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)

FINAL RESULTS FOR THE YEAR ENDED 29TH FEBRUARY 2024

The board (the "Board") of directors (the "Directors") of AEON Credit Service (Asia) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 29th February 2024, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 29th February 2024

	Notes	**2024** *HK$'000*	2023 *HK$'000*
Revenue	*5*	**1,623,321**	1,231,631
Interest income	*7*	**1,367,362**	1,032,133
Interest expense	*8*	**(108,463)**	(44,128)
Net interest income		**1,258,899**	988,005
Fees and commissions		**129,168**	131,714
Handling and late charges		**126,791**	67,784
Other income	*9*	**15,205**	26,120
Other gains and losses	*10*	**(9,097)**	(9,463)
Operating income		**1,520,966**	1,204,160
Operating expenses	*11*	**(713,024)**	(647,484)
Operating profit before impairment losses and impairment allowances		**807,942**	556,676
Impairment losses and impairment allowances		**(373,972)**	(172,649)
Recoveries of advances and receivables written-off		**26,491**	33,334
Gain on disposal of distressed assets		**12,067**	31,933
Profit before tax		**472,528**	449,294
Income tax expense	*12*	**(80,258)**	(75,683)
Profit for the year		**392,270**	373,611
Profit for the year attributable to:			
Owners of the Company		**392,270**	373,611
Earnings per share — Basic	*14*	**93.67 HK cents**	89.22 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 29th February 2024

	2024	2023
	HK$'000	*HK$'000*
Profit for the year	**392,270**	373,611
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on equity instruments at fair value through other comprehensive income ("FVTOCI")	**(4,490)**	26,056
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**(4,855)**	(17,787)
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	8,772
Fair value adjustment on cash flow hedges, net of tax	**(22,994)**	12,052
Reclassification of fair value adjustments on cash flow hedges to profit or loss	**8,234**	40,470
Other comprehensive (expense) income for the year	**(24,105)**	69,563
Total comprehensive income for the year	**368,165**	443,174
Total comprehensive income for the year attributable to:		
Owners of the Company	**368,165**	443,174

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 29th February 2024

	Notes	29.2.2024 HK$'000	28.2.2023 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**172,341**	84,584
Intangible assets	*15*	**31,133**	–
Right-of-use assets	*15*	**118,631**	43,077
Goodwill		**15,820**	15,820
Equity instruments at fair value through other comprehensive income	*16*	**92,644**	97,133
Advances and receivables	*17*	**1,512,414**	1,239,940
Prepayments, deposits and other debtors	*19*	**35,782**	64,282
Derivative financial instruments	*23*	**23,628**	34,768
Deferred tax assets	*24*	**5,454**	10,183
		2,007,847	1,589,787
Current assets			
Advances and receivables	*17*	**5,201,354**	4,404,568
Prepayments, deposits and other debtors	*19*	**78,691**	67,009
Amount due from immediate holding company		**1**	1
Amount due from an intermediate holding company		**31**	32
Amount due from ultimate holding company		**–**	9
Derivative financial instruments	*23*	**–**	878
Time deposits		**15,319**	13,073
Bank balances and cash		**257,989**	382,323
		5,553,385	4,867,893
Current liabilities			
Creditors and accruals	*20(a)*	**261,832**	202,983
Contract liabilities	*20(b)*	**21,554**	23,897
Amounts due to fellow subsidiaries		**17,872**	44,485
Amount due to an intermediate holding company		**4,722**	1,591
Borrowings from immediate holding company	*21*	**800,000**	–
Bank borrowings	*21*	**468,685**	789,977
Lease liabilities	*22*	**38,243**	34,392
Derivative financial instruments	*23*	**59,109**	–
Tax liabilities		**5,526**	93,507
		1,677,543	1,190,832
Net current assets		**3,875,842**	3,677,061
Total assets less current liabilities		**5,883,689**	5,266,848

	Notes	**29.2.2024**	28.2.2023
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**269,477**	269,477
Reserves		**3,798,516**	3,622,983
Total equity		**4,067,993**	3,892,460
Non-current liabilities			
Bank borrowings	*21*	**1,709,571**	1,317,698
Deferred tax liabilities	*24*	**88**	–
Lease liabilities	*22*	**84,097**	8,307
Derivative financial instruments	*23*	**21,940**	48,383
		1,815,696	1,374,388
		5,883,689	5,266,848

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 29th February 2024

	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 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
Fair value adjustment on cash flow hedges, net of tax	–	–	12,052	–	–	12,052
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	40,470	–	–	40,470
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**
Profit for the year	**–**	**–**	**–**	**–**	**392,270**	**392,270**
Fair value loss on equity instruments at FVTOCI	**–**	**(4,490)**	**–**	**–**	**–**	**(4,490)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**(4,855)**	**–**	**(4,855)**
Fair value adjustment on cash flow hedges, net of tax	**–**	**–**	**(22,994)**	**–**	**–**	**(22,994)**
Reclassification of fair value adjustments on cash flow hedges to profit or loss	**–**	**–**	**8,234**	**–**	**–**	**8,234**
Total comprehensive (expense) income for the year	**–**	**(4,490)**	**(14,760)**	**(4,855)**	**392,270**	**368,165**
Final dividend paid for 2022/23	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2023/24	**–**	**–**	**–**	**–**	**(100,504)**	**(100,504)**
	–	**(4,490)**	**(14,760)**	**(4,855)**	**199,638**	**175,533**
At 29th February 2024	**269,477**	**68,821**	**35,582**	**(16,468)**	**3,710,581**	**4,067,993**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 29th February 2024

