESG strategy, as it plays a critical role in helping us identify and prioritise current and emerging risks and opportunities across our business and the communities in which we operate. Through identifying the material sustainability topics, the Group can lay down the directions for its sustainability roadmap. In 2021, we conducted a comprehensive materiality assessment to identify critical sustainability issues that impacted our business operations and stakeholders.

The follow steps were taken to determine the materiality:

1. Identification

Identified potential sustainability issues through desktop research on industry peers, other financial institutions, credit card processing network, AEON Group companies, regulatory bodies, and sustainability reporting standards

2. Prioritisation

Executives Directors, Division Heads, Department Heads and selected employees participated in an online survey to prioritise the identified sustainable issues to the Group according to their importance and impact

3. Determination

Developed the materiality matrix according to the survey results and determined the sustainability focus areas

4. Validation

The focus areas were reported to and reviewed by the Executive Committee and the Board

As part of the process to identify ESG issues relevant for the Reporting Year, we reviewed the list of ESG issues relating to the latest market trend and the previous year's materiality topics. Upon assessment, we confirmed that the materiality matrix remained as unchanged as stated below:

Materiality Matrix and Focus Area

Stakeholders' interest			
		• Brand awareness	• Economics performance • Customer satisfaction • Business integrity • Occupational health and safety • Data responsibility • Risk management • Employee attraction and development • Digital transformation and innovation • Operational disruption under pandemics
	• Diversity and inclusivity	• Product responsibility and intellectual properties • Employment practices • Complaint handling • Supplier chain management	• Board and executive oversight
	• Energy and greenhouse gas emission • Environmental Management • Community Investment • Financial inclusion	• Responsible business practices	
	Importance to business		

Most important Important Less important

Based on the sustainability trends, business developments, stakeholders' interest and materiality results, eight sustainability focus areas were maintained and the performance in each of these areas was monitored throughout the Reporting Year:

- Customer focus
- Corporate governance
- Information technology security
- Occupational health and safety
- Talent attraction and development
- Workplace culture
- Environmental protection
- Community investment

STAKEHOLDER ENGAGEMENT

The Group understands that our stakeholders are key contributors to the Group's success and sustainable development. We have maintained ongoing and open communications, as well as regular engagement with our major stakeholders over the years through extensive channels, so as to better understand their opinions on the Group's performances. This helps us better meet or even exceed their expectations and concerns regarding governance, management and sustainability.

Stakeholders Concerns and Communication Channels

Stakeholders	Major Expectations and Concerns	Communication Channels
Government & Regulatory Authorities	• Law and Regulation • Compliance • Employee 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 • Product and Service Quality Assurance	• "AEON Net-member" Service • "AEON HK" Mobile App • Branch-level Operations and Interactions • Customer Service Hotline & Customer Surveys • Social Media Platforms • Newsletters and Marketing Materials • Monthly Statement Inserts • Company Website • Year-round Publicity and Donation Campaigns • Short Message Service and Multimedia Messaging Service
Employees	• Remuneration and Welfare • Training and Development • Occupational Health and Safety	• Internal Newsletters and Intranet Communications • Meetings with Employees • Orientation and Exit Interviews • Employee Suggestion Box • Employee Surveys • Training and Workshops
Business Partners and Suppliers	• Brand Development • Integrity and Business Sustainability	• Ongoing Performance Audits and Reviews • Best Practice Adoption • Mass Communications
Community Partners	• Resolving Social Issues • Philanthropy	• Cultural Exchange, Education, Internship and Sponsorship Programmes • Yearly Environmental Protection Initiatives
Industry Associations	• Industry Development	• Regular Meetings and Correspondence

COMPLIANCE AND INDUSTRY BEST PRACTICES

As a responsible provider of consumer finance and related services, the Group is devoted maintaining a high standard of corporate governance. We are committed to operate 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-bribery and corruption, AML and CTF, and supply chain management.

In order to uphold high standards of ethical behaviour and business integrity, various employee-related policies, guidelines and other relevant procedures are in place to provide a clear set of principles and guidance for our employees to conduct business in an appropriate and ethical manner. The Group strives to ensure all employees are well-informed and vigilant regarding the detection and prevention of illicit and illegal activities through multiple means as below:

Internal Policies and Guidelines	• AEON Code of Conduct • Employee Handbook • Whistleblowing Policy • AML CTF Guidelines • Guide on Prevention of Money Laundering and Terrorist Financing
Measures and Procedures	• Reporting Channels: o Internal: Direct reporting in person, by letter or email to senior management, AEONHK999 Hotline and Code of Conduct Hotline o External: Legal Attorney Hotline • Supplier assessments such as due diligence with reference to AML and CTF rules, reputation check, financial check and conflict of interest check are conducted during new vendor registration process
Training and Development	• Anti-corruption training conducted by Independent Commission Against Corruption ("ICAC") to Directors and Management Staff • Employee orientation programme included Code of conduct and Compliance trainings regarding AML & CTF, Prevention of Bribery & conflict of Interest • Yearly refresher trainings on Code of Conduct and Compliance • Code of Conduct Survey

Whistleblowing Policy

To ensure a corruption-free workplace, the Whistleblowing Policy and related procedures are established for employees to report any suspected misconduct, malpractice, or irregularities concerning aspects such as financial reporting, internal control, fraud, corruption and discrimination, and others. Whistleblowers making genuine and appropriate reports are assured of protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if their reported concerns do not establish any case of wrongdoing. Any employee who initiates or threatens retaliation will be subject to disciplinary actions, which may include dismissal. To ensure the effectiveness of our whistleblowing mechanism, the Board regularly reviews and improves the process of whistleblowing report handling.

Anti-Money Laundering and Counter-Terrorist Financing

To comply with the requirements stipulated by the Registrar of Money Lenders, the Group strictly abides by the relevant laws and regulations[1] and have developed clear guidelines and reviewed annually. 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
- Employee 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 employees are required to report when coming across any suspicious transactions and the Head of Credit Control Department is designated as the Money Laundering Reporting Officer. Independent checks and evaluations are carried out by the Internal Audit Department of the Group at least on a yearly basis to ensure that the Group's approaches and procedures continue to be appropriate and adequate.

For the Reporting Year, the Group is not aware of any breach of laws or regulations concerning anti-money laundering and counter-terrorist financing.

Anti-bribery and Corruption

The Group has zero-tolerance for any form of deception, bribery, breach of trust or abuse of power. In addition to strictly complying with the Prevention of Bribery Ordinance, we have also formulated clear rules and procedures to handle matters concerning bribery and fraud, confidentiality and conflict of interest. It is the Group's policy to prohibit employees soliciting any advantage from customers, suppliers or any other persons. Our employees are required to attend yearly refresher trainings on Code of Conduct and Compliance covering related topics such as Prevention of Bribery and Conflict of Interest. In 2023, the total anti-corruption training delivered by the Company was approximately 329 hours.

For the Reporting Year, we are not aware of any non-compliance of laws and regulations concerning anti-bribery and corruption by the Group.

[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.*

COMMITMENT TO OUR CUSTOMERS AND BUSINESS PARTNERS

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

(Source: The AEON Code of Conduct)

Customer Data Privacy

Protecting customer data confidentiality is fundamental in upholding our corporate reputation and ensuring our long-term business success. The Group 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. To ensure that the personal data and privacy of our customers are well protected, all departments and branches of the Group are guided and governed by internal policies such as Information Security Policy, Personal Data Protection Policy and Data Security Guidelines, which set out instructions to stipulate employees from protecting customers' privacy on storage and access of customers' personal information, etc.

As the Group continues to expand its customer base, we adhere to its business integrity by protecting customer privacy. Alongside with the system development, we have always put data security into our priority, the "AEON HK" Mobile App and "AEON Net-member" service have been constantly improving and upgrading for security and user experience. The Head of Operations Division and the Head of Risk Management Department are designated to serve as the Group's Data Protection Officer and Data Protection Manager respectively who have the responsibility to oversee the Group's fulfilment of data protection requirements. Our staff members participate relevant personal data protection training each year.

As an organisation that processes, stores and transmits payment card data, the Group is required to comply with 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 of PCI DSS. Continuous improvement with compensating controls is put in place for incremental enhancement.

The information security management of the Group is managed in accordance with internationally recognised principles. The information security management systems, including implementation and review of measures and monitoring of the system effectiveness, are overseen by IT Division and are subject to annual independent reviews by third parties every year. Since 2006, the Group has also obtained IS0 27001 Certification for Information Security Management System in recognition of our efforts on maintaining high standard of information security.

Physical and electronic controls are in place to protect the Group's information and assets. A two-factor authentication tool is adopted for computer login for additional security. The Group 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 secured procedures for physical controls such as access to office area.

To further increase the vigilance to cybersecurity risks of our employees, all new joiners are required to complete compulsory PCI DSS awareness training, basic training on information security and compliance training regarding personal data privacy. Refresher training will also be conducted once a year.

Quality Service and Responsible Business Practices

We are committed to providing our customers with accountable and transparent products and services. Internal guidelines including Customer Service Operation Manual and standard approval procedures are developed to provide guidance for our operations. Our employees are trained to provide customers with accurate and clear product information. The Customer Service Operation Manual is also in place to ensure our customer service representatives communicate properly with customers for the best suitable solution. Marketing materials and product factsheets are developed based on factual information and with language that can be easily understood.

To safeguard intellectual properties, our Guidelines on Compliance with Copyright Ordinance instructed employees to abide by the copyright law. As part of the IT management policy, the Group only uses licensed software at all times and no computer is allowed to install any unlicensed or unauthorised software. Our marketing collaterals are all licensed materials and we are highly concerned with the right of use. We also communicate with our suppliers on such matters to ensure that they are fully aware of the intellectual property rights.

To enhance the knowledge and awareness of our employees on relevant matters, Product Knowledge Training and compliance trainings regarding Trade Descriptions Ordinance and Copyright Ordinance are included in orientation programme, and refresher training is held every year. No case of non-compliance with regulations and voluntary codes concerning marketing communications were reported in the Reporting Year.

Due to the business nature of the Group, our products and services principally involve credit card issuance, personal loan and related credit and financial services. Product recalls due to health and safety reasons, product quality assurance process and recalls are not considered to be material issues, therefore no disclosure will be made.

Customer Complaints and Handling

We serve our customers with our heart by offering wide range of premium products and services. It is vital for us to manage and respond to customers' feedback professionally and in a timely manner. Our customers are mainly served through our branch offices, customer service hotline, mobile app and Company's website, and can express their opinions through various communication channels such as complaint hotline and online forms.

The standard complaint management and corresponding complaint handling flows have been included in our Customer Service Operation Manual to guide employees to handle customers' complaints properly, and all employees are well trained on how to appropriately reply and deal with customers' enquiries. Complaints or feedback were handled according to the internal procedures via the branch representatives or customer service. All complaints are investigated, recorded and reported to Customer Relationship Management Department every week in order to promptly understand and provide appropriate response to customers. With our uninterrupted improvement in customer service, we noticed that there was a decreasing trend relating to service complaint. For the Reporting Year, we have received 50 customers' complaints, a decrease of 32.4% as compared with 74 complaints in the Previous Year, and they are primarily related to our customer service, promotion as well as other general issues. Besides, a total of 135 customers' compliments are received in 2023, mainly attributed to the delivery of satisfactory branch service.

During the Reporting Year, the Group has established the Customer Service Sub-committee to report, discuss and review customer related issues regularly. Senior management regularly reviews customer suggestions, compliments, and complaints. Customer comments are communicated to employees with a view to improve customer service and encourage best practices. The Group will continue to identify opportunities to enhance our service quality.

During the Reporting Year, the Group is not aware of any breach of laws or regulations relating to its products, services, operations, sales and promotions or other business practices that resulted in sanctions or liabilities of material adverse effect to the Group.

Customer Experience and Financial Inclusion

The Group understands that convenient and quality-assured financial service is one of our customers' expectations and is committed to providing inclusive financial services to the community. In the fast-growing market, we provide comprehensive financial services that meet our customer needs. "AEON Net-member" service and "AEON HK" Mobile App have been launched to serve this purpose. Since digitalisation of financial service is one of our long-term targets, the Company has deployed the new card and loan system preparing for further digital payment solutions such as e-wallet, and several major systems are also upgraded to enhance user experience and streamline operation processes. All these enhancements will enable the Group to provide more extensive services in high security and convenience to customers.

Other than online services, we also provide convenient physical services to our customers. At 28th February 2023, we have 16 branches, all located in busy districts of Hong Kong. We strive to improve our facilities and accessibilities at branches and our branch customers service representatives will take special care of customers in need.

Supply Chain Management

Suppliers and business partners play an important role in our business operation, as they enable the Group to provide quality product and service to our customers. Effective supply chain management is therefore vital to safeguard our brand and business. According to the Group's Guideline for Vendor Management, suppliers are selected based on various objectives, predetermined quantitative and qualitative criteria such as costs, specific features, the relative advantages and disadvantages.

During the Reporting Year, we are working with 511 suppliers and business partners, in which 474 suppliers and business partners are located in Hong Kong, 10 in Mainland China, 6 in Japan, and 21 in other regions.

The Group engaged with suppliers through different communication channels, such as annual evaluations, assessments, etc. We also proactively communicate with suppliers to enhance their understanding and recognition of the Group's value on regulatory requirements, our own standards, as well as their recognition of the Group's value. For certain business consultants and advisors, they are required to complete compulsory trainings about Information Security, PCI DSS Awareness, Code of Conduct and Compliance. These are important for developing a cooperative relationship of mutual trust and assistance.

To identify and minimise any risks along our supply chain, we conduct several assessments on new suppliers during the prequalification stage and selection procedure, namely the due diligence with reference to AML and CTF rules, reputation check, financial check and conflict of interest check. To further promote responsible business practices among suppliers and ensure ESG considerations are incorporated in our purchasing process, an ESG assessment is introduced for vendor registration during the Reporting Year. The assessment aims to evaluate suppliers' performance in various environmental and social aspects including, data security, legal & authenticity, health and safety and environmental management. Moreover, continuous and regular reviews are conducted to assess suppliers' performances. For specific suppliers such as certain contractors and recurring suppliers, annual vendor performance review 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 operation. For consumables items, we take a balance between environmentally friendly products, user friendliness and price whenever possible. We actively communicate with our suppliers for alternative environmentally friendly plastic for card production.

COMMITMENT TO OUR PEOPLE

As a responsible employer, the Group strictly abide by relevant laws and regulations of Hong Kong[2] 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 Group upon identifying such deficiencies.

People-Oriented Workplace Culture

The Group is committed to foster a positive, safe, comfortable and rewarding workplace culture in which employees are treated fairly, equitably and respectfully. The Group strives to maintain an equal and fair working environment as regulated by stated policies including the Group's Sustainability Development Policy, Employee Handbook, Employee Training & Development Policy and Occupational Safety & Health Guidelines, etc., on employment practices, employees' health and safety, training and development and labour standards. Working hours, holidays, anti-discrimination, benefits, welfare and termination are well documented in the Employee Handbook. We understand the importance of achieving work-life balance. Overtime work is not encouraged and additional wages are paid to employees at certain grades for working overtime. Workload is evaluated when excessive overtime work persistently occurs. During the Reporting Year, the Group has implemented regular work from home scheme for employees, where they can work from home once per week as appropriate. Employees are encouraged to wear casual clothes for work and a monthly team building lunch programme was also introduced so as to further create an energetic working environment. To attract and retain talents, the New Joiner Bonus and Staff Referral Bonus Schemes were introduced, while long-service and outstanding staff were recognised with Long-Service, Staff Recognition and Branch Staff Appreciation Awards.

