



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)

INTERIM REPORT

FOR THE SIX MONTHS ENDED

31ST AUGUST 2024



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Wei Aiguo (*Managing Director*)

Lai Yuk Kwong (*Deputy Managing Director*)

Wan Yuk Fong

Non-executive Directors

Kenji Fujita (*Chairman*)

Jin Huashu

Independent Non-executive Directors

Lee Ching Ming Adrian

Shing Mo Han Yvonne

Junko Dochi

Choi Ping Chung

Company Secretary

Hung Tun Shun Jason

Auditor

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

Share Registrar

Tricor Secretaries Limited

17/F, Far East Finance Centre,

16 Harcourt Road,

Hong Kong

Major Bankers

Mizuho Bank, Ltd.

Hong Kong Branch

MUFG Bank, Ltd.

Hong Kong Branch

Sumitomo Mitsui Banking Corporation

Hong Kong Branch

Registered Office

20/F, Mira Place Tower A

132 Nathan Road

Tsimshatsui, Kowloon

Hong Kong

Internet Address

Website address : <http://www.aeon.com.hk>

E-mail address : info@aeon.com.hk

Stock Code

900

Information for Investors

Investors can contact the Company using
below E-mail address:

sprg_acsa@sprg.com.hk

Interim dividend

24.0 HK cents
per share



Dividend payout ratio
59.0%

Sales

HK\$7.1 billion

10.6% ↑ vs 1HFY2023/24



Revenue

HK\$860.3 million

9.9% ↑ vs 1HFY2023/24

Interest income

HK\$734.5 million

11.7% ↑ vs 1HFY2023/24



Cost-to-income ratio

47.0%

Improved vs 48.0% in 1HFY2023/24

Operating income

HK\$804.2 million

9.8% ↑ vs 1HFY2023/24



Profit after tax

HK\$170.4 million

11.0% ↓ vs 1HFY2023/24



Gross advances and receivables at 31.8.2024

HK\$7.2 billion

3.8% ↑ vs 29.2.2024



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 31st August 2024*

		1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Revenue	3	860,321	783,109
Interest income	5	734,492	657,771
Interest expense	6	(64,537)	(46,721)
Net interest income		669,955	611,050
Fees and commissions		62,148	62,748
Handling and late charges		63,681	62,590
Other income	7	8,313	5,377
Other gains and losses	8	118	(9,085)
Operating income		804,215	732,680
Operating expenses	9	(378,246)	(351,383)
Operating profit before impairment losses and impairment allowances		425,969	381,297
Impairment losses and impairment allowances		(236,101)	(164,633)
Recoveries of advances and receivables written-off		13,343	14,201
Profit before tax		203,211	230,865
Income tax expense	10	(32,850)	(39,439)
Profit for the period		170,361	191,426
Profit for the period attributable to: Owners of the Company		170,361	191,426
Earnings per share — Basic	12	40.68 HK cents	45.71 HK cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 31st August 2024

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Profit for the period	<u>170,361</u>	<u>191,426</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	5,333	(21,306)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	2,261	(6,292)
Fair value adjustment on cash flow hedges, net of tax	(10,741)	(17,496)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	<u>(8,665)</u>	<u>10,351</u>
Other comprehensive expense for the period	<u>(11,812)</u>	<u>(34,743)</u>
Total comprehensive income for the period	<u>158,549</u>	<u>156,683</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>158,549</u>	<u>156,683</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2024

		31.8.2024	29.2.2024
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	<i>13(a)</i>	170,308	172,341
Intangible assets	<i>13(a)</i>	29,923	31,133
Right-of-use assets	<i>13(b)</i>	121,032	118,631
Goodwill		15,820	15,820
Equity instruments at fair value through other comprehensive income	<i>14</i>	97,977	92,644
Advances and receivables	<i>15</i>	1,572,145	1,512,414
Prepayments, deposits and other debtors	<i>17</i>	48,589	35,782
Derivative financial instruments	<i>23</i>	10,965	23,628
Deferred tax assets		13,356	5,454
		2,080,115	2,007,847
Current assets			
Advances and receivables	<i>15</i>	5,383,671	5,201,354
Prepayments, deposits and other debtors	<i>17</i>	86,437	78,691
Amount due from immediate holding company		–	1
Amount due from an intermediate holding company		–	31
Derivative financial instruments	<i>23</i>	845	–
Time deposits	<i>18</i>	21,417	15,319
Bank balances and cash	<i>19</i>	279,828	257,989
		5,772,198	5,553,385