	2024	2023
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	**472,528**	449,294
Adjustments for:		
Exchange loss on reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	8,772
Amortisation of upfront cost of bank borrowings	**474**	474
Depreciation on property, plant and equipment	**37,491**	28,918
Amortisation on intangible asset	**5,537**	–
Depreciation on right-of-use-assets	**57,419**	53,921
Dividends received from financial instruments	**(641)**	(902)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**373,972**	172,649
Interest expense	**108,463**	44,128
Interest income	**(1,367,362)**	(1,032,133)
Losses on disposal of property, plant and equipment	**9,441**	1,085
Gain on termination of lease contracts	**(9)**	–
Operating cash flows before movements in working capital	**(302,687)**	(273,794)
Increase in advances and receivables	**(1,347,823)**	(1,704,662)
(Increase) decrease in prepayments, deposits and other debtors	**(15,791)**	2,257
Decrease (increase) in amount due from ultimate holding company	**9**	(9)
Decrease in amount due from immediate holding company	**–**	1
Decrease in amount due from an intermediate holding company	**–**	12
Increase in creditors and accruals	**43,121**	18,780
(Decrease) increase in contract liabilities	**(2,343)**	5,287
Decrease in amounts due to fellow subsidiaries	**(26,609)**	(13,085)
Increase in amount due to an intermediate holding company	**3,131**	316
Cash used in operations	**(1,648,992)**	(1,964,897)
Tax paid	**(156,050)**	(14,321)
Interest paid	**(99,617)**	(42,032)
Interest received	**1,267,262**	1,005,465
Net cash used in operating activities	**(637,397)**	(1,015,785)

	2024	2023
	HK$'000	*HK$'000*
Investing activities		
Dividends received	**641**	902
Proceeds from disposal of property, plant and equipment	**11**	2
Purchase of property, plant and equipment	**(69,063)**	(13,916)
Purchase of intangible assets	**(36,670)**	–
Deposits paid for acquisition of property, plant and equipment	**(21,476)**	(43,011)
Deposits paid for acquisition of intangible assets	**(850)**	–
Placement of time deposits with maturity of more than three months	**(1,650)**	(70,986)
Release of time deposits with maturity of more than three months	**7,858**	117,864
Net cash used in investing activities	**(121,199)**	(9,145)
Financing activities		
Repayment of lease liabilities	**(53,033)**	(51,993)
Interest paid of lease liabilities	**(4,255)**	(1,435)
Dividends paid	**(192,632)**	(184,256)
New borrowings from immediate holding company raised	**1,650,000**	–
Repayment of borrowings from immediate holding company	**(850,000)**	–
New bank loans raised	**7,748,556**	10,182,119
Repayment of bank loans	**(7,654,151)**	(9,117,017)
Net cash from financing activities	**644,485**	827,418
Net decrease in cash and cash equivalents	**(114,111)**	(197,512)
Effect of changes in exchange rate	**(1,738)**	(3,944)
Cash and cash equivalents at beginning of the year	**387,507**	588,963
Cash and cash equivalents at end of the year	**271,658**	387,507
Being:		
Time deposits with maturity of three months or less	**13,669**	5,184
Bank balances and cash	**257,989**	382,323
	271,658	387,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 29th February 2024

1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the years ended 29th February 2024 and 28th February 2023 included in this preliminary announcement of annual results for the year ended 29th February 2024 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 28th February 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 29th February 2024 in due course.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implication of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has two operating entities in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the Hong Kong Special Administrative Region gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefit arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The application of the HKICPA guidance has had no material impact on the Group's consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (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*; and

- 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 an entity classifies 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 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 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 29 February 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

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.

The significant accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 28th February 2023, except for the adoption of the amendments to HKFRSs as disclosed in note 3 above.

5. REVENUE

	2024	2023
	HK$'000	*HK$'000*
Interest income *(note 7)*	**1,367,362**	1,032,133
Fees and commissions		
Credit cards — issuing	**58,112**	71,988
Credit cards — acquiring	**44,798**	33,187
Insurance	**26,258**	26,539
Handling and late charges	**126,791**	67,784
Revenue from contracts with customers	**255,959**	199,498
Total revenue	**1,623,321**	1,231,631

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

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit before tax earned by each segment without allocation of dividend income, head office expenses and exchange loss on reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign subsidiary. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment revenue and results

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

For the year ended 29th February 2024

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
REVENUE	**1,283,761**	**313,302**	**26,258**	**1,623,321**
RESULT				
Segment results	**420,953**	**40,922**	**11,594**	**473,469**
Unallocated operating income				**4,140**
Unallocated expenses				**(5,081)**
Profit before tax				**472,528**

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

Geographical information

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

For the year ended 29th February 2024

	Hong Kong ***HK$'000***	**Mainland China** ***HK$'000***	**Consolidated** ***HK$'000***
REVENUE	**1,596,203**	**27,118**	**1,623,321**
RESULT			
Segment results	**468,433**	**5,036**	**473,469**
Unallocated operating income			**4,140**
Unallocated expenses			**(5,081)**
Profit before tax			**472,528**

For the year ended 28th February 2023

	Hong Kong *HK$'000*	Mainland China *HK$'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

7. INTEREST INCOME

	2024 ***HK$'000***	2023 *HK$'000*
Non-credit impaired advances	**1,349,612**	1,023,395
Credit impaired advances	**17,108**	7,426
Time deposits and bank balances	**642**	1,312
	1,367,362	1,032,133

8. INTEREST EXPENSE

	2024 ***HK$'000***	2023 *HK$'000*
Interest on borrowings from immediate holding company	**25,221**	–
Interest on bank borrowings	**93,578**	44,138
Interest on lease liabilities	**4,255**	1,435
Net interest income on interest rate swap contracts — released from hedging reserve	**(14,591)**	(1,445)
	108,463	44,128

Amortisation of upfront cost of **HK$474,000** (2023: HK$474,000) is included in the interest expense on bank borrowings.