[2] *Including but not limited to the Employment Ordinance, Employees' Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance.*

In recognition of its efforts to create an energetic and harmonious working environment, the Group was awarded the "Happy Company" label in 2022, a scheme jointly organised by the Promoting Happiness Index Foundation and The Chinese Manufacturers' Association of Hong Kong.

Employee Engagement

In order to build a harmonic workplace, we communicate with employees at all levels regularly. Managerial staff participates in the Division Policy Announcement hosted by the Corporate Planning Department annually for the Group plan and long-term strategy. Internal newsletter and AFS Group internal magazine 'As One' are regularly distributed to all employees to update on the development of the Company and at the Group level to boost staff morale. Meanwhile, employee surveys on randomly selected employees are conducted regularly to collect their opinions, and an online suggestion box is also available on intranet for employees to share their feedback and suggestions. To engage our employees, we include company information and employee stories on public channels such as our social media platforms, company website and mobile app.

Labour Standards

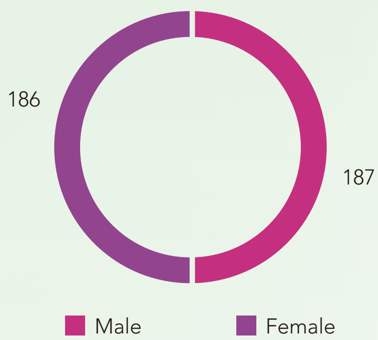
The Group's Human Resources Department adopts robust measures to confirm the identity credential, and integrity of candidates during the selection process to ensure staff members are not less than 18 years old and are suitable to be engaged for the positions concerned. With our current measures verifying candidates' identities, there is no risk of engaging child labour or forced labour in our operation, and therefore no contingency plan is set.

Fair and Inclusive Workplace

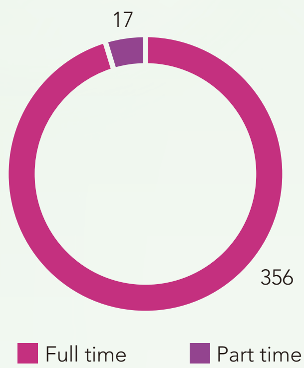
We are committed to build a diverse and inclusive workplace, as well as a fair and non-discriminatory working environment where employees can reach their full potential. We strive to improve ourselves based on best practice and lessons learnt from labour and related disputes to eliminate discrimination, harassment and vilification on unlawful grounds. Relevant laws and regulations and aspects concerning legal rights of employees are clearly communicated to all employees at orientation and refresher compliance trainings are conducted every year. Comprehensive and highly confidential complaint channels are set up to handle relevant complaints. For the Reporting Year, there was one case of legal dispute concerning performance bonus that was dismissed by the Labour Tribunal with no order as to legal costs.

At 28th February 2023, the total number of employees in Hong Kong was 373[3].

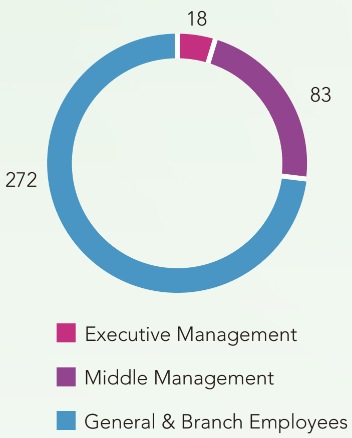
Gender



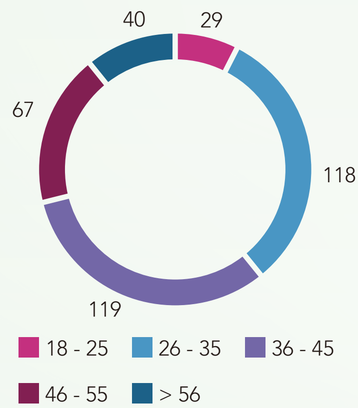
Employment Type



Employee Category



Age Group



Full time employee turnover for the Reporting Year was 36.8%, with gender being 20.3% (male) and 16.5% (female), and age distribution being 4.6% (aged 18-25), 14.5% (aged 26-35), 9.7% (aged 36-45), 5.7% (aged 46-55) and 2.3% (aged >56). Since this CS report only covers operation in Hong Kong, the full time employee turnover are all from Hong Kong. Exit interviews are conducted with leavers to understand their decisions and follow up with internal evaluation to improve our internal employee management system and future planning.

3 *Independent Non-executive Directors are not included in total number of employees.*

Training and Development

The Group's training and development strategy aims to nurture a talented and motivated workforce. Its Employee Training and Development Policy sets the framework and procedures for training and developing employees of the Group. We invest time and resources 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.

Continuous Learning

The Group promotes continuous learning opportunities for employees to achieve a sense of fulfilment by improving their skills and knowledge. To equip employees with the suitable knowledge and skills, Training Needs Analysis (TNA) is conducted annually to identify training and development needs of our employees, and a focus group was held for the training gap and the training plan. As part of our succession planning process, we are providing an increasing number of training activities every year.

During the Reporting Year, an online Learning Management System with mobile app is launched in early 2023. The platform contains a wider range of assigned and voluntary training courses, allowing employees to learn at a time and location at their convenience.

Building a Culture of Compliance

For new joiners to understand the Group's high standard of corporate values and to build a sustainable, professional and ethical workforce, a 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 Employee Training and Development Policy, all employees and directors are required to attend annual refresher training on AEON Code of Conduct, compliance, information security and PCI DSS. We regularly review the changing training needs across frontline and backend departments and devise the approach to provide vital support to our management along their career path.

Nourishing Future Management

To take into account the Group's future business development and cherish talented staff, employees who meet the criteria and are expected to take on a higher management level will be nominated to attend management training jointly organised with AEON Malaysia and AFS. The expected learning outcome of the one-year course is to enhance and develop strong leadership in improving business profitability in a rapidly changing management environment and in transforming business structure.

Cultivating Young Talents

Graduate trainee

To provide tertiary students and recent graduates opportunities to become leaders equipped with competent, excellence work and entrepreneurship skills, a two-years structured Graduate Trainee Programme is launched with the support from senior management and mentors. Trainees were arranged to work in various departments with detailed targets set, allowing them to develop a wide range of practical work experiences. A briefing session will be carried out by mentors of the programme to clarify roles and responsibilities and they are also encouraged to share their personal experience. After each department rotation, evaluation will be carried out for performance appraisal.

Summer Internship

The Group has provided an internship programme during summer. Students are given opportunities to gain experience in financial service industry. Interns are assigned to various departments and provided with specific tasks during the programme period.

Employee Training and Development	2023	2022
Total No. of Employees Trained[4]	**373**	358
Total Training Hours	**7,948**	8,034
Average Training Hours per Employee	**21.3**	22.4

Number of Employees[5]		Number of Employees Trained	Percentage of Employee Trained	Number of Employees Trained	Percentage of Employee Trained
By Gender	Male	**187**	**100%**	173	100%
	Female	**186**	**100%**	185	100%
By Employee Categories[6]	Executive Management	**18**	**100%**	23	100%
	Middle Management	**83**	**100%**	128	100%
	General & Branch Employees	**272**	**100%**	207	100%

Training Hours		Number of Training Hours	Average Training Hours	Number of Training Hours	Average Training Hours
By Gender	Male	**3,995**	**21.4**	4,720	27.3
	Female	**3,953**	**21.3**	3,314	17.9
By Employee Categories[6]	Executive Management	**427**	**23.7**	930	23.6
	Middle Management	**2,012**	**24.2**	3,569	27.9
	General & Branch Employees	**4,852**	**17.8**	2,971	14.4

Besides the employee training disclosed above, the Group also required other specific target groups such as business consultants, advisors, summer interns, IT interns, etc. to complete certain compulsory trainings including Information Security, PCI DSS Awareness, Code of Conduct and Compliance by the Group. Below are their training details:

	2023		2022	
Other Specific Target Group	**Number of Attendance**	**Number of Training Hours**	Number of Attendance	Number of Training Hours
	184	**657**	195	564

4 *Independent Non-executive Directors are not included in total number of employees trained.*

5 *To reflect actual situation, the Percentage of Employees Trained and Average Training Hours of 2022 has been adjusted to using the number of employees instead of number of attendees for calculation.*

6 *For meaningful comparison, the employee categories have been adjusted to 3 levels – Executive Management, Middle Management and General & Branch Employees, aligning with the disclosure in total workforce.*

Occupational Health and Safety

Ensuring employees' health and safety in the workplace is our responsibility. The Group strictly complies with relevant laws and regulations in this regard[7], 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 minimises the probability of occupational diseases. The Group's Occupational Safety & Health Guidelines are designed for clerical and non-clerical employees. The Guidelines are also communicated through the Employee Handbook, orientation training and refresher training.

During the Reporting Year, we engaged with a third-party safety consultant for full spectrum safety inspection in head office and branches to reduce health and safety risk. Improvement works from the inspection are continuously ongoing throughout the year. Safety in office environment can be easily neglected. Employees are invited to complete work station safety survey every year, so as to improve the office environment and reduce health and safety risks. Refreshers trainings were arranged to remind employees of potential health and safety issues in office area and at branches. In the past three years including the Reporting Year, there were zero work-related fatalities in the Group.

Occupational Health and Safety	**2023**	2022	2021
No. of work-related fatalities	**0**	0	0
Rate of work-related fatalities	**0**	0	0
Work-related injury	**2**	1	3
Lost days due to work-related injury	**14**	0	149.5

For the Reporting Year ended 28th February 2023, apart from the 2 incidents of employees injured in the course of work, the Group is not aware of any claims against the Group itself or instances of breach of laws or regulations relating to occupational health and safety standards.

Employee Well-being

As part of our commitment to support our employees' health and wellness, we provide an extended medical insurance for employees including hospitalisation and surgical benefits, outpatient treatments, dental services and other wellness supports. During Pandemic, necessary disinfection products such as surgical masks and rapid antigen test kits are supplied to employees in the office and branches for free. Moreover, meeting rooms are fitted with partitions to reduce viral infections, and air purifiers were installed to improve air quality. During the Reporting Year, a nursing room was established in head office to create a breastfeeding-friendly environment for working mother; and new joiner bonus and staff referral bonus were introduced to attract and retain talents. The Group also provided other benefits like setting up vending machines to offer drinks and snacks to staff at discount price.

Looking ahead, the Group plans to continue improve its people management by providing all rounded employee benefits. To attract and retain talent, we will continue to review its remuneration package to ensure that it is competitive in the market.

[7] *Including but not limited to Occupational Safety and Health Ordinance and Fire Safety (Commercial Premises) Ordinance of Hong Kong.*

COMMITMENT TO OUR ENVIRONMENT

The Group is putting effort to minimise the environmental impact arising from the Group's operations, in terms of greenhouse gas ("GHG") emissions from transportation, waste management, and energy and resources consumption, as well as from the purchase of goods and/or services. We strictly comply with relevant laws and regulations regarding environment protection[8]. The ease of such compliance is largely attributable to the nature of our business. The Group has obtained the ISO 14001 Environmental Management System certification for head office and branches since 2009, proving that our efforts in environmental management is up to internationally recognised standard. Measures and procedures including Sustainability Development Policy and Climate Risk Management Regulation are incorporated into the internal rules for green development. For the Reporting Year ended 28th February 2023, the Group is not aware of any significant impact of its activities on the environment and natural resources. Looking ahead, the Sustainability Committee will continue with its studies internally to identify the resources used in order to further minimise wastes, and further extend sustainability practices to our suppliers for a win-win situation for the environment.

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 carbon footprint. We encourage our employees to join us in reducing energy use in 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. Reminders and notices on the usage of lighting, air conditioning and office equipment are posted in noticeable areas or included in internal newsletters to remind employees to be environmentally responsible. For our branches, LED lighting was fully installed during renovation to further reduce electricity consumption. The Group targets to reduce the electricity consumption for head office by 5% compared with the baseline of 2021 by 2026. The Sustainability Committee will continuously review the target and develop relevant action plan for head office and branches. Air and direct GHG emissions of the Group are mainly from company vehicle and it is not significant within the Group's operations. Since September 2022, the company vehicle was replaced by a hybrid car to further reduce related emissions. Although no target was set for petrol, studies will be carried out to improve the fuel and energy efficiency.

[8] *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.*

Our emission and energy consumption for Hong Kong operations have been summarised in the following table:

Air Emissions	**Unit**	**2023**	2022
Nitrogen oxides (NO_x)	kg	**1.34**	1.00
Sulphur oxides (SO_x)	kg	**0.04**	0.03
Particulate Matter (PM)	kg	**0.10**	0.07

GHG Emissions[9]	**Unit**	**2023**	2022
Scope 1 (Direct Emissions)[10]	tonnes CO_2e	**6.77**	5.68[13]
Scope 2 (Energy Indirect Emissions)[11]	tonnes CO_2e	**155.08**	163.08[13]
Scope 3 (Other Indirect Emissions)[12]	tonnes CO_2e	**0.42**	0
Total GHG Emissions	tonnes CO_2e	**162.27**	168.76[13]
Total GHG Emissions intensity	tonnes CO_2e/sq ft	**0.0033**	0.0035[13]

Energy Consumption	**Unit**	**2023**	2022
Direct Energy			
Petrol	kWh	**24,679.59 (2,546.55 Litres)**	20,319.03[13] (2,096.61 Litres)
Indirect Energy			
Electricity	kWh	**376,628.18**	373,311.98[13]
Total energy consumption	kWh	**401,307.77**	393,631.01[13]
Energy consumption intensity	kWh/sq ft	**8.05**	8.13

9 *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 the Environmental Protection Department ("EPD") and the Electrical and Mechanical Services Department ("EMSD") of the Government of the HKSAR.*

10 *Scope 1 refers to direct GHG emissions. Its disclosures mainly include emissions from the consumption of liquid and gaseous fuels in motor vehicles.*

11 *Scope 2 refers to indirect GHG emissions from the consumption of purchased electricity and Towngas of our head office and all branches in Hong Kong. Emission factors are obtained from local utility companies and updated yearly according to the annual report of CLP Power Hong Kong Limited ("CLP") and Hongkong Electric Company ("HKE").*

12 *Scope 3 disclosure includes air freight business travel. There was no air freight business travel in 2022 due to the Pandemic induced travelling restrictions.*

13 *Restated figure.*

Use of Resources

The Group recognises the potential impacts of its operation on the environment, including paper usage during business operation. Profoundly acknowledging the scarcity of the earth's resources, the Group persists in its efforts to achieve paperless operation to reduce unnecessary paper use in head office and branches. Digitalisation is our long-term goal. Employees are encouraged to prioritise the use of email, intranet and other electronic ways to communicate and disseminate information. The Group's Employee self-service and iLeave portal allows employees to conduct administrative works including leave application, payslips and tax return review online, reducing unnecessary paper usage. During the Reporting Year, the new online Workflow System on payment process and online Learning Management System were launched, and electronic signatures are also adopted in our internal approval process to help reducing paper consumption and lead times. Computers are in default duplex printing and ink-saving mode and printing with NFC activation on printer was fully adopted to prevent mis-printing.

We also opt to go paperless with our customers. For credit card applications, we have streamlined the application process through a secure online application that enables a direct and speedy process. The "AEON Net-member" service and "AEON HK" Mobile App are also available to provide extensive online services for customers. From June 2021, to encourage customers to switch to electronic statements, an extra fee is charged for statements in paper form. During the Reporting Year, 82% of our customer statements were sent via electronic channels, representing a year-on-year increase of over 15% in electronic statement.

Alongside with the major technology improvement shortly after the Reporting Year, a new card and loan system has been deployed in early March 2023 to streamline our operation workflow. This allows the Group to move further towards paperless operation. In the future, the Group will continue to work closely with our suppliers to understand our environmental impact outside of offices.

