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 2021/22

Planting Seeds of Growth

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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

MAJOR BANKERS

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

REGISTERED OFFICE

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

INTERNET ADDRESS

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

STOCK CODE

900

Shareholders' Calendar

28th September 2021	Announcement of interim results for the six months ended 31st August 2021
13th October 2021	Despatch of interim report for the six months ended 31st August 2021
15th – 18th October 2021	Book closing dates for interim dividend
29th October 2021	Payment of interim dividend of 22.0 HK cents per share
6th April 2022	Announcement of final results for the year ended 28th February 2022
20th May 2022	Despatch of annual report for the year ended 28th February 2022
20th – 23rd June 2022	Book closing dates for 2022 AGM
23rd June 2022	2022 AGM
4th – 5th July 2022	Book closing dates for final dividend
15th July 2022	Payment of final dividend of 22.0 HK cents per share (subject to shareholders' approval at the 2022 AGM)

Financial Summary

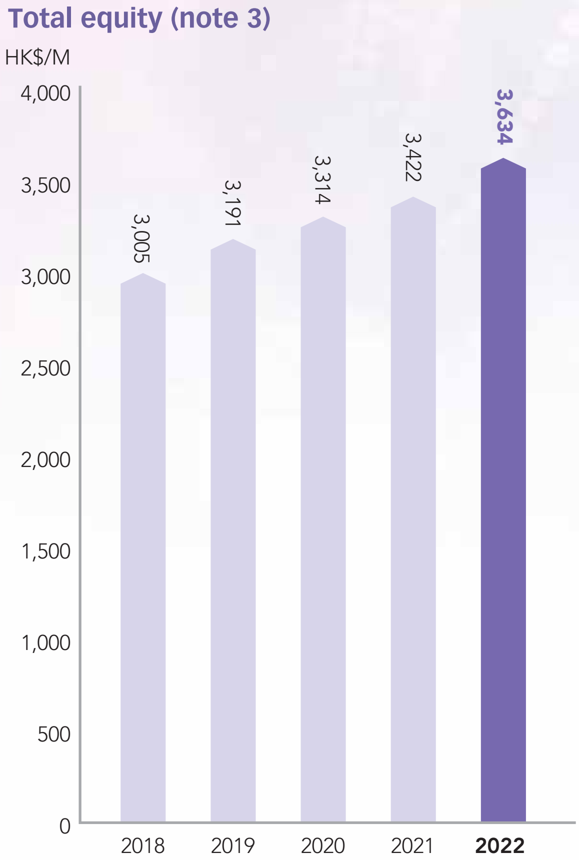
CONSOLIDATED RESULTS

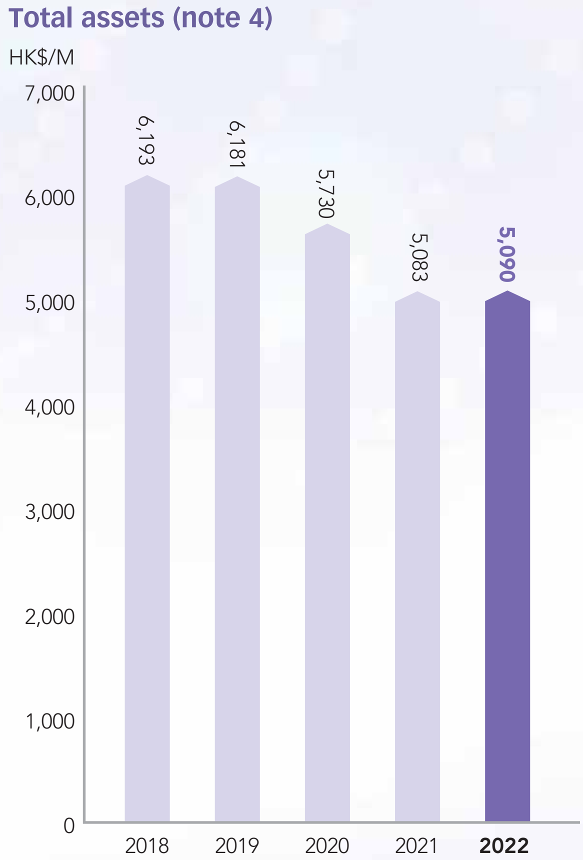
Profit (note 1)

Earnings per share (note 2)

	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	**2022** ***HK$'000***
Revenue	1,282,867	1,322,678	1,297,686	1,089,858	**1,049,589**
Profit before tax	447,265	524,122	444,930	357,946	**397,973**
Income tax expense	(76,117)	(86,868)	(74,847)	(56,371)	**(55,381)**
Profit for the year	371,148	437,254	370,083	301,575	**342,592**
Earnings per share	88.63 HK cents	104.41 HK cents	88.37 HK cents	72.02 HK cents	**81.81 HK cents**
Dividend per share	42.00 HK cents	44.00 HK cents	44.00 HK cents	40.00 HK cents	**44.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES





	At				
	28.2.2018 *HK$'000*	28.2.2019 *HK$'000*	29.2.2020 *HK$'000*	28.2.2021 *HK$'000*	**28.2.2022** ***HK$'000***
Total assets	6,192,976	6,180,684	5,729,718	5,083,366	**5,089,556**
Total liabilities	(3,187,935)	(2,990,037)	(2,416,176)	(1,661,336)	**(1,456,014)**
Total equity	3,005,041	3,190,647	3,313,542	3,422,030	**3,633,542**

Notes:

1. Represents the consolidated profit for the financial years ended 28th February 2018, 28th February 2019, 29th February 2020, 28th February 2021 and 28th February 2022.

2. Represents the consolidated earnings per share for the financial years ended 28th February 2018, 28th February 2019, 29th February 2020, 28th February 2021 and 28th February 2022.

3. Represents the consolidated total equity at 28th February 2018, 2019, 29th February 2020, at 28th February 2021 and 2022.

4. Represents the consolidated total assets at 28th February 2018, 2019, 29th February 2020, at 28th February 2021 and 2022.

Management Discussion and Analysis

BUSINESS REVIEW

The Group faced yet another challenging year as it sought to position itself back on a steady growth trajectory amidst the ongoing COVID-19 pandemic (the "Pandemic"). During the first three quarters of the year under review, relaxation of social distancing measures and the launch of the Consumption Voucher Scheme by the Hong Kong Government, complemented by a low unemployment rate, stimulated local consumer spending, notably in dining and vacationing, in the form of staycations and seacations. However, as the number of COVID-19 infections spiked in the fourth quarter and social distancing measures were once again tightened, economic activity began to falter. Consumers consequently shifted back to online shopping channels for daily necessities and overseas products, and there was a marked acceleration in demand and consumption of anti-epidemic products.

To overcome the unprecedented headwinds and align with the rapidly shifting consumer spending behaviour, the Group launched different promotional programmes to capture the ever-changing needs of customers in terms of credit card spending and demand for personal loans. Such programmes included the Ocean Park Promotion, Enrich Life Rewards Promotion, Winter Spending Promotion, the 10 times bonus points offer for local dining and online spending, and personalised tax loan rebate programme. Sales for the year recorded an overall increase of 21.1% when compared with FY2020/21, with gross advances and receivables balance at 28th February 2022 up by 5.2% against the balance at 28th February 2021. Owing to more effective credit assessment that permits more tailored credit exposure for customers based on their needs as well as affordability, the default rates of overdue advances and receivables continued to decrease in FY2021/22, with the percentage of overdue advances and receivables to total advances and receivables declining from 4.1% at 28th February 2021 to 3.5% at 28th February 2022.

OPERATIONAL REVIEW

Diversification and digitalisation have continued to constitute the guiding approach to effective operations for the Group. To enrich the customer experience in the areas of convenience and accessibility to the Group's services through the mobile phone, the Group has continued to enhance the "AEON HK" Mobile App by introducing various new functions, including the new credit card application function, change of credit card Personal Identification Number (PIN), application for automatic add value service for the Octopus Card and direct debit authorisation. In addition, the use of e-statements has been further promoted to reduce paper consumption as part of environmental protection efforts.

During the year, the Group has significantly increased the scale of its card acquiring business by taking on new clients that are merchants with comparatively sizable transaction volumes and/or multi-distribution networks. Among such merchants, the Company has been newly engaged by AEON Stores as its card acquirer for a term of three years, from 16 August 2021. The Company will principally be responsible for processing retail purchase transactions made by AEON Stores' customers using non-AEON credit/debit cards ("Off-us Acquiring Service").

In order to build a high-powered branch network to reach out to and serve more customers, the Group has continued to open new branches in different districts, including Mong Kok, Yau Tong and Kwun Tong. Moreover, for greater cost efficiency, the Group expects to relocate two street-level branches in Central and Causeway Bay, respectively, to office building premises.

Meanwhile, the Group's Mainland China businesses achieved monthly break-even in the fourth quarter. This was realised through the implementation of effective cost and debt controls.

To gain greater control over AIS and to facilitate the Group's objective of expanding business in the Greater Bay Area, the Company acquired the remaining 50% equity interest in AIS for a total cash consideration of RMB13,500,000, which is equivalent to HK$16,792,000. Upon completion of the acquisition on 21st February 2022, AIS became a wholly-owned subsidiary of the Company.

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 2022 to 44.0 HK cents per share, representing a dividend payout ratio of 53.8%.

FINANCIAL REVIEW

For the year ended 28th February 2022, profit before tax – on an audited basis, was HK$398.0 million, an increase of HK$40.1 million when compared with the financial year ended 28th February 2021. The Group recorded a gain of HK$7.9 million on deemed disposal of investment in an associate in the current year. After deducting income tax expense of HK$55.4 million, the Group recorded an increase in profit of 13.6%, with profit after tax increasing from HK$301.6 million in the previous financial year to HK$342.6 million in 2021/22. Earnings per share increased from 72.02 HK cents to 81.81 HK cents for the reporting year.

Return on assets was 6.7% in 2021/22, as compared with 5.9% in 2020/21, while return on equity was 9.4% in 2021/22, as compared with 8.8% in 2020/21.

Net debt to equity ratio remained at 0.1 at 28th February 2022, while total equity to total assets ratio was 71.4% and 67.3% at 28th February 2022 and 28th February 2021, respectively.

Net asset value per share (after final dividend) at 28th February 2022 and at 28th February 2021 was respectively HK$8.5 and HK$8.0.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ANALYSIS

Revenue

Revenue for the year was HK$1,049.6 million, a decrease of 3.7% or HK$40.3 million when compared with HK$1,089.9 million in the previous financial year.

Net Interest Income

During the year under review, greater economic activity in the first three quarters resulted in a strong increase in both credit card and personal loan sales, with gross advances and receivables recording an increase of HK$212.3 million at 28th February 2022, when compared with the balance at 28th February 2021. However, the fifth wave of the Pandemic in the fourth quarter dampened sales momentum. Consequently gross advances and receivables fell short of the pre-Pandemic level. As a result, the Group recorded a drop in interest income of 7.1% or HK$67.5 million, from HK$946.8 million in the previous year to HK$879.3 million in the current year.

Following the repayment of certain long-term bank borrowings upon maturity, the outstanding balance of bank borrowings was reduced by HK$98.7 million at 28th February 2022 when compared with the balance at 28th February 2021 while the Group's average funding cost maintained at 2.6% in current year. Therefore, the Group's interest expense recorded a decrease of 24.6% or HK$10.4 million, from HK$42.2 million in the previous year to HK$31.8 million in the current year.

Consequently, the Group's net interest income for 2021/22 was HK$847.4 million, representing a decrease of 6.3% or HK$57.2 million when compared with HK$904.6 million in 2020/21.

Operating Income
With an increase in credit card sales and launch of the Off-us Acquiring Service for AEON Stores, fees and commissions from the credit card business recorded a rise of 44.9%, or HK$23.5 million, from HK$52.3 million in the previous year to HK$75.8 million in the current year. For the insurance business, due to an increase in demand for insurance coverage, there was an increase in fees and commissions from the insurance business of HK$3.0 million to HK$27.7 million in the current year. The Group recorded an overall increase in fees and commissions of HK$26.4 million or from HK$77.0 million in 2020/21 to HK$103.4 million in 2021/22.

Corresponding with a rise in demand for cash advances, handling and late charges recorded an increase of 1.2% or HK$0.8 million to HK$66.9 million in the current year. There was an income recorded as part of other income in the previous year relating to the recognition of subsidies of HK$12.4 million from the Hong Kong Government under the Employment Support Scheme. Under other gains and losses, the Group recorded an exchange loss on liquidation of the microfinance subsidiary in Shenyang of HK$3.8 million in the current year, while there was a loss on disposal of computer equipment of HK$1.5 million in the previous year.

Despite an increase in fees and commissions, and handling and late charges, with the drop in net interest income, the Group's operating income for 2021/22 was HK$1,020.5 million, representing a decrease of 4.0% or HK$42.6 million when compared with HK$1,063.1 million in 2020/21.

Operating Expenses
In order to capture opportunities arising from growing consumer demands for the credit cards and personal loans, the Group placed greater efforts on relevant marketing activities and launched various mass promotion programmes. Consequently, marketing and promotion expenses increased by 24.3% or HK$17.5 million to HK$89.4 million in the current year. With the opening and relocation of different branches to diversify and expand the branch network, expenses relating to leases increased by around HK$1.9 million when compared with the previous year. There was also an increase in general administrative expenses of HK$20.7 million when compared with the previous year. This was attributed to the launch of Off-us Acquiring Service for AEON Stores as well as for the ongoing upgrade of card features and functionalities to enrich the customer experience. To prepare for the upcoming technology upgrade and the economy's recovery, the Group increased its manpower during the year, resulting in an increase in staff costs of HK$5.4 million when compared with the previous year.

Overall operating expenses recorded an increase of HK$42.0 million from HK$535.9 million in 2020/21 to HK$577.9 million in the current year.

Cost-To-Income Ratio
Despite an effective control of increase in operating expenses, the Group recorded an increase in its cost-to-income ratio from 50.4% in the previous year to 56.6% in the current year, due to a decline in operating income.

At operating level and before impairment allowances, the Group recorded an operating profit of HK$442.7 million in the current year, representing a decrease of 16.0% from HK$527.2 million in the previous year.