9. OTHER INCOME

	2024	2023
	HK$'000	*HK$'000*
Dividends received from financial instruments		
— Listed equity securities	**71**	89
— Unlisted equity securities	**570**	813
Government grants	**–**	2,496
Marketing support fund	**11,066**	20,481
Others	**3,498**	2,241
	15,205	26,120

10. OTHER GAINS AND LOSSES

	2024	2023
	HK$'000	*HK$'000*
Exchange (loss) gain		
— Exchange loss on hedging instrument released from hedging reserve	**(22,825)**	(41,915)
— Exchange gain on a bank borrowings	**22,825**	41,915
— Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	(8,772)
— Other exchange losses, net	**(69)**	(10)
Hedge ineffectiveness on cash flow hedges, net	**404**	404
Losses on disposal of property, plant and equipment	**(9,441)**	(1,085)
Gain on termination of lease contracts	**9**	–
	(9,097)	(9,463)

11. OPERATING EXPENSES

	2024	2023
	HK$'000	*HK$'000*
Auditor's remuneration		
— audit fee	**3,885**	3,766
— non-audit fee	**1,160**	1,452
Depreciation on property, plant and equipment	**37,491**	28,918
Amortisation on intangible assets	**5,537**	–
Depreciation on right-of-use assets	**57,419**	53,921
Expense relating to short-term leases	**3,728**	4,237
	61,147	58,158
General administrative expenses	**199,365**	174,533
Marketing and promotion expenses	**115,120**	118,293
Other operating expenses	**71,711**	63,117
Staff costs including directors' emoluments	**217,608**	199,247
	713,024	647,484

12. INCOME TAX EXPENSE

	2024	2023
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Current year	**66,680**	80,270
— Underprovision in respect of prior years	**1,293**	509
	67,973	80,779
People's Republic of China ("PRC") Enterprise Income Tax		
— Current year	**96**	1,735
Deferred tax *(note 24)*		
— Current year	**12,189**	(6,831)
	80,258	75,683

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable income tax rates are 25% for general enterprises in PRC. A company's PRC subsidiary is qualified as small and thin-profit enterprise, of which the annual taxable income up to RMB3 million is subject to an effective tax rate of 5% from 1st January 2023 to 31st December 2027.

13. DIVIDENDS

	2024	2023
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend paid of **22.0 HK cents** in respect of 2022/23 (2023: 22.0 HK cents in respect of 2021/22) per share	**92,128**	92,128
Interim dividend paid of **24.0 HK cents** in respect of 2023/24 (2023: 22.0 HK cents in respect of 2022/23) per share	**100,504**	92,128
	192,632	184,256
Final dividend proposed of **24.0 HK cents** in respect of 2023/24 (2023: 22.0 HK cents in respect of 2022/23) per share	**100,504**	92,128

The Directors have recommended a final dividend of **24.0 HK cents** per share. Subject to the approval of the shareholders at the 2024 AGM, the final dividend will be paid on 26th July 2024 to shareholders whose names appear on the register of members of the Company on 9th July 2024. This dividend has not been included as a liability in the consolidated financial statements.

14. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share is based on the profit for the year of **HK$392,270,000** (2023: HK$373,611,000) and on the number of shares of **418,766,000** (2023: 418,766,000) in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS & RIGHT OF USE ASSETS

During the year, the Group recognised addition of approximately **HK$111,728,000** (2023: HK$7,591,000), **HK$3,332,000** (2023: HK$287,000), **HK$19,782,000** (2023: HK$5,839,000), **HK$Nil** (2023: HK$966,000), **HK$36,670,000** (2023: HK$ Nil) and **HK$133,242,000** (2023: HK$38,339,000) on computer equipment, furniture and fixtures, leasehold improvements, motor vehicles, intangible assets and right-of-use assets respectively.

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	29.2.2024	28.2.2023
	HK$'000	*HK$'000*
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	**1,119**	1,669
— Unlisted investments	**91,525**	95,464
	92,644	97,133

17. ADVANCES AND RECEIVABLES

	29.2.2024	28.2.2023
	HK$'000	*HK$'000*
Credit card receivables	**5,188,549**	4,481,038
Personal loan receivables	**1,573,989**	1,263,929
	6,762,538	5,744,967
Accrued interest and other receivables	**198,321**	91,250
Gross advances and receivables	**6,960,859**	5,836,217
Impairment allowances *(note 18)*	**(247,091)**	(191,709)
	6,713,768	5,644,508
Current portion included under current assets	**(5,201,354)**	(4,404,568)
Amount due after one year	**1,512,414**	1,239,940

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

	29.2.2024		28.2.2023	
	HK$'000	***%****	*HK$'000*	*%**
Stage 1	**6,682,702**	**96.0**	5,582,236	95.7
Stage 2	**75,389**	**1.1**	84,229	1.4
Stage 3	**202,768**	**2.9**	169,752	2.9
	6,960,859	**100.0**	5,836,217	100.0

* Percentage of gross advances and receivables

18. IMPAIRMENT ALLOWANCES

	29.2.2024	28.2.2023
	HK$'000	*HK$'000*
Analysis by products as:		
Credit card receivables	**146,731**	120,502
Unused credit card limit	**1,880**	2,408
Personal loan receivables	**93,147**	66,229
Accrued interest and other receivables	**5,333**	2,570
	247,091	191,709