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31st August 2024

		31.8.2024	29.2.2024
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Current liabilities			
Creditors and accruals	20(a)	253,931	261,832
Contract liabilities	20(b)	34,386	21,554
Amounts due to fellow subsidiaries	21	21,091	17,872
Amount due to an intermediate holding company		8,834	4,722
Borrowings from immediate holding company	22	800,000	800,000
Bank borrowings	22	710,037	468,685
Lease liabilities		40,917	38,243
Derivative financial instruments	23	58,943	59,109
Tax liabilities		22,997	5,526
		1,951,136	1,677,543
Net current assets		3,821,062	3,875,842
Total assets less current liabilities		5,901,177	5,883,689
Capital and reserves			
Share capital	24	269,477	269,477
Reserves		3,856,561	3,798,516
Total equity		4,126,038	4,067,993
Non-current liabilities			
Bank borrowings	22	1,661,123	1,709,571
Deferred tax liabilities		–	88
Lease liabilities		86,389	84,097
Derivative financial instruments	23	27,627	21,940
		1,775,139	1,815,696
		5,901,177	5,883,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 2024

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2023 (Audited)	269,477	73,311	50,342	(11,613)	3,510,943	3,892,460
Profit for the period	–	–	–	–	191,426	191,426
Fair value loss on equity instruments at fair value through other comprehensive income	–	(21,306)	–	–	–	(21,306)
Exchange difference arising from translation of foreign operations	–	–	–	(6,292)	–	(6,292)
Fair value adjustment on cash flow hedges, net of tax	–	–	(17,496)	–	–	(17,496)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	10,351	–	–	10,351
Total comprehensive (expense) income for the period	–	(21,306)	(7,145)	(6,292)	191,426	156,683
Final dividend paid for 2022/23 (<i>Note 11</i>)	–	–	–	–	(92,128)	(92,128)
At 31st August 2023 (Unaudited)	<u>269,477</u>	<u>52,005</u>	<u>43,197</u>	<u>(17,905)</u>	<u>3,610,241</u>	<u>3,957,015</u>
At 1st March 2024 (Audited)	<u>269,477</u>	<u>68,821</u>	<u>35,582</u>	<u>(16,468)</u>	<u>3,710,581</u>	<u>4,067,993</u>
Profit for the period	–	–	–	–	170,361	170,361
Fair value gain on equity instruments at fair value through other comprehensive income	–	5,333	–	–	–	5,333
Exchange difference arising from translation of foreign operations	–	–	–	2,261	–	2,261
Fair value adjustment on cash flow hedges, net of tax	–	–	(10,741)	–	–	(10,741)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	(8,665)	–	–	(8,665)
Total comprehensive income (expense) for the period	–	5,333	(19,406)	2,261	170,361	158,549
Final dividend paid for 2023/24 (<i>Note 11</i>)	–	–	–	–	(100,504)	(100,504)
At 31st August 2024 (Unaudited)	<u>269,477</u>	<u>74,154</u>	<u>16,176</u>	<u>(14,207)</u>	<u>3,780,438</u>	<u>4,126,038</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st August 2024

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Net cash used in operating activities	(201)	(327,527)
Dividends received	–	36
Proceeds from sale of property, plant and equipment	1	7
Purchase of property, plant and equipment and intangible assets	(12,378)	(50,442)
Deposits paid for acquisition of property, plant and equipment and intangible assets	(14,489)	(26,237)
Placement of time deposits with maturity of more than three months	(3,849)	–
Release of time deposits with maturity of more than three months	1,650	7,858
Net cash used in investing activities	(29,065)	(68,778)
Repayment of lease liabilities	(30,322)	(30,726)
Dividends paid	(100,504)	(92,128)
New borrowings from immediate holding company raised	–	5,600,000
Repayment of borrowings from immediate holding company	–	(5,000,000)
New bank loans raised	7,013,665	6,305,064
Repayment of bank loans	(6,827,860)	(6,424,869)
Net cash from financing activities	54,979	357,341
Net increase (decrease) in cash and cash equivalents	25,713	(38,964)
Effect of changes in exchange rate	(16)	(1,742)
Cash and cash equivalents at beginning of the period	271,658	387,508
Cash and cash equivalents at end of the period	297,355	346,802
Being:		
Time deposits with maturity of three months or less	17,527	15,588
Bank balances and cash	279,828	331,214
	297,355	346,802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st August 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 29th February 2024 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 29th February 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st August 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 29th February 2024.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1st March 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The Group has applied the new accounting policy and the amendments retrospectively. The application of the amendments in the current period has the following impacts on borrowings which are subject to meeting certain covenants within 12 months from reporting date.

The Group's right to defer settlement for borrowings of HK\$1,317,698,000, and HK\$1,709,571,000 as at 1st March 2023 and 29th February 2024, respectively are subject to compliance with certain financial ratios only after the reporting period. Upon the application of the 2022 Amendments, such borrowings are still classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

Except as described above, the application of the 2020 and 2022 Amendments has no other material impact on the classification of the Group's other liabilities.