Water Efficiency

Water usage is not significant within the Group's operations. Currently, the main source of water consumption is our head office and we rely on the use of local municipal water from Water Supplies Department. Hong Kong is of low water stress, and there is no issue in sourcing water. Nonetheless, the Group makes great effort in reducing the use of water and improving water efficiency. The Group actively encourages employees to save water. Water used at our head office during the Reporting Year was 285 m^3 and the water intensity per head office employee is 1.11 m^3. To avoid water leakage, employees are required to ensure that equipment has been turned off properly after use. Since water resources are not material resources in our operation, therefore no reduction is set.

Waste Reduction

Steered by the spirit of environmental stewardship, the Group has implemented a number of measures in head office and branches to promote reuse and recycling. To further enhance staff behaviour on waste reduction, the Group provides no personal rubbish bins in the office. General waste is only collected centrally 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 closed down.

For hazardous waste, as the Group's business does not involve any industrial manufacturing activities, there is no significant generation of hazardous wastes. General office hazardous wastes such as ink cartridge, fluorescent tubes and outdated equipment from our business operation are collected and handled by suppliers and the management office of the office building for handling. Electronic wastes such as computers and servers are handled by the IT Division to ensure the information stored is deleted and handled properly before disposal in accordance with internal regulations. The existing hazards wastes discharged are inevitable and purchase of these items were made only when necessary. Therefore, no reduction target is set for hazards waste.

The Group will continue to study and analyse our internal waste and to increase the recycle rate. Our aim is to reduce paper intensity by 10% and increase paper recycling intensity by 5% compared with baseline of 2021 respectively by 2026.

Due to the business nature of the Group, packaging materials used for finished products are also not considered to be material issues, therefore no disclosure will be made.

Waste	Unit	2023	2022
Hazard Waste			
Miscellaneous Electronic Equipment (including computers and monitors)	pcs	**124**	1,257
Fluorescent Tubes/Light Bulb	pcs	**242**	229
Total Hazardous Waste	pcs	**366**	1,486
Hazardous Waste Intensity	pcs/employee	**0.98**	4.15
Non-Hazard Waste			
General Waste	tonnes	**144.14**	218.87
Non-Hazardous Waste Intensity	tonnes/employee	**0.39**	0.61
Waste Recycling			
Plastic Recycling	tonnes	**0.12**	0.05
Paper Recycling	tonnes	**1.10**	0.84

For the Reporting Year, the Group is not aware of any breach of laws or regulations relating to environmental protection.

Addressing Climate Change

Climate change is one of the greatest challenges that we are facing in Hong Kong and the world today. Internal policies including Sustainability Development Policy and Climate Risk Management Regulation are in place to identify and mitigate significant climate-related issues. We have identified several significant climate-related issues including extreme weather events, chronic weather patterns, policies and regulations and market sentiment. The following table summarises the risks faced by the Group and the Group's strategy in combating with climate change.

Risk	Description of Risk	Potential Impact and the Group's Strategy in Response to the Risk
Physical Risk	Actual Physical Risk: Increase in frequency of extreme weather events, such as typhoons, rainstorms and floods	– Temporary closure of head office, branches and service centers due to extreme weather events may induce lower revenue – The Group's properties could be damaged by extreme weather events thus threatening staff members' safety – Continued digitalisation process in offering the financial services through "AEON Net-member" service and "AEON HK" Mobile App and hybrid working mode to minimise the impact
	Chronic Physical Risk: Rises in temperature	– Rise in global temperature may cause temporary suspension of electricity supply, thereby affecting the system and service availability – Back-up data center and service centers located in different areas to mitigate the risk
Transition Risk	Reputation Risks	– With general public paying more attention to climate-related actions of enterprises, the Group may need to invest more in these areas so as to enhance company reputation
	Tightening Environmental Rules and Guidelines	– The Group's operations will need to respond and adapt to new and emerging regulatory requirements, including the enhanced obligations on formalising climate risk management and scenario analysis – Acquiring merchants and business partners will need to adapt to the new environmental rules and their operations and financial positions will be affected accordingly

Below are various strategies and approaches to control our impact on climate change:

Strategy	Our Approach
Governance	• Board provides oversight of climate-related risk and opportunities • The Sustainability Committee is responsible for assessing and managing sustainability issues • Sustainability Development Policy is established to set out the principles on sustainability development
Mitigation	• Continuous monitoring of the Group's internal emission and environmental aspects through the ISO 14001 certification since 2009 • Set short-, mid- and long-term sustainability targets to reduce carbon footprint • Encourage employees and suppliers to reduce carbon emissions in their daily activities
Adaptation	• Regularly assess climate-related risks and opportunities through regular meeting and reporting, so as to adapt to climate change in a timely manner • Incorporate climate-related risks into the Group's risk management and established Climate Risk Management Regulation
Disclosure	• Report in the Group's Corporate Sustainability Report on the approach, measures and progress
Future Plan	• To establish the Group's Climate Change Policy to better respond to this global issue • To further study on the climate risks that are related to our financial impact

Looking into the future, the Group will continue reviewing its existing environmental measures to better monitor their effectiveness, as well as set targets for the environmental aspects that are critical to its operations and long-term sustainability.

COMMITMENT TO OUR COMMUNITY

The Group always strives to act as a good corporate citizen 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 Group's Sustainability Development Policy and Guideline on Corporate Social Responsibility Activities, we continue to support community projects and activities focusing on environmental protection, education and cultural exchange in both Hong Kong and the Mainland China. During the Reporting Year, the Group's total donation is approximately HK$1,789,000.

Focus Areas of Contribution

Environmental Protection | **Education** | **Cultural Exchange**

Environmental Protection

Tree Planting

In order to align with the mission of AEON Group, the Group has been supporting local tree planting activities since 2006. During the Reporting Year, the Group cooperated with Friends of the Earth (HK) in organising the "Tree Planting Challenge 2022". A total of 350 tree seedling were planted at Tai Lam Country Park, offsetting approximately 8.05 tonnes of CO_2 equivalent.

Bonus Point Donation

The Group also encourages customers to support community development through "Bonus Point Donation Scheme". Under the scheme, our credit card holders can channel their donation to support the environmental conservation works of the World-Wide Fund for Nature Hong Kong ("WWF-Hong Kong").

Education

University Scholarships

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 over 100 students from universities in both Hong Kong and the Mainland China as below:

University in Hong Kong	University in Mainland China
• University of Hong Kong	• Shenzhen University
• University of Science and Technology	• Sun Yat-Sen University
• City University of Hong Kong	
• The Hong Kong Polytechnic University	
• The Baptist University of Hong Kong	

Financial Education

As a responsible financial service provider, the Group believes financial literacy and proper financial attitude are important to children especially at their early stage of development. During the Reporting Year, the Group cooperated with Financial Education Centre under Hong Kong Family and Welfare Society for the first time and launched a programme called "FE-On! – Financial Education On!" in 2022, aiming at instilling financial attitude to young students and parents via workshops, street interviews, social media promotion and counselling services.

Community Partnership

Cultural Exchange

Other than the scholarship for tertiary education, we believe resources given at a young age can allow long term development. By partnership with community organisations can create positive knock-on effects in creating a more caring community. Besides being the sole sponsor of the "Young Envoys Programme" organised by the Hong Kong Committee of UNICEF ("UNICEF HK") for 16 consecutive years, the Group also expanded our cooperation with UNICEF HK on "SDG Actioner Challenge for Ethnic Minority Youth" to provide a valuable opportunity for local youngsters and ethnic minority youth in Hong Kong to explore global and local social and environmental issues.

Charity Credit Card

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

During the Reporting Year, the Group's contribution to the community and the environment is recognised by The Hong Kong Council of Social Service and is awarded "15 Years+ Caring Company Logo" in 2022. Looking ahead, the Group will continue its efforts to consider the community's needs and interests, and further integrate its vision in serving the community within its business value by cooperating with more organisations and local businesses.

CONTENT INDEX

Material Aspects	Content	Page Index/ Remarks
Mandatory Disclosure Requirements		
Governance Structure		
Board Statement	A disclosure of the board's oversight of ESG issues.	21
	The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses).	21-22
	How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	21
Reporting Principles		
Description of the application of the Reporting Principles	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	19, 22-24
	Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	19
	Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	19
Reporting Boundary		
Description	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	19

Material Aspects	Content	Page Index/ Remarks
Comply or Explain Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	36-41
A1.1	The types of emissions and respective emissions data.	36-37
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	37
A1.3	Total hazardous waste produced and, where appropriate, intensity.	39
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	39
A1.5	Description of emissions target(s) set and steps taken to achieve them.	36
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	38-39
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	36-41
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	36-37
A2.2	Water consumption in total and intensity.	38
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	36
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	38
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	39

Material Aspects	Content	Page Index/ Remarks
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	38
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	38
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	40-41
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	40-41
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	30-35
B1.1	Total workforce by gender, employment type, age group and geographical region.	32
B1.2	Employee turnover rate by gender, age group and geographical region.	32
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	35
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	35
B2.2	Lost days due to work injury.	35
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	35

Material Aspects	Content	Page Index/ Remarks
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	30, 33-34
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	34
B3.2	The average training hours completed per employee by gender and employee category.	34
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	30-31
B4.1	Description of measures to review employment practices to avoid child and forced labour.	31
B4.2	Description of steps taken to eliminate such practices when discovered.	31
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	29-30
B5.1	Number of suppliers by geographical region.	30
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	29-30
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	30
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	30

Material Aspects	Content	Page Index/ Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	27-30
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	28
B6.2	Number of products and service-related complaints received and how they are dealt with.	29
B6.3	Description of practices relating to observing and protecting intellectual property rights.	28
B6.4	Description of quality assurance process and recall procedures.	28
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	27-28
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	25-26
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	26
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	25
B7.3	Description of anti-corruption training provided to directors and staff.	26
Aspect B8: Community		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	41-43
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	41
B8.2	Resources contributed (e.g. money or time) to the focus area.	41

Board of Directors

Mr. Tomoyuki Mitsufuji, aged 58, was appointed as a Non-executive Director and the Chairman of the Board on 25th June 2021. He is currently a director and managing executive officer of AEON Financial Service Co., Ltd., a listed public company, in charge of Group Corporate Management. Prior to that, he was with a number of major international banks and financial institutions for about 19 years, before he joined AEON Bank, Ltd. (formerly known as AEON Financial Project Co., Ltd.) in June 2006. He graduated from Waseda University with a Bachelor of Arts degree in Political Science and holds a Master of Business Administration degree from Boston University.

Mr. Tomoharu Fukayama, aged 49, 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, the Chairman of AEON Micro Finance (Shenzhen) Co., Ltd., and AEON Information Service (Shenzhen) Co., Ltd., both of which are subsidiaries 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 20 years of experience in the consumer finance industry.

Mr. Lai Yuk Kwong, aged 60, was appointed as an Executive Director and the Deputy Managing Director on 23rd June 2017. 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., Ltd. 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. Daisuke Takenaka, aged 42, was appointed as an Executive Director on 23rd June 2020. He oversees the work of the Accounts and Finance Division of the Company. He is currently the supervisor of AEON Micro Finance (Shenzhen) Co., Ltd., and AEON Information Service (Shenzhen) Co., Ltd., both of which are subsidiaries of the Company. 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 dissolved by means of members' voluntary liquidation. 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 members' voluntary liquidation, in charge of its finance department. 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.

Mr. Wei Aiguo, aged 54, was appointed as an Executive Director on 23rd June 2022. He oversees the work of the Marketing Division, the Sales Division and the Operations Division of the Company. He is currently the director of AEON Information Service (Shenzhen) Co., Ltd., a subsidiary of the Company. He first joined the Company in January 2000, and rejoined AEON group in June 2006 as a general manager of AEON Information Service (Shenzhen) Co., Ltd. and AEON Credit Guarantee (China) Co., Ltd., a previous associate of the Company dissolved by means of members' voluntary liquidation. He subsequently became a Senior Manager of the Company with a focus on the Mainland China business in 2009. From October 2013 to May 2016, he was the managing director of AEON Micro Finance (Tianjin) Co., Ltd., a subsidiary of the Company in members' voluntary liquidation, before his later return to the Company to take charge of marketing, sales, branch management and operations. He graduated from the Ritsumeikan University in Kyoto, Japan, with a Bachelor of Arts degree in Economics.

Ms. Jin Huashu, aged 45, was appointed as a Non-executive Director on 25th June 2021. She is currently the managing director of AEON Micro Finance (Shenzhen) Co., Ltd., a subsidiary of the Company. She joined AEON Information Service (Shenzhen) Co., Ltd. in March 2008 as a department manager in charge of external business development. She was first appointed as a director of AEON Information Service (Shenzhen) Co., Ltd. and AEON Micro Finance (Shenzhen) Co., Ltd., in April 2010 and June 2015 respectively, and took up the position as a general manager of AEON Financial Service (Hong Kong) Co., Ltd. from June 2017 to June 2019. She graduated from Jilin University with a Bachelor's degree in Economic Trading Japanese and holds a Master of Business Administration degree from the University of Minnesota.

Mr. Lee Ching Ming Adrian, aged 71, 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.

Ms. Shing Mo Han Yvonne, BBS, JP, aged 67, 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, CSSC (Hong Kong) Shipping Company Limited, and Sirnaomics Ltd., all 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 was 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 current appointments include court member of the Hong Kong Polytechnic University, advisor of Our Hong Kong Foundation and co-opted chairman of the Main Tender Board, member of Audit Committee and member of the Board of Governors of Extension and Continuing Education for Life (EXCEL) of the Hong Kong Academy for Performing Arts. 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 and was subsequently awarded Honorary Fellow.

Ms. Junko Dochi, aged 59, was appointed as an Independent Non-executive Director on 23rd June 2020. She is an attorney at law admitted in Japan and in the State of California in the United States of America. She was previously with a major US law firm, and is currently the representative lawyer of DOCHI Law Office in Tokyo, with her main areas of practice focusing on corporate matters and international business transactions. Before qualified as an attorney at law, Ms. Dochi had worked for a number of sizeable Japanese and international business enterprises. She graduated from 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 is an outside director of AEON Bank, Ltd., 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 continued to comply with the code provisions of the CG Code as applicable to the Company throughout the year ended 28th February 2023 and set out then in Appendix 14 to the Listing Rules, with the exceptions of code provision B.2.2 which is explained below.

Code provision B.2.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

CULTURE

Business Principles, Purpose and Values:

The Group is guided by the AEON Group's corporate philosophy of "Pursuing peace, respecting humanity, and contributing to the local communities, always with the customer's point of view as its core" ("AEON Basic Principles") and the AFS's basic management polices to put customers first, provide financial services that are closely attuned to customers' lives, earn the trust of society and meet its expectations and maintain a corporate culture that encourages our people to excel".

The Group's purpose as an organisation is defined as "**To bring finance closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles.**"

To bring finance closer to everyone.

As the financial services business of the AEON Group, we provide convenient and easy-to-understand financial services by adopting a consumer perspective. We also promote financial education for all generations and bring financial mechanisms closer to everyone through financial inclusion that responds to diverse financing needs.

By committing to each and every person,

We commit sincerely with each consumer to provide financial services tailored to changing life stages and living environments. We also generate new value by cooperating with various business partners in local communities, including participating merchants and local authorities. Acting empathetically from a customer perspective is one of our core values.

we brighten up everyday lives with peace of mind and smiles.

As a financial institution supporting customers' everyday lives, we enrich their lives and help them to experience happiness. We respect our colleagues' diversity and value the environment and corporate culture that allow us to work with pride and a spirit of freedom and open-mindedness. Through these, we provide value by filling everyday lives with peace of mind and smiles and by brightening up their minds with uplifting feelings and excitement.