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

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
At 1st March 2023	**97,642**	**18,878**	**75,189**	**191,709**
Net effect of advance (repayment) in advances and receivables	**25,680**	**(1,302)**	**12,407**	**36,785**
Transfer to 12 months expected credit loss ("ECL") (Stage 1)	**53,443**	**(35,575)**	**(17,868)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(6,642)**	**9,851**	**(3,209)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(1,951)**	**(88,349)**	**90,300**	**–**
Total transfer between stages	**44,850**	**(114,073)**	**69,223**	**–**
Remeasurement of ECL during the year	**(44,236)**	**128,732**	**252,691**	**337,187**
Disposal of distressed assets	**–**	**–**	**(41,913)**	**(41,913)**
Amounts written-off as uncollectable	**–**	**–**	**(276,500)**	**(276,500)**
Exchange realignment	**(53)**	**(27)**	**(97)**	**(177)**
At 29th February 2024	**123,883**	**32,208**	**91,000**	**247,091**

	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 12 months 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

19. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	29.2.2024	28.2.2023
	HK$'000	*HK$'000*
Deposits for property, plant and equipment	**22,071**	55,407
Deposits for intangible assets	**850**	–
Rental and other deposits	**16,463**	16,268
Prepaid operating expenses	**43,108**	40,987
Other debtors	**31,981**	18,629
	114,473	131,291
Current portion included under current assets	**(78,691)**	(67,009)
Amount due after one year	**35,782**	64,282

20. CREDITORS AND ACCRUALS/CONTRACT LIABILITIES

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

	29.2.2024	28.2.2023
	HK$'000	*HK$'000*
Less than 1 month	**110,010**	78,609
Over 1 month but less than 3 months	**3,134**	5,325
Over 3 months	**315**	842
	113,459	84,776

(b) At 29th February 2024, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of **HK$21,554,000** (28th February 2023: HK$23,897,000).

Contract liabilities represent deferred revenue in relation to customer loyalty programmes.

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.

21. BANK BORROWINGS AND BORROWINGS FROM IMMEDIATE HOLDING COMPANY

	29.02.2024		28.2.2023	
	Bank borrowings	**Borrowings from immediate holding company**	Bank borrowings	Borrowings from immediate holding company
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Carrying amount repayable *(Note)*				
Within one year	**468,685**	**800,000**	789,977	–
Within a period of more than one year but not more than two years	**720,000**	**–**	201,917	–
Within a period of more than two years but not more than five years	**989,571**	**–**	1,115,781	–
	2,178,256	**800,000**	2,107,675	–
Amount repayable within one year included under current liabilities	**(468,685)**	**(800,000)**	(789,977)	–
Amount repayable after one year	**1,709,571**	**–**	1,317,698	–

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

22. LEASE LIABILITIES

	29.2.2024	28.2.2023
	HK$'000	*HK$'000*
Lease liabilities payable:		
Within one year	**38,243**	34,392
Within a period of more than one year but not more than two years	**19,787**	7,215
Within a period of more than two years but not more than five years	**57,992**	1,092
More than five years	**6,318**	–
	122,340	42,699
Amount due for settlement within one year included under current liabilities	**(38,243)**	(34,392)
Amount due for settlement after one year	**84,097**	8,307

The weighted average incremental borrowing rates applied to lease liabilities range from **3.5%** to **4.7%** (2023: from 2.5% to 4.8%).

23. DERIVATIVE FINANCIAL INSTRUMENTS

	29.2.2024		28.2.2023	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**23,628**	**2,471**	35,646	942
Cross-currency interest rate swaps	**–**	**78,578**	–	47,441
	23,628	**81,049**	35,646	48,383
Current portion	**–**	**(59,109)**	(878)	–
Non-current portion	**23,628**	**21,940**	34,768	48,383

All derivative financial instruments entered into by the Group that remain outstanding at 29th February 2024 and 28th February 2023 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

24. DEFERRED TAX

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the years ended 29th February 2024 and 28th February 2023:

	Accelerated tax depreciation	**Impairment allowances**	**Derivative financial instruments**	**Right-of-use assets**	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st March 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)**
Charge (credit) to profit or loss for the year	**18,543**	**(6,442)**	**–**	**1,954**	**(1,866)**	**12,189**
Credit to other comprehensive income or expense for the year	**–**	**–**	**(7,372)**	**–**	**–**	**(7,372)**
At 29th February 2024	**29,406**	**(25,386)**	**(9,474)**	**1,954**	**(1,866)**	**(5,366)**

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the 2024 AGM, the register of members of the Company will be closed from 21st June 2024 to 26th June 2024, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2024 AGM, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 20th June 2024.

For the purpose of determining the shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from 8th July 2024 to 9th July 2024, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 5th July 2024.

DIVIDEND

The Group has adopted a stable dividend policy that aims to pay regular dividends with a target annual dividend payout ratio of not less than 30.0% of the Group's consolidated net profit for the financial year. When proposing a dividend, in addition to financial performance, the Board takes into consideration shareholder interests, payout history, the general business environment and cash flow requirements.

The Board has recommended a final dividend of 24.0 HK cents per share, bringing the total dividend for the year ended 29th February 2024 to 48.0 HK cents per share, representing a dividend payout ratio of 51.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 29th February 2024 ("FY2023" or the "Reporting Year"), with the COVID-19 pandemic (the "Pandemic") no longer a public health emergency and the border reopened after an extended period, economic and social activities in Hong Kong steadily resuming as much anticipated. However, in the aftermath of the Pandemic, the general operating environment remained uncertain and overall productivity remained low. Globally, macro challenges persisted amid rising interest rates, continued pressure on the real property market in Mainland China and heightened geopolitical tension. Locally, there was a sustained downward adjustment in property prices and the stock market, and real gross domestic product ("GDP") grew by only 3.2% after contracting 3.5% in the previous year. Consequently, complete turnaround in the local and wider economy was yet to take place.

Paying close heed to changing market momentum and headwinds, the Group took a number of timely initiatives during the Reporting Year to drive healthy growth in both sales and receivables for a quality portfolio that should provide income, growth and resilience, all at the same time. In addition, in order to propel digital transformation, the Group successfully launched the new card and loan system, and the revamped AEON Netmember website and "AEON HK" mobile application ("Mobile App") during the Reporting Year. This also provides a flexible and integrated platform for the creation and delivery of new payment solutions and product benefits. With the rollout of data lake, the Group has developed the ability to more effectively utilize data analytics for marketing activities.