3. REVENUE

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Interest income	<u>734,492</u>	<u>657,771</u>
Fees and commissions		
Credit cards — issuing	19,386	31,223
Credit cards — acquiring	27,401	20,469
Insurance	15,361	11,056
Handling and late charges	<u>63,681</u>	<u>62,590</u>
Revenue from contracts with customers	<u>125,829</u>	<u>125,338</u>
Total revenue	<u>860,321</u>	<u>783,109</u>

1.3.2024 to 31.8.2024 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Total HK\$'000
Interest income	565,085	169,385	22	734,492
Fees and commissions	46,787	–	15,361	62,148
Handling and late charges	<u>57,105</u>	<u>6,576</u>	<u>–</u>	<u>63,681</u>
Segment revenue	<u>668,977</u>	<u>175,961</u>	<u>15,383</u>	<u>860,321</u>

1.3.2023 to 31.8.2023 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Total HK\$'000
Interest income	516,080	141,691	–	657,771
Fees and commissions	51,692	–	11,056	62,748
Handling and late charges	<u>56,280</u>	<u>6,310</u>	<u>–</u>	<u>62,590</u>
Segment revenue	<u>624,052</u>	<u>148,001</u>	<u>11,056</u>	<u>783,109</u>

4. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

The Group's operating and reportable segments are as follows:

- Credit cards — Provide credit card services to individuals and acquiring services for member-stores
- Personal loans — Provide personal loan financing to individuals
- Insurance — Provide insurance agency and brokerage services

Segment revenue and results

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

1.3.2024 to 31.8.2024 (Unaudited)

	Credit cards	Personal loans	Insurance	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	668,977	175,961	15,383	860,321
RESULT				
Segment results	212,379	(14,542)	6,295	204,132
Unallocated operating income				555
Unallocated expenses				(1,476)
Profit before tax				203,211

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

1.3.2023 to 31.8.2023 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>624,052</u>	<u>148,001</u>	<u>11,056</u>	<u>783,109</u>
RESULT				
Segment results	<u>200,034</u>	<u>26,925</u>	<u>4,984</u>	231,943
Unallocated operating income				1,438
Unallocated expenses				<u>(2,516)</u>
Profit before tax				<u>230,865</u>

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

4. **SEGMENT INFORMATION** (Continued)

Geographical information

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

1.3.2024 to 31.8.2024 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	841,852	18,469	860,321
RESULT			
Segment results	201,368	2,764	204,132
Unallocated operating income			555
Unallocated expenses			<u>(1,476)</u>
Profit before tax			<u>203,211</u>

1.3.2023 to 31.8.2023 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	770,192	12,917	783,109
RESULT			
Segment results	229,638	2,305	231,943
Unallocated operating income			1,438
Unallocated expenses			<u>(2,516)</u>
Profit before tax			<u>230,865</u>

5. INTEREST INCOME

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Non-credit impaired advances	723,887	651,073
Credit impaired advances	10,212	6,530
Time deposits and bank balances	393	168
	<u>734,492</u>	<u>657,771</u>

6. INTEREST EXPENSE

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Interest on borrowings from immediate holding company	17,101	7,432
Interest on bank borrowings	47,849	43,001
Interest on lease liabilities	2,857	1,707
Net interest income on interest rate swap contracts	(3,270)	(5,419)
	<u>64,537</u>	<u>46,721</u>

7. OTHER INCOME

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	–	36
Marketing support fund	7,758	3,938
Others	555	1,403
	<u>8,313</u>	<u>5,377</u>

8. OTHER GAINS AND LOSSES

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain (loss) on hedging instrument released from cash flow hedge reserve	5,395	(15,770)
Exchange (loss) gain on bank loans	(5,395)	15,770
Other exchange loss, net	(50)	(21)
Hedge ineffectiveness on cash flow hedges	202	202
Losses on disposal of property, plant and equipment	(34)	(9,266)
	118	(9,085)

9. OPERATING EXPENSES

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Depreciation on property, plant and equipment and amortization of intangible assets	23,525	21,097
Depreciation on right-of-use assets	30,927	28,542
Expenses relating to short-term leases	1,614	2,337
	32,541	30,879
General administrative expenses	113,306	101,085
Marketing and promotion expenses	50,818	53,636
Other operating expenses	38,828	39,779
Staff costs including Directors' emoluments	119,228	104,907
	378,246	351,383

10. INCOME TAX EXPENSE

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Current tax		
— Hong Kong Profits Tax	37,868	29,899
— PRC Enterprise Income Tax	110	80
Deferred tax	(5,128)	9,460
	32,850	39,439

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

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 periods. A Company's PRC subsidiary is a qualified small and thin-profit enterprise, which annual taxable income up to RMB3 million is subject to an effective tax rate of 5% from 1st January 2023 to 31st December 2027.

11. DIVIDENDS

On 26th July 2024, a dividend of 24.0 HK cents (six months ended 31st August 2023: 22.0 HK cents) per share amounting to a total of HK\$100,504,000 (six months ended 31st August 2023: HK\$92,128,000) was paid to shareholders as the final dividend for 2023/24 (six months ended 31st August 2023: final dividend for 2022/23).