The core values derived from AEON Basic Principles, as evident in the Group's action, are:

- customer orientation
- integrity
- diversity
- innovation

The Board has played a proactive role in the development of effective and sustainable business strategy and in aligning the Group's evolving culture with the Group's purpose, values and strategy. All Directors are expected to (i) act with integrity; (ii) lead by example in a consistent and desirable manner; (iii) promote the desired culture and behaviour which instils and continually reinforces across the Group the values of acting lawfully, ethically and responsibly; and (iv) bring to life the corporate values in everyday work.

AEON Code of Conduct:

The Group adopts the AEON Code of Conduct established by AEON Group, which sets out the ethical standards and values that all employees should adhere to and explicitly provides all AEON Group employees with guidance on action, consideration and judgment consistent with the AEON Basic Principles. The Group uses various communication channels to periodically remind staff of the requirement to adhere to such standards and values. The AEON Code of Conduct has been integrated into new staff induction training and orientation programmes which is thereafter reinforced through annual refresher training and survey.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for securities transactions by Directors pursuant to its own Securities Dealing Code. Having made specific enquiries of all Directors, they confirmed that they have complied with the required standard set out in the Model Code/the Company's own Securities Dealing Code throughout the 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. Matters reserved for the Board are reviewed periodically to ensure that they remain relevant and appropriate to the Board and the Company.

Composition and Diversity

Composition:

As at the date of this report, the Board comprises nine Directors, consisting of four Executive Directors, two Non-executive Directors and three 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 49 to 50 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.

The Board has a balanced mix of executive directors, non-executive directors and independent non-executive directors. Non-executive Directors are of sufficient calibre and number for their views to carry weight. There is thus a strong element of independence in the Board.

Diversity:

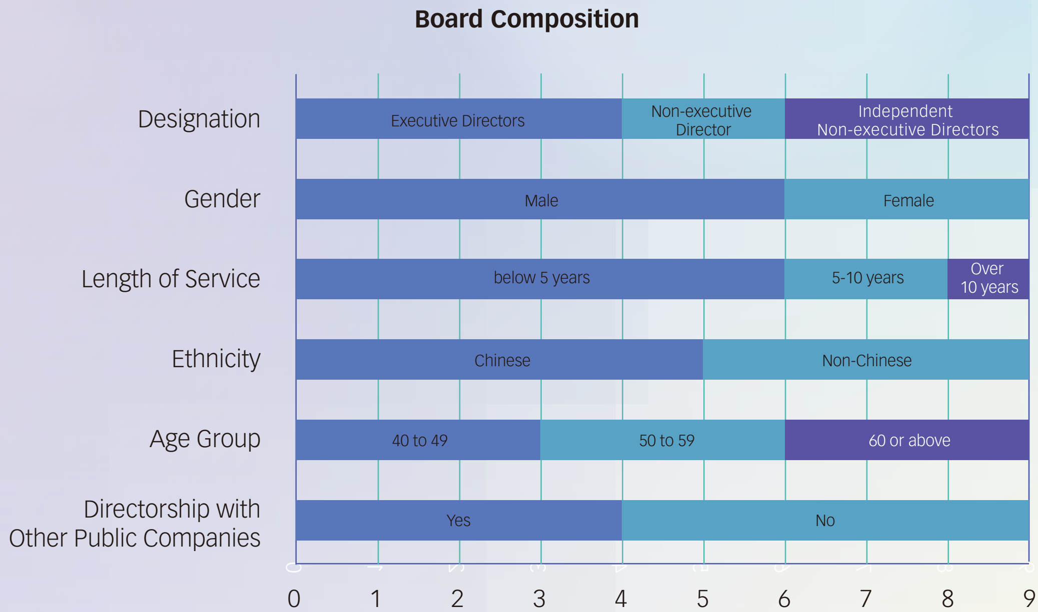
The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognizes the benefits of having a diverse Board and believes that Board diversity is an essential element in maintaining an effective Board for the sustainable and balanced development of the Company. The Board Diversity Policy is subject to annual review to ensure its ongoing effectiveness and the last review was conducted in February 2023.

Pursuant to the Board Diversity Policy, (i) 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. (ii) Specifically with respect to gender diversity, both the Board and the Nomination Committee are committed to take opportunities that may arise to increase the ratio of female Board members towards greater gender parity (including without limitation building of a pool of potential successors to the Board that is adequately diverse), and seek to ensure that there is an appropriate level of gender diversity on the Board on an ongoing basis by reference to, among others, international and local recommended best practices. (iii) The Company currently targets to at least maintain the existing level of no less than 30% female representation on the Board.

During the year, the Nomination Committee has reviewed the structure, size, and diversity of the Board as well as the selection criteria for Non-executive Director candidate(s) and the Board Diversity Policy, to ensure that the Board's composition complies with the Main Board Listing Rules and reflects an appropriate mix of skills, experience, and diversity that are relevant to the Group's strategy, governance, and business and contribute to the Board's effectiveness and efficiency.

As at the date of this report, the Board consists of six male members and three female members, the female representation of the Board was around 33%, which is above the Board's current target of no less than 30% female representation on Board according to the Board Diversity Policy. Members of the Board come from diverse backgrounds and have a diverse range of business, financial services, banking and professional expertise and experience in such a way that (i) there is a balance of skills, experience and diversity of perspectives that is both adequate and appropriate to the requirements of the Company's business; and (ii) the mix facilitates the making of informed and critical decisions in providing leadership to the Company.

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



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

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, including any dissenting views expressed, 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. All material matters or those involving a conflict of interest with a substantial shareholder or a director are dealt with by a physical board meeting with all disinterested Independent Non-executive Directors present, rather than a written resolution.

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

Independent Views and Input

The Company has established mechanisms to ensure independent views and input are available to the Board for enhancing an objective and effective decision making. The following mechanisms are subject to annual review by Board, including without limitation:

(a) Directors may, upon reasonable request to the Chairman or the Managing Director, seek independent professional advice in appropriate circumstances, at the Company's expense to assist them to perform their duties to the Company;

(b) each and every Director is given the opportunity to express his/her different views at Board meetings and to voice his/her concerns; and

(c) the Chairman holds meeting with the Independent Non-executive Directors without the presence of other directors at least annually.

During the year under review, there was a meeting between Mr. Tomoyuki Mitsufuji and all Independent Non-executive Directors held in November 2022 in the absence of the executive members of the Board.

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. None of the Independent Non-executive Directors has served more than nine years during the year under review.

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 annual budgets and business plans;
- 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;
- 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 Director;
- recommendation on the re-election of Directors;
- approval of the Directors' fees of the Independent Non-executive Directors;
- approval of the revised Board Diversity Policy, Corporate Governance Policy and Nomination Policy; 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)*	13/13
Lai Yuk Kwong *(Deputy Managing Director)*	13/13
Daisuke Takenaka	13/13
Wei Aiguo*	9/9
Non-executive Directors	
Tomoyuki Mitsufuji *(Chairman)*	13/13
Jin Huashu	13/13
Independent Non-executive Directors	
Lee Ching Ming Adrian	13/13
Shing Mo Han Yvonne	13/13
Junko Dochi	12/13

* Appointed on 23rd June 2022

Directors' Training

Every newly appointed Director will receive a comprehensive, formal and tailored induction on appointment. Subsequently, they shall receive any briefing and professional development as necessary to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the statute and common law, the Listing Rules, other regulatory and supervisory 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 the 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 information security, PCI DSS, AML and CTF, prevention of bribery and corruption and equal opportunities at workplace 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. All Directors had provided the Company Secretary with their training records for the year under review.

During the year ended 28th February 2023, 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	✓	✓	✓
Wei Aiguo	✓	✓	✓
Daisuke Takenaka	✓	✓	✓
Non-executive Directors			
Tomoyuki Mitsufuji	✓	✓	✓
Jin Huashu	✓	✓	✓
Independent Non-executive Directors			
Lee Ching Ming Adrian	✓	✓	✓
Shing Mo Han Yvonne	✓	✓	✓
Junko Dochi	✓	✓	✓

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Tomoyuki Mitsufuji 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 2022, the Board approved the appointment of Mr. Wei Aiguo as an Executive Director. Mr. Wei Aiguo will retire at the 2023 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 one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is chaired by Ms. Shing Mo Han Yvonne. The other members are Mr. Tomoyuki Mitsufuji, Mr. Lee Ching Ming Adrian 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 2023, and three meetings were attended by the external auditor. The major work performed by the Audit Committee in 2022/23 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
Shing Mo Han Yvonne *(Chairman)*	4/4
Tomoyuki Mitsufuji	4/4
Lee Ching Ming Adrian	4/4
Junko Dochi	4/4

Nomination Committee

The Nomination Committee comprises one Non-executive Director and two Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Tomoyuki Mitsufuji. The other members are Mr. Lee Ching Ming Adrian 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 Board Diversity Policy and Nomination Policy;
- identifying and nominating qualified individuals for appointment to the Board;
- 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 and the last review was conducted in February 2023. The selection criteria that the Nomination Committee has to consider in evaluating and selecting a candidate for directorship include the following:

- reputation for integrity;
- accomplishment in terms of qualifications and experience in industries and/or professions relevant to the Company and its businesses;
- ability to meaningfully contribute to the Board and the Company's success;
- willingness and ability to devote adequate time to discharge his/her duties as a member of the Board and/or Board committees, notably the time for preparation and participation in meetings, training programmes and other associated activities;
- diversity including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- in the case of an independent non-executive director, fulfilment of the independence criteria as prescribed under the Listing Rules; 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 two meetings for the year ended 28th February 2023 and the major work performed by the Nomination Committee in 2022/23 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;
- reviewed the Board Diversity Policy and the Nomination Policy;
- made recommendation to the Board on the re-election of Directors at the 2022 AGM; and
- made recommendation to the Board on the appointment of Director.

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

Members	Attendance/ No. of Meetings
Tomoyuki Mitsufuji *(Chairman)*	2/2
Lee Ching Ming Adrian	2/2
Junko Dochi	2/2

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and two Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lee Ching Ming Adrian. The other members are Mr. Tomoyuki Mitsufuji 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, and none of the Independent Non-executive Directors are entitled to equity-based remuneration with performance-related elements. 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 2023, 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
Tomoyuki Mitsufuji	1/1
Shing Mo Han Yvonne	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of significant risks (including ESG risks) it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems 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 Group's accounting, internal audit and financial reporting functions as well as those relating to the Company's ESG performance and reporting. 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:
  - First line of defence consists of all operating units;
  - Second line of defence consists of the Risk Management Department and the Risk Management Committee; and
  - Third 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 the 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 that 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.

A review of the effectiveness of the Group's internal control system covering all material controls, including financial, operational, compliance, and risk management controls, is conducted annually against elements such as control environment, risk assessment, control activities, information and communication, and monitoring. 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 considers that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy and Anti-Corruption 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 those who deal with the Company (e.g. business partners and suppliers) to raise concerns, in confidence, about possible improprieties. Designated email accounts, hotlines and other channels 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. All whistleblowing cases will be reported to the chairman and members of Audit Committee.

To uphold the Group's zero tolerance towards all forms of corruption, bribery and extortion and to provide guidance to employees on how to avoid corruption, bribery and extortion in the course of their work, the Company also adopts the Code of Business Ethics which reflects the Company's stance and policies against corruption, and sets out the basic standard of conduct expected of all employees, the Company's policies on acceptance of advantages and entertainment, and declaration of conflict of interest by employees in connection with their positions or official duties.

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 processes and operations 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.

DIVERSITY AT WORKFORCE LEVEL

The gender ratio in the workforce of the Group in Hong Kong, including senior management as of 28th February 2023 is set out below:

	As of 28th February 2023	
	Number of employees	Percentage of total number of employees
Overall (including senior management)		
– Male	187	50%
– Female	186	50%
Back office staff/branch staff		
– Male	136/51	53%/43%
– Female	119/67	47%/57%

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of both male and female candidates are given equal opportunities to be considered for employment. Opportunities for training, promotion and other career development are equally opened to all eligible employees without discrimination on gender or other unlawful grounds. Currently, the male to female ratio in the workforce of the Group including senior management (both overall and back office/branch) is very close to 50%. The Company considers that the gender diversity in workforce is currently achieved.

During the year under review, the Board was not aware of any factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

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 preparing the 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 2023, 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 76 to 79 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 2022 AGM until the conclusion of the 2023 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$3.77 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
Interim review	160
Connected party transaction	100
Preliminary results announcement	20
J-SOX annual compliance review	590
Annual compliance review-insurance brokerage	20
Financial due diligence services	208
Assessment reports for the Multiple Credit Reference Agencies (MCRA) member on boarding	300
Total	1,435

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

At the 2022 AGM, a special resolution was passed to adopt a new articles of association of the Company, primarily to (i) allow the Company's the flexibility to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities in addition to physical attendance; (ii) update and modernise the articles of association to reflect the statutory changes. 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 which set out in the Shareholder Communication Policy of the Company. These include the annual general meeting, the annual and interim reports, notices, announcements, circulars, the Company's website and meetings with investors and analysts.

During the year under review, the Company has reviewed the implementation and effectiveness of the Shareholder Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholder Communication Policy has been properly implemented and is effective.

Engagement with Shareholders and Investors

Annual General Meeting:

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, Company Secretary 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 2022 AGM was held on Thursday, 23rd June 2022. The notice of the 2022 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 2022 AGM. All Board members, including the Chairman of the Board, together with the Company Secretary and the external auditor attended the 2022 AGM. The Company Secretary explained the poll voting procedures at the 2022 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors and adoption of Articles, were proposed at the 2022 AGM. All the resolutions at the 2022 AGM were dealt with by poll and were verified by an independent scrutineer. The poll results of the 2022 AGM are available on the Company's website and the Stock Exchange's website.

The attendance record of each Director at the 2022 AGM is set out below:

Directors	Attendance/ No. of Meeting
Executive Directors	
Tomoharu Fukayama *(Managing Director)*	1/1
Lai Yuk Kwong *(Deputy Managing Director)*	1/1
Daisuke Takenaka	1/1
Wei Aiguo*	N/A
Non-executive Directors	
Tomoyuki Mitsufuji *(Chairman)*	1/1
Jin Huashu	1/1
Independent Non-executive Directors	
Lee Ching Ming Adrian	1/1
Shing Mo Han Yvonne	1/1
Junko Dochi	1/1

* Appointed on 23rd June 2022

Media and Investor and Analyst Briefings

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. Media, investors and analysts will be briefed and given an opportunity to ask questions of the Executive Directors. During the year under review, two virtual media and investor conferences were held in April and September 2022. Summaries of the questions and feedback from press, investors and analysts were communicated to Board.

Reports and Announcements

The Annual Report and Interim Report which contain key financial information about the Company are available on the Company's website under the section 'Investor Relations'. For the sake of transparency and to provide investors and shareholders with more up-to-date information on the Company's financial performance, the Group has also been announcing its quarterly results in addition to its annual and interim results within the prescribed deadline, as laid down in the Listing Rules. All information (including financial statements, results announcements, circulars, notices of general meetings, proxy forms and related explanatory documents etc.) submitted by the Company to the Stock Exchange for publication on the Stock Exchange's website will also be posted on the Company's website immediately thereafter in accordance with the requirements of the Listing Rules.

Shareholding Enquiries

Shareholders may direct their questions about their shareholdings to the Company's Share Registrar, Tricor Secretaries Limited.

The market capitalization of the Company as at 28th February 2023 was HK$2,085 million (issued share capital: 418,766,000 shares at closing market price: HK$4.98 per share).

The 2023 AGM will be held at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 29th June 2023 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 92 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 2023.

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 18 of the annual report. Additionally, financial risk management objectives and policies of the Group can be found in note 39 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 18 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 Corporate Sustainability Report on pages 19 to 48.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 28th February 2023.