The Group achieved another year of continued overall sales growth of 12.4% when compared with the year ended 28th February 2023 ("FY2022" or the "Previous Year"). The total advances and receivables balance continued the upward trend and, as at 29th February 2024, recorded an increase of 19.3% when compared with the balance as at 28th February 2023. The Group's credit risk management proved to be effective against the market's increasing default trend, largely due to a general downward adjustment of asset prices during the Reporting Year, with the percentage of the Group's higher credit risk or otherwise credit impaired advances and receivables (i.e. stage 2 and stage 3 receivables) to total advances and receivables decreasing from 4.3% as at 28th February 2023 to 4.0% as at 29th February 2024.

Operational Review

With regard to marketing, recognizing customer diversity, promotional programs with attractive incentive schemes were launched in the Reporting Year to meet the customers' different spending needs and patterns, which resulted in a continued increase in card credit purchase sales and revolving balances. The major promotions included the Winter Mass promotion, "Muk Muk Buy to Earn", "AEON Card X Ocean Park emoji® Summer Splash 2023" and local dining promotions. The popularity of the cashback loyalty scheme for AEON Card Wakuwaku, together with increasing brand awareness driven by outdoor advertising and social media, successfully fueled the sales growth momentum in FY2023. The Group also launched travel incentive programs such as the "AEON Card Japan Spending Rewards" and "AEON UnionPay Card — Mainland China & Macau Spending Rewards" to stimulate cross-border and overseas spending during festival and holiday periods.

With regard to customer experience, following the revamp of the new mobile application with biometric authentication and one-time password for online transactions in the first quarter, the Group further added "QR Pay" and "QR Cash" functions to the AEON UnionPay Card and introduced Apple Pay and Google Pay to bring its customers a safer and more secure and convenient way to make payments and withdraw cash. In addition, customers can now apply for an installment plan for credit purchase transactions online after-sales, with a range of tenors to suit particular customer needs. The number of Mobile App users reached a total of over 400,000 by the end of the financial year. In order to transform its branch physical support model and network into a one-stop financial center to deliver face-to-face financial and related advisory services, the Group continued to revamp branches with dedicated insurance consultation counters and expand its branch network.

With regard to credit control, continuous enhancement of the Group's credit assessment model, including better informed default trend analysis through regular review of customer portfolios and more specific credit exposure assignment for customers with different risk levels, has contributed to a better balance between customers' financial needs and the Company's own credit risk exposure, with customers benefiting from more affordable credit facilities. In addition, the analytical tools implemented for debt management facilitated to identify the credit risk distribution across the portfolio with a higher degree of precision, which enabled prompt recovery action to be taken on receivables with higher credit risk and thus increased operational efficiency. For transaction fraud, the adoption of an authorization monitoring model with card associations helped to detect and reject suspicious credit card transactions to prevent potential fraud loss.

With regard to peripheral business, the card acquiring business took a major step forward in FY2023, with more transactions processed for sizeable merchants through cooperation with payment gateways to expand the merchant acquiring channel, which also facilitated the growth of the credit purchase card installment plan business. For insurance intermediary business, the telemarketing channel achieved a satisfactory result through call monitoring and timely feedback on customers' needs. For online channels, various travel promotions and product plans were offered through the mobile application to boost insurance sales. 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.

Besides business growth, the Group also places great emphasis on integrating sustainability into its business operations. In the first quarter, new branch uniforms made from environmentally friendly materials were introduced. The use of recycled materials in the new uniforms will help reduce the Group's carbon footprint, while a more comfortable outfit for staff members is conducive to higher productivity, thus transforming their overall work experience. Since the third quarter, the Group has gradually removed traditional first-use PVC plastics from its credit cards in favor of post-consumer recycled polyvinyl chloride ("rPVC") plastics approved by the Global Recycled Standard. This move reinforces the Group's sustainability commitments and its engagement with more environmentally conscious consumers. During the Reporting Year, the Company renovated its head office, incorporating energy-efficient and environmentally friendly designs such as LED lighting, motion sensor controls and waste recycling facilities to create a more sustainable and healthy workplace.

As for the Mainland China business, the Company completed the capital injection of RMB50 million into AEON Micro Finance (Shenzhen) Co., Ltd. ("AMF(SZ)") in the second quarter to meet the capital requirements for further business growth in the personal loan business. AMF(SZ) achieved an upward sales trend throughout the Reporting Year, while AEON Information Service (Shenzhen) Co., Ltd. ("AIS") provided the Group with effective telemarketing and other business outsourcing activities to increase personal loan and cash advance sales.

Financial Review

For FY2023, audited profit before tax was HK$472.5 million, an increase of HK$23.2 million when compared with FY2022. After deducting income tax expense of HK$80.3 million, the Group recorded an increase in profit of 5.0%, with profit after tax increasing from HK$373.6 million in FY2022 to HK$392.3 million in FY2023. Earnings per share increased from 89.22 HK cents to 93.67 HK cents for the Reporting Year.

Return on assets was 5.2% in FY2023 compared with 5.8% in FY2022, while return on equity in FY2023 remained at 9.6% as in FY2022.

The net debt to equity ratio was 0.7 as at 29th February 2024 compared with 0.4 as at 28th February 2023, while total equity to total assets ratio was 53.8% and 60.3% as at 29th February 2024 and 28th February 2023, respectively.

Net asset value per share (after final dividend) as at 29th February 2024 and as at 28th February 2023 was HK$9.5 and HK$9.1, respectively.