Impairment Losses and Impairment Allowances
With a constant improvement in credit assessment techniques, the Group has steadily built up a quality credit portfolio. Owing to the continuing efforts of the Hong Kong Government to stimulate economic growth and improve the unemployment rate, and the Group's ongoing efforts to enhance its debt management capabilities to minimise overdue advances and receivables, overdue advances and receivables were down from HK$168.6 million or 4.1% at 28th February 2021 to HKD$145.6 million or 3.5% at 28th February 2022. Together with a drop in written-off amount, the impairment losses and impairment allowances dramatically decreased by HK$116.7 million, or 55.4%, to HK$94.1 million in the current year versus HK$210.8 million in the previous year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS

The Group's total equity at 28th February 2022 was HK$3,633.5 million (HK$3,422.0 million at 28th February 2021), while total assets at 28th February 2022 were HK$5,089.6 million (HK$5,083.4 million at 28th February 2021).

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

During the year, the Group spent approximately HK$18.2 million on computer equipment, HK$1.3 million on leasehold improvements and HK$0.04 million on furniture and fixtures. As for right-of-use assets, the Group as lessee recorded an addition of HK$29.5 million in the current year.

Advances and Receivables

Easing of social distancing measures in the second and third quarters resulted in a sharp rebound in credit card sales, with credit card receivables recording an increase of 2.8%, or HK$89.6 million, from HK$3,214.9 million at 28th February 2021 to HK$3,304.5 million at 28th February 2022. In addition, due to increasing credit demand in the market, personal loan receivables also recorded an increase, climbing 15.9%, or HK$124.4 million, from HK$781.0 million at 28th February 2021 to HK$905.4 million at 28th February 2022. Overall, the Group's gross advances and receivables recorded an increase of HK$212.3 million from HK$4,062.3 million at 28th February 2021 to HK$4,274.6 million at 28th February 2022.

Owing to stable asset quality, impairment allowances decreased by HK$37.4 million, falling from HK$218.5 million, covering 5.4% of gross advances and receivables at 28th February 2021 to HK$181.1 million, covering 4.2% of gross advances and receivables at 28th February 2022.

Bank Borrowings

At 28th February 2022, the Group had bank borrowings amounting to HK$1,084.1 million, with 26.7% having fixed interest rates and 73.3% being hedged against interest rate fluctuation by means of interest rate swaps. 15.2% of the bank borrowings will mature within one year, 14.8% between one and two years, and 70.0% between two and five years.

The average duration of bank borrowings was 2.9 years at 28th February 2022, as compared with 1.9 years at 28th February 2021.

SEGMENT INFORMATION

The Group's business comprises three principal operating segments, namely credit cards, personal loans and insurance intermediary business. For the year ended 28th February 2022, credit card operations accounted for 79.4% of the Group's revenue, as compared with 78.6% in the previous year, while personal loan operations accounted for 18.0% of the Group's revenue, as compared with 19.1% in the previous year. As for segment results, credit card operations in 2021/22 accounted for 79.3% of the Group's results, as compared with 82.9% in the previous year, while the personal loan operations accounted for 17.2%, as compared with 13.7% in the previous year.

For credit cards, during the year under review, through the launch of various different marketing activities, the Group recorded an increase in credit card sales and receivables balances. However, the monthly revolving credit card receivables balances had not yet recovered to the pre-Pandemic level. Consequently, revenue from the credit card segment recorded a drop of 2.8% or HK$24.0 million in 2021/2022, falling from HK$857.0 million in 2020/21 to HK$833.0 million in 2021/22. Due to effective control of operating expenses, maintenance of quality portfolio, and effective collection efforts to reduce impairment losses and impairment allowances by 53.0% or HK$78.5 million, the results from the credit card segment recorded an increase of 4.6% or HK$13.6 million from HK$296.0 million in the previous year to HK$309.6 million in 2021/22.

With respect to personal loans, due to a brief easing of social distancing measures resulted in an increase in economic activity and accordingly, market demand for personal loan products, there was an increase in sales and receivables balances. Nevertheless, revenue from the personal loan segment still recorded a decrease of 9.2% or HK$19.1 million from HK$208.1 million in 2020/21 to HK$189.0 million in 2021/22, as the receivables balance at 28th February 2022 was still lower than the pre-Pandemic level and only achieved 88.3% of the receivables balance as recorded at 29th February 2020. Thanks in large part to more effective credit assessment and collection efforts, there was a sizable decrease in impairment losses and impairment allowances by 60.8% or HK$38.2 million. As a result, segment results from personal loan operations recorded an increase of HK$18.1 million from HK$49.1 million in 2020/21 to HK$67.2 million in the current year.

For the insurance intermediary business, with more demand for insurance services, revenue from the insurance intermediary operations recorded an increase of HK$3.0 million from HK$24.7 million in 2020/21 to HK$27.7 million in 2021/22, and the segment result was HK$13.5 million, as compared with HK$12.0 million in the previous year.

With regard to the financial results by geographical locations, Hong Kong operations accounted for 98.3% of the Group's revenue, as compared with 98.8% in the previous year, while Mainland China operations accounted for 1.7% of the Group's revenue, as compared with 1.2% in the previous year. For segment results, the losses from Mainland China operations impacted on the Group's results by around 0.7% and 1.9% in 2021/22 and 2020/21 respectively.

Although sales from both credit cards and personal loans have already shown progressive recoveries, monthly revolving credit card balances and personal loan receivables balances in the current financial year were still lower than the previous year, and, as a result, revenue from the Hong Kong operations recorded a decrease of 4.1% or HK$44.6 million, from HK$1,076.8 million in 2020/21 to HK$1,032.2 million in 2021/22. Through the enhancement of credit assessment methods to build up a quality portfolio along with effective collection efforts, there was a sizable decrease in impairment losses and impairment allowances. As a result, the segment results of the Hong Kong operations recorded an increase of 8.0% or HK$29.1 million from HK$363.9 million in 2020/21 to HK$393.0 million in 2021/22.

For the Mainland China operations, the Group completed the liquidation of the microfinance subsidiary in Shenyang in the current year and continued with the liquidation proceedings for another microfinance subsidiary in Tianjin. In February 2022, the Company completed its acquisition of an associate in Shenzhen, which provides business process outsourcing services, to become a new wholly-owned subsidiary of the Group. During the year, the microfinance subsidiary in Shenzhen re-activated its marketing activities with selected merchants which resulted in an increase in sales, contributing to the increase in revenue from the Mainland China operations by HK$4.4 million, rising from HK$13.0 million in 2020/21 to HK$17.4 million in 2021/22. Together with effective control of costs and bad debts, the microfinance subsidiary in Shenzhen became profitable in the current year. As a result, overall segment results of the Mainland China operations recorded a reduction in losses of HK$4.0 million, from a loss of HK$6.8 million in 2020/21 to a loss of HK$2.8 million in 2021/22.

FUNDING AND CAPITAL RISK MANAGEMENT

The Group relies principally on its internally generated capital and bank borrowings to fund its business. At 28th February 2022, 77.0% of its funding was derived from total equity, and 23.0% from direct borrowings from financial institutions.

The net asset of the Group at 28th February 2022 was HK$3,633.5 million, as compared with HK$3,422.0 million at 28th February 2021. Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present operating requirements.

The Group's principal operations are transacted and recorded in HKD and therefore its core assets are not subject to any exposure to exchange rate fluctuation. During the year under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 28th February 2022, capital commitments entered into by the Group were mainly related to the purchase of property, plant and equipment.

PROSPECTS

With the fifth wave of the Pandemic seriously impacting business activity in Hong Kong from the fourth quarter of 2021/22 onwards, and the subsequent emergence of geo-political and economic conflicts across the world, the operating environment can only be expected to stay extremely challenging and uncertain in the coming year. Although no one can expect daily lives to return to what they used to be, in delivering a strong underlying performance, the Group has demonstrated a better understanding of the evolving consumer spending behaviour under the new normal, a condition that is likely to last for an extended period of time.

The Group will continue to refine its business model and increase its resilience in order to adapt to changing consumer behaviour and to more closely meet new customer needs. Specifically, the Group will continue to work on its credit policy with the aim of maximising profitability by extending credit facilities to customers on a sustainable basis. Moreover, a new credit card product targeting the younger generations will be launched to expand the customer base. Marketing and promotional activities will focus on the Group's own solution for addressing changing consumer spending needs in the post-Pandemic environment and on broadening the appeal of its brand.

Should the Pandemic show signs of waning in the second quarter of 2022/23, the anticipated launch of the second round of the Consumption Voucher Scheme will likely revitalize the economic activity in Hong Kong. In order to stay competitive in the market, the Group will place greater emphasis on diversifying marketing channels and programmes to promote its products. In addition, it will continue to look into opportunities for opening more new branches, enhance domestic spending promotions and engaging celebrity to promote its products.

As inflation in both the US and Hong Kong has reached near-decade high, it is expected that both the US Federal Funds Rate and Hong Kong Prime Rate will continue to rise in 2022/23. This can lead to a general drop in interest spread for interest bearing products of the Group. Hence, the Group will actively pursue new sources of income in the form of fees and commissions by continuing to bring in more card acquiring merchants and exploring other business opportunities for new income sources.

For technology development, the card and loan system replacement project is expected to be completed in the second half of 2022/23. After the replacement, the Group can promote new product benefits through enhanced digital marketing and provide premium user experiences or new payment solutions to its customers. Moreover, data analytics tools will support efforts at enhancing the effectiveness of the Group's marketing, credit assessment and credit management activities.

For the Mainland China operations, AEON Micro Finance (Shenzhen) Co. Ltd. will continue to focus on its expansion in the entire Greater Bay Area by launching more loan products. Separately, the newly acquired AIS is now a business process support arm of the Group. It will facilitate seamless support of the Group's operation, while the unique strength of AIS will also be leveraged to seek new external business opportunities for the Group.

On the matter of sustainability development, the Group will continue to revisit its focus areas on sustainability development. It will also define relevant key performance indicators to pursue as part of its long-term mission to contribute to the betterment of shareholders, customers and business partners, community, people and environment.

It is difficult to predict the timeframe for a full economic recovery. With the Group's responsiveness and strong business relations with its partners, as well as solid liquidity position and balance sheet, the Group is well prepared to face the challenges ahead and move forward to capture further business opportunities that may arise as and when more favourable market conditions return.

IT DEVELOPMENT

During the year under review, the Group continued to enhance its IT infrastructure, notably with respect to the upgraded human resources system, the "AEON HK" Mobile App that now supports both credit card and personal loan applications, as well as additional network security implementations. To support the work-from-home arrangement, the Company has provided the requisite software and hardware, complemented by continuous enhancements to cater for this new hybrid work mode.

In the coming year, besides the new card and loan system to be launched and the related netmember and mobile application to be replaced, the Group will work on a database project. As IT security is critical to its operations, improvement to several security management functions will be introduced.

HUMAN RESOURCES

The total number of staff of the Group at 28th February 2022 and 28th February 2021 was 510 (Hong Kong: 358; PRC: 152) and 379 (Hong Kong: 334; PRC: 45) respectively. Employees are remunerated according to their job nature and market trends, with annual increment to reward and motivate individual employees based on their competency. Apart from medical and life insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Group.

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

During the year under review, the Group established a regular work-from-home ("WFH") scheme. This new working model provides employees with a more flexible working environment, through which they can save travelling time and avoid going out during peak hours under the Pandemic. As far as the Group is concerned, the possibility of uninterrupted operations, whether under the Pandemic or extreme weather conditions, enhances the competitiveness of the Group.

BUSINESS MODEL AND STRATEGY

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

It is the Group's strategy to capitalise on credit cards operation 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 affiliated and acquiring merchants. By using the merchants' networks as cardholder recruitment base and cross-selling channels, the Group continues to explore business opportunities for fee and commission-based income.

Customer Base

Around 49% of the Group's customers are in the 40 to 60 age range. In terms of gender, female cardholders represent 68% of its card portfolio at 28th February 2022. The Group intends to expand its customer profile to the young generation and the male segment.

Convenient Service

The Group has added several new functions to its mobile application this year. They aim to deliver more convenient, better and faster services and premium experiences to customers.

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

Quality of Service

The Group obtained ISO 27001 certification for Information Security Management System, ISO 9001 certification for Quality Management System, ISO 14001 certification for Environmental Management System, and PCI DSS certification for Payment Card Industry Data Security Standard. These certifications help ensure that the highest level of service quality is being delivered to the Group's customers.

Tomoharu Fukayama
Managing Director
Hong Kong, 6th April 2022

Environmental, Social and Governance Report

Reporting Objectives

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

Reporting Scope and Boundary

The content of this ESG report is defined after taking into account the materiality of the sustainability issues arising from the Group's operations. As more than 90% of the Group's income is derived from the Company's operations in Hong Kong, this ESG report mainly highlights the ESG performance of the Hong Kong head office and branches for the year ended on 28th February 2022.

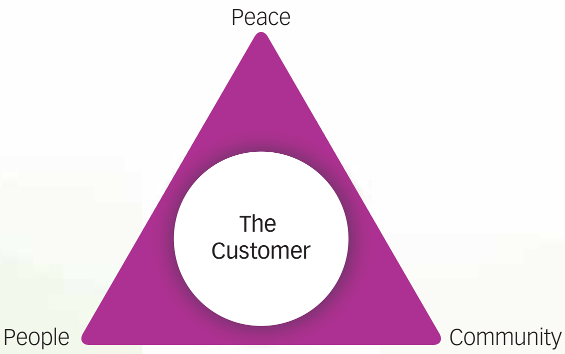
Reporting Standard

This ESG report is prepared in accordance with the ESG Reporting Guide (the "ESG Guide") in Appendix 27 of the Listing Rules. It fulfils the mandatory disclosure requirements and "comply or explain" provisions of the ESG Guide. Consistent methodologies have been adopted to allow for a fair comparison over time and to provide a balanced picture of our ESG performance.

OUR SUSTAINABILITY APPROACHES

AEON Basic Principles

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



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

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

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

AEON Code of Conduct

AEON Code of Conduct guides and directs the future course of the Company for the benefits of our stakeholders. It helps us interpret AEON Basic Principles to know what actions have to be taken and how they should be done. Determined to be a socially responsible entity, we 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 strengthen the bonds of trust amongst us.