In respect of the current interim period, the Directors have declared an interim dividend of 24.0 HK cents per share amounting to HK\$100,504,000 payable to the shareholders of the Company whose names appear on the Register of Members on 16th October 2024. The interim dividend will be paid on 31st October 2024. This interim dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

12. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share is based on the unaudited profit for the period of HK\$170,361,000 (six months ended 31st August 2023: HK\$191,426,000) and on the number of shares of 418,766,000 (six months ended 31st August 2023: 418,766,000) in issue during the period.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

- (a) The Group acquired property, plant and equipment and intangible assets approximately HK\$20,211,000 during the current period (six months ended 31st August 2023: HK\$118,100,000).
- (b) The Group leases various offices, office equipment, branches, director and staff quarters and signage (six months ended 31st August 2023: offices, office equipment, branches, director and staff quarters and motor vehicles) for its operations. Lease contracts are entered into for fixed and renewable term of 1 year to 6 years (six months ended 31st August 2023: 1 year to 6 years). The Group is required to make fixed monthly payments. During the current period, the Group recognised additional HK\$33,277,000 (six months ended 31st August 2023: HK\$117,472,000) of right-of-use assets and HK\$32,322,000 of lease liabilities (six months ended 31st August 2023: HK\$115,453,000).

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	568	1,119
— Unlisted investments	97,409	91,525
	97,977	92,644

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.

15. ADVANCES AND RECEIVABLES

	31.8.2024	29.2.2024
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Credit card receivables	5,339,890	5,188,549
Personal loan receivables	1,674,542	1,573,989
	7,014,432	6,762,538
Accrued interest and other receivables	210,893	198,321
Gross advances and receivables	7,225,325	6,960,859
Impairment allowances (<i>Note 16</i>)	(269,509)	(247,091)
	6,955,816	6,713,768
Current portion included under current assets	(5,383,671)	(5,201,354)
Amount due after one year	1,572,145	1,512,414

At 31st August 2024, the personal loan receivables include rescheduled loan receivables of HK\$172,146,000 (29th February 2024: HK\$135,744,000).

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

An analysis of movements in the gross amount of advances and receivables during each of the two periods ended 31st August 2024 and 31st August 2023 are set out as below:

	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st March 2024	6,682,702	75,389	202,768	6,960,859
Net advance (repayment) in advances and receivables	492,483	(6,536)	(11,677)	474,270
Transfer to 12-months ECL (Stage 1)	36,213	(34,120)	(2,093)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(175,372)	177,925	(2,553)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(122,292)	(149,858)	272,150	-
Total transfer between stages	(261,451)	(6,053)	267,504	-
Amounts written-off as uncollectable	-	-	(213,821)	(213,821)
Exchange realignment	3,856	50	111	4,017
At 31st August 2024	6,917,590	62,850	244,885	7,225,325

15. **ADVANCES AND RECEIVABLES** (Continued)

	Stage 1 HK\$ '000	Stage 2 HK\$ '000	Stage 3 HK\$ '000	Total HK\$ '000
At 1st March 2023	5,582,236	84,229	169,752	5,836,217
Net advance (repayment) in advances and receivables	715,183	26,936	(10,298)	731,821
Transfer to 12-months ECL (Stage 1)	94,694	(90,470)	(4,224)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(194,208)	202,823	(8,615)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(35,324)	(151,909)	187,233	–
Total transfer between stages	(134,838)	(39,556)	174,394	–
Amounts written-off as uncollectable	–	–	(121,573)	(121,573)
Exchange realignment	(6,304)	(41)	(217)	(6,562)
At 31st August 2023	<u>6,156,277</u>	<u>71,568</u>	<u>212,058</u>	<u>6,439,903</u>

(a) **Credit card receivables**

The term of credit card instalment plans entered into with customers mainly ranges from 6 months to 5 years (29th February 2024: 6 months to 5 years).

All credit card receivables are denominated in HKD. The credit card receivables mainly carry effective interest ranging from 6.3% to 35.9% (29th February 2024: 8.5% to 35.9%) per annum.

(b) **Personal loan receivables**

Most of the personal loan receivables entered into with customers ranges from 1 month to 10 years (29th February 2024: 6 months to 5 years) and are denominated in HKD or RMB. The personal loan receivables mainly carry effective interest ranging from 3.1% to 47.6% (29th February 2024: 2.3% to 48.0%) per annum.

15. ADVANCES AND RECEIVABLES (Continued)

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

	31.8.2024 (Unaudited)		29.2.2024 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Stage 1	6,917,590	95.7	6,682,702	96.0
Stage 2	62,850	0.9	75,389	1.1
Stage 3	244,885	3.4	202,768	2.9
	7,225,325	100.0	6,960,859	100.0

* Percentage of gross advances and receivables

Stage 1 covers the advances and receivables which credit risk has not significantly increased since initial recognition.

Stage 2 covers the advances and receivables which credit risk has significantly increased since initial recognition.

Stage 3 covers the advances and receivables for which credit loss events occurred and become credit-impaired.

16. IMPAIRMENT ALLOWANCES

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	141,271	146,731
Unused credit card limit	2,609	1,880
Personal loan receivables	120,170	93,147
Accrued interest and other receivables	5,459	5,333
	269,509	247,091

At 31st August 2024, the impairment allowance of personal loan receivables includes impairment allowance on rescheduled loan receivables of HK\$43,906,000 (29th February 2024: HK\$36,082,000).