Consolidated Statement of Profit or Loss Analysis

Revenue

Revenue for the Reporting Year was HK$1,623.3 million, an increase of 31.8%, or HK$391.7 million, compared with HK$1,231.6 million for the Previous Year.

Net Interest Income

The Group implemented various marketing programs to capture the rising market demand after the Pandemic, which resulted in a steady increase in credit card receivables and personal loan receivables, with gross advances and receivables as at 29th February 2024 recording an increase of HK$1,124.6 million from the Previous Year. Together with the increase in the interest rate for card credit purchases, the Group recorded a significant increase in interest income of 32.5%, or HK$335.2 million, from HK$1,032.1 million in the Previous Year to HK$1,367.4 million in the Reporting Year.

The Group's interest expenses increased by HK$64.3 million from HK$44.1 million in the Previous Year to HK$108.5 million in the Reporting Year as a result of both the increase in the amount of bank borrowings to finance the higher receivable balances and the generally higher interest rates for such borrowings in line with the market. With a borrowing portfolio consisting of a mix of borrowing rates with different maturities, the Group managed to keep down the increase in its average cost of funds to only 0.6%, from 3.5% in the Previous Year to 4.1% in the Reporting Year.

As a result, the Group's net interest income for FY2023 was HK$1,258.9 million, representing an increase of 27.4%, or HK$270.9 million, compared with HK$988.0 million in FY2022.

Operating Income

Although the value of credit card purchases increased significantly during the Reporting Year, the increase in commission income was offset by the increase in the cost of running the attractive cashback incentive scheme and campaigns, resulting in an overall decrease in fees and commissions from the credit card issuing business of HK$13.9 million to HK$58.1 million for the Reporting Year. For the credit card acquiring business, fees and commissions increased by HK$11.6 million to HK$44.8 million during the Reporting Year due to an increase both in the number of card acquiring merchants and the transaction volume. Due to market repositioning and an adjustment period following the diversification of insurance distribution channels, fees and commissions from the insurance intermediary business decreased slightly from HK$26.5 million in the Previous Year to HK$26.3 million in the Reporting Year. Overall, the Group recorded a slight decline in fees and commissions of HK$2.5 million, from HK$131.7 million in the Previous Year to HK$129.2 million in the Reporting Year.

As a result of the higher demand for cash advances and the increase in the number of customers making minimum payments in the Reporting Year, handling and late charges increased by HK$59.0 million, from HK$67.8 million in the Previous Year to HK$126.8 million in the Reporting Year.

In terms of other income, the Group recognized an income of HK$11.1 million of marketing support fund from card associations and insurance partner during the Reporting Year, while in the Previous Year, in addition to card association sponsorships, the Group recognized income in the form of one-off marketing support fund of HK$7.8 million from an insurance partner upon the completion of the distribution agreement and government subsidies of HK$2.5 million, resulting in a decrease in other income by HK$10.9 million to HK$15.2 million for the Reporting Year as compared with the Previous Year.

Following the completion of the new card and loan system and Mobile App revamp projects, a loss on disposal of property, plant and equipment of HK$9.4 million was recognized in other gains and losses, resulting in a loss of HK$9.1 million for the Reporting Year, while in the Previous Year, the Group recorded a cumulative exchange loss of HK$8.8 million upon de-registration of a foreign subsidiary, resulting in a loss of HK$9.5 million.

In total, the Group's operating income for FY2023 was HK$1,521.0 million, representing an increase of 26.3%, or HK$316.8 million, compared with HK$1,204.2 million in FY2022.

Operating Expenses

Although the Group had conducted more marketing and advertising campaigns to capture the growing consumer demand after the Pandemic, the effective use of a combination of traditional and digital marketing channels successfully reduced marketing and promotional expenses by HK$3.2 million to HK$115.1 million for the Reporting Year. Following the launch of the new card and loan system and the upgraded Mobile App, depreciation of property, plant and equipment and amortisation of intangible asset increased by HK$14.1 million compared with the Previous Year. In order to capture the post-Pandemic business growth, additional manpower was deployed to enhance product development and branch operations, resulting in an increase in staff costs of HK$18.4 million compared with the Previous Year. In addition, general administrative expenses increased by HK$24.9 million compared with the Previous Year as a result of the increase in card sales and the corresponding increase in card association fees.

Cost-To-Income Ratio

Although total operating expenses increased by 10.1%, or HK$65.5 million, from HK$647.5 million in the Previous Year to HK$713.0 million in the Reporting Year, the cost-to-income ratio decreased from 53.8% in the Previous Year to 46.9% in the Reporting Year due to the increase in operating income.

On an operating level before impairment losses and impairment allowances, the Group recorded an operating profit of HK$807.9 million for the Reporting Year, representing an increase of 45.1%, or HK$251.3 million, from HK$556.7 million recorded in the Previous Year.

Impairment Losses and Impairment Allowances

The high interest rate environment during the Reporting Year, combined with a marked decline in transaction volumes in the capital and real estate markets and ongoing geopolitical conflicts, led to an increase in credit defaults and weakened economic indicators. Nevertheless, the Group made significant efforts to refine its credit assessment model to control the proportion of advances and receivables with higher credit risk, and utilized effective credit risk management and loan restructuring arrangements to relieve the temporary financial burden of overdue customers to reduce the likelihood of credit impairment. Despite the significant increase in gross advances and receivables, the Group was able to stabilize the increase in impairment losses and impairment allowances in the fourth quarter, resulting in an increase of HK$201.3 million, from HK$172.7 million in the Previous Year to HK$374.0 million in the Reporting Year.

Gain on Disposal of Distressed Assets

In order to devote more resources to the timely collection of receivables with higher credit risk, the Group disposed of its non-performing and written-off receivables accumulated over the past years and recorded a gain on their disposal of HK$12.1 million in the Reporting Year and HK$31.9 million in the Previous Year.