Management Approach on sustainability

Our sustainability development is built on trust from stakeholders. We always seek to meet stakeholders' needs and expectation. In order to guide us on our sustainability journey and extend the implementation of the AEON Basic Principles into practices, the Company establishes the Sustainability Development Policy that outlines the commitment to stakeholders and strategy on sustainability. Details of the Policy can be found on the Company website (https://www.aeon.com.hk/en/corporate-info/sustainability_development_policy.html)

The Board is accountable for the overall sustainability development framework setting, strategy formulation and implementation of the Company's sustainability initiatives. During the year, a committee on sustainability development (the "Committee") was established in advising the Board on current and future sustainability development plan, fulfilling its responsibility on sustainability development activities, and contribute to the development of a sustainable society within the authority entrusted by the Board. The Committee is chaired by the Executive Director in charge of sustainability development. The Committee held four meetings and reported to the Board for five times for the year ended 28th February 2022, which includes review and discussion on the Sustainability Development Policy, Terms of Reference of the Committee, materiality assessment results, focus areas and key performance indicators.

MATERIALITY ASSESSMENT

Understanding the material sustainability topics enables the Company's directions for its sustainability roadmap. During the year, we conducted a comprehensive materiality assessment to identify critical sustainability issues that impacted to our business operations and stakeholders.

The follow steps are taken to determine the materiality:

(1) Identify potential sustainability issues through desktop research with industry peers, other financial institutions, credit card processing network, AEON Group companies, regulatory bodies, and sustainability reporting standards

(2) Executives Directors, Division Heads, Department Heads and selected employees participated in an online survey to prioritize the importance and impact of the identified sustainable issues to the Company

(3) Develop the materiality matrix and determine the sustainability focus areas

(4) Report the focus areas to the Executive Committee and the Board

Materiality Matrix and Focus Area

Stakeholders' interest			
		• Brand awareness	• Economics performance • Customer satisfaction • Business integrity • Occupational health and safety • Data responsibility • Risk management • Staff 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

Taking into account of the sustainability trends, business developments, stakeholders' interest and materiality results, we have formulated eight sustainability focus areas and monitor the performance in each of these areas:

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

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are of utmost importance to the continuous improvement of the Company's sustainable development. We have maintained ongoing and close communications with stakeholders over the years through extensive channels so as to better understand their opinions on the Company's performances. We actively engage with stakeholders to collect their comments and feedback to identify areas for improvement.

Stakeholders Concerns and Communication Channels

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

INDUSTRY-SPECIFIC MANAGEMENT

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

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

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

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

A clear and comprehensive mechanism has been put in place to detect and report on the matters relating to money laundering and terrorist financing. All staff are required to report when coming across any suspicious transactions. Hotlines are established in the Company level and Group level to report on any misconduct. Independent checks and evaluations are carried out by the Internal Audit Department of the Company at least on a yearly basis to ensure that the Company's approaches and procedures continue to be appropriate and adequate. For the year ended 28th February 2022, the Company is not aware of any breach of laws or regulations concerning anti-money laundering and counter-terrorist financing.

Anti-bribery and Corruption

In addition to strictly complying with the Prevention of Bribery Ordinance, we have also formulated clear rules and procedures to handle matters concerning the protection of confidentiality, prevention of conflict of interest, bribery and fraud. It is the Company's policy to prohibit employees soliciting any advantage from customers, suppliers or any other persons. For the year ended 28th February 2022, we are not aware of any non-compliance of laws and regulations concerning anti-bribery and corruption by the Company.

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

COMMITMENT TO OUR CUSTOMERS AND BUSINESS PARTNERS[2]

We endeavour to provide customers with assurance and trust. Being one of the Hong Kong's leading credit card issuers and consumer finance service provider, we are committed to providing exceptional customer experience and consistently high standard 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 our customers and act with integrity, we also offer quality services at reasonable price.

(Source: The AEON Code of Conduct)

Customer Data Privacy

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

The Personal Data Protection Policy and Data Security Guidelines are in place to ensure the personal data and privacy of our customers are protected. Alongside with the system development, we have always put data security into our priority, the "AEON HK" mobile application and "Netmember" service have been constantly improving and upgrading for security and user experience. We have designated the Head of Operations Division to serve as the Company's Data Protection Officer who has the responsibility to oversee the Company's fulfilment of data protection requirements. Our staff members receive relevant personal data protection training each year.

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

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

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

Quality Service and Responsible Business Practices

We are committed to providing our customers with accountable and transparent products and services. Internal policies including approval procedures are developed to provide guidance for our operations. Our staff are trained to provide customers with the accurate and clear product information. When customers are not satisfied with our service, customer service shall communicate for 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, the Company only uses licensed software at all times. As part of the IT management policy, computers are not allowed to install with any unlicensed or unauthorized software. Our marketing materials used 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.

Customer Satisfaction

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

Customers are mainly served through our branch offices, customer service hotline, mobile app and Company's website. It is vital for us to manage and respond to customers' feedback professionally and in a timely manner. The complaint management and corresponding complaint handling flows have been developed to handle customers' complaint. For improvement of our customer service, the complaint cases are categorised into 5 categories, namely promotion, service, fees and charges, and system and others. For the year ended 28th February 2022, we have received 74 complaints. There was an increase in total number of complaints during the year which was mainly attributed to the paper statement fees in July and August. As part of our digitalization strategy, we encourage customers to go paperless by switching paper statement to e-statement to reduce the environmental impact. During the transition period, customers were not fully aware of the necessity of fees imposed on paper statement, and therefore causing the increase number of complaints. Our customers service department patiently listened to the customers' concern and gradually introduced the advantage of using e-statement and provided temporary fee waiver arrangement. With our uninterrupted improvement in customer service, we noticed that there was a decreasing trend relating to service compliant.

For the year ended 28th February 2022, the Company is not aware of any breach of laws or regulations relating to its products, services, operations, sales and promotions or other business practices that resulted in sanctions or liabilities of material adverse effect to the Company.

Customer Convenient

Convenient financial service is one of our customers' expectations. In the fast-growing market, we provide comprehensive financial services that meet our customer needs. "Netmember" service and "AEON HK" mobile application have been launched to serve this purpose. The continued advancement of technology is never ending. Digitalization in financial service is one of our long-term target. The Company is currently in the process of phase two for issuing system of the new card and loan system project and also several major projects that will be able to provide extensive service to customers via "Netmember" service and in mobile application.

Our branches are located in the heart of Hong Kong that can provide convenience service to our customers. As of 28th February 2022, we have 15 branches. We strive to improve our facilities and accessibilities at branch. Our branch customers service representatives will take special care for customer in need.

Supply Chain Management

Suppliers and business partners are vital to our business operation in order to provide quality product and service to our customers. Suppliers and business partners are selected based on various objectives, predetermined quantitative and qualitative criteria such as costs, specific features, the relative advantages and disadvantages. For the year ended 28th February 2022, we are working with 435 suppliers and business partners, in which 407 suppliers and business partners are located in Hong Kong, 4 in Japan, and 24 in other countries.

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

We also attach great importance to fulfil our environmental and social responsibilities in relation to our 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 card product to our customers.

COMMITMENT TO OUR PEOPLE

For employees' management, we strictly follow relevant laws and regulations of Hong Kong including but not limited to the Employment Ordinance, Employees' Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance, and various anti-discrimination ordinances to establish a robust employees' management system. Any instance of irregularity or failure to comply with such rules and regulations will be forthwith rectified by the Company upon identifying such deficiencies. We adopt 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[3]. We understand the importance of achieving work-life balance. Overtime work is not encouraged. Employees at certain grades are paid additional wages for working overtime. Workload is evaluated when excessive overtime work persistently occurs. For evaluating the "new normal" from the Pandemic, the Company has started the trial run on regular work from home scheme for staff, where staff can work from home once per week as appropriate. Staff are also encouraging to wear casual for work to enable an energetic environment.

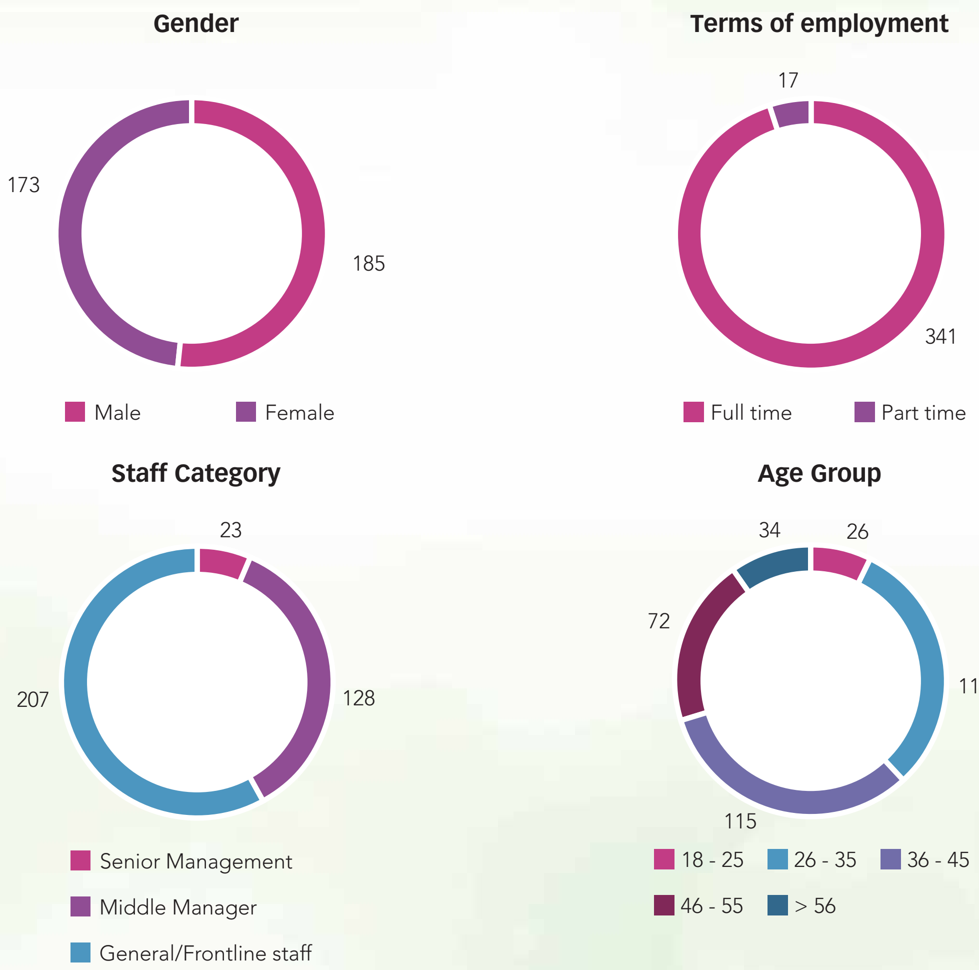
[3] *With our current measures verifying candidates' identities, there is no risk of recruiting children in our operation, and therefore no contingency plan is set.*

Building Open Communication

In order to build a harmonic workplace, we communicate with staff at all levels regularly. Management staff participate in the Division Policy Announcement hosted by Corporate Planning Department annually for the Company plan and long-term strategy. Company news and AFS Group internal magazine 'As One' are regularly distributed to all staff to update on the progress of the Company and at the Group level to boost office morale.

We are committed to providing employees with a fair, inclusive, diversified and non-discriminatory working environment where employees respect, cooperate and support each other. We strive to improve ourselves based on best practice and lessons learnt from labour and related disputes to eliminate discrimination, harassment and vilification on unlawful grounds. Relevant laws and regulations and their rights are clearly communicated to all staff at orientation. Comprehensive and highly confidential complaint channel is set up to handle the relevant complaints. During the year, there was one case concerning disability discrimination that was dismissed with no order as to legal costs.

As of 28th February 2022, the total number of staff in Hong Kong was 358.



Full time staff turnover for the year ended 28th February 2022 was 26%, with gender being 14% (male) and 12% (female), and age distribution being 4% (aged 18-25), 8% (aged 26-35), 6% (aged 36-45), 6% (aged 46-55) and 2% (aged >56). Exit interview is conducted with leavers to understand their decisions and follow up with internal evaluation to improve our internal staff management system and future planning.

Training and Development

The Company invests time and resources in employees' training and development to ensure employees will have the breadth and depth of skills and knowledge to achieve the business goals and to keep up with the competitive markets. To equip staff with the suitable knowledge and skills, Training Needs Analysis (TNA) is conducted every year to identify training and development needs of our employees, and focus group was held for the training gap and the training plan. As part of our succession planning process, we were able to provide increasing number of trainings during the year.

Building a culture of compliance

For new joiners to understand the Company's high standard of corporate values and to build a sustainable, professional and ethical workforce, comprehensive orientation programme is provided to all new joiners to align their understanding on our code of conduct, mission and value, business structure and relevant laws and regulations. As stated in our Staff Training and Development Policy, all staff and directors are required to attend annual 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 company's future business development and cherish talented staff, for staff who meet the criteria and are expected to take on a higher management level, they will be nominated to attend management training jointly organized with AEON Malaysia and AEON Financial Service. The expected learning outcome of the one-year course is to enhance and develop strong leadership in improving profitability in rapid changing management environment and in transforming business structure.

Nurturing future talents

Graduate trainee

Graduate trainee programme has been launched to provide tertiary students and recent graduates opportunities to become leader equipped with competent, excellence work and entrepreneurship skills. It is a two-years structured programme with support from senior management and mentor to develop a wide range of practical work experience. Trainees were arranged to do placement among various departments with detailed targets set. Evaluation will be carried out after each department rotation for mutual understand. Mentors for the programme are given briefing to clarified roles and responsibilities and to encourage to share of personal experience.

Internship

Intern programme is in place during summer to provide students with opportunities to gain experience in financial service industry. Interns are assigned to varies departments and provide specific tasks during the programme period.