NET DEBT TO EQUITY RATIO

At 28th February 2023, the net debt to equity ratio was 0.4 (28th February 2022: 0.1), with the basis on which it is computed as set out in note 38 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company amounted to HK$3,491,388,000 at 28th February 2023 (28th February 2022: HK$3,308,142,000).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28th February 2023 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 80 to 160.

An interim dividend of 22.0 HK cents per share (2022: interim dividend of 22.0 HK cents per share) amounting to HK$92,128,000 (2022: HK$92,128,000) was paid to the shareholders during the year. The Directors have recommended the payment of a final dividend of 22.0 HK cents per share (2022: 22.0 HK cents per share) in respect of the current year to the shareholders on the register of members on 7th July 2023 amounting to HK$92,128,000 (2022: 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 2023 and up to the date of this report were:

Executive Directors:

Tomoharu Fukayama *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Daisuke Takenaka
Wei Aiguo (Appointed on 23rd June 2022)

Non-executive Directors:

Tomoyuki Mitsufuji *(Chairman)*
Jin Huashu

Independent Non-executive Directors:

Lee Ching Ming Adrian
Shing Mo Han Yvonne
Junko Dochi

In accordance with Article 106 of the Articles, all Directors shall retire at the 2023 AGM and shall be eligible for re-election. With the exception of Mr. Daisuke Takenaka who will not stand for re-election, the other eight retiring Directors will offer themselves for re-election at the 2023 AGM.

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

Tomoyuki Kawahara
Yasushi Ogusu
Hiroko Takahashi

AEON Micro Finance (Shenzhen) Co., Ltd.

Tomoharu Fukayama
Jin Huashu
Shinnosuke Aragane

AEON Information Service (Shenzhen) Co., Ltd.

Tomoharu Fukayama
Hiroko Takahashi
Wei Aiguo (Appointed on 26th May 2022)

DIRECTORS' SERVICE CONTRACTS

No Director eligible for re-election at the 2023 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 2023, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the shares of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Tomoharu Fukayama	70,000	0.02
Lai Yuk Kwong	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
Tomoyuki Mitsufuji	3,410	0.01
Tomoharu Fukayama	7,136	0.01
Daisuke Takenaka	154	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 2023.

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 that 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 2023, 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	286,088,000	68.32
AFS *(Note 2)*	Interest of a controlled corporation	226,314,000	54.04
AFS (HK) *(Note 3)*	Beneficial owner	226,314,000	54.04
FMR LLC	Interests of controlled corporations	41,875,560	9.99
Fidelity Puritan Trust	Beneficial owner	25,109,949	5.99

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 48.08% of the issued share capital of AFS, the holding company of AFS (HK) and 60.59% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 226,314,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.

2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 226,314,000 shares owned by AFS (HK).

3. Out of 226,314,000 shares, 213,114,000 shares were held by AFS (HK) and 8,250,000 shares and 4,950,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited and Everbright Securities Investment Services (HK) Limited respectively, both as nominees on behalf of AFS (HK).

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the share capital of the Company at 28th February 2023.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

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

(a) (i) Pursuant to a master agreement dated 3rd April 2020 entered into between the Company and AEON Stores, the Company would receive commission from AEON Stores in respect of purchases made by customers using credit purchase facilities, card instalment facilities, and payment solutions provided by the Company ("On-us Commission Transactions").

The total amount received and receivable by the Company from AEON Stores for On-us Commission Transactions for the year ended 28th February 2023 was HK$11,367,000, of which HK$3,490,000 is classified as interest income under HKFRS 9.

(ii) Pursuant to a card acquiring merchant agreement dated 30th June 2021 entered into between the Company and AEON Stores, the Company would receive commission from AEON Stores in respect of purchases made by customers using credit or debit cards of brands issued by financial institutions other than the Company ("Off-us Acquiring Transactions").

The total amount received and receivable by the Company from AEON Stores for Off-us Acquiring Transactions for the year ended 28th February 2023 amounted to HK$15,361,000.

The aggregate amount received and receivable by the Company from AEON Stores for both On-us Commission Transactions and Off-us Acquiring Transactions for the year ended 28th February 2023 were HK$26,728,000, which did not exceed the aggregated caps of HK$44,500,000 as disclosed in the Company's announcement dated 30th June 2021.

(b) Pursuant to a master agreement-gift certificate dated 22nd February 2022 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 2023 amounted to HK$13,228,000, which did not exceed the cap of HK$16,500,000 as disclosed in the Company's announcement dated 22nd February 2022.

(c) Pursuant to a master service agreement dated 25th February 2022 entered into between the Company and AFS, the Company would pay service fees to AFS for the provision of IT-related services.

The total amount of service fees paid by the Company to AFS for the year ended 28th February 2023 amounted to HK$7,013,000 which did not exceed the cap of HK$9,000,000 as disclosed in the Company's announcement dated 25th February 2022.

(d) Pursuant to a business advisory service agreement dated 1st March 2022 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 2023 amounted to HK$11,737,000, which did not exceed the cap of HK$13,700,000 as disclosed in the Company's announcement dated 1st March 2022.

(e) Pursuant to a licence agreement dated 25th March 2022 ("KH Licence Agreement") entered into between the Company and AEON Stores, 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 2022. The cost of the right-of-use asset recognised by the Company for the lease of the premises under KH Licence Agreement amounted to HK$3,025,000 at 25th March 2022.

The total amount of rates, management fees and utility charges paid by the Company to AEON Stores for the period from 1st March 2022 to 31st March 2022 and for the period from 1st April 2022 to 28th February 2023 amounted to HK$25,000 and HK$274,000 respectively, which did not exceed the respective caps of HK$28,000 and HK$308,000 as disclosed in the Company's announcements dated 23rd February 2021 and 25th March 2022.

(f) Pursuant to a licence agreement dated 28th February 2023 ("TM Licence Agreement") entered into between the Company and AEON Stores, 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 28th February 2023. The cost of the right-of-use asset recognised by the Company for the lease of the premises under TM Licence Agreement amounted to HK$4,130,000 at 28th February 2023.

The total amount of rates, management fees and utility charges paid by the Company to AEON Stores for the year ended 28th February 2023 amounted to HK$227,000, which did not exceed the aggregated caps of HK$240,000 as disclosed in the Company's announcement dated 28th February 2023.

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.

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 44 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 and any other requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

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 2023, 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$1,789,000.

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 2023 and the date of this report.

AUDITOR

The financial statements for the year ended 28th February 2023 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the 2023 AGM to reappoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Tomoharu Fukayama
Managing Director

Hong Kong, 4th April 2023

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 80 to 160, which comprise the consolidated statement of financial position as at 28th February 2023, 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 2023, 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 21 to the consolidated financial statements, advances and receivables are unsecured and the carrying amount of advances and receivables was approximately HK$5,644,508,000 as at 28th February 2023, representing approximately 87% of the Group's total assets. As explained in note 22 to the consolidated financial statements, the balance of impairment allowances is approximately HK$191,709,000 as at 28th February 2023, of which approximately HK$172,649,000 has been charged to the consolidated statement of profit or loss during the year ended 28th February 2023. 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; and (iii) 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 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 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.

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.

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

- 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.

- 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
4 April 2023

Consolidated Statement of Profit or Loss

For the year ended 28th February 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	5	**1,231,631**	1,049,589
Interest income	7	**1,032,133**	879,273
Interest expense	8	**(44,128)**	(31,830)
Net interest income		**988,005**	847,443
Fees and commissions		**131,714**	103,435
Handling and late charges		**67,784**	66,881
Other income	9	**26,120**	5,463
Other gains and losses	10	**(9,463)**	(2,709)
Operating income		**1,204,160**	1,020,513
Operating expenses	11	**(647,484)**	(577,861)
Operating profit before impairment losses and impairment allowances		**556,676**	442,652
Impairment losses and impairment allowances		**(172,649)**	(94,095)
Gain on deemed disposal of investment in an associate	45	**–**	7,910
Recoveries of advances and receivables written-off		**33,334**	40,351
Gain on disposal of distressed assets	13	**31,933**	–
Share of results of an associate		**–**	1,155
Profit before tax		**449,294**	397,973
Income tax expense	14	**(75,683)**	(55,381)
Profit for the year		**373,611**	342,592
Profit for the year attributable to:			
Owners of the Company		**373,611**	342,592
Earnings per share – Basic	16	**89.22 HK cents**	81.81 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 28th February 2023

	2023 **HK$'000**	2022 *HK$'000*
Profit for the year	**373,611**	342,592
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain on equity instruments at FVTOCI	**26,056**	5,607
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**(17,787)**	5,273
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**8,772**	3,783
Reclassification adjustment for the cumulative exchange differences upon deemed disposal of a foreign associate	**–**	(807)
Net adjustment on cash flow hedges, net of tax	**52,522**	22,570
Other comprehensive income for the year	**69,563**	36,426
Total comprehensive income for the year	**443,174**	379,018
Total comprehensive income for the year attributable to:		
Owners of the Company	**443,174**	379,018

Consolidated Statement of Financial Position

At 28th February 2023

	NOTES	28.2.2023 HK$'000	28.2.2022 HK$'000
Non-current assets			
Property, plant and equipment	17	**84,584**	100,283
Right-of-use assets	18	**43,077**	58,891
Goodwill	19	**15,820**	15,820
Equity instruments at fair value through other comprehensive income	20	**97,133**	71,077
Advances and receivables	21	**1,239,940**	750,797
Prepayments, deposits and other debtors	24	**64,282**	31,559
Derivative financial instruments	34	**34,768**	2,711
Deferred tax assets	35	**10,183**	1,250
		1,589,787	1,032,388
Current assets			
Advances and receivables	21	**4,404,568**	3,342,610
Prepayments, deposits and other debtors	24	**67,009**	64,165
Amount due from immediate holding company	31	**1**	2
Amount due from an intermediate holding company	31	**32**	44
Amount due from ultimate holding company	31	**9**	–
Derivative financial instruments	34	**878**	–
Time deposits	25	**13,073**	193,374
Bank balances and cash	27	**382,323**	456,973
		4,867,893	4,057,168
Current liabilities			
Creditors and accruals	28	**202,983**	184,160
Contract liabilities	29	**23,897**	18,610
Amounts due to fellow subsidiaries	30	**44,485**	57,626
Amount due to an intermediate holding company	31	**1,591**	1,275
Bank borrowings	32	**789,977**	165,000
Lease liabilities	33	**34,392**	36,827
Derivative financial instruments	34	**–**	1,542
Tax liabilities		**93,507**	25,314
		1,190,832	490,354
Net current assets		**3,677,061**	3,566,814
Total assets less current liabilities		**5,266,848**	4,599,202

	NOTES	28.2.2023 HK$'000	28.2.2022 HK$'000
Capital and reserves			
Share capital	36	**269,477**	269,477
Reserves	37	**3,622,983**	3,364,065
Total equity		**3,892,460**	3,633,542
Non-current liabilities			
Bank borrowings	32	**1,317,698**	919,139
Lease liabilities	33	**8,307**	20,762
Derivative financial instruments	34	**48,383**	25,759
		1,374,388	965,660
		5,266,848	4,599,202

The consolidated financial statements on pages 80 to 160 were approved and authorised for issue by the Board on 4 April 2023 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 2023

	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 2021	269,477	41,648	(24,750)	(10,847)	3,146,502	3,422,030
Profit for the year	–	–	–	–	342,592	342,592
Fair value gain on equity instruments at FVTOCI	–	5,607	–	–	–	5,607
Exchange difference arising from translation of foreign operations	–	–	–	5,273	–	5,273
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	–	–	–	3,783	–	3,783
Reclassification adjustment for the cumulative exchange differences upon deemed disposal of a foreign associate	–	–	–	(807)	–	(807)
Net adjustment on cash flow hedges, net of tax	–	–	22,570	–	–	22,570
Total comprehensive income for the year	–	5,607	22,570	8,249	342,592	379,018
Final dividend paid for 2020/21	–	–	–	–	(75,378)	(75,378)
Interim dividend paid for 2021/22	–	–	–	–	(92,128)	(92,128)
	–	5,607	22,570	8,249	175,086	211,512
At 28th February 2022	**269,477**	**47,255**	**(2,180)**	**(2,598)**	**3,321,588**	**3,633,542**
Profit for the year	**–**	**–**	**–**	**–**	**373,611**	**373,611**
Fair value gain on equity instruments at FVTOCI	**–**	**26,056**	**–**	**–**	**–**	**26,056**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**(17,787)**	**–**	**(17,787)**
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	**–**	**–**	**8,772**	**–**	**8,772**
Net adjustment on cash flow hedges, net of tax	**–**	**–**	**52,522**	**–**	**–**	**52,522**
Total comprehensive income (expense) for the year	**–**	**26,056**	**52,522**	**(9,015)**	**373,611**	**443,174**
Final dividend paid for 2021/22	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2022/23	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	–	**26,056**	**52,522**	**(9,015)**	**189,355**	**258,918**
At 28th February 2023	**269,477**	**73,311**	**50,342**	**(11,613)**	**3,510,943**	**3,892,460**

Consolidated Statement of Cash Flows

For the year ended 28th February 2023

	2023 HK$'000	2022 HK$'000
Operating activities		
Profit before tax	**449,294**	397,973
Adjustments for:		
Exchange gain on reclassification adjustment for the cumulative exchange differences upon deemed disposal of a foreign associate	**–**	(807)
Exchange loss on reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**8,772**	3,783
Amortisation of upfront cost of bank borrowings	**474**	688
Depreciation on property, plant and equipment	**28,918**	29,008
Depreciation on right-of-use-assets	**53,921**	55,106
Dividends received from financial instruments	**(902)**	(618)
Gain on deemed disposal of investment in an associate	**–**	(7,910)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**172,649**	94,095
Interest expense	**44,128**	31,830
Interest income	**(1,032,133)**	(879,273)
Losses on disposal of property, plant and equipment	**1,085**	158
Share of results of an associate	**–**	(1,155)
Operating cash flows before movements in working capital	**(273,794)**	(277,122)
Increase in advances and receivables	**(1,704,662)**	(341,608)
Decrease (increase) in prepayments, deposits and other debtors	**2,257**	(13,535)
Increase in amount due from ultimate holding company	**(9)**	–
Decrease in amount due from immediate holding company	**1**	–
Decrease (increase) in amount due from an intermediate holding company	**12**	(30)
Decrease in amount due from an associate	**–**	9
Increase (decrease) in creditors and accruals	**18,780**	(89,826)
Increase in contract liabilities	**5,287**	2,309
Decrease in amounts due to fellow subsidiaries	**(13,085)**	(6,555)
Increase (decrease) in amount due to an intermediate holding company	**316**	(223)
Decrease in amount due to ultimate holding company	**–**	(14)
Increase in amount due to an associate	**–**	1,594
Cash used in operations	**(1,964,897)**	(725,001)
Tax paid	**(14,321)**	(49,534)
Interest paid	**(42,032)**	(30,370)
Interest received	**1,005,465**	879,298
Net cash (used in) from operating activities	**(1,015,785)**	74,393

	NOTE	2023 HK$'000	2022 HK$'000
Investing activities			
Dividends received		**902**	12,737
Net cash outflow from acquisition of a subsidiary	*45*	**–**	(4,499)
Proceeds from disposal of property, plant and equipment		**2**	1
Purchase of property, plant and equipment		**(13,916)**	(10,749)
Deposits paid for acquisition of property, plant and equipment		**(43,011)**	(20,188)
Placement of time deposits with maturity of more than three months		**(70,986)**	(265,419)
Release of time deposits with maturity of more than three months		**117,864**	236,138
Net cash used in investing activities		**(9,145)**	(51,979)
Financing activities			
Repayment of lease liabilities		**(51,993)**	(51,744)
Interest paid of lease liabilities		**(1,435)**	(1,887)
Dividends paid		**(184,256)**	(167,506)
New bank loans raised		**10,182,119**	450,000
Repayment of bank loans		**(9,117,017)**	(527,795)
Net cash from (used in) financing activities		**827,418**	(298,932)
Net decrease in cash and cash equivalents		**(197,512)**	(276,518)
Effect of changes in exchange rate		**(3,944)**	517
Cash and cash equivalents at beginning of the year		**588,963**	864,964
Cash and cash equivalents at end of the year		**387,507**	588,963
Being:			
Time deposits with maturity of three months or less		**5,184**	131,990
Bank balances and cash		**382,323**	456,973
		387,507	588,963

Notes to the Consolidated Financial Statements

For the year ended 28th February 2023

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 following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on 1st March 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[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 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1st January 2023
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1st January 2024

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1st January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1st January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period. Based on the Group's outstanding liabilities as at 28th February 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

The Group anticipates that the application of remaining new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

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

3.2 Significant accounting policies (Cont'd)

Business combinations (Cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

3.2 Significant accounting policies (Cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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, 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 of 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.