Consolidated Statement of Financial Position Analysis

The Group's total equity as at 29th February 2024 was HK$4,068.0 million, representing an increase of 4.5%, or HK$175.5 million, compared with the balance of HK$3,892.5 million as at 28th February 2023.

Total assets as at 29th February 2024 were HK$7,561.2 million, compared with total assets of HK$6,457.7 million as at 28th February 2023.

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

During the Reporting Year, the Group spent approximately HK$148.4 million on computer equipment and intangible assets, HK$19.8 million on leasehold improvements and HK$3.3 million on furniture and fixtures. As for right-of-use assets, the Group recorded an increase of HK$133.2 million as a lessee during the Reporting Year.

Goodwill

Goodwill of HK$15.8 million represented the amount by which the consideration for the acquisition of AIS exceeded the amounts of assets acquired and liabilities assumed. As at 29th February 2024, the management considered that no impairment charge of the goodwill was required as AIS generated positive cash flow in the Reporting Year as originally estimated.

Advances and Receivables

With the launch of successful marketing and advertising activities and the expansion of the service network to stimulate sales during the Reporting Year, cash advances and personal loans sales recorded an increase of 11.7% and 24.3%, respectively, compared with the Previous Year. Personal loan receivables increased from HK$1,263.9 million as at 28th February 2023 to HK$1,574.0 million as at 29th February 2024, while credit card receivables increased substantially from HK$4,481.0 million as at 28th February 2023 to HK$5,188.6 million as at 29th February 2024.

Gross advances and receivables increased by 19.3%, or HK$1,124.6 million, to HK$6,960.9 million as at 29th February 2024 from HK$5,836.2 million as at 28th February 2023. Gross advances and receivables exposed to higher credit risk or otherwise credit impaired amounted to HK$278.2 million and HK$254.0 million as at 29th February 2024 and 28th February 2023, respectively. Impairment allowances stood at HK$247.1 million as at 29th February 2024, representing 3.5% of gross advances and receivables, compared with HK$191.7 million as at 28th February 2023, representing 3.3% of gross advances and receivables.

Bank Borrowings and Borrowings from immediate holding company

Due to the increase in the gross advances and receivables balance, the Group raised additional bank borrowings and borrowings from the immediate holding company during the Reporting Year, with a balance of HK$2,978.3 million as at 29th February 2024, compared with HK$2,107.7 million as at 28th February 2023. Of the borrowings as at 29th February 2024, 42.6% will mature within one year, 24.2% between one and two years and 33.2% between two and five years. Of the borrowings that will mature over one year, 45.6% had fixed interest rates, while 54.4% were hedged against interest rate and/or currency exchange rate fluctuations by means of swap instruments.

The average duration of borrowings as at 29th February 2024 was 1.4 years, compared with 1.9 years as at 28th February 2023.

Segment Information

The Group's business consists of three main operating segments, namely credit cards, personal loans and insurance intermediary business. For the year ended 29th February 2024, 79.1% of the Group's revenue was derived from credit card operations, compared with 78.2% in the Previous Year, while personal loan operations accounted for 19.3% of the Group's revenue, compared with 19.6% in the Previous Year. In terms of segment results, credit card operations accounted for 88.9% of the Group's consolidated results, compared with 73.7% in the Previous Year, while personal loan operations accounted for 8.6%, compared with 21.8% in the Previous Year.

For credit cards, the Group recorded a progressive increase in credit card sales and continued to accumulate revolving credit card balances during the Reporting Year, as a result of ongoing brand building efforts to generate greater market awareness and the launch of well-received marketing programs. As a result, revenue from credit card operations increased by 33.3%, or HK$320.4 million, to HK$1,283.8 million from HK$963.4 million in the Previous Year. This remarkable surge in revenue offset the increase in borrowing costs and impairment losses and allowances, resulting in an increase in the segment result for the Reporting Year of HK$83.3 million, or 24.7%, to HK$421.0 million from HK$337.6 million in the Previous Year.

For personal loans, personal loan receivables as at 29th February 2024 increased by 24.5% as compared with the balance as at 28th February 2023 due to personalized marketing activities on social media, the expansion of the branch network and the promotion of instant loans. Revenue from personal loan operations increased by 29.6%, or HK$71.6 million, from HK$241.7 million in the Previous Year to HK$313.3 million in the Reporting Year. However, due to the higher gain on disposal of distressed assets recorded in the Previous Year, together with the increase in funding costs and in impairment losses and impairment allowances during the Reporting Year, the segment result of the personal loan business decreased by HK$58.8 million to HK$40.9 million from HK$99.7 million in the Previous Year.

The insurance intermediary business underwent a period of tactical changes and new product launches due to the restructuring of distribution channels. As a result, the growth momentum of the insurance intermediary business was dampened slightly, and segment revenue for the Reporting Year amounted to HK$26.3 million, a decrease of 1.1%, or HK$0.3 million, compared with HK$26.5 million for the Previous Year. The segment result was HK$11.6 million for the Reporting Year, a decrease of 44.1%, or HK$9.1 million, compared with HK$20.7 million for the Previous Year, which included the recognition of one-off marketing support fund received under an insurance distribution agreement as income.

In terms of financial results by geographical location, with the gradual improvement in the economic climate and government activities to stimulate local spending, coupled with effective marketing promotions, sales of both credit cards and personal loans continued to increase, with revenue from Hong Kong operations achieving a remarkable increase of 32.0%, or HK$386.5 million, from HK$1,209.7 million in the Previous Year to HK$1,596.2 million in the Reporting Year due to higher revolving receivables balances. This outweighed the impact of the increase in borrowing costs and impairment losses and allowances, with the segment result from the Hong Kong operation recording an increase of 3.1%, or HK$13.9 million, from HK$454.5 million in the Previous Year to HK$468.4 million in the Reporting Year.