Training		2019/20	2020/21	2021/22
Workplace Employee training				
Total Training Hours[4]		4,938	3,985	8,034
Total No. of Attendees		1,887	1,696	2,737
Average training hours per employees		2.62	2.35	2.94
Gender of Attendees				
Attendees	Male	1,051/56%	908/54%	1,468/54%
	Female	836/44%	788/46%	1,269/46%
Total Training hours	Male	–	2,384/60%	4,720/59%
	Female	–	1,601/40%	3,314/41%
Average Training hours	Male	–	2.63	3.22
	Female	–	2.03	2.61
Employee Categories				
Attendees	Frontline and general Staff	–	745/44%	1,285/47%
	Middle Management	–	608/36%	1,012/37%
	Senior Management	–	119/7%	198/7%
	Directors	–	50/3%	47/2%
	Non-specific Target Group[5]	–	174/10%	195/7%
Training Hours by Employee Categories/Percentage				
Total Training hours	Frontline and general Staff	2,034/41%	1,152/29%	2,971/37%
	Middle Management	2,067/42%	1,769/45%	3,569/44%
	Senior Management	291/6%	326/8%	543/7%
	Directors	139/3%	337/8%	387/5%
	Non-specific Target Group	407/8%	401/10%	564/7%
Average Training hours	Frontline and general Staff	–	1.55	2.31
	Middle Management	–	2.91	3.53
	Senior Management	–	2.74	2.74
	Directors	–	6.74	8.24
	Non-specific Target Group	–	2.3	2.89

4 *Include staff and Executive Committee members training on anti-corruption and terrorist financing*

5 *Non-specific target group refers office assistant, driver, telemarketer, advisors, summer interns, IT intern, part-time promoter and business consultant*

Occupational Health and Safety

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

During the 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. Staff are invited to fill out 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 staff on the health and safety hazard in the office area and at branch.

Occupational Health and Safety	2019/20	2020/21	2021/22
No. of work-related fatalities	0	0	0
Rate of work-related fatalities	0	0	0
Work-related injury	1	3	1
Lost days due to work-related injury	5	149.5	0

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

For the year ended 28th February 2022, save as one incidents of employee injured in the course of work, the Company is not aware of any claims against the Company itself or instances of breach of laws or regulations relating to occupational health and safety standard.

COMMITMENT TO OUR ENVIRONMENT

The Company is putting effort to reduce consumption of energy and natural resources, to reduce waste and to use environmentally friendly products and services wherever possible. We strictly comply with relevant laws and regulations regarding environment protection[6]. The ease of such compliance is largely attributable to the nature of our business[7]. Environmental Management System ISO 14001 certification is obtained since 2009 for head office and branches. Measures and procedures are incorporated into the internal rules for green development. For the reporting year ended 28th February 2022, the Company is not aware of any significant impact of its activities on the environment and natural resources. However, the Committee is continuous with its studies internally to identify on the resources use and will extend the topic with suppliers for a win-win situation for the environment.

[6] *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.*

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

Energy Saving and Emissions Reduction

Energy saving and emissions reductions are important aspects in fulfilling our environmental responsibility. Electricity use on our premises is the largest contributor to our greenhouse gas footprint. We encourage our employees to join us in building a greener office by turning off the electrical appliances after office hours or when not in use or setting them to energy-saving mode. Office areas are set at a comfortable temperature. For our branches, LED lighting were fully installed when newly renovated to reduce electricity consumption. During the year, we have set an electricity consumption target for head office to reduce by 5% of baseline 2020/21 by FY 2025/26. Due to the Pandemic and work from home policy, in 2021/22, the electricity consumption reduced by 14.55%. The Committee is going to review the target and develop the action plan for head office and branches. For the company vehicles, study will be carried out to improve the fuel and energy efficiency.

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

Greenhouse gas ("GHG") and air emissions[8]	Unit	2019/20	2020/21[9]	2021/22
Scope 1	tCO_2e	4.88	6.35	5.67
Scope 2[10]	tCO_2e	298.03	282.44	220.46
Scope 3[11]	tCO_2e	28.94	0	0
GHG removal from tree planting	tCO_2e	10.3	0	0
Total GHG emission	tCO_2e	321.55	288.79	226.13
Total GHG emission intensity	tCO_2e/sq ft	–	0.0058	0.0047
Nitrogen oxides (NOx)	kg	–	–	1
Sulphur oxides (SOx)	kg	–	–	0.03
Particulate Matter (PM)	kg	–	–	0.07

Energy consumption	Unit	2019/20	2020/21	2021/22
Petrol	Liters	1,607.65	2,345.96	2,096.61
Petrol	kwh	15,580.43	22,735.69	20,319.18
Electricity[9]	kwh	380,381.00	436,902.92	373,340.98
Total energy consumption	kwh	395,961.43	459,638.61	393,660.16
Energy consumption intensity	kwh/sq ft	–	9.30	8.13

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

9 *The electricity consumption and scope 2 emission for 2020/2021 is restated with the scope change. Electricity consumption and scope 2 emission has extended from head office and branches outside AEON Stores to head office and all branches in Hong Kong.*

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

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

Use of Resources

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

In terms of water usage, the Company does not encounter any issues in sourcing water due to the use of municipal water. Nonetheless, the Company makes great effort in reducing the use of water and improving water efficiency. The Company encourages employees to save water. Water used at our head office during the reporting year was 331 m^3 (intensity is 1.31 m^3 per staff). To avoid water leakage, employees are required to ensure that equipment has been turned off properly after use. Since water resources is not material resources in our operation, therefore no reduction is set.

Waste Reduction

Steered by the spirit of environmental stewardship, the Company has implemented a number of measures in head office and branches to promote reuse and recycling. Employees are encouraged to share the resources, for example, shared stationery stations for items that are not regularly needed. To enhance staff behaviour on waste reduction, there is no waste bin around the office. General waste is only centrally collected in the common area, and recycling bins of plastics and paper are provided to encourage recycling. We try to recycle as many furniture and equipment by making alternative use of them at other branches and office when a branch is closed down.

For hazardous waste[12], as the Company's business does not involve any industrial manufacturing activities, there is no significant generation of hazardous wastes. For general office hazardous wastes such as ink cartridge and fluorescent tube, we arrange suppliers and building management office for handling. Electronic wastes such as computers and servers are handled by the IT Division to properly delete the information stored in them before their disposal in accordance with internal regulations.

[12] *The existing hazards waste discharged such as lighting equipment and outdated equipment from our business operation cannot be avoid. Purchase of these items were made only when necessary. Therefore, no reduction target is set for hazards waste.*

We continue to study and analyse our internal waste and to increase the recycle rate. Digitalization is ongoing throughout business operations. Externally, customers are encouraged to change from paper statement to electronic statement. The paper statement was reduced by 41.09% compared to 2020/21. We will continue to encourage customers to switch into electronic statement to reduce environmental impact. Internally, various departments are streamlining process to go paperless. Our aim is to reduce paper intensity by 10% with baseline of 2020/21 and to increase paper recycling intensity by 5% with baseline of 2020/21 respectively by FY2025/26.

Waste	Unit	Amount	Intensity
Non-hazard waste	tonnes	218.87	0.61 tonnes/staff
Plastic recycling	tonnes	0.05	0.0001 tonnes/staff
Paper recycling	tonnes	0.84	0.002 tonnes/staff
Hazard waste			
Miscellaneous electronic equipment (including computers and monitors)	pcs	1,257	4.08 pcs/staff
Fluorescent tubes/light bulb	pcs	229	0.67 pcs/staff

For the year ended 28th February 2022, the Company is not aware of any breach of laws or regulations relating to environmental protection.

Mitigation on Climate Change

Climate change is one of the greatest challenges facing in Hong Kong and the world today. We have been monitoring our internal emission and environmental aspects through the ISO 14001 certification since 2009. Various measures are taking place to control our emissions. As a financial service provide in Hong Kong, our significant carbon emission is related to the electricity consumption for head office and branches. For our scope 3 emissions, we only track our overseas business travel. With the restriction from the Pandemics, there is no flight travel. In order to reduce part of our emission and as part of AEON Group and the Company tradition, we will resume tree planting activities in Hong Kong. We understand our environmental impact should not be only counted in our operation. We are also considering and working with our business partners on our environmental impact outside office. For example, the material used for credit card and other types of materials that are used by our business partners for our operation. In the coming year, we are planning to further study on the climate risks that are related to our financial impact.

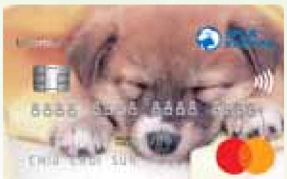
COMMITMENT TO OUR COMMUNITY

We aim to set an example as a good corporate citizenship by working together with the community for its growth and improvement of quality of life. Guided by AEON Group's corporate philosophy of "Peace, People and Community", the Company continues to support local community projects and activities. In order to align with the AEON Basic Principles, we continue to focus our contribution on environmental protection, education and cultural exchange. During the year, the company total donation is HK$1,817,000.

Charity Support

Charity credit card

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



Bonus Point donation

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

Education

Scholarship

We believe talented students should not be hindered by financial burden. Through AEON Scholarship, we continue to provide support to students undergoing university education.

University in Mainland China

- Shenzhen University
- Sun Yat-Sen University

University in Hong Kong

- University of Hong Kong
- University of Science and Technology
- City University of Hong Kong
- The Hong Kong Polytechnic University
- Lingnan University

Community Partnership

Other than the scholarship for tertiary education, we believe resources given at young age can allow long term development. By partnership with community organisations can create positive knock-on effects in creating a more caring community. "UNICEF Young Envoys Programme" is one of our major partnership programmes to support children from secondary schools. Through our continuous sole sponsorship, Hong Kong Committee for UNICEF continues to provide a valuable opportunity for local youngsters to explore global and local issues in relation to children's rights to survival, protection, development and participation. During the year, we expanded our cooperation with Hong Kong Committee for UNICEF on a programme for ethic minority youth in Hong Kong, which this has broaden our support in education as well as supporting the culture exchange in Hong Kong.

Board of Directors

Mr. Tomoyuki Mitsufuji, aged 57, was appointed as a Non-executive Director on 25th June 2021. He is currently a director and senior executive officer of AEON Financial Service Co., Ltd., a listed public company, in charge of Group Corporate Management and Group Risk Management, as well as the president commissioner of PT AEON Credit Service Indonesia. 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 48, was appointed as an Executive Director and the Managing Director on 23rd June 2020. 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 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 has 20 years of experience in the consumer finance industry.

Mr. Lai Yuk Kwong, aged 59, was appointed as an Executive Director and the Deputy Managing Director on 23rd June 2017. He is in charge of the Corporate Management Division of the Company. He 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 41, was appointed as an Executive Director on 23rd June 2020. He is in charge of the Accounts and Finance Division 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. He became manager of the corporate management department of AEON Financial Service (Hong Kong) Co., Ltd. in June 2013 and senior manager in November 2015. From May 2015 to October 2015, he was an executive director of AEON Micro Finance (Tianjin) Co., Ltd., a subsidiary of the Company, in charge of its finance department. He is currently the supervisor of AEON Micro Finance (Shenzhen) Co., Ltd., and AEON Information Service (Shenzhen) Co., Ltd., both of which are subsidiaries of the Company. He graduated from Kochi University with a Bachelor's degree in Economic and Management Studies and further undertook postgraduate studies in accounting at the Central University of Finance and Economics, Beijing.

Ms. Jin Huashu, aged 44, was appointed as a Non-executive Director on 25th June 2021. She is currently the managing director of AEON Micro Finance (Shenzhen) Co., Ltd., and a director of AEON Information Service (Shenzhen) Co., Ltd., both of which are subsidiaries of the Company. She joined AIS 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 70, 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 66, 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 is also a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. She is a founding member and former president of the Association of Women Accountants (Hong Kong) Limited and the former chairman of the Hong Kong Institute of Certified Public Accountants Taxation Committee. Her professional qualifications include fellow member of the Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants and Institute of Chartered Secretaries and Administrators.

Ms. Shing's 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 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 58, was appointed as an Independent Non-executive Director on 23rd June 2020. She graduated from the Faculty of Foreign Studies, Sophia University, Tokyo with the Bachelor of Arts degree and has the Master of Laws degree from Duke University School of Law, North Carolina, the United States of America. She completed her legal training at the Legal Training and Research Institute of the Supreme Court of Japan. She is an attorney at law admitted in Japan and in the State of California, the United States of America.

Before qualified as an attorney at law, Ms. Dochi had worked for a number of sizeable Japanese and international business enterprises. She was previously with a major US law firm, and is currently the representative lawyer of DOCHI Law Office in Tokyo. 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 complied with the code provisions of the CG Code throughout the year ended 28th February 2022, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below[1].

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Role of the Board

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

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

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

Composition

As at the date of this report, the Board comprises eight members, consisting of three 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 30 to 31 of this annual report.

[1] Reference to the Corporate Governance Code provisions in this Corporate Governance Report are to those applicable to the Company for the year ended 28th February 2022.

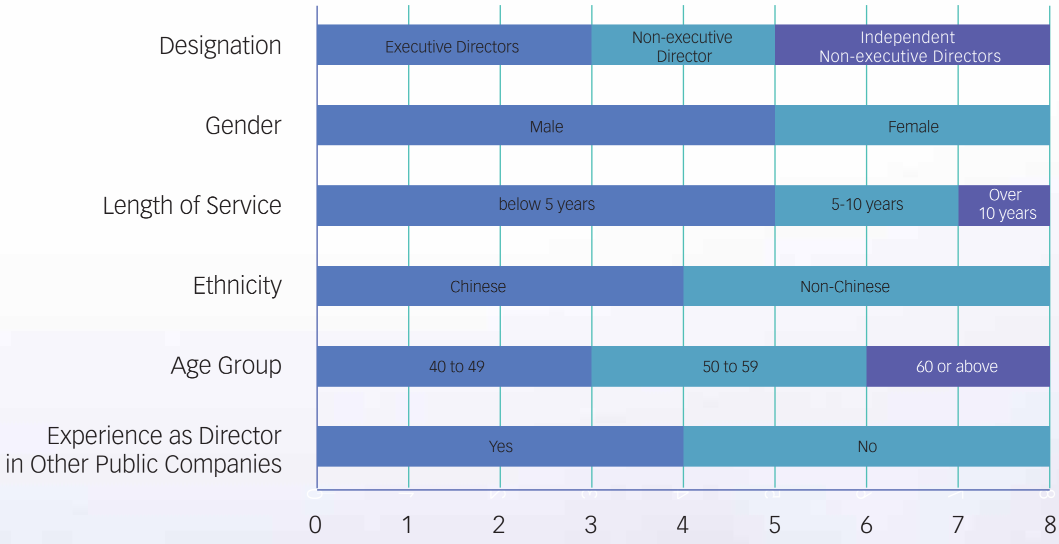
Independent Non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the role and function of the Directors is maintained on the Company's website and the Stock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

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

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

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

Board Composition



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

Independence of Independent Non-executive Directors

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

Board Process

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

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

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

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

Attendance at Board Meetings

During the year, the Board held 12 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 Directors;
- recommendation on the re-election of Directors;
- approval of the Directors' fees of the Independent Non-executive Directors;
- approval of the Sustainability Development 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)*	12/12
Lai Yuk Kwong *(Deputy Managing Director)*	12/12
Tony Fung^	6/6
Daisuke Takenaka	12/12
Non-executive Directors	
Tomoyuki Mitsufuji *(Chairman)**	8/8
Masaaki Mangetsu *(Chairman)*#	3/3
Jin Huashu*	8/8
Independent Non-executive Directors	
Lee Ching Ming Adrian	12/12
Shing Mo Han Yvonne	12/12
Junko Dochi	12/12
Kenji Hayashi#	3/3

* Appointed on 25th June 2021
\# Retired on 25th June 2021
^ Resigned on 31st August 2021

Directors' Training

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

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

During the year ended 28th February 2022, 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	✓	✓	✓
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 25th June 2021, the Board approved (i) the appointment of Mr. Tomoyuki Mitsufuji as a Non-executive Director and the Chairman of the Board; and (ii) the appointment of Ms. Jin Huashu as a Non-executive Director. Mr. Tomoyuki Mitsufuji and Ms. Jin Huashu will retire at the 2022 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 Mrs. 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 2022, and three meetings were attended by the external auditor. The major work performed by the Audit Committee in 2021/22 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#	2/2
Lee Ching Ming Adrian❖	4/4
Junko Dochi	4/4
Kenji Hayashi^	1/1

* Appointed as the Chairman on 25th June 2021
\# Appointed on 25th June 2021
❖ Ceased as the Chairman on 25th June 2021
^ Retired on 25th June 2021

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 Nomination Policy;
- identifying and nominating qualified individuals for appointment to the Board;
- reviewing the Board Diversity Policy;
- assessing the independence of Independent Non-executive Directors;
- making recommendations to the Board on the appointment and reappointment of Directors; and
- reviewing the time commitment required from Directors to perform their responsibilities.