16. IMPAIRMENT ALLOWANCES (Continued)

An analysis of changes in impairment allowances including commitments on unused credit card limit during each of the two periods ended 31st August 2024 and 31st August 2023 are set out as below:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2024	123,883	32,208	91,000	247,091
Net advance (repayment) in advances and receivables	9,587	(2,768)	(5,004)	1,815
Transfer to 12-months ECL (Stage 1)	15,347	(14,450)	(897)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,462)	4,556	(1,094)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(2,414)	(63,468)	65,882	–
Total transfer between stages	9,471	(73,362)	63,891	–
Remeasurement of ECL during the period	1,890	70,284	162,112	234,286
Amounts written-off as uncollectable	–	–	(213,831)	(213,831)
Exchange realignment	36	24	88	148
	144,867	26,386	98,256	269,509
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2023	97,642	18,878	75,189	191,709
Net advance (repayment) in advances and receivables	13,053	8,012	(4,494)	16,571
Transfer to 12-months ECL (Stage 1)	28,749	(26,909)	(1,840)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,544)	7,299	(3,755)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(645)	(45,181)	45,826	–
Total transfer between stages	24,560	(64,791)	40,231	–
Remeasurement of ECL during the period	(18,167)	64,476	101,753	148,062
Amounts written-off as uncollectable	–	–	(121,573)	(121,573)
Exchange realignment	(57)	(43)	(174)	(274)
	117,031	26,532	90,932	234,495

17. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Deposits for property, plant and equipment	28,470	22,071
Deposits for intangible assets	578	850
Rental and other deposits	18,125	16,463
Prepaid operating expenses	52,483	43,108
Other debtors	35,370	31,981
	<u>135,026</u>	<u>114,473</u>
Current portion included under current assets	<u>(86,437)</u>	<u>(78,691)</u>
Amount due after one year	<u>48,589</u>	<u>35,782</u>

18. TIME DEPOSITS

Time deposits are denominated in HKD and RMB and carry fixed rates ranging from 1.20% to 4.41% (six months ended 31st August 2023: 1.55% to 2.00%) per annum during the current interim period.

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Time deposits with maturity of three months or less	17,527	13,669
Time deposits with maturity of more than three months	3,890	1,650
	<u>21,417</u>	<u>15,319</u>

19. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rates.

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
31.8.2024 (Unaudited)				
Bank balances and cash	<u>262,998</u>	<u>10,625</u>	<u>6,205</u>	<u>279,828</u>
29.2.2024 (Audited)				
Bank balances and cash	<u>228,128</u>	<u>26,117</u>	<u>3,744</u>	<u>257,989</u>

20. CREDITORS AND ACCRUALS/CONTRACT LIABILITIES

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

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Less than 1 month	113,742	110,010
Over 1 month but less than 3 months	1,592	3,134
Over 3 months	369	315
	<u>115,703</u>	<u>113,459</u>

- (b) At 31st August 2024, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of HK\$34,386,000 (29th February 2024: HK\$21,554,000).

21. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand except for HK\$17,639,000 (29th February 2024: HK\$14,207,000) 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:

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Less than 1 month	<u>17,639</u>	<u>14,207</u>

22. BANK BORROWINGS/BORROWINGS FROM IMMEDIATE HOLDING COMPANY

	31.8.2024 (Unaudited)		29.2.2024 (Audited)	
	Borrowings from immediate		Borrowings from immediate	
	Bank borrowings	holding company	Bank borrowings	holding company
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount repayable (<i>Note</i>)				
Within one year	710,037	800,000	468,685	800,000
Within a period of more than one year but not more than two years	781,295	–	720,000	–
Within a period of more than two years but not more than five years	879,828	–	989,571	–
	<u>2,371,160</u>	<u>800,000</u>	2,178,256	800,000
Amount repayable within one year included under current liabilities	<u>(710,037)</u>	<u>(800,000)</u>	<u>(468,685)</u>	<u>(800,000)</u>
Amount repayable after one year	<u>1,661,123</u>	<u>–</u>	<u>1,709,571</u>	<u>–</u>

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

22. BANK BORROWINGS/BORROWINGS FROM IMMEDIATE HOLDING COMPANY (Continued)

At the end of 31st August 2024 and 29th February 2024, all borrowings are unsecured. The carrying amounts of the borrowings are denominated in the following currencies:

	RMB <i>HK\$'000</i>	HKD <i>HK\$'000</i>	JPY <i>HK\$'000</i>	Total <i>HK\$'000</i>
31.8.2024 (Unaudited)				
Bank borrowings	100,182	2,050,000	220,978	2,371,160
Borrowings from immediate holding company	–	800,000	–	800,000
	<hr/>	<hr/>	<hr/>	<hr/>
29.2.2024 (Audited)				
Bank borrowings	17,909	1,945,000	215,347	2,178,256
Borrowings from immediate holding company	–	800,000	–	800,000
	<hr/>	<hr/>	<hr/>	<hr/>