As for the Mainland China operation, the Group focused on enhancing the business performance and corporate governance of its microfinance subsidiary in Shenzhen. Revenue recorded an overall increase of HK$5.2 million, from HK$21.9 million in the Previous Year to HK$27.1 million in the Reporting Year. At the same time, the segment result increased to HK$5.0 million in the Reporting Year from HK$3.6 million in the Previous Year.

PROSPECTS

Looking ahead, ongoing geopolitical tensions and economic uncertainty will continue to put pressure on Hong Kong's exports in the financial year ending 28th February 2025 ("FY2024"). This situation may ease later in the year if, among others, advanced economies cut interest rates. Tourism and other service-related industries will see a significant recovery as a result of increased visitor arrivals from Mainland China and other parts of the world. Hong Kong's unemployment rate is expected to remain stable. Overall, the local economy is likely to continue to positively move away from the Pandemic.

The challenges faced by the Group from global inflation and price pressures remain elevated, resulting in increased funding costs and default risk, which have persisted since the second quarter of the Reporting Year. The U.S. Federal Funds Rate and the Hong Kong Prime Rate are forecasted to remain high in the first half of FY2024, and economic growth is expected to further accelerate in the second half of the year. Given the expected continuation of the high interest rate environment, the Group will focus on operational efficiency and credit risk management in expanding business growth in order to mitigate the impact on the declining interest rate spread of the Group's interest-bearing products.

The Group will strive to accelerate the momentum of sales and receivables growth in the current market, while improving the credit assessment and monitoring technique to maintain stable asset quality. On the marketing side, the Group will continue to launch mass promotion initiatives for both its credit card and personal loan businesses, such as the "Day Day Spend & Rewards" promotion and others with exciting gamification and incentives, in order to accurately capture the surge in consumer spending in the market. As cross-border travel for shopping in the Greater Bay Area is expected to become the future trend in the coming years, the Group aims to launch new offers for Mainland China spending such as the "UPI China & Macau Spending Promotion" to capture the overwhelming demand. In addition, the Group will continue to refine its credit assessment policy with the aim of maximizing profitability by extending credit facilities to customers on a bespoke and sustainable basis. At the same time, the Group will strengthen its debt counseling service to suitably provide early remedial measures to alleviate the temporary or transitional financial burden of delinquent customers. The Group will also further enhance its customer relationship management and increase its customer engagement through different channels.

As the contactless mobile payment solution is maturing into mass-market deployment in Hong Kong, the Group will continue to invest additional resources to focus on the development of related products in the areas of virtual card and e-wallet. For acquisition of new customers, with the development of advanced technology in credit assessment and drawdown functions, the mobile application is expected to become the main channel for credit card and personal loan services. In order to improve online customer experience, the Mobile App operations and functions will be continuously updated to enhance cybersecurity and fraud prevention.

To further develop the peripheral business, the Group will continue to enhance the operating model of the acquiring and insurance intermediary businesses. For acquiring business, the Group expects to secure acquiring licenses from new payment gateways for further expansion of its payment services scope and merchant network. For insurance intermediary business, the Group will shift the business model to be more customer-centric, with the expansion of the contact center network and the addition of more varieties of insurance products to meet customer needs.

For the Mainland China operation, in addition to the continued business growth of its microfinance and business process center subsidiaries in Shenzhen, the Group will continue to enhance its internal business processes to achieve greater sustainability and create greater value for its shareholders.

As a responsible consumer finance service provider in Hong Kong, the Group embraces sustainability and believes that improving environmental, social and governance ("ESG") performance is crucial to its long-term business development. Going forward, the Group will continue to address ESG concerns in its operations by promoting sustainable and digitalized products and services to help customers transition to a low-carbon world. Following the completion of major information technology projects, the Group will position itself to deploy even more paperless and virtual 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 devote more resources to developing and training employees with the breadth and depth of skills and knowledge to build a stronger succession plan. Meanwhile, the Group will progressively enhance its ESG disclosure and refine business practices in order to deliver sustainable value to all stakeholders and fulfill its corporate social responsibility.

While the economies of Hong Kong and the Greater Bay Area have yet to fully recover, the Group remains committed to providing exceptional consumer finance services to meet the evolving needs of its customers and to expand its customer base with more innovative and tailored products. With the Group's responsiveness and strong business relationships with its partners, as well as its solid liquidity position and balance sheet and proven management capabilities in many respects, the Group is well positioned to capture the vast opportunities in the growing consumer finance market in these territories to achieve sustainable growth.

HUMAN RESOURCES

The Group's total number of staff at 29th February 2024 and 28th February 2023 was 567 (Hong Kong: 383; PRC: 184) and 545 (Hong Kong: 373; PRC: 172), 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. Our training scope is not limited to Group's values and vision but also the selected topics on compliance including information and data security, anti-money laundering. Hybrid learning mode is also our key initiative this year. We encourage our employees to take training anytime and anywhere. To further improve our employees' skill sets and expertise, we set up learning regime with staff recognition.

In order to further enrich the employees' well-being, engagement and productivity, we completed the head office renovation and upgrade the overall office environment and facilities with more social & collaboration areas. We promote the winning company culture that the team can find a good balance of creativity and collaboration. To enhance the working harmony, we also emphasize the diversity, equity, inclusion in workplace and zero harassment acceptance.

CORPORATE GOVERNANCE

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 Corporate Governance Code (the "CG Code") as applicable to the Company throughout the year ended 29th February 2024 and set out then in Appendix C1 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 of association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules 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.

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.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 29th February 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 5th April 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2023/24 annual report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

BOARD OF DIRECTORS

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

By order of the Board
Wei Aiguo
Managing Director

Hong Kong, 5th April 2024