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; or
- 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.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

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

3.2 Significant accounting policies (Cont'd)

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.

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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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".

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

3.2 Significant accounting policies (Cont'd)

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.

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.

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

3.2 Significant accounting policies (Cont'd)

Taxation (Cont'd)

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.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 other than goodwill

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 or a group of cash-generated units) 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 and unused credit card limit

The Group performs impairment assessment under ECL model on financial assets (including advances and receivables, other debtors, amounts due from immediate holding company, an intermediate holding company and ultimate holding company, 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 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 and unused credit card limit (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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(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 and unused credit card limit (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.

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.

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 and unused credit card limit (Cont'd)

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

Where ECL is measured on a collective basis to 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.

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.

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 liabilities and equity instruments (Cont'd)

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, creditors, amounts due to fellow subsidiaries and an intermediate holding company, 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.

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

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

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

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

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.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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)

Derivative financial instruments (Cont'd)

Embedded derivatives (Cont'd)

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

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.

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)

Assessment of hedging relationship and effectiveness (Cont'd)

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

Cash 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.

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

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 21 to 22.

Fair value measurement of unlisted equity instruments

As at 28 February 2023, the Group's unlisted equity instruments amounting to HK$95,464,000 (2022: HK$68,768,000) are measured at fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 39(c) for further disclosures.

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:

	2023 ***HK$'000***	2022 *HK$'000*
Interest income *(note 7)*	**1,032,133**	879,273
Fees and commissions		
Credit cards – issuing	**71,988**	62,261
Credit cards – acquiring	**33,187**	13,524
Insurance	**26,539**	27,650
Handling and late charges	**67,784**	66,881
Revenue from contracts with customers	**199,498**	170,316
Total revenue	**1,231,631**	1,049,589

For the year ended 28th February 2023

	Credit cards ***HK$'000***	**Personal loans** ***HK$'000***	**Insurance** ***HK$'000***	**Total** ***HK$'000***
Interest income	**793,663**	**238,470**	**–**	**1,032,133**
Fees and commissions	**105,175**	**–**	**26,539**	**131,714**
Handling and late charges	**64,544**	**3,240**	**–**	**67,784**
Segment revenue	**963,382**	**241,710**	**26,539**	**1,231,631**

For the year ended 28th February 2022

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Total *HK$'000*
Interest income	694,208	185,065	–	879,273
Fees and commissions	75,785	–	27,650	103,435
Handling and late charges	62,981	3,900	–	66,881
Segment revenue	832,974	188,965	27,650	1,049,589

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 2023 and 28th February 2022 and the expected timing of recognising revenue are as follows:

Customer loyalty programmes	2023 HK$'000	2022 HK$'000
Within one year	18,523	14,651
More than one year but not more than two years	5,374	3,959
	23,897	18,610

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, exchange gain on reclassification adjustment for the cumulative exchange differences upon deemed disposal of a foreign associate and gain on deemed disposal of investment in an associate), unallocated expenses (including head office expenses, exchange loss on reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary) 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 goodwill, 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 2023

	Credit cards *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**963,382**	**241,710**	**26,539**	**1,231,631**
RESULT Segment results	**337,636**	**99,712**	**20,737**	**458,085**
Unallocated operating income				**5,739**
Unallocated expenses				**(14,530)**
Profit before tax				**449,294**

For the year ended 28th February 2022

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
REVENUE	832,974	188,965	27,650	1,049,589
RESULT Segment results	309,552	67,209	13,519	390,280
Unallocated operating income				6,256
Gain on deemed disposal of investment in an associate				7,910
Unallocated expenses				(7,628)
Share of results of an associate				1,155
Profit before tax				397,973

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 2023

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	**4,945,080**	**1,380,004**	**9,460**	**6,334,544**
Unallocated assets				**123,136**
Consolidated total assets				**6,457,680**
LIABILITIES				
Segment liabilities	**2,004,965**	**466,400**	**348**	**2,471,713**
Unallocated liabilities				**93,507**
Consolidated total liabilities				**2,565,220**

At 28th February 2022

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	3,919,924	1,073,305	8,180	5,001,409
Unallocated assets				88,147
Consolidated total assets				5,089,556
LIABILITIES				
Segment liabilities	1,200,067	228,990	1,643	1,430,700
Unallocated liabilities				25,314
Consolidated total liabilities				1,456,014

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 2023

	Credit cards HK$'000	Personal loans HK$'000	Insurance HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	71,708	21,285	–	92,993
Depreciation	67,368	15,368	103	82,839
Impairment losses and impairment allowances	125,332	47,317	–	172,649
Recoveries of advances and receivables written-off	(22,506)	(10,828)	–	(33,334)
Gain on disposal of distressed assets	(19,334)	(12,599)	–	(31,933)

For the year ended 28th February 2022

	Credit cards HK$'000	Personal loans HK$'000	Insurance HK$'000	Consolidated HK$'000
Additions to non-current assets *(Note)*	48,985	11,372	50	60,407
Depreciation	65,851	18,131	132	84,114
Impairment losses and impairment allowances	69,486	24,609	–	94,095
Recoveries of advances and receivables written-off	(27,907)	(12,444)	–	(40,351)

Note: Non-current assets exclude goodwill, 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 2023

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	**1,209,684**	**21,947**	**1,231,631**
RESULT			
Segment results	**454,533**	**3,552**	**458,085**
Unallocated operating income			**5,739**
Unallocated expenses			**(14,530)**
Profit before tax			**449,294**

For the year ended 28th February 2022

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	1,032,158	17,431	1,049,589
RESULT			
Segment results	393,049	(2,769)	390,280
Unallocated operating income			6,256
Gain on deemed disposal of investment in an associate			7,910
Unallocated expenses			(7,628)
Share of results of an associate			1,155
Profit before tax			397,973

Most of the Group's non-current assets (excluding goodwill, 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 2023 and 28th February 2022, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

	2023 HK$'000	2022 HK$'000
Non-credit impaired advances	**1,023,395**	866,626
Credit impaired advances	**7,426**	9,815
Time deposits and bank balances	**1,312**	2,832
	1,032,133	879,273

8. INTEREST EXPENSE

	2023 HK$'000	2022 HK$'000
Interest on bank borrowings	**44,138**	18,540
Interest on lease liabilities	**1,435**	1,887
Net interest (income) expense on interest rate swap contracts		
– released from hedging reserve	**(1,445)**	11,403
	44,128	31,830

Amortisation of upfront cost of HK$474,000 (2022: HK$688,000) is included in the interest expense on bank borrowings.

9. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Dividends received from financial instruments		
– Listed equity securities	**89**	142
– Unlisted equity securities	**813**	476
Government grants	**2,496**	–
Marketing support fund	**20,481**	2,492
Others	**2,241**	2,353
	26,120	5,463

The Group recognised government grants of HK$2,496,000 (2022: nil) in respect of pandemic related subsidies under Employment Support Scheme provided by the Hong Kong Government.

10. OTHER GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Exchange (loss) gain		
– Exchange (loss) gain on hedging instrument released from hedging reserve	**(41,915)**	20,155
– Exchange gain (loss) on a bank borrowings	**41,915**	(20,155)
– Reclassification adjustment for the cumulative exchange differences upon deemed disposal of a foreign associate	**–**	807
– Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**(8,772)**	(3,783)
– Other exchange (losses) gains, net	**(10)**	86
Hedge ineffectiveness on cash flow hedges, net	**404**	339
Losses on disposal of property, plant and equipment	**(1,085)**	(158)
	(9,463)	(2,709)

11. OPERATING EXPENSES

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	**3,766**	3,474
Depreciation on property, plant and equipment	**28,918**	29,008
Depreciation on right-of-use assets	**53,921**	55,106
Expense relating to short-term leases	**4,237**	1,897
	58,158	57,003
General administrative expenses	**175,985**	172,427
Marketing and promotion expenses	**118,293**	89,443
Other operating expenses	**63,117**	64,180
Staff costs including directors' emoluments	**199,247**	162,326
	647,484	577,861

Non-monetary benefits in respect of directors' and staff accommodation of HK$2,459,000 (2022: HK$1,778,000) are included under operating expenses.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2022: eleven) Directors are as follows:

For the year ended 28th February 2023

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)*	–	2,636	456	59	3,151
Lai Yuk Kwong	–	1,660	400	18	2,078
Wei Aiguo (23.6.2022-28.2.2023)	–	992	–	12	1,004
Daisuke Takenaka *(Note b)*	–	2,408	181	87	2,676
Sub-total	–	7,696	1,037	176	8,909

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

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
Non-executive Directors					
Tomoyuki Mitsufuji	–	–	–	–	–
Jin Hua Shu Ellen *(Note b)*	–	912	–	117	1,029
Sub-total	–	912	–	117	1,029

The non-executive directors' emoluments shown above were for their services as director of the Company and the Group.

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
Independent Non-executive Directors					
Lee Ching Ming, Adrian	340	–	–	–	340
Shing Mo Han Yvonne	335	–	–	–	335
Junko Dochi	335	–	–	–	335
Sub-total	1,010	–	–	–	1,010

The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.

Total					10,948

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

(a) Directors' emoluments (Cont'd)

For the year ended 28th February 2022

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)*	–	1,995	141	62	2,198
Lai Yuk Kwong	–	1,653	110	18	1,781
Tony Fung					
(1.3.2021–31.8.2021)	–	1,076	150	10	1,236
Daisuke Takenaka *(Note b)*	–	2,233	257	103	2,593
Sub-total	–	6,957	658	193	7,808
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 Directors					
Tomoyuki Mitsufuji					
(25.6.2021-28.2.2022)	–	–	–	–	–
Masaaki Mangetsu					
(1.3.2021–25.6.2021)	–	–	–	–	–
Jin Hua Shu Ellen *(Note b)*					
(25.6.2021-28.2.2022)	–	799	–	75	874
Sub-total	–	799	–	75	874
The non-executive directors' emoluments shown above were for their services as director of the Company and the Group.					
Independent Non-executive Directors					
Lee Ching Ming, Adrian	340	–	–	–	340
Kenji Hayashi					
(1.3.2021–25.6.2021)	113	–	–	–	113
Shing Mo Han Yvonne	327	–	–	–	327
Junko Dochi	327	–	–	–	327
Sub-total	1,107	–	–	–	1,107
The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.					
Total					9,789

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$1,732,000 (2022: HK$1,437,000) 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, three (2022: three) were Directors, details of their emoluments were set out as above. The emoluments of the remaining two (2022: two) individual are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	**3,720**	3,400
Discretionary bonus	**181**	90
Retirement benefits	**116**	36
	4,017	3,526

Their emoluments were within the following bands:

	No. of employees	
	2023	2022
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	2	2

13. GAIN ON DISPOSAL OF DISTRESSED ASSETS

During the year ended 28 February 2023, fully impaired advances and receivables were disposed to an independent third party at a consideration of approximately HK$31,933,000 (2022: nil), resulting in a gain on disposal recognised in profit or loss.

14. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Hong Kong Profits Tax		
— Current year	**80,270**	63,311
— Underprovision (overprovision) in respect of prior years	**509**	(9,795)
	80,779	53,516
PRC Enterprise Income Tax		
— Current year	**1,735**	–
Dividend withholding tax	**–**	606
Deferred tax *(note 35)*		
— Current year	**(6,831)**	1,259
	75,683	55,381

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.

14. 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:

	2023 HK$'000	2022 HK$'000
Profit before tax	**449,294**	397,973
Tax at the applicable rate of 16.5% (2022: 16.5%)	**74,133**	65,666
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**408**	–
Tax effect of share of results of an associate	**–**	(191)
Tax effect of expenses not deductible for tax purpose	**1,803**	386
Tax effect of income not taxable for tax purpose	**(611)**	(1,362)
Underprovision (overprovision) in respect of prior years	**509**	(9,795)
Tax effect of tax losses in current year not recognised	**45**	166
Utilisation of tax losses previously not recognised	**(604)**	(95)
Dividend withholding tax	**–**	606
Income tax expense for the year	**75,683**	55,381

15. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid of 22.0 HK cents in respect of 2021/22 (2022: 18.0 HK cents in respect of 2020/21) per share	**92,128**	75,378
Interim dividend paid of 22.0 HK cents in respect of 2022/23 (2022: 22.0 HK cents in respect of 2021/22) per share	**92,128**	92,128
	184,256	167,506
Final dividend proposed of 22.0 HK cents in respect of 2022/23 (2022: 22.0 HK cents in respect of 2021/22) per share	**92,128**	92,128

The Directors have recommended a final dividend of 22.0 HK cents per share. Subject to the approval of the shareholders at the 2023 AGM, the final dividend will be paid on 20th July 2023 to shareholders whose names appear on the register of members of the Company on 7th July 2023. This dividend has not been included as a liability in the consolidated financial statements.

16. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of HK$373,611,000 (2022: HK$342,592,000) and on the number of shares of 418,766,000 (2022: 418,766,000) in issue during the year.

17. 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 2021	21,605	1,624	426,808	226	450,263
Acquired on acquisition of a subsidiary *(note 45)*	161	–	2,453	–	2,614
Additions	1,337	42	18,239	–	19,618
Disposals	(251)	(1,053)	(3,327)	–	(4,631)
Exchange realignment	134	5	270	–	409
At 28th February 2022	**22,986**	**618**	**444,443**	**226**	**468,273**
Additions	**5,839**	**287**	**7,591**	**966**	**14,683**
Disposals	**(290)**	**(86)**	**(37,365)**	**(226)**	**(37,967)**
Exchange realignment	**(403)**	**(17)**	**(1,100)**	**–**	**(1,520)**
At 28th February 2023	**28,132**	**802**	**413,569**	**966**	**443,469**
DEPRECIATION					
At 1st March 2021	20,633	1,611	320,579	226	343,049
Provided for the year	1,846	2	27,160	–	29,008
Eliminated on disposals	(251)	(1,049)	(3,173)	–	(4,473)
Exchange realignment	134	5	267	–	406
At 28th February 2022	**22,362**	**569**	**344,833**	**226**	**367,990**
Provided for the year	**2,535**	**64**	**26,222**	**97**	**28,918**
Eliminated on disposals	**(290)**	**(86)**	**(36,280)**	**(226)**	**(36,882)**
Exchange realignment	**(398)**	**(17)**	**(726)**	**–**	**(1,141)**
At 28th February 2023	**24,209**	**530**	**334,049**	**97**	**358,885**
CARRYING VALUES					
At 28th February 2023	**3,923**	**272**	**79,520**	**869**	**84,584**
At 28th February 2022	624	49	99,610	–	100,283

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%–$33^1/_3$%

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1st March 2021	162,700	–	162,700
Addition	29,327	143	29,470
Acquired on acquisition of a subsidiary *(note 45)*	2,529	63	2,592
Expiry of lease contracts	(2,518)	–	(2,518)
Exchange difference	50	2	52
At 28th February 2022	**192,088**	**208**	**192,296**
Addition	**38,053**	**286**	**38,339**
Expiry of lease contracts	**(18,749)**	**(198)**	**(18,947)**
Exchange difference	**(374)**	**(20)**	**(394)**
At 28th February 2023	**211,018**	**276**	**211,294**
DEPRECIATION			
At 1st March 2021	80,422	–	80,422
Provided for the year	54,984	122	55,106
Eliminated on expiry of lease contracts	(2,173)	–	(2,173)
Exchange difference	48	2	50
At 28th February 2022	**133,281**	**124**	**133,405**
Provided for the year	**53,640**	**281**	**53,921**
Eliminated on expiry of lease contracts	**(18,749)**	**(198)**	**(18,947)**
Exchange difference	**(155)**	**(7)**	**(162)**
At 28th February 2023	**168,017**	**200**	**168,217**
CARRYING VALUES			
At 28th February 2023	**43,001**	**76**	**43,077**
At 28th February 2022	58,807	84	58,891

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	**4,237**	1,897
Total cash outflow for leases	**57,665**	57,415

For the year ended 28th February 2023, the Group leases various offices, office equipment, branches, director and staff quarters and motor vehicles (2022: offices, office equipment, branches, director and staff quarters and motor vehicles) 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.