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

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

The Nomination Committee has the discretion to nominate any person as it considers appropriate. The procedures for the appointment and reappointment of a Director are summarized as follows:

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

The Nomination Committee held one meeting for the year ended 28th February 2022 and the major work performed by the Nomination Committee in 2021/22 was as follows:

- reviewed the structure, size and composition of the Board;
- assessed the independence of Independent Non-executive Directors;
- reviewed the time commitment of Directors for performing their responsibilities;
- made recommendation to the Board on the re-election of Directors at the 2021 AGM; and
- made recommendation to the Board on the appointment of Directors.

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

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

* Appointed on 25th June 2021
# Retired on 25th June 2021

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. 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 2022, 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*	N/A
Shing Mo Han Yvonne	1/1
Masaaki Mangetsu#	1/1
Kenji Hayashi#	1/1

* Appointed on 25th June 2021
# Retired on 25th June 2021

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Each division across the Company embraces the Company's Enterprise Risk Management (the "ERM") framework for their process management in day-to-day business activities. The ERM framework includes credit, operational (administrative, system, human resources, tangible, reputation, personal data protection and business continuity), market, liquidity, compliance, legal and regulatory risks. There are risk management policies, regulations and guidelines issued for operating units to identify, assess, manage, and control risks across the Company. Exposure to these risks is continuously monitored by the Board through the management-level Risk Management Committee comprising the Executive Directors and members of senior management on an on-going basis.

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

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

- Three lines of defence model is set up as per the Enterprise Risk Management Policy:
  - 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 significant risks are mitigated with preventive measures.
- Risk management reports and details of incidents are reported to the Board on a monthly basis and reviewed by the Audit Committee on a quarterly basis.
- On-going trainings on risk management and internal control are provided to the relevant employees.

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

Whistleblowing Policy

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

Continuous Disclosure Policy

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

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

Internal Audit

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

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

FINANCIAL REPORTING

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

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 28th February 2022, 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 55 to 58 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 2021 AGM until the conclusion of the 2022 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$3.5 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	150
Connected party transaction	110
Preliminary results announcement	20
J-SOX annual compliance review	590
Annual compliance review insurance brokerage	20
Regulatory disclosure confirmation service	150
Total	1,094

COMPANY SECRETARY

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

CONSTITUTIONAL DOCUMENTS

During the year ended 28th February 2022, there was no change in the Company s constitutional documents. A copy of the latest consolidated version of the Articles is posted on the Company's and the Stock Exchange's respective websites.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The Company's 2021 AGM was held on Friday, 25th June 2021. The notice of the 2021 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 2021 AGM. All Board members together with the key executives and the external auditor attended the 2021 AGM. The Company Secretary explained the poll voting procedures at the 2021 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2021 AGM. All the resolutions at the 2021 AGM were dealt with by poll. The poll results of the 2021 AGM are available on the Company's website and the Stock Exchange's website.

The attendance record of each Director at the 2021 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
Tony Fung^	1/1
Non-executive Directors	
Tomoyuki Mitsufuji *(Chairman)**	N/A
Jin Huashu*	N/A
Masaaki Mangetsu *(Chairman)*#	1/1
Independent Non-executive Directors	
Lee Ching Ming Adrian	1/1
Shing Mo Han Yvonne	1/1
Junko Dochi	1/1
Kenji Hayashi#	1/1

* Appointed on 25th June 2021
\# Retired on 25th June 2021
^ Resigned on 31st August 2021

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

The market capitalization of the Company as at 28th February 2022 was HK$2,111 million (issued share capital: 418,766,000 shares at closing market price: HK$5.04 per share).

The 2022 AGM will be held at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 23rd June 2022 at 10:00 a.m.

SHAREHOLDERS' RIGHTS

Calling a general meeting of the Company

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

Putting forward proposals at a general meeting of the Company

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

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

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

Enquiries to the Board

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

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

Directors' Report

The Directors present the annual report and the audited consolidated financial statements for the year ended 28th February 2022.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, description of possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis on pages 6 to 13 of the annual report. Additionally, financial risk management objectives and policies of the Group can be found in note 40 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group Financial Highlights on pages 4 to 5 of the annual report, in the Management Discussion and Analysis on pages 6 to 13 of the annual report and in note 5 to the consolidated financial statements.

Discussion on the Company's policies and practices on different aspects of corporate sustainability, its relationships with key stakeholders as well as compliance with relevant laws and regulations which are of significant impact, are covered in the Environmental, Social and Governance Report on pages 14 to 29.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 28th February 2022.

NET DEBT TO EQUITY RATIO

At 28th February 2022, the net debt to equity ratio was 0.1 (28th February 2021: 0.1), with the basis on which it is computed as set out in note 40 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company amounted to HK$3,308,142,000 at 28th February 2022 (28th February 2021: HK$3,131,879,000).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28th February 2022 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 59 to 140.

An interim dividend of 22.0 HK cents per share (2021: interim dividend of 22.0 HK cents per share) amounting to HK$92,128,000 (2021: 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 (2021: 18.0 HK cents per share) in respect of the current year to the shareholders on the register of members on 5th July 2022 amounting to HK$92,128,000 (2021: 75,378,000).

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 2022 and up to the date of this report were:

Executive Directors:

Tomoharu Fukayama *(Managing Director)*	
Lai Yuk Kwong *(Deputy Managing Director)*	
Daisuke Takenaka	
Tony Fung	(Resigned on 31st August 2021)

Non-executive Directors:

Tomoyuki Mitsufuji *(Chairman)*	(Appointed on 25th June 2021)
Jin Huashu	(Appointed on 25th June 2021)
Masaaki Mangetsu *(Chairman)*	(Retired on 25th June 2021)

Independent Non-executive Directors:

Lee Ching Ming Adrian	
Shing Mo Han Yvonne	
Junko Dochi	
Kenji Hayashi	(Retired on 25th June 2021)

In accordance with Article 102 of the Articles, all Directors shall retire at the 2022 AGM and shall be eligible for re-election.

DIRECTORS OF SUBSIDIARIES

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

AEON Insurance Brokers (HK) Limited

Tomoyuki Kawahara	(Appointed on 16th June 2021)
Yasushi Ogusu	
Hiroko Takahashi	(Appointed on 16th June 2021)
Tomoharu Fukayama	(Resigned on 16th June 2021)
Lai Yuk Kwong	(Resigned on 16th June 2021)

AEON Micro Finance (Shenzhen) Co., Ltd.

Tomoharu Fukayama	(Appointed on 27th May 2021)
Jin Huashu	
Shinnosuke Aragane	
Masaaki Mangetsu	(Resigned on 27th May 2021)
Yoji Sowa	(Resigned on 27th May 2021)

AEON Information Service (Shenzhen) Co., Ltd.[Note]

Tomoharu Fukayama
Hiroko Takahashi
Jin Huashu

Note: AEON Information Service (Shenzhen) Co., Ltd. has become a wholly-owned subsidiary of the Company with effect from 21st February 2022.

DIRECTORS' SERVICE CONTRACTS

No Director eligible for re-election at the 2022 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 2022, 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	20,000	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	1,900	0.01
Tomoharu Fukayama	5,900	0.01
Daisuke Takenaka	339	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 2022.

STATUS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At 28th February 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions in the shares of the Company

Name	Nature of interest	Number of shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	Beneficial owner/Interest of a controlled corporation	281,138,000	67.13
AFS *(Note 2)*	Interest of a controlled corporation	221,364,000	52.86
AFS (HK) *(Note 3)*	Beneficial owner	221,364,000	52.86
FMR LLC	Interests of controlled corporations	41,875,560	9.99
Fidelity Puritan Trust	Beneficial owner	21,810,000	5.21

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 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 221,364,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.

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

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

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the share capital of the Company at 28th February 2022.

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

The total amount of consideration paid by the Company to AEON Stores for the year ended 28th February 2022 amounted to HK$7,723,000, which did not exceed the cap of HK$16,500,000 as disclosed in the Company's announcement dated 26th February 2019.

(b) Pursuant to a master service agreement dated 1st March 2019 entered into between the Company and AIS ("AIS Service Agreement"), the Group would pay service fees to AIS for the provision of holistic business process outsourcing services. On 21st February 2022, AIS became a wholly-owned subsidiary of the Company, and all transactions under the AIS Service Agreement ceased to be continuing connected transaction on the same day.

The total amount of service fees paid and payable by the Group to AIS for the year ended 28th February 2022 (up to 20th February 2022) was HK$23,350,000, which did not exceed the cap of HK$49,000,000 as disclosed in the Company's announcement dated 1st March 2019.

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

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

The total amount of service fees paid by the Company to AFS Japan or ACSS for the year ended 28th February 2022 under the master service agreement dated 1st March 2019 was HK$5,465,000 which did not exceed the cap of HK$14,000,000 as disclosed in the Company's announcements dated 1st March 2019 and 19th October 2020.

(d) (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 2022 was HK$12,705,000, of which HK$4,184,000 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 period from 16th August 2021 to 28th February 2022 was HK$5,352,000.

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 2022 were HK$18,057,000, which did not exceed the aggregate caps of HK$35,600,000 as disclosed in the Company's announcement dated 30th June 2021.

(e) Pursuant to a licence agreement dated 23rd February 2021 ("2021 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 2021. The cost of the right-of-use asset recognised by the Company for the lease of the premises under 2021 Licence Agreement amounted to HK$3,258,000 at 28th February 2021.

The total amount of rates, management fees and utility charges paid by the Company to AEON Stores for the period from 1st April 2021 to 28th February 2022 amounted to HK$292,000, which did not exceed the cap of HK$308,000 as disclosed in the Company's announcement dated 23rd February 2021.

(f) Pursuant to a business advisory service agreement dated 1st March 2021 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 2022 amounted to HK$14,010,000, which did not exceed the cap of HK$14,300,000 as disclosed in the Company's announcement dated 1st March 2021.

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.

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

On 7th February 2022, the Company entered into a sale and purchase agreement with AFS Japan, whereby the Company agreed to purchase and AFS Japan agreed to sell the remaining 50% of the equity interests in AIS owned by AFS Japan at the consideration of RMB13,500,000 (equivalent to approximately HK$16,800,000).

The completion took place on 21st February 2022. Accordingly, with effect from 21st February 2022, AIS became a wholly-owned subsidiary of the Company.

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

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

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

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

During the year under review, full repayment for all monies payable by the Company under the Facility was made in September 2021. There is accordingly no subsisting loan facility with covenants relating to specific performance of the controlling shareholder.

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 2022, 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$1,817,000.

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 2022 and the date of this report.

AUDITOR

The financial statements for the year ended 28th February 2022 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the 2022 AGM to reappoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Tomoharu Fukayama
Managing Director

Hong Kong, 6th April 2022

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 59 to 140, which comprise the consolidated statement of financial position as at 28th February 2022, 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 2022, 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$4,093,407,000 as at 28th February 2022, representing approximately 80% of the Group's total assets. As explained in note 22 to the consolidated financial statements, the balance of impairment allowances is approximately HK$181,143,000 as at 28th February 2022, of which approximately HK$94,095,000 has been charged to the consolidated statement of profit or loss during the year ended 28th February 2022. As set out in note 4 to the consolidated financial statements, the measurement of ECL requires estimation of the amount and timing of future cash flows and the assessment of whether have been a significant increase in credit risk. The estimations and assumptions applied in the ECL model include (i) the selection of inputs which the entity used in the ECL model including loss given default and probability of default; (ii) the portfolio segmentation of financial assets based on risk characteristics of the customers; (iii) and the selection of forward-looking information. The Group applies the general impairment approach of HKFRS 9 for advances and receivables based on a three-stage process to recognise impairment. The ECL on advances and receivables is assessed individually and/or collectively using a provision matrix based on internal credit rating.	Our procedures in relation to impairment assessment of the advances and receivables included: – Obtaining an understanding of the Group's credit loss policy and methodology for impairment assessment in relation to the application of ECL model under HKFRS 9 including the formulation of the model and inputs used in the ECL model; – Understanding and evaluating the management's judgement in determining significant increase in credit risk and the staging criteria based on the internal credit rating which reflect the shared credit risk characteristics; – Engaging our internal modelling specialist to assess the reasonableness and appropriateness of the Group's methodology of ECL model, including the model design and calculation and model inputs in compliance with HKFRS 9; – Engaging our internal information technology specialist to test relevant automated controls related to delinquency system used in the ECL calculation; and – Testing the completeness and accuracy of a selection of input data used in the ECL model.