HKD bank loans of HK\$1,080,000,000 (29th February 2024: HK\$1,075,000,000) are arranged at fixed interest rates ranging from 2.37% to 5.78% (29th February 2024: 2.17% to 5.78%) per annum of which the interest rate of sustainability linked loans of HK\$200,000,000 (29th February 2024: HK\$200,000,000) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met. Other HKD bank loans are arranged at floating interest rates ranging from 0.56% plus HIBOR to 0.75% plus HIBOR (29th February 2024: 0.56% plus HIBOR to 0.75% plus HIBOR) per annum of which the interest margin of sustainability linked loans of HK\$120,000,000 (29th February 2024: HK\$120,000,000) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met.

All borrowings from immediate holding company are denominated in HKD, which are arranged at fixed interest rates at 3.91% per annum (29th February 2024: 4.37% per annum).

JPY bank loans are arranged at floating interest rates at 0.40% plus TONA (29th February 2024: 0.40% plus TONA).

All RMB bank loans are arranged at fixed interest rates ranging from 2.95% to 3.10% (29th February 2024: 2.95% to 3.10%) per annum.

At 31st August 2024, the Group had available unutilised overdrafts and non-committed short term bank loan facilities of HK\$326,900,000 (29th February 2024: HK\$271,900,000) and HK\$685,998,000 (29th February 2024: HK\$606,000,000) respectively.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2024		29.2.2024	
	(Unaudited)		(Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	11,810	8,928	23,628	2,471
Cross-currency interest rate swap	–	77,642	–	78,578
	<u>11,810</u>	<u>86,570</u>	<u>23,628</u>	<u>81,049</u>
Current portion	(845)	(58,943)	–	(59,109)
	<u>10,965</u>	<u>27,627</u>	<u>23,628</u>	<u>21,940</u>
Non-current portion				

All derivative financial instruments entered into by the Group that remain outstanding at 31st August 2024 and 29th February 2024 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\$920,000,000 (29th February 2024: HK\$870,000,000) from floating rates to fixed rates. The interest rate swaps with aggregate notional amount of HK\$920,000,000 (29th February 2024: HK\$870,000,000) have fixed interest payments at fixed interest rates ranging from 1.95% to 5.42% (29th February 2024: 1.95% to 5.42%) per annum and floating interest receipts monthly/quarterly ranging from 0.56% plus HIBOR to 0.75% plus HIBOR (29th February 2024: 0.56% plus HIBOR to 0.75% plus HIBOR) per annum for periods up until August 2027 (29th February 2024: until August 2027).

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Cash flow hedges: (Continued)

Interest rate swaps (Continued)

During the period, net adjustment on the above-mentioned cash flow hedges amounted to HK\$14,793,000 (six months ended 31st August 2023: HK\$5,603,000) 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 swap

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 by swapping the floating-rate JPY bank borrowings to fixed-rate HKD bank borrowings.

The JPY cross-currency interest rate swaps with notional amount of JPY4,150,000,000 (29th February 2024: JPY4,150,000,000) (equivalent to HK\$300,398,000 at the date of inception of the bank borrowings) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07 (29th February 2024: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (29th February 2024: 2.17% to 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus TONA (29th February 2024: 0.40% plus TONA) per annum for periods up until March 2026 (29th February 2024: until March 2026).

The cross-currency interest rate swap and the corresponding bank borrowing 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 swap is highly effective hedging instrument.

During the period, net adjustment on the above-mentioned cash flow hedges amounted to HK\$4,613,000 (six months ended 31st August 2023: HK\$928,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swap is determined by using the discounted cash flow method based on TONA (29th February 2024: TONA) yield curves and the forward exchange rates between JPY and HKD (29th February 2024: JPY and HKD) estimated at the end of the reporting period.

24. SHARE CAPITAL

Number of shares **Share capital**
HK\$'000

Issued and fully paid

At 1st March 2024 and 31st August 2024

— Ordinary shares with no par value

418,766,000

269,477

25. CAPITAL COMMITMENTS

31.8.2024
(Unaudited)
HK\$'000

29.2.2024
(Audited)
HK\$'000

Contracted for but not provided in the condensed consolidated financial statements:

Purchase of property, plant and equipment and intangible assets

15,240

18,162

26. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	(Unaudited)					
	Fellow subsidiaries		Immediate holding company		Intermediate holding company	
	1.3.2024 to 31.8.2024 <i>HK\$'000</i>	1.3.2023 to 31.8.2023 <i>HK\$'000</i>	1.3.2024 to 31.8.2024 <i>HK\$'000</i>	1.3.2023 to 31.8.2023 <i>HK\$'000</i>	1.3.2024 to 31.8.2024 <i>HK\$'000</i>	1.3.2023 to 31.8.2023 <i>HK\$'000</i>
Interest income received	1,503	1,535	-	-	-	-
Commissions received	9,887	10,495	-	-	-	-
Dividends received	-	36	-	-	-	-
Service fees received	-	-	750	664	-	-
Licence fees paid	11,080	9,802	-	-	-	-
Service fees paid and payable	2,002	1,879	-	-	9,086	9,743
Gift certificates paid	5,662	8,125	-	-	-	-
Interest on lease liabilities	270	164	-	-	-	-
Loan interest paid and payable	-	-	17,101	7,432	-	-

26. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

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

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Short-term benefits	5,343	6,806
Post-employment benefits	91	123
	5,434	6,929

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

27. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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
		31.8.2024	29.2.2024	31.8.2024	29.2.2024	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	
AEON Insurance Brokers (HK) Limited	Hong Kong	HK\$1,000,000	HK\$1,000,000	100%	100%	Insurance brokerage services
AEON Micro Finance (Shenzhen) Co., Ltd (Note)	Mainland China	RMB200,000,000	RMB200,000,000	100%	100%	Microfinance business
AEON Information Service (Shenzhen) Co., Ltd. (Note)	Mainland China	HK\$2,000,000	HK\$2,000,000	100%	100%	Provision of business process outsourcing services

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

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the condensed consolidated statement 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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.8.2024 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial assets	–	11,810	–	11,810
Equity instruments at fair value through other comprehensive income				
— Listed equity securities	568	–	–	568
— Unlisted equity securities	–	–	97,409	97,409
Total	568	11,810	97,409	109,787
Derivative financial liabilities	–	86,570	–	86,570
	29.2.2024 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial assets	–	23,628	–	23,628
Equity instruments at fair value through other comprehensive income				
— Listed equity securities	1,119	–	–	1,119
— Unlisted equity securities	–	–	91,525	91,525
Total	1,119	23,628	91,525	116,272
Derivative financial liabilities	–	81,049	–	81,049

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position
(Continued)

During the six-month ended 31st August 2024, the fair value gain of investments with level 3 fair value measurement was HK\$5,884,000 (six-month ended 31 August 2023: loss of HK\$21,058,000) and included in other comprehensive income.

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 condensed consolidated financial statements approximate to their fair values using the discounted cash flow analysis:

	31.8.2024 (Unaudited)		29.2.2024 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Bank borrowings	2,371,160	2,432,585	2,178,256	2,276,063
Borrowings from immediate holding company	800,000	800,082	800,000	800,112

The fair value of listed equity securities is determined with reference to quoted market bid price from the 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 a discount of 30–35% (29th February 2024: 30–35%) for lack of marketability. An increase in the marketability discount used would result in a decrease in fair value of the unlisted equity investments, and vice versa.

The fair value of derivative financial instruments is measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between JPY and HKD (for cross-currency interest rate swap contract), which is observable at the end of the reporting period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15th October 2024 to Wednesday, 16th October 2024, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 14th October 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 31st August 2024 ("1HFY2024/25" or the "Reporting Period"), the Hong Kong economy recorded moderate growth, thanks in part to the support from the Hong Kong government in stimulating domestic spending. However, the 'higher-for-longer' interest rate environment, combined with continued depressed capital and real estate markets, ongoing geopolitical conflicts and shifts in customer spending behavior, resulted in weakened economic indicators and a persistently high level of credit defaults.

To cope with the slower than expected economic recovery and other headwinds, the Group took timely measures during the Reporting Period to sustain the increase in both sales and receivables, while making significant efforts to enhance its risk-based pricing mechanism to maximize the return from its credit card and personal loan portfolios, and utilized an effective credit risk management mechanism to reduce the likelihood of credit impairment.

With regard to marketing, the Group utilized targeted marketing and attractive promotions such as "Day Day Spend & Rewards@Local/Overseas/Online Spending" and "AEON x Water World Ocean Park • Frenzy Summer Party Time" to better promote the competitive edge of its carefully devised products and services to the intended customers. The Group also organized themed roadshows at exhibitions and shopping malls to expand its reach. In addition, the Group continued to launch attractive incentive programs to stimulate local dining and overseas spending.

In order to diversify its branch network and meet customers' growing demand for face-to-face advisory services, the Group continued to revamp and expand its branch network, including the opening of the new Shatin branch in June 2024 with a dedicated insurance consultation counter.

Regarding credit management, the continued enhancement of the Group's credit assessment model with updated market indicators, along with the effective use of analytics tool in the collection department, has helped to achieve a finer balance between customers' financial needs and credit risk, and strengthen the Group's ability to provide customers with additional credit facilities that remain affordable. Consequently, the Group has greater capabilities in identifying customers in need of credit counseling and providing flexible solutions to reduce their financial burden.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Despite the challenging market conditions, the Group achieved an overall increase in sales of 10.6% in 1HFY2024/25 compared with the first half of the previous year (“1HFY2023/24” or the “Previous Period”), and the gross advances and receivables balance continued to record an increase of 3.8% from the end of February 2024. Although there was an increase in credit defaults due to the negative market sentiment during the Reporting Period, the Group has taken robust credit monitoring measures to mitigate the further deterioration of asset quality, with the percentage of advances and receivables with credit risk increased significantly and the percentage of impaired credit (i.e., stage 2 and stage 3 receivables) to total advances and receivables increased slightly from 4.0% as at 29th February 2024 to 4.3% as at 31st August 2024.