19. GOODWILL

	HK$'000
As at 1st March 2021	–
Goodwill arising on acquisition *(note 45)*	**15,820**
As at 28th February 2022 and 28th February 2023	**15,820**

For the purposes of impairment testing, goodwill has been allocated to a cash generating unit ("CGU") which is a subsidiary engaging in the business of provision of business process outsourcing services in PRC.

As at 28th February 2023 and 28th February 2022, the management determined that there is no impairment of the CGU containing goodwill. The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined based on the value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 10% (2022: 11%). The cash flows beyond the 5 years period are extrapolated using 0% growth rate (2022: 0%). Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development, the management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	28.2.2023 HK$'000	28.2.2022 HK$'000
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	**1,669**	2,309
— Unlisted investments	**95,464**	68,768
	97,133	71,077

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 above unlisted equity investments represent equity interest in two (28th February 2022: 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.

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.

21. ADVANCES AND RECEIVABLES

	28.2.2023 HK$'000	28.2.2022 HK$'000
Credit card receivables	4,481,038	3,304,452
Personal loan receivables	1,263,929	905,434
	5,744,967	4,209,886
Accrued interest and other receivables	91,250	64,664
Gross advances and receivables	5,836,217	4,274,550
Impairment allowances *(note 22)*	(191,709)	(181,143)
	5,644,508	4,093,407
Current portion included under current assets	(4,404,568)	(3,342,610)
Amount due after one year	1,239,940	750,797

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 2022	4,058,094	63,425	153,031	4,274,550
Net advance (repayment) in advances and receivables	1,779,111	(38,652)	(9,226)	1,731,233
Transfer to 12m ECL (Stage 1)	223,622	(218,786)	(4,836)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(459,952)	470,201	(10,249)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(10,942)	(191,884)	202,826	–
Total transfer between stages	(247,272)	59,531	187,741	–
Amounts written-off as uncollectable	–	–	(161,461)	(161,461)
Exchange realignment	(7,697)	(75)	(333)	(8,105)
At 28th February 2023	5,582,236	84,229	169,752	5,836,217

21. ADVANCES AND RECEIVABLES (Cont'd)

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2021	3,830,376	71,986	159,910	4,062,272
Net advance (repayment) in advances and receivables	392,164	(28,958)	(22,091)	341,115
Transfer to 12m ECL (Stage 1)	194,376	(186,827)	(7,549)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(350,091)	365,137	(15,046)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(10,882)	(157,965)	168,847	–
Total transfer between stages	(166,597)	20,345	146,252	–
Amounts written-off as uncollectable	–	–	(131,214)	(131,214)
Exchange realignment	2,151	52	174	2,377
At 28th February 2022	4,058,094	63,425	153,031	4,274,550

At the end of the reporting periods, all advances and receivables are unsecured and the credit risk exposures are disclosed in note 39(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 35.0% to 35.9% (28th February 2022: 26.8% to 43.5%) per annum.

(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 2.3% to 48.0% (28th February 2022: 3.1% to 52.3%) per annum.

22. IMPAIRMENT ALLOWANCES

	28.2.2023 HK$'000	28.2.2022 HK$'000
Analysis by products as:		
Credit card receivables	122,910	98,876
Personal loan receivables	66,229	79,936
Accrued interest and other receivables	2,570	2,331
	191,709	181,143

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 2022	72,719	22,067	86,357	181,143
Net effect of advance (repayment) in advances and receivables	31,500	(11,055)	(4,648)	15,797
Transfer to 12m ECL (Stage 1)	65,014	(62,580)	(2,434)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(8,144)	13,305	(5,161)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(194)	(54,884)	55,078	–
Total transfer between stages	56,676	(104,159)	47,483	–
Remeasurement of ECL during the year	(63,141)	112,095	107,898	156,852
Amounts written-off as uncollectable	–	–	(161,461)	(161,461)
Exchange realignment	(112)	(70)	(440)	(622)
At 28th February 2023	97,642	18,878	75,189	191,709

22. 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 2021	80,218	30,777	107,509	218,504
Net effect of advance (repayment) in advances and receivables	7,620	(11,228)	(13,660)	(17,268)
Transfer to 12m ECL (Stage 1)	77,107	(72,440)	(4,667)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(6,803)	16,106	(9,303)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(211)	(61,249)	61,460	–
Total transfer between stages	70,093	(117,583)	47,490	–
Remeasurement of ECL during the year	(85,179)	120,132	76,410	111,363
Amounts written-off as uncollectable	–	–	(131,214)	(131,214)
Exchange realignment	(33)	(31)	(178)	(242)
At 28th February 2022	72,719	22,067	86,357	181,143

23. 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:

	28.2.2023		28.2.2022	
	HK$'000	***%****	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**59,901**	**1.0**	45,261	1.1
Overdue 2 months but less than 3 months	**38,336**	**0.7**	29,930	0.7
Overdue 3 months but less than 4 months	**18,942**	**0.3**	13,588	0.3
Overdue 4 months or above	**57,175**	**1.0**	56,816	1.4
	174,354	**3.0**	145,595	3.5

* Percentage of gross advances and receivables

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	28.2.2023 **HK$'000**	28.2.2022 HK$'000
Deposits for property, plant and equipment	**55,407**	15,436
Rental and other deposits	**16,268**	16,736
Prepaid operating expenses	**40,987**	45,712
Other debtors	**18,629**	17,840
	131,291	95,724
Current portion included under current assets	**(67,009)**	(64,165)
Amount due after one year	**64,282**	31,559

25. TIME DEPOSITS

Time deposits are denominated in RMB (2022: HKD and RMB) and carry fixed-rates ranging from 1.90% to 2.00% (28th February 2022: 0.21% to 2.25%) per annum during the year.

	28.2.2023 **HK$'000**	28.2.2022 HK$'000
Time deposits with maturity of three months or less	**5,184**	131,990
Time deposits with maturity of more than three months	**7,889**	61,384
	13,073	193,374

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 2023				
Bank balances and cash	**358,906**	**22,541**	**876**	**382,323**
At 28th February 2022				
Bank balances and cash	444,166	10,877	1,930	456,973

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:

	28.2.2023 ***HK$'000***	28.2.2022 *HK$'000*
Less than 1 month	**78,609**	34,121
Over 1 month but less than 3 months	**5,325**	3,379
Over 3 months	**842**	678
	84,776	38,178

29. CONTRACT LIABILITIES

	28.2.2023 ***HK$'000***	28.2.2022 *HK$'000*
Contract liabilities		
— Deferred revenue in relation to customer loyalty programmes	**23,897**	18,610

As at 1st March 2022, contract liabilities from deferred revenue in relation to customer loyalty programmes amounted to HK$16,301,000.

Revenue recognised during the year ended 28th February 2023 amounted to HK$13,980,000 (2022: HK$13,449,000) 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 and settlement of outstanding balances 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$42,862,000 (28th February 2022: HK$55,283,000) 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:

	28.2.2023 **HK$'000**	28.2.2022 HK$'000
Less than 1 month	**42,862**	55,283

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

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

32. BANK BORROWINGS

	28.2.2023 **HK$'000**	28.2.2022 HK$'000
Carrying amount repayable *(Note)*		
Within one year	**789,977**	165,000
Within a period of more than one year but not more than two years	**201,917**	160,000
Within a period of more than two years but not more than five years	**1,115,781**	759,139
	2,107,675	1,084,139
Amount repayable within one year included under current liabilities	**(789,977)**	(165,000)
Amount repayable after one year	**1,317,698**	919,139

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

32. 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$'000*	RMB *HK$'000*	JPY *HK$'000*	Total *HK$'000*
At 28th February 2023				
Bank loans	**1,848,000**	**21,977**	**237,698**	**2,107,675**
At 28th February 2022				
Bank loans	805,000	–	279,139	1,084,139

HKD bank loans of HK$1,178,000,000 (28th February 2022: HK$290,000,000) are arranged at fixed interest rates ranging from 2.08% to 5.78% (28th February 2022: 2.08% to 2.66%) per annum of which the interest rate of sustainability linked loans of HK$200,000,000 (28th February 2022: nil) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met. Other HKD bank loans are arranged at floating interest rates at 0.56% to 0.7% plus HIBOR (28th February 2022: 0.55% to 0.70% plus HIBOR) per annum of which the interest margin of sustainability linked loans of HK$120,000,000 (28th February 2022: nil) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met. The RMB loan is arranged at fixed interest rate at 3.20%. JPY bank loan is arranged at floating interest rate at 0.40% plus TONA (28th February 2022: 0.40% plus TONA) per annum. Thus, the Group is exposing to cash flow interest rate risk.

At 28th February 2023, the Group has available unutilised overdrafts and non-committed bank loan facilities of HK$106,900,000 (28th February 2022: HK$448,655,000) and HK$1,122,933,500 (28th February 2022: HK$855,600,000) respectively.

33. LEASE LIABILITIES

	28.2.2023 ***HK$'000***	28.2.2022 *HK$'000*
Lease liabilities payable:		
Within one year	**34,392**	36,827
Within a period of more than one year but not more than two years	**7,215**	16,282
Within a period of more than two years but not more than five years	**1,092**	4,480
	42,699	57,589
Amount due for settlement within one year included under current liabilities	**(34,392)**	(36,827)
Amount due for settlement after one year	**8,307**	20,762

The weighted average incremental borrowing rates applied to lease liabilities range from 2.5% to 4.8% (2022: from 2.5% to 4.8%).

34. DERIVATIVE FINANCIAL INSTRUMENTS

	28.2.2023		28.2.2022	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**35,646**	**942**	2,711	3,927
Cross-currency interest rate swaps	**–**	**47,441**	–	23,374
	35,646	**48,383**	2,711	27,301
Current portion	**(878)**	**–**	–	(1,542)
Non-current portion	**34,768**	**48,383**	2,711	25,759

All derivative financial instruments entered into by the Group that remain outstanding at 28th February 2023 and 28th February 2022 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

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

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of HK$670,000,000 (28th February 2022: HK$515,000,000) from floating-rates to fixed-rates. The interest rate swaps with aggregate notional amount of HK$670,000,000 (28th February 2022: HK$515,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.95% to 5.37% (28th February 2022: 1.95% to 3.05%) per annum and floating interest receipts quarterly ranging from 0.56% to 0.70% plus HIBOR (28th February 2022: 0.55% to 0.70% plus HIBOR) per annum for periods up until August 2027 (28th February 2022: until September 2026).

34. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate swaps (Cont'd)

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

During the year, net adjustment on the above-mentioned cash flow hedges amounted to HK$29,863,000 (2022: HK$10,292,000), net of tax 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 JPY bank borrowings (2022: JPY bank borrowings) by swapping the floating-rate JPY bank borrowings (2022: JPY bank borrowings) to fixed-rate HKD bank borrowings.

The JPY cross-currency interest rate swaps with notional amount of JPY4,150,000,000 (28th February 2022: JPY4,150,000,000) (equivalent to HK$300,398,000 at the date of inception of the bank borrowings (28th February 2022: HK$300,398,000)) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07 (28th February 2022: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (28th February 2022: at 2.17% to 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus TONA (28th February 2022: 0.40% plus TONA) per annum for periods up until March 2026 (28th February 2022: until March 2026).

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$22,659,000 (2022: HK$12,278,000), net of tax 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 TONA (28th February 2022: TONA) yield curves and the forward exchange rates between JPY and HKD (28th February 2022: JPY and HKD) estimated at the end of the reporting period.

35. DEFERRED TAX

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the years ended 28th February 2023 and 28th February 2022:

	Accelerated tax depreciation *HK$'000*	Impairment allowances *HK$'000*	Derivative financial instruments *HK$'000*	Total *HK$'000*
At 1st March 2021	15,410	(17,919)	–	(2,509)
(Credit) charge to profit or loss for the year	(1,333)	2,592	–	1,259
At 28th February 2022	**14,077**	**(15,327)**	**–**	**(1,250)**
Credit to profit or loss for the year	**(3,214)**	**(3,617)**	**–**	**(6,831)**
Credit to other comprehensive income or expense for the year	**–**	**–**	**(2,102)**	**(2,102)**
At 28th February 2023	**10,863**	**(18,944)**	**(2,102)**	**(10,183)**

At the end of the reporting period, the Group had unused tax losses of HK$28,407,000 (28th February 2022: HK$35,670,000) 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$23,735,000 (28th February 2022: HK$30,945,000) will expire in 2023 to 2027 (28th February 2022: 2022 to 2026) and the remaining tax losses may be carried forward indefinitely.

Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of a PRC subsidiary amounting to approximately HK$20,370,000 (2022: HK$13,802,000) as the Group is able to control the timing of the reversal of these temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

36. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Issued and fully paid		
At 1st March 2021, 28th February 2022 and 28th February 2023 — Ordinary shares with no par value	418,766,000	269,477

37. RESERVES

The Company's reserves available for distribution to shareholders at 28th February 2023 amounted to HK$3,491,388,000 (28th February 2022: HK$3,308,142,000), representing the Company's accumulated profits as shown in note 46.

38. 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 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 is as follows:

	28.2.2023 ***HK$'000***	28.2.2022 *HK$'000*
Debt *(Note a)*	**2,107,675**	1,084,139
Cash and cash equivalents	**(387,507)**	(588,963)
Net debt	**1,720,168**	495,176
Equity *(Note b)*	**3,892,460**	3,633,542
Net debt to equity ratio	**0.4**	0.1

Notes:

(a) Debt comprises bank borrowings as detailed in note 32.

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

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	28.2.2023 HK$'000	28.2.2022 HK$'000
Financial assets		
Equity instruments at FVTOCI	**97,133**	71,077
Financial assets at amortised cost	**6,074,842**	4,761,640
Derivative financial instruments in designated hedge accounting relationships	**35,646**	2,711
Financial liabilities		
Financial liabilities at amortised cost	**2,244,338**	1,182,762
Derivative financial instruments in designated hedge accounting relationships	**48,383**	27,301

(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, an intermediate holding company and ultimate holding company, time deposits, bank balances and cash, bank borrowings, creditors, amounts due to fellow subsidiaries and an intermediate holding company, and derivative financial 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, liquidity risk and risk arising from the interest rate benchmark reform.

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.

39. 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 JPY (2022: 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 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 32 and 34).

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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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/TONA 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.

39. 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 (2022: 100 basis points) higher/lower and all other variables were held constant:

- other comprehensive income would increase/decrease by HK$22,086,000 (2022: HK$21,566,000) 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, an intermediate holding company and an associate, 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 2023, unused credit card limit of HK$36,466,290,000 (28th February 2022: HK$29,702,994,000) 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.