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
6 April 2022

Consolidated Statement of Profit or Loss

For the year ended 28th February 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	5	**1,049,589**	1,089,858
Interest income	7	**879,273**	946,774
Interest expense	8	**(31,830)**	(42,151)
Net interest income		**847,443**	904,623
Fees and commissions		**103,435**	76,985
Handling and late charges		**66,881**	66,099
Other income	9	**5,463**	17,521
Other gains and losses	10	**(2,709)**	(2,140)
Operating income		**1,020,513**	1,063,088
Operating expenses	11	**(577,861)**	(535,900)
Operating profit before impairment losses and impairment allowances		**442,652**	527,188
Impairment losses and impairment allowances		**(94,095)**	(210,812)
Gain on deemed disposal of investment in an associate	45	**7,910**	–
Recoveries of advances and receivables written-off		**40,351**	38,660
Share of results of an associate	19	**1,155**	2,910
Profit before tax		**397,973**	357,946
Income tax expense	13	**(55,381)**	(56,371)
Profit for the year		**342,592**	301,575
Profit for the year attributable to:			
Owners of the Company		**342,592**	301,575
Earnings per share – Basic	15	**81.81 HK cents**	72.02 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 28th February 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**342,592**	301,575
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain (loss) on equity instruments at FVTOCI	**5,607**	(15,601)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**5,273**	14,104
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**3,783**	–
Reclassification adjustment for the cumulative exchange differences upon deemed disposal of a foreign associate	**(807)**	–
Net adjustment on cash flow hedges	**22,570**	(7,334)
Other comprehensive income (expense) for the year	**36,426**	(8,831)
Total comprehensive income for the year	**379,018**	292,744
Total comprehensive income for the year attributable to:		
Owners of the Company	**379,018**	292,744

Consolidated Statement of Financial Position

At 28th February 2022

	NOTES	28.2.2022 HK$'000	28.2.2021 HK$'000
Non-current assets			
Property, plant and equipment	16	**100,283**	107,214
Right-of-use assets	17	**58,891**	82,278
Goodwill	18	**15,820**	–
Interest in an associate	19	**–**	19,406
Equity instruments at fair value through other comprehensive income	20	**71,077**	65,470
Advances and receivables	21	**750,797**	589,136
Prepayments, deposits and other debtors	24	**31,559**	16,349
Derivative financial instruments	35	**2,711**	–
Deferred tax assets	36	**1,250**	2,509
		1,032,388	882,362
Current assets			
Advances and receivables	21	**3,342,610**	3,254,632
Prepayments, deposits and other debtors	24	**64,165**	51,446
Amount due from immediate holding company	31	**2**	–
Amount due from an intermediate holding company	31	**44**	–
Amount due from an associate	32	**–**	37
Time deposits	25	**193,374**	135,302
Bank balances and cash	27	**456,973**	759,587
		4,057,168	4,201,004
Current liabilities			
Creditors and accruals	28	**184,160**	263,789
Contract liabilities	29	**18,610**	16,301
Amounts due to fellow subsidiaries	30	**57,626**	63,741
Amount due to an intermediate holding company	31	**1,275**	1,497
Amount due to ultimate holding company	31	**–**	14
Amount due to an associate	32	**–**	1,672
Bank borrowings	33	**165,000**	527,635
Lease liabilities	34	**36,827**	42,002
Derivative financial instruments	35	**1,542**	4,384
Tax liabilities		**25,314**	20,726
		490,354	941,761
Net current assets		**3,566,814**	3,259,243
Total assets less current liabilities		**4,599,202**	4,141,605

	NOTES	28.2.2022 HK$'000	28.2.2021 HK$'000
Capital and reserves			
Share capital	37	**269,477**	269,477
Reserves	38	**3,364,065**	3,152,553
Total equity		**3,633,542**	3,422,030
Non-current liabilities			
Bank borrowings	33	**919,139**	655,246
Lease liabilities	34	**20,762**	42,692
Derivative financial instruments	35	**25,759**	21,637
		965,660	719,575
		4,599,202	4,141,605

The consolidated financial statements on pages 59 to 140 were approved and authorised for issue by the Board on 6 April 2022 and are signed on its behalf by:

TOMOHARU FUKAYAMA	**DAISUKE TAKENAKA**
MANAGING DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 28th February 2022

	Share capital HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st March 2020	269,477	57,249	(17,416)	(24,951)	3,029,183	3,313,542
Profit for the year	–	–	–	–	301,575	301,575
Fair value loss on equity instruments at FVTOCI	–	(15,601)	–	–	–	(15,601)
Exchange difference arising from translation of foreign operations	–	–	–	14,104	–	14,104
Net adjustment on cash flow hedges	–	–	(7,334)	–	–	(7,334)
Total comprehensive (expense) income for the year	–	(15,601)	(7,334)	14,104	301,575	292,744
Final dividend paid for 2019/20	–	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2020/21	–	–	–	–	(92,128)	(92,128)
	–	(15,601)	(7,334)	14,104	117,319	108,488
At 28th February 2021	**269,477**	**41,648**	**(24,750)**	**(10,847)**	**3,146,502**	**3,422,030**
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	**–**	**–**	**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**

Consolidated Statement of Cash Flows

For the year ended 28th February 2022

	2022 HK$'000	2021 HK$'000
Operating activities		
Profit before tax	**397,973**	357,946
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	**3,783**	–
Amortisation of upfront cost of borrowings	**688**	862
Depreciation on property, plant and equipment	**29,008**	31,813
Depreciation on right-of-use-assets	**55,106**	49,506
Dividends received from financial instruments	**(618)**	(178)
Gain on deemed disposal of investment in an associate	**(7,910)**	–
Impairment losses and impairment allowances recognised in respect of advances and receivables	**94,095**	210,812
Interest expense	**31,830**	41,289
Interest income	**(879,273)**	(946,774)
Losses on disposal of property, plant and equipment	**158**	1,527
Losses on termination of lease contracts	**–**	949
Share of results of an associate	**(1,155)**	(2,910)
Operating cash flows before movements in working capital	**(277,122)**	(255,158)
(Increase) decrease in advances and receivables	**(341,608)**	357,591
(Increase) decrease in prepayments, deposits and other debtors	**(13,535)**	18,732
Decrease in amount due from immediate holding company	**–**	254
Increase in amount due from an intermediate holding company	**(30)**	–
Decrease in amount due from an associate	**9**	47
(Decrease) increase in creditors and accruals	**(89,826)**	60,076
Increase in contract liabilities	**2,309**	5,739
(Decrease) increase in amounts due to fellow subsidiaries	**(6,555)**	24,998
(Decrease) increase in amount due to an intermediate holding company	**(223)**	1,214
Decrease in amount due to ultimate holding company	**(14)**	(36)
Increase (decrease) in amount due to an associate	**1,594**	(1,531)
Cash (used in) from operations	**(725,001)**	211,926
Tax paid	**(49,534)**	(45,898)
Interest paid	**(30,370)**	(43,968)
Interest received	**879,298**	966,050
Net cash from operating activities	**74,393**	1,088,110

	NOTE	2022 HK$'000	2021 HK$'000
Investing activities			
Dividends received		12,737	178
Net cash outflow from acquisition of a subsidiary	45	(4,499)	–
Proceeds from disposal of property, plant and equipment		1	9
Purchase of property, plant and equipment		(10,749)	(17,220)
Deposits paid for acquisition of property, plant and equipment		(20,188)	(15,559)
Placement of time deposits with maturity of more than three months		(265,419)	(29,455)
Release of time deposits with maturity of more than three months		236,138	99,092
Net cash (used in) from investing activities		(51,979)	37,045
Financing activities			
Placement of restricted deposits		–	(1,358,808)
Withdrawal of restricted deposits		–	1,396,808
Repayment of lease liabilities		(53,631)	(49,084)
Dividends paid		(167,506)	(184,256)
New bank loans raised		450,000	83,038
Repayment of bank loans		(527,795)	(370,000)
Repayment of collateralised debt obligation		–	(548,400)
Net cash used in financing activities		(298,932)	(1,030,702)
Net (decrease) increase in cash and cash equivalents		(276,518)	94,453
Effect of changes in exchange rate		517	5,524
Cash and cash equivalents at beginning of the year		864,964	764,987
Cash and cash equivalents at end of the year		588,963	864,964
Being:			
Time deposits with maturity of three months or less		131,990	105,377
Bank balances and cash		456,973	759,587
		588,963	864,964

Notes to the Consolidated Financial Statements

For the year ended 28th February 2022

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 or after 1st March 2021 for the preparation of the consolidated financial statements:

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

Excepted as described below, 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial liabilities as a result of interest rate benchmark reform and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7").

As at 1st March 2021, the Group had USD LIBOR and JPY LIBOR bank borrowings and derivatives, the interests of which indexed to benchmark rates will subject to interest rate benchmark reform.

During the year ended 28th February 2022, the Group's USD LIBOR bank borrowing was matured and JPY LIBOR bank borrowings with carrying amounts of HK$279,139,000 have been transitioned to the relevant alternative benchmark rates. Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosure as required by HKFRS 7 are set out in note 40.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] Effective for annual periods beginning on or after a date to be determined

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

The 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:

- 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:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

- 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*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 28th February 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

Business combinations

Acquisitions of businesses, other than business combination under common control, 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 (see the accounting policy below);

- 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 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 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the associate.

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Revenue from contracts with customers (Cont'd)

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

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

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

Variable consideration

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

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

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

Principal versus agent

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

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Lease modifications

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

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

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

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

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

Foreign currencies

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

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

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

3.2 Significant accounting policies (Cont'd)

Foreign currencies (Cont'd)

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

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

Borrowing costs

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

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

Termination benefits

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

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

3.2 Significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Taxation (Cont'd)

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

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

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

Property, plant and equipment

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

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

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

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

3.2 Significant accounting policies (Cont'd)

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

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

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

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

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

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

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(i) Significant increase in credit risk

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

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

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

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

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

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

(ii) Definition of default

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

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iii) Credit-impaired financial assets

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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

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

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

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

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

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.

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

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

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.

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Offsetting a financial asset and a financial liability

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

Hedge accounting

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

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

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

Assessment of hedging relationship and effectiveness

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

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

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

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

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

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.

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

3.2 Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Hedge accounting (Cont'd)

Cash flow hedges

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

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 23.

Fair value measurement of unlisted equity instruments

As at 28 February 2022, the Group's unlisted equity instruments amounting to HK$68,768,000(2021: HK$61,385,000) 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 40(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:

	2022 ***HK$'000***	2021 *HK$'000*
Interest income *(note 7)*	**879,273**	946,774
Fees and commissions		
– Credit cards	**75,785**	52,258
– Insurance	**27,650**	24,727
Handling and late charges	**66,881**	66,099
Revenue from contracts with customers	**170,316**	143,084
Total revenue	**1,049,589**	1,089,858

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**

For the year ended 28th February 2021

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

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 2022 and 28th February 2021 and the expected timing of recognising revenue are as follows:

Customer loyalty programmes	2022 HK$'000	2021 HK$'000
Within one year	**14,651**	10,147
More than one year but not more than two years	**3,959**	6,154
	18,610	16,301

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

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

For the year ended 28th February 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**

For the year ended 28th February 2021

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

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 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**

At 28th February 2021

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

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 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)**

For the year ended 28th February 2021

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

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

6. SEGMENT INFORMATION (Cont'd)

Geographical information

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

For the year ended 28th February 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**

For the year ended 28th February 2021

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

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 2022 and 28th February 2021, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

	2022 HK$'000	2021 HK$'000
Non-credit impaired advances	866,626	930,187
Credit impaired advances	9,815	10,184
Time deposits, restricted deposits and bank balances	2,832	6,403
	879,273	946,774

8. INTEREST EXPENSE

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	18,540	22,524
Interest on collateralised debt obligation	–	2,864
Interest on lease liabilities	1,887	2,394
Net interest expense on interest rate swap contracts		
– released from hedging reserve	11,403	14,369
	31,830	42,151

Amortisation of upfront cost of HK$688,000 (2021: HK$862,000) is included in the interest expense on bank borrowings.

9. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Dividends received from financial instruments		
– Listed equity securities	142	178
– Unlisted equity securities	476	–
Government grants	–	12,371
Others	4,845	4,972
	5,463	17,521

The Group recognised government grants of HK$12,371,000 in respect of COVID-19-related subsidies which related to Employment Support Scheme provided by the Hong Kong government last year. There is no Employment Support Scheme government grant for the current year.

10. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Exchange gain (loss)		
– Exchange gain (loss) on hedging instrument released from hedging reserve	**20,155**	(567)
– Exchange (loss) gain on a bank loan	**(20,155)**	567
– Reclassification adjustments for the cumulative exchange differences upon deemed disposal of a foreign associate	**807**	–
– Reclassification adjustments for the cumulative exchange differences upon de-registration of a foreign subsidiary	**(3,783)**	–
– Other exchange gains, net	**86**	63
Hedge ineffectiveness on cash flow hedges, net	**339**	273
Losses on disposal of property, plant and equipment	**(158)**	(1,527)
Losses on termination of lease contracts	**–**	(949)
	(2,709)	(2,140)

11. OPERATING EXPENSES

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	**3,474**	3,086
Depreciation on property, plant and equipment	**29,008**	31,813
Depreciation on right-of-use assets	**55,106**	49,506
Expense relating to short-term leases	**1,897**	5,592
	57,003	55,098
General administrative expenses	**172,427**	151,698
Marketing and promotion expenses	**89,443**	71,985
Other operating expenses	**64,180**	65,246
Staff costs including directors' emoluments	**162,326**	156,974
	577,861	535,900

Non-monetary benefits in respect of directors' and staff accommodation of HK$1,778,000 (2021: HK$1,243,000) are included under operating expenses.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (2021: twelve) Directors were as follows:

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

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

(a) Directors' emoluments (Cont'd)

For the year ended 28th February 2021

Name of Directors	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus (Note a) *HK$'000*	Retirement benefits *HK$'000*	Total *HK$'000*
Executive Directors					
Tomoharu Fukayama *(Note b)* (23.6.2020–28.2.2021)	–	1,322	–	36	1,358
Hideo Tanaka *(Note b)* (1.3.2020–23.6.2020)	–	1,444	206	27	1,677
Lai Yuk Kwong	–	1,613	153	18	1,784
Koh Yik Kung (1.3.2020–23.6.2020)	–	599	137	6	742
Tony Fung	–	1,941	362	18	2,321
Daisuke Takenaka *(Note b)* (23.6.2020–28.2.2021)	–	1,307	–	36	1,343
Sub-total	–	8,226	858	141	9,225

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

Non-executive Director					
Masaaki Mangetsu	–	–	–	–	–

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

Independent Non-executive Directors					
Lee Ching Ming, Adrian	337	–	–	–	337
Wong Hin Wing (1.3.2020–23.6.2020)	110	–	–	–	110
Kenji Hayashi	337	–	–	–	337
Shing Mo Han Yvonne (23.6.2020–28.2.2021)	213	–	–	–	213
Junko Dochi (23.6.2020–28.2.2021)	213	–	–	–	213
Sub-total	1,210	–	–	–	1,210

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

Total					10,435

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$1,437,000 (2021: HK$968,000) 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 (2021: two) were Directors, details of their emoluments were set out as above. The emoluments of the remaining two (2021: three) individual were as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**3,400**	5,928
Discretionary bonus	**90**	92
Retirement benefits	**36**	36
	3,526	6,056

Their emoluments were within the following bands:

	No. of employees	
	2022	2021
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	2
	2	3

13. INCOME TAX EXPENSE

	2022 **HK$'000**	2021 HK$'000
Hong Kong Profits Tax		
— Current year	**63,311**	50,700
— Overprovision in respect of prior years	**(9,795)**	(589)
	53,516	50,111
Dividend withholding tax	**606**	–
Deferred tax *(note 36)*		
— Current year	**1,259**	6,260
	55,381	56,371

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

13. INCOME TAX EXPENSE (Cont'd)

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

	2022 HK$'000	2021 HK$'000
Profit before tax	**397,973**	357,946
Tax at the applicable rate of 16.5% (2021: 16.5%)	**65,666**	59,061
Tax effect of share of results of an associate	**(191)**	(480)
Tax effect of expenses not deductible for tax purpose	**386**	1,165
Tax effect of income not taxable for tax purpose	**(1,362)**	(2,771)
Overprovision in respect of prior years	**(9,795)**	(589)
Tax effect of tax losses in current year not recognised	**166**	354
Utilisation of tax losses previously not recognised	**(95)**	(55)
Dividend withholding tax	**606**	–
Others	**–**	(314)
Income tax expense for the year	**55,381**	56,371

14. DIVIDENDS

	2022 HK$'000	2021 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid of 18.0 HK cents in respect of 2020/21 (2021: 22.0 HK cents in respect of 2019/20) per share	**75,378**	92,128
Interim dividend paid of 22.0 HK cents in respect of 2021/22 (2021: 22.0 HK cents in respect of 2020/21) per share	**92,128**	92,128
	167,506	184,256
Final dividend proposed of 22.0 HK cents in respect of 2021/22 (2021: 18.0 HK cents in respect of 2020/21) per share	**92,128**	75,378

The Directors have recommended a final dividend of 22.0 HK cents per share. Subject to the approval of the shareholders at the 2022 AGM, the final dividend will be paid on 15th July 2022 to shareholders whose names appear on the register of members of the Company on 5th July 2022. This dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of HK$342,592,000 (2021: HK$301,575,000) and on the number of shares of 418,766,000 (2021: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1st March 2020	25,603	2,188	433,224	226	461,241
Additions	468	–	34,681	–	35,149
Disposals	(4,834)	(593)	(41,793)	–	(47,220)
Exchange realignment	368	29	696	–	1,093
At 28th February 2021	**21,605**	**1,624**	**426,808**	**226**	**450,263**
Acquisition from 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**
DEPRECIATION					
At 1st March 2020	23,402	2,149	330,291	226	356,068
Provided for the year	1,721	15	30,077	–	31,813
Eliminated on disposals	(4,834)	(581)	(40,269)	–	(45,684)
Exchange realignment	344	28	480	–	852
At 28th February 2021	**20,633**	**1,611**	**320,579**	**226**	**343,049**
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**
CARRYING VALUES					
At 28th February 2022	**624**	**49**	**99,610**	**–**	**100,283**
At 28th February 2021	972	13	106,229	–	107,214

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

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

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1st March 2020	137,726	–	137,726
Addition	41,599	–	41,599
Termination of lease contracts	(16,761)	–	(16,761)
Exchange difference	136	–	136
At 28th February 2021	**162,700**	**–**	**162,700**
Addition	**29,327**	**143**	**29,470**
Acquisition from subsidiary *(note 45)*	**2,529**	**63**	**2,592**
Termination of lease contracts	**(2,518)**	**–**	**(2,518)**
Exchange difference	**50**	**2**	**52**
At 28th February 2022	**192,088**	**208**	**192,296**
DEPRECIATION			
At 1st March 2020	44,940	–	44,940
Provided for the year	49,506	–	49,506
Eliminated on termination of lease contracts	(14,067)	–	(14,067)
Exchange difference	43	–	43
At 28th February 2021	**80,422**	**–**	**80,422**
Provided for the year	**54,984**	**122**	**55,106**
Eliminated on termination of lease contracts	**(2,173)**	**–**	**(2,173)**
Exchange difference	**48**	**2**	**50**
At 28th February 2022	**133,281**	**124**	**133,405**
CARRYING VALUES			
At 28th February 2022	**58,807**	**84**	**58,891**
At 28th February 2021	82,278	–	82,278

	2022 HK$'000	2021 HK$'000
Expense relating to short-term leases	**1,897**	5,592
Total cash outflow for leases	**57,415**	57,070

For the year ended 28th February 2022, the Group leases various offices, office equipment, branches, director and staff quarters and motor vehicles (2021: offices, office equipment, branches, ATM location, director and staff quarters) for its operations. Lease contracts are entered into for fixed term of one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

18. GOODWILL

	HK$'000
As at 1st March 2020 and 28th February 2021	–
Goodwill arising on acquisition *(note 45)*	**15,820**
As at 28th February 2022	**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.

During the year ended 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 discount rate of 11%. 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.

19. INTEREST IN AN ASSOCIATE

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

On 21st February 2022, the Group acquired the remaining 50.0% of ownership interest in AIS for a consideration of HK$16,792,000. Details disclosed in note 45, AIS since then has become a subsidiary of the Group.

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

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

19. INTEREST IN AN ASSOCIATE (Cont'd)

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

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

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

Aggregate information of associate that is not individually material

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

	1.3.2021-28.2.2022 ***HK$'000***	1.3.2020-28.02.2021 *HK$'000*
Profit and total comprehensive income	**1,155**	2,910

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 ***HK$'000***	2021 *HK$'000*
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	**2,309**	4,085
— Unlisted investments	**68,768**	61,385
	71,077	65,470

The investments included above represent investments in both listed and unlisted equity investments that offer the Group the opportunity for return through dividend income and fair value gains.

The fair value of listed equity investments is determined with reference to quoted market bid price from Stock Exchange.

The fair values of unlisted equity investments have been arrived at on the basis of valuations which were principally arrived at using the market approach for business enterprises valuation with reference to the market capitalisation of listed entities in similar industries with consideration of marketability discount.

The above unlisted equity investments represent equity interest in two (28th February 2021: 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.

21. ADVANCES AND RECEIVABLES

	28.2.2022 HK$'000	28.2.2021 HK$'000
Credit card receivables	**3,304,452**	3,214,899
Personal loan receivables	**905,434**	781,014
	4,209,886	3,995,913
Accrued interest and other receivables	**64,664**	66,359
Gross advances and receivables	**4,274,550**	4,062,272
Impairment allowances *(note 22)*	**(181,143)**	(218,504)
	4,093,407	3,843,768
Current portion included under current assets	**(3,342,610)**	(3,254,632)
Amount due after one year	**750,797**	589,136

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 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**

21. ADVANCES AND RECEIVABLES (Cont'd)

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

At the end of the reporting periods, all advances and receivables are unsecured and the credit risk exposures are disclosed in note 40(b).

(a) Credit card receivables

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

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (28th February 2021: 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 3.1% to 52.3% (28th February 2021: 3.6% to 56.5%) per annum.

22. IMPAIRMENT ALLOWANCES

	28.2.2022 HK$'000	28.2.2021 HK$'000
Analysis by products as:		
Credit card receivables	98,876	115,771
Personal loan receivables	79,936	99,518
Accrued interest and other receivables	2,331	3,215
	181,143	218,504

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 2021	80,218	30,777	107,509	218,504
Net 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

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

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:

	28.2.2022		28.2.2021	
	HK$'000	**%***	*HK$'000*	%*
Overdue 1 month but less than 2 months	**45,261**	**1.1**	44,087	1.1
Overdue 2 months but less than 3 months	**29,930**	**0.7**	37,261	0.9
Overdue 3 months but less than 4 months	**13,588**	**0.3**	20,330	0.5
Overdue 4 months or above	**56,816**	**1.4**	66,909	1.6
	145,595	**3.5**	168,587	4.1

* Percentage of gross advances and receivables

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	28.2.2022 ***HK$'000***	28.2.2021 *HK$'000*
Deposits for property, plant and equipment	**15,436**	4,342
Rental and other deposits	**16,736**	16,874
Prepaid operating expenses	**45,712**	35,072
Other debtors	**17,840**	11,507
	95,724	67,795
Current portion included under current assets	**(64,165)**	(51,446)
Amount due after one year	**31,559**	16,349

25. TIME DEPOSITS

Time deposits are denominated in HKD and RMB (2021: RMB) and carry fixed-rates ranging from 0.21% to 2.25% (28th February 2021: 1.57% to 2.25%) per annum during the year.

	28.2.2022 ***HK$'000***	28.2.2021 *HK$'000*
Time deposits with maturity of three months or less	**131,990**	105,377
Time deposits with maturity of more than three months	**61,384**	29,925
	193,374	135,302

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 2022				
Bank balances and cash	**444,166**	**10,877**	**1,930**	**456,973**
At 28th February 2021				
Bank balances and cash	747,718	10,820	1,049	759,587

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:

	28.2.2022 ***HK$'000***	28.2.2021 *HK$'000*
Less than 1 month	**34,121**	78,219
Over 1 month but less than 3 months	**3,379**	1,964
Over 3 months	**678**	2,718
	38,178	82,901

29. CONTRACT LIABILITIES

	28.2.2022 ***HK$'000***	28.2.2021 *HK$'000*
Contract liabilities		
— Deferred revenue in relation to customer loyalty programmes	**18,610**	16,301

Revenue recognised during the year ended 28th February 2022 amounted to HK$13,449,000 (2021: HK$6,620,000) 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$55,283,000 (28th February 2021: HK$61,373,000) 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:

	28.2.2022 **HK$'000**	28.2.2021 HK$'000
Less than 1 month	**55,283**	61,373

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

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

32. AMOUNTS DUE FROM/TO AN ASSOCIATE

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

33. BANK BORROWINGS

	28.2.2022 **HK$'000**	28.2.2021 HK$'000
Carrying amount repayable *(Note)*		
Within one year	**165,000**	527,635
Within a period of more than one year but not more than two years	**160,000**	165,000
Within a period of more than two years but not more than five years	**759,139**	407,100
Within a period of more than five years	**–**	83,146
	1,084,139	1,182,881
Amount repayable within one year included under current liabilities	**(165,000)**	(527,635)
Amount repayable after one year	**919,139**	655,246

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

33. BANK BORROWINGS (Cont'd)

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

	HKD *HK$'000*	USD *HK$'000*	JPY *HK$'000*	Total *HK$'000*
At 28th February 2022				
Bank loans	**805,000**	**–**	**279,139**	**1,084,139**
At 28th February 2021				
Bank loans	495,000	387,635	300,246	1,182,881

HKD bank loans of HK$290,000,000 (28th February 2021: HK$90,000,000) are arranged at fixed interest rates ranging from 2.08% to 2.66% (28th February 2021: 2.08% to 2.66%) per annum. Other HKD bank loans are arranged at floating interest rates at 0.55% to 0.70% plus HIBOR (28th February 2021: 0.55% to 0.60% plus HIBOR) per annum, the JPY bank loan is arranged at floating interest rate at 0.40% plus TONA (28th February 2021: 0.40% plus LIBOR) per annum and all USD bank loan are repaid during the year (28th February 2021: arranged at floating interest rates at 0.95% plus LIBOR per annum), thus exposing the Group to cash flow interest rate risk.

At 28th February 2022, the Group has available unutilised overdrafts and non-committed bank loan facilities of HK$448,655,000 (28th February 2021: HK$446,750,000) and HK$855,600,000 (28th February 2021: HK$1,245,570,000) respectively.

34. LEASE LIABILITIES

	28.2.2022 ***HK$'000***	28.2.2021 *HK$'000*
Lease liabilities payable:		
Within one year	**36,827**	42,002
Within a period of more than one year but not more than two years	**16,282**	26,247
Within a period of more than two years but not more than five years	**4,480**	16,445
	57,589	84,694
Amount due for settlement within one year included under current liabilities	**(36,827)**	(42,002)
Amount due for settlement after one year	**20,762**	42,692

35. DERIVATIVE FINANCIAL INSTRUMENTS

	28.2.2022		28.2.2021	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**2,711**	**3,927**	–	11,182
Cross-currency interest rate swaps	**–**	**23,374**	–	14,839
	2,711	**27,301**	–	26,021
Current portion	**–**	**(1,542)**	–	(4,384)
Non-current portion	**2,711**	**25,759**	–	21,637

All derivative financial instruments entered into by the Group that remain outstanding at 28th February 2022 and 28th February 2021 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$515,000,000 (28th February 2021: HK$405,000,000) from floating-rates to fixed-rates. The interest rate swaps with aggregate notional amount of HK$515,000,000 (28th February 2021: HK$405,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.95% to 3.05% (28th February 2021: 2.29% to 3.29%) per annum and floating interest receipts quarterly ranging from 0.55% to 0.70% plus HIBOR (28th February 2021: 0.55% to 0.60% plus HIBOR) per annum for periods up until September 2026 (28th February 2021: until July 2023).

35. 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$10,292,000 (2021: HK$752,000) and is included in other comprehensive income.

The fair values of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at the end of the reporting period.

Cross-currency interest rate swaps

The Group uses cross-currency interest rate swaps designated as highly effective hedging instrument to minimise its exposures to foreign currency and cash flow interest rate risk of its JPY bank borrowings (2021: USD bank borrowing and JPY bank borrowings) by swapping the floating-rate JPY bank borrowings (2021: USD bank borrowing and 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 2021: JPY4,150,000,000) (equivalent to HK$300,398,000 at the date of inception of the bank borrowings (28th February 2021: HK$300,398,000)) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07 (28th February 2021: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (28th February 2021: at 2.17% to 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus TONA (28th February 2021: 0.40% plus LIBOR) per annum for periods up until March 2026 (28th February 2021: until March 2026).

As at 28 February 2021, the USD cross-currency interest rate swaps with notional amount of USD50,000,000 (equivalent to HK$387,795,000 at the date of inception of the bank borrowings) had fixed currency payments in HKD at exchange rates of USD to HKD at 7.76, fixed interest payments quarterly in HKD at 2.27% per annum and floating interest receipts quarterly in USD at 0.95% plus LIBOR per annum for periods up until September 2021. The USD cross-currency interest rate swaps was expired during the year.

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$12,278,000 (2021: HK$6,582,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swaps are determined by using the discounted cash flow method based on TONA (28th February 2021: LIBOR) yield curves and the forward exchange rates between JPY and HKD (28th February 2021: USD or JPY and HKD) estimated at the end of the reporting period.

36. DEFERRED TAX

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the years ended 28th February 2022 and 28th February 2021:

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

At the end of the reporting period, the Group had unused tax losses of HK$35,670,000 (28th February 2021: HK$40,511,000) 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$30,945,000 (28th February 2021: HK$32,606,000) will expire in 2022 to 2026 (28th February 2021: 2021 to 2025) 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$13,802,000 (2021: HK$nil) 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.

37. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Issued and fully paid		
At 1st March 2020, 28th February 2021 and 28th February 2022		
— Ordinary shares with no par value	418,766,000	269,477

38. RESERVES

The Company's reserves available for distribution to shareholders at 28th February 2022 amounted to HK$3,308,142,000 (28th February 2021: HK$3,131,879,000), representing the Company's accumulated profits as shown in note 46.

39. 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 was as follows:

	28.2.2022 ***HK$'000***	28.2.2021 *HK$'000*
Debt *(Note a)*	**1,084,139**	1,182,881
Cash and cash equivalents	**(588,963)**	(864,964)
Net debt	**495,176**	317,917
Equity *(Note b)*	**3,633,542**	3,422,030
Net debt to equity ratio	**0.1**	0.1

Note:

(a) Debt comprises bank borrowings as detailed in note 33.

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

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	28.2.2022 HK$'000	28.2.2021 HK$'000
Financial assets		
Equity instruments at FVTOCI	**71,077**	65,470
Financial assets at amortised cost	**4,761,640**	4,750,201
Derivative instruments in designated hedge accounting relationships	**2,711**	–
Financial liabilities		
Financial liabilities at amortised cost	**1,182,762**	1,352,675
Derivative instruments in designated hedge accounting relationships	**27,301**	26,021

(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 an associate, time deposits, bank balances and cash, bank borrowings, creditors, amounts due to fellow subsidiaries, an intermediate holding company, ultimate holding company and an associate, and derivative instruments in designated hedge accounting relationships. Details of the Group's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and impairment assessment, 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.

40. 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 (2021: USD and JPY) denominated bank borrowings. To minimise the currency risk, the Group has been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk is not material to the Group. In this regard, no sensitivity analysis is presented.

(ii) Interest rate risk

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

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

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 (2021: HIBOR/LIBOR) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

40. 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 (2021: 100 basis points) higher/lower and all other variables were held constant:

- other comprehensive income would increase/decrease by HK$21,566,000 (2021: HK$12,396,000) 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 2022, unused credit card limit of HK$29,702,994,000 (28th February 2021: HK$25,920,932,000) 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.

40. 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

40. 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 2022 and 28th February 2021 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.

40. 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.

	28.2.2022					
	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

40. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

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

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.

	28.2.2022				
	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)**

40. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

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

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.

(i) *Risks arising from the interest rate benchmark reform*

The following are the key risks for the Group arising from transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

(ii) *Progress towards implementation of alternative benchmark interest rates*

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year, all contracts which are linked to 3 months LIBOR dollar settings have been transitioned to TONA. In addition, for a floating rate loan that is linked to HIBOR, the Group had confirmed with the relevant counterparty HIBOR will continue to maturity.

40. FINANCIAL INSTRUMENTS (Cont'd)

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

Interest rate benchmark reform (Cont'd)

(ii) Progress towards implementation of alternative benchmark interest rates (Cont'd)

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 28th February 2022. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts *HK$'000*	Hedge accounting	Transition progress for financial instruments
Derivatives asset				
Interest rate swaps – Receive 3-months HKD HIBOR, pay HKD fixed interest rate swaps	2026	2,711	HKD HIBOR bank loan of the same maturity and nominal as the swap	HIBOR will continue till maturity
Non-derivative financial liabilities				
Bank loans linked to JPY LIBOR	2024/2026	279,139	N/A	Transitioned to TONA
Bank loans linked to HKD HIBOR	2022/2023/2024/2025/2026	805,000	N/A	HIBOR will continue till maturity
Derivatives liabilities				
Interest rate swaps – Receive HKD HIBOR, pay HKD fixed interest rate swaps	2022/2023/2025	3,927	HKD HIBOR bank loan of the same maturity and nominal as the swap	HIBOR will continue till maturity
Cross-currency interest rate swaps – Receive 3-months JPY LIBOR, pay JPY fixed interest rate swaps	2024/2026	23,374	JPY LIBOR bank loan of the same maturity and nominal as the swap	Transitioned to TONA

40. 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.

	28.2.2022			
	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**

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

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 (2021: USD/JPY and HKD) (for cross-currency interest rate swap), which are observable at the end of the reporting period.

40. 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 2020	75,654
Fair value loss recognised in other comprehensive income	(14,269)
At 28th February 2021	**61,385**
Fair value gain recognised in other comprehensive income	**7,383**
At 28th February 2022	**68,768**

At 28th February 2022, a small percentage, 1.4% (28th February 2021: 1.2%), 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$7,383,000 (2021: loss of HK$14,269,000) 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:

	28.2.2022		28.2.2021	
	Carrying amount ***HK$'000***	**Fair value** ***HK$'000***	Carrying amount *HK$'000*	Fair value *HK$'000*
Bank borrowings	**1,084,139**	**1,114,972**	1,182,881	1,230,236

40. 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 2022			
Derivative financial instruments	**2,711**	**–**	**2,711**
At 28th February 2021			
Derivative financial instruments	–	–	–

(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 2022			
Counterparty A	**2,711**	**(2,711)**	**–**
Total	**2,711**	**(2,711)**	**–**
At 28th February 2021			
Counterparty A	–	–	–
Total	–	–	–

40. 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 2022			
Derivative financial instruments	**(27,301)**	**–**	**(27,301)**
At 28th February 2021			
Derivative financial instruments	(26,021)	–	(26,021)

(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 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)**
At 28th February 2021			
Counterparty A	(11,625)	–	(11,625)
Counterparty B	(1,271)	–	(1,271)
Counterparty C	(13,125)	–	(13,125)
Total	(26,021)	–	(26,021)

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Collateral debt obligation HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
At 1st March 2020	548,400	1,469,102	94,629	–	2,112,131
Financing cash flows *(Note)*	(548,400)	(286,962)	(49,084)	(184,256)	(1,068,702)
Interest paid	–	–	(2,394)	–	(2,394)
Interest expense	–	–	2,394	–	2,394
Amortisation of upfront cost	–	862	–	–	862
New leases entered	–	–	40,793	–	40,793
Early termination of leases	–	–	(1,745)	–	(1,745)
Dividends recognised as distribution	–	–	–	184,256	184,256
Exchange realignment	–	(121)	101	–	(20)
At 28th February 2021	**–**	**1,182,881**	**84,694**	**–**	**1,267,575**
Financing cash flows *(Note)*	**–**	**(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**

Note: Final payment in relation to the termination of lease contracts of HK$ nil (2021: HK$960,000) was included in the financing cash flows of lease liabilities.

42. CAPITAL COMMITMENTS

	28.2.2022 *HK$'000*	28.2.2021 *HK$'000*
Contracted for but not provided in the consolidated financial statements: Purchase of property, plant and equipment	**39,886**	22,772

43. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$18,000 (2021: 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$5,160,000 (2021: HK$5,038,000) represents contribution payable to MPF Scheme by the Group in respect of the current accounting year. At 28th February 2022, contributions of the Group amounting to HK$814,000 (28th February 2021: HK$726,000) 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.

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	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Interest income received	**4,184**	3,971	–	–	–	–	–	–	–	–
Commission received	**13,873**	9,859	–	–	–	–	–	–	–	–
Dividends received	**142**	178	–	–	–	–	–	–	–	–
Service fees received	–	–	**1,594**	1,158	–	–	–	–	–	–
Licence fees paid	**15,637**	13,785	–	–	–	–	**1**	15	–	–
Service fees paid	**2,768**	8,366	**14,010**	12,491	**5,465**	890	–	–	**23,350**	23,193
Gift certificate purchased	**7,723**	9,000	–	–	–	–	–	–	–	–
Interest on lease liabilities	**212**	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	**16,792**	–	–	–	–	–

44. RELATED PARTY TRANSACTIONS (Cont'd)

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:

	2022 **HK$'000**	2021 *HK$'000*
Amounts due to fellow subsidiaries (included in lease liabilities)	**5,779**	–

Compensation of key management personnel

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

	2022 **HK$'000**	2021 *HK$'000*
Short-term benefits	**9,521**	10,294
Retirement benefits	**268**	141
	9,789	10,435

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.

45. ACQUISITION OF A SUBSIDIARY (Cont'd)

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 18)*	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 is HK$139,000 attributable to the additional business generated by AIS. Revenue for the year includes HK$649,000 generated from AIS.

Had the acquisition of AIS been completed on 1st March 2021, revenue for the year of the Group would have been HK$1,052,076,000, and profit for the year 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:

	28.2.2022 *HK$'000*	28.2.2021 *HK$'000*
Non-current assets		
Property, plant and equipment	**96,592**	104,285
Right-of-use assets	**55,969**	81,061
Investments in subsidiaries	**197,526**	203,264
Investment in an associate	**–**	19,406
Equity instruments at fair value through other comprehensive income	**71,077**	65,470
Advances and receivables	**702,091**	555,437
Prepayments, deposits and other debtors	**29,008**	14,778
Derivative financial instruments	**2,711**	–
Deferred tax assets	**1,272**	2,544
	1,156,246	1,046,245
Current assets		
Advances and receivables	**3,314,631**	3,233,758
Prepayments, deposits and other debtors	**57,608**	49,285
Amount due from a subsidiary	**625**	337
Amount due from an intermediate holding company	**30**	–
Time deposit	**100,000**	–
Bank balances and cash	**440,452**	743,328
	3,913,346	4,026,708
Current liabilities		
Creditors and accruals	**176,938**	258,355
Contract liabilities	**18,610**	16,301
Amounts due to fellow subsidiaries	**56,886**	63,424
Amount due to an intermediate holding company	**1,275**	1,497
Amount due to ultimate holding company	**–**	14
Amount due to a subsidiary	**1,828**	–
Amount due to an associate	**–**	1,672
Bank borrowings	**165,000**	527,635
Lease liabilities	**34,146**	41,086
Derivative financial instruments	**1,542**	4,384
Tax liabilities	**25,314**	20,726
	481,539	935,094
Net current assets	**3,431,807**	3,091,614
Total assets less current liabilities	**4,588,053**	4,137,859

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

	28.2.2022 ***HK$'000***	28.2.2021 *HK$'000*
Capital and reserves		
Share capital	**269,477**	269,477
Reserves	**3,353,216**	3,149,144
Total equity	**3,622,693**	3,418,621
Non-current liabilities		
Bank borrowings	**919,139**	655,246
Lease liabilities	**20,462**	42,355
Derivative financial instruments	**25,759**	21,637
	965,360	719,238
	4,588,053	4,137,859

The financial statements of the Company were approved and authorised for issue by the Board on 6 April 2022 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 2020	57,249	(17,416)	(542)	3,015,936	3,055,227
Profit for the year	–	–	–	300,199	300,199
Fair value loss on equity instruments at FVTOCI	(15,601)	–	–	–	(15,601)
Exchange difference arising from translation of foreign operations	–	–	909	–	909
Net adjustment on cash flow hedges	–	(7,334)	–	–	(7,334)
Total comprehensive (expense) income for the year	(15,601)	(7,334)	909	300,199	278,173
Final dividend paid for the 2019/20	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2020/21	–	–	–	(92,128)	(92,128)
	(15,601)	(7,334)	909	115,943	93,917
At 28th February 2021	**41,648**	**(24,750)**	**367**	**3,131,879**	**3,149,144**
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**

47. PARTICULARS OF THE SUBSIDIARIES

At 28th February 2022 and 28th February 2021, 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
		28.2.2022	28.2.2021	**28.2.2022**	28.2.2021	
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage service
AEON Micro Finance (Shenyang) Co., Ltd *(Note)*	China	**N/A**	HK$124,221,000	**N/A**	100%	De-registered on 24 August 2021
AEON Micro Finance (Tianjin) Co., Ltd *(Note)*	China	**RMB100,000,000**	RMB100,000,000	**100%**	100%	Microfinance business under voluntary liquidation
AEON Micro Finance (Shenzhen) Co., Ltd *(Note)*	China	**RMB150,000,000**	RMB150,000,000	**100%**	100%	Microfinance business
AEON Information Service (Shenzhen) Co., Ltd. *(Note)*	China	**HK$2,000,000**	N/A	**100%**	N/A	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
2021 AGM	the annual general meeting of the Company held on 25th June 2021
2022 AGM	the annual general meeting of the Company to be held on 23rd June 2022
AEON Malaysia	AEON Credit Service (M) Berhad
ACSS	AEON Credit Service Systems (Philippines) Inc.
AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AFS	AEON Financial Service Co., Ltd.
AFS (HK)	AEON Financial Service (Hong Kong) Co., Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles	the articles of association of the Company
Board	the board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
China or Mainland or 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
Director(s)	the director(s) of the Company
ECL	Expected credit loss
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
Group	the Company and its subsidiaries

HIBOR	Hong Kong Interbank Offered Rate
HKAS	Hong Kong Accounting Standards
HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKFRSs	Hong Kong Financial Reporting Standards
HKFRS 9	HKFRS 9 *Financial Instruments*
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
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
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
OCI	Other comprehensive income
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