39. 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

39. 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 2023 and 28th February 2022 and analysis of credit quality at the end of the reporting period are set out in notes 21 to 23.

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.

39. 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.

	28.2.2023					
	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	615,562	13,231	82,522	548,262	–	1,259,577
— variable rate	4,473	3,454	116,610	704,287	152,812	981,636
Lease liabilities	4,931	9,380	20,718	8,434	–	43,463
Other financial liabilities	135,743	921	–	–	–	136,664
Total undiscounted financial liabilities	760,709	26,986	219,850	1,260,983	152,812	2,421,340

39. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

	28.2.2022					
	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	942	731	5,154	206,266	101,870	314,963
— variable rate	65,912	446	107,147	321,723	330,038	825,266
Lease liabilities	4,028	7,218	26,583	21,073	–	58,902
Other financial liabilities	97,861	762	–	–	–	98,623
Total undiscounted financial liabilities	168,743	9,157	138,884	549,062	431,908	1,297,754

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.

	28.2.2023				
	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 settlement					
Interest rate swaps	**3,197**	**9,241**	**23,922**	**560**	**36,920**
Derivative financial instruments — gross settlement					
Cross currency swaps					
— inflow	**230**	**878**	**265,443**	**–**	**266,551**
— outflow	**(1,887)**	**(5,759)**	**(309,577)**	**–**	**(317,223)**
	(1,657)	**(4,881)**	**(44,134)**	**–**	**(50,672)**

39. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

	28.2.2022				
	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	(2,370)	(6,390)	(11,708)	(523)	(20,991)

Interest rate benchmark reform

The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity and hence, are not subject to transition.

39. FINANCIAL INSTRUMENTS (Cont'd)

(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.

	28.2.2023			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Derivative financial assets	–	35,646	–	35,646
Equity instruments at FVTOCI				
Listed equity investment	1,669	–	–	1,669
Unlisted equity investments	–	–	95,464	95,464
Total	1,669	35,646	95,464	132,779
Derivative financial liabilities	–	48,383	–	48,383

	28.2.2022			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Derivative financial assets	–	2,711	–	2,711
Equity instruments at FVTOCI				
Listed equity investment	2,309	–	–	2,309
Unlisted equity investments	–	–	68,768	68,768
Total	2,309	2,711	68,768	73,788
Derivative financial liabilities	–	27,301	–	27,301

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 JPY and HKD (for cross-currency interest rate swap), which are observable at the end of the reporting period.

39. 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 2021	61,385
Fair value gain recognised in other comprehensive income	7,383
At 28th February 2022	**68,768**
Fair value gain recognised in other comprehensive income	**26,696**
At 28th February 2023	**95,464**

At 28th February 2023, a small percentage, 1.48% (28th February 2022: 1.35%), 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 a gain of HK$26,696,000 (2022: gain of HK$7,383,000) 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:

	28.2.2023		28.2.2022	
	Carrying amount ***HK$'000***	**Fair value** ***HK$'000***	Carrying amount *HK$'000*	Fair value *HK$'000*
Bank borrowings	**2,107,675**	**2,087,465**	1,084,139	1,114,972

39. 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 2023			
Derivative financial instruments	**35,646**	**–**	**35,646**
At 28th February 2022			
Derivative financial instruments	2,711	–	2,711

(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 2023			
Counterparty A	**35,646**	**(942)**	**34,704**
At 28th February 2022			
Counterparty A	2,711	(2,711)	–

39. FINANCIAL INSTRUMENTS (Cont'd)

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

(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 2023			
Derivative financial instruments	**(48,383)**	**–**	**(48,383)**
At 28th February 2022			
Derivative financial instruments	(27,301)	–	(27,301)

(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 2023			
Counterparty A	**(942)**	**942**	**–**
Counterparty B	**–**	**–**	**–**
Counterparty C	**(47,441)**	**–**	**(47,441)**
Total	**(48,383)**	**942**	**(47,441)**
At 28th February 2022			
Counterparty A	(3,579)	2,711	(868)
Counterparty B	(79)	–	(79)
Counterparty C	(23,643)	–	(23,643)
Total	(27,301)	2,711	(24,590)

40. 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.

	Bank borrowings HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
At 1st March 2021	1,182,881	84,694	–	1,267,575
Financing cash flows	(77,795)	(51,744)	(167,506)	(297,045)
Interest paid	–	(1,887)	–	(1,887)
Interest expense	–	1,887	–	1,887
Amortisation of upfront cost	688	–	–	688
New leases entered	–	22,006	–	22,006
Acquisition from subsidiary	–	2,632	–	2,632
Dividends recognised as distribution	–	–	167,506	167,506
Exchange realignment	(21,635)	1	–	(21,634)
At 28th February 2022	**1,084,139**	**57,589**	**–**	**1,141,728**
Financing cash flows	**1,065,102**	**(51,993)**	**(184,256)**	**828,853**
Interest paid	**–**	**(1,435)**	**–**	**(1,435)**
Interest expense	**–**	**1,435**	**–**	**1,435**
Amortisation of upfront cost	**474**	**–**	**–**	**474**
New leases entered	**–**	**36,876**	**–**	**36,876**
Dividends recognised as distribution	**–**	**–**	**184,256**	**184,256**
Exchange realignment	**(42,040)**	**227**	**–**	**(41,813)**
At 28th February 2023	**2,107,675**	**42,699**	**–**	**2,150,374**

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased offices, office equipment, branches, director and staff's quarters and motor vehicles for one to five years. On the lease commencement, the Group recognised right-of-use assets (including provision for reinstatement cost) and lease liabilities of HK$38,339,000 and HK$36,876,000 (2022: HK$29,470,000 and HK$22,006,000) respectively.

42. CAPITAL COMMITMENTS

	28.2.2023 **HK$'000**	28.2.2022 HK$'000
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**64,731**	39,886

43. RETIREMENT BENEFITS SCHEME

Defined contribution plan

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 (2022: 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$5,624,000 (2022: HK$5,160,000) represents contribution payable to MPF Scheme by the Group in respect of the current accounting year. At 28th February 2023, contributions of the Group amounting to HK$927,000 (28th February 2022: HK$814,000) 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.

At 28th February 2023 and 2022, the Group had no forfeited contributions that it might use to reduce its existing level of contributions to any of the pension schemes it operated.

Defined benefit plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement'). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

44. 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	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Interest income received	3,490	4,184	–	–	–	–	–	–	–	–
Commission received	23,238	13,873	–	–	–	–	–	–	–	–
Dividends received	89	142	–	–	–	–	–	–	–	–
Service fees received	–	–	1,574	1,594	17	–	–	–	–	–
Licence fees paid	18,359	15,637	–	–	–	–	–	1	–	–
Service fees paid	3,518	2,768	11,737	14,010	7,050	5,465	10	–	–	23,350
Gift certificate purchased	13,228	7,723	–	–	–	–	–	–	–	–
Interest on lease liabilities	274	212	–	–	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	16,792	–	–	–	–

Outstanding balances as at the end of reporting periods arising from the above transactions with related parties are set out in the consolidated statement of financial position except for the following balances, which are included in lease liabilities:

	28.2.2023 HK$'000	28.2.2022 HK$'000
Amounts due to fellow subsidiaries (included in lease liabilities)	9,366	5,779

During the year ended 28th February 2023, the Company entered into a loan facility agreement with AFS(HK), that AFS(HK) would provide a HK$600,000,000 facility to the Company. As at 28th February 2023, the Company does not utilise the facility.

Compensation of key management personnel

The remuneration of key management personnel, including remuneration of Directors, during the year is as follows:

	2023 HK$'000	2022 HK$'000
Short-term benefits	10,655	9,521
Retirement benefits	293	268
	10,948	9,789

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

45. ACQUISITION OF A SUBSIDIARY

The Group held 50% equity interest in an associate, AIS prior to completion of acquisition. Pursuant to an agreement entered between the Company and AEON Financial Service Co., Ltd., an intermediate holding company of the Company, the Company acquired the remaining 50% equity interest in AIS for a consideration of HK$16,792,000 by cash. The transaction was completed on 21st February 2022. After the completion of the transaction, AIS has become a subsidiary of the Group since then.

AIS is a private company incorporated in the PRC and engaged in provision of business process outsourcing services. The goodwill of HK$15,820,000 arising from the acquisition is attributable to the future economic benefits that are expected to accrued to the Group from operating synergies and revenue growth incurred by the joint contributions of technology from AIS and business management skills from the Group.

The following table summarises the consideration transferred for AIS and the amounts of the assets acquired and liabilities assumed recognised as at acquisition date.

	Fair values *HK$'000*
ASSETS	
Property, plant and equipment	2,614
Right-of-use assets	2,592
Prepayments, deposits and other debtors	1,532
Amounts due from intermediate holding companies	16
Amount due from immediate holding company	3,134
Amount due from a fellow subsidiary	132
Time deposits	8,707
Bank balances and cash	3,586
	22,313
LIABILITIES	
Creditors and accruals	1,451
Amounts due to fellow subsidiaries	466
Lease liabilities	2,632
	4,549
Total identifiable net assets at fair value	17,764
Goodwill arising on acquisition	
Cash consideration	16,792
Fair value of interest in the associate previously held	16,792
Less: net assets acquired	(17,764)
Goodwill arising on acquisition *(Note 19)*	15,820

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

45. ACQUISITION OF A SUBSIDIARY (Cont'd)

	Fair values *HK$'000*
Gain on deemed disposal of previously held ownership interest in AIS	
Fair value of interest in the associate previously held	16,792
Carrying amount of previously held ownership interest	(8,882)
Gain on deemed disposal of investment in an associate	7,910
Net cash outflow on acquisition of a subsidiary	
Cash consideration paid	16,792
Less: cash and cash equivalent balances acquired	(12,293)
	4,499

The fair value is estimated by an independent and professional qualified valuer and calculated using discounted cash flow method based on the cash flow projection, growth rate and discount rate adopted by the management. The Group recognised a gain of HK$7,910,000 as a result of the re-measurement of previously held interest.

Impact of acquisition on the results of the Group

Included in the profit for the year ended 28th February 2022 is HK$139,000 attributable to the additional business generated by AIS. Revenue for the year ended 28th February 2022 included HK$649,000 generated from AIS.

Had the acquisition of AIS been completed on 1st March 2021, revenue for the year ended 28th February 2022 of the Group would have been HK$1,052,076,000, and profit for the year ended 28th February 2022 would have been HK$343,747,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st March 2021, nor is it intended to be a projection of future results.

46. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

	28.2.2023 HK$'000	28.2.2022 HK$'000
Non-current assets		
Property, plant and equipment	80,090	96,592
Right-of-use assets	42,028	55,969
Investments in subsidiaries	132,481	197,526
Equity instruments at fair value through other comprehensive income	97,133	71,077
Advances and receivables	1,153,839	702,091
Prepayments, deposits and other debtors	62,439	29,008
Derivative financial instruments	34,768	2,711
Deferred tax assets	10,183	1,272
	1,612,961	1,156,246
Current assets		
Advances and receivables	4,372,518	3,314,631
Prepayments, deposits and other debtors	61,916	57,608
Amount due from a subsidiary	55	625
Amount due from an immediate holding company	1	–
Amount due from an intermediate holding company	32	30
Derivative financial instruments	878	–
Time deposit	–	100,000
Bank balances and cash	367,239	440,452
	4,802,639	3,913,346
Current liabilities		
Creditors and accruals	189,447	176,938
Contract liabilities	23,897	18,610
Amounts due to fellow subsidiaries	44,341	56,886
Amount due to an intermediate holding company	1,588	1,275
Amount due to a subsidiary	2,633	1,828
Bank borrowings	768,000	165,000
Lease liabilities	33,490	34,146
Derivative financial instruments	–	1,542
Tax liabilities	93,429	25,314
	1,156,825	481,539
Net current assets	3,645,814	3,431,807
Total assets less current liabilities	5,258,775	4,588,053

46. FINANCIAL POSITION OF THE COMPANY (Cont'd)

	28.2.2023 HK$'000	28.2.2022 HK$'000
Capital and reserves		
Share capital	**269,477**	269,477
Reserves	**3,615,041**	3,353,216
Total equity	**3,884,518**	3,622,693
Non-current liabilities		
Bank borrowings	**1,317,698**	919,139
Lease liabilities	**8,176**	20,462
Derivative financial instruments	**48,383**	25,759
	1,374,257	965,360
	5,258,775	4,588,053

The financial statements of the Company were approved and authorised for issue by the Board on 4 April 2023 and are signed on its behalf by:

TOMOHARU FUKAYAMA
MANAGING DIRECTOR

DAISUKE TAKENAKA
DIRECTOR

46. 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 2021	41,648	(24,750)	367	3,131,879	3,149,144
Profit for the year	–	–	–	343,769	343,769
Fair value gain on equity instruments at FVTOCI	5,606	–	–	–	5,606
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	–	–	440	–	440
Reclassification adjustment for the cumulative exchange differences upon deemed disposal of a foreign associate	–	–	(807)	–	(807)
Net adjustment on cash flow hedges	–	22,570	–	–	22,570
Total comprehensive income (expense) for the year	5,606	22,570	(367)	343,769	371,578
Final dividend paid for the 2020/21	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2021/22	–	–	–	(75,378)	(75,378)
	5,606	22,570	(367)	176,263	204,072
At 28th February 2022	**47,254**	**(2,180)**	**–**	**3,308,142**	**3,353,216**
Profit for the year	**–**	**–**	**–**	**367,503**	**367,503**
Fair value gain on equity instruments at FVTOCI	**26,056**	**–**	**–**	**–**	**26,056**
Net adjustment on cash flow hedges, net of tax	**–**	**52,522**	**–**	**–**	**52,522**
Total comprehensive income for the year	**26,056**	**52,522**	**–**	**367,503**	**446,081**
Final dividend paid for the 2021/22	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2022/23	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	26,056	**52,522**	**–**	**183,247**	**261,825**
At 28th February 2023	**73,310**	**50,342**	**–**	**3,491,389**	**3,615,041**

47. PARTICULARS OF THE SUBSIDIARIES

At 28th February 2023 and 28th February 2022, 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
		28.2.2023	28.2.2022	**28.2.2023**	28.2.2022	
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage service
AEON Micro Finance (Tianjin) Co., Ltd. *(Note)*	China	**N/A**	RMB100,000,000	**N/A**	100%	De-registered on 27 December 2022
AEON Micro Finance (Shenzhen) Co., Ltd. *(Note)*	China	**RMB150,000,000**	RMB150,000,000	**100%**	100%	Microfinance business
AEON Information Service (Shenzhen) Co., Ltd. *(Note)*	China	**HK$2,000,000**	HK$2,000,000	**100%**	100%	Provision of business process outsourcing services

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

Glossary

12m ECL	12-month expected credit loss
2022 AGM	the annual general meeting of the Company to be held on 23rd June 2022
2023 AGM	the annual general meeting of the Company to be held on 29th June 2023
AEON Malaysia	AEON Credit Service (M) Berhad
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.
AMF (SZ)	AEON Micro Finance (Shenzhen) Co., Ltd.
AML	Anti-money laundering
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, Mainland, Mainland China 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
CTF	Counter-terrorist financing
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

GDP	Gross domestic product
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
HONIA	Hong Kong Dollar Overnight Index Average
IBOR	Interbank Offered Rate
ISDA Agreements	International Swaps and Derivatives Association Master Agreements
JPY	Japanese Yen, the lawful currency of Japan
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
LSP	Long service payment
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
PCI DSS	Payment Card Industry Data Security Standard
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended from time to time
Stock Exchange	The Stock Exchange of Hong Kong Limited
TONA	Tokyo Overnight Average Rate
USD	United States Dollars, the lawful currency of the United States of America