To further strengthen the technological foundation, the Group has successfully relocated its core data center to Tseung Kwan O, with its infrastructure ranked top tier in terms of uptime guarantee, fault tolerance and competitive service cost. The new data center is located in a building purposely designed to meet internationally recognized green building certification standards, demonstrating the Group’s commitment to integrating sustainability into its business operations.

As for the Mainland China business, AEON Micro Finance (Shenzhen) Co., Ltd. (“AMF(SZ)”) achieved an increasing sales trend throughout the Reporting Period, while AEON Information Service (Shenzhen) Co., Ltd. (“AIS”) provided the Group with effective telemarketing activities to increase personal loan and cash advance sales.

Interim Dividend

In view of the Group’s strong financial position and in order to once again share its fruitful results with shareholders, the Board has resolved to declare an interim dividend of 24.0 HK cents per share (1HFY2023/24: 24.0 HK cents per share), representing a dividend payout ratio of 59.0%, which is in line with the Group’s policy of paying no less than 30% of its net profit for the period as dividends.

Financial Review

The Group recorded profit before tax of HK\$203.2 million for the Reporting Period, a decrease of 12.0%, or HK\$27.7 million, from the Previous Period. With income tax expense of HK\$32.9 million, the Group’s profit after tax decreased by 11.0%, or HK\$21.1 million, to HK\$170.4 million from HK\$191.4 million in the Previous Period. Earnings per share decreased from 45.71 HK cents to 40.68 HK cents for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

The net debt to equity ratio was 0.7 as at 31st August 2024 and 29th February 2024, while the equity to total assets ratio as at 31st August 2024 and 29th February 2024 was 52.5% and 53.8% respectively.

Net asset value per share (after interim dividend) was HK\$9.6 as at 31st August 2024, compared with a net asset value per share (after final dividend) of HK\$9.5 as at 29th February 2024.

Consolidated Statement of Profit or Loss Analysis

Revenue

Revenue for 1HFY2024/25 was HK\$860.3 million, an increase of 9.9%, or HK\$77.2 million, compared with the HK\$783.1 million recorded in 1HFY2023/24.

Net interest income

The Group implemented various marketing programs in 1HFY2024/25 in order to meet the market demand, successfully maintaining the sales growth despite the slow economic recovery. As a result, revolving credit card receivables and personal loan receivables continued to increase throughout the Reporting Period. Accordingly, the Group recorded an increase in interest income of 11.7%, or HK\$76.7 million, from HK\$657.8 million in the Previous Period to HK\$734.5 million in the Reporting Period.

The Group's interest expenses recorded an increase of HK\$17.8 million, from HK\$46.7 million in the Previous Period to HK\$64.5 million in the Reporting Period as a result of an increase in both the amount of bank borrowings to finance the debtor receivable balances and the generally higher interest rates in line with the market. With a borrowing portfolio comprising a mix of borrowing rates and maturities, the Group's average cost of funds increased from 3.9% in the Previous Period to 4.1% in 1HFY2024/25.

As a result, the Group's net interest income for 1HFY2024/25 was HK\$670.0 million, representing an increase of 9.6%, or HK\$58.9 million, compared with HK\$611.1 million in 1HFY2023/24.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Profit or Loss Analysis (Continued)

Operating income

Although the value of credit card purchases increased significantly during the Reporting Period, the increase in commission income was offset by the increase in the cost of operating the attractive cashback incentive scheme and campaigns, resulting in a decrease in fees and commissions from credit card issuing business of HK\$11.8 million to HK\$19.4 million for the Reporting Period. For the credit card acquiring business, fees and commissions increased by HK\$6.9 million to HK\$27.4 million during the Reporting Period due to an increase in both the number of card acquiring merchants and transaction volume. Following the launch of new insurance products under the diversified insurance distribution channels, fees and commissions from the insurance intermediary business recorded an increase of HK\$4.3 million during the Reporting Period. Overall, the Group recorded a slight decrease in fees and commissions of 1.0%, or HK\$0.6 million, from HK\$62.7 million in 1HFY2023/24 to HK\$62.1 million in 1HFY2024/25.

As a result of the continued increase in demand for cash advances and the high number of customers making minimum payments in 1HFY2024/25, handling and late charges increased by HK\$1.1 million to HK\$63.7 million for 1HFY2024/25.

In terms of other income and other gains and losses, the Group recognized other income of HK\$7.8 million from business partner sponsorship in 1HFY2024/25 compared with HK\$3.9 million in 1HFY2023/24. Other gains amounted to HK\$0.1 million in the Reporting Period, while other losses of HK\$9.1 million in the Previous Period were mainly related to the disposal of property, plant and equipment upon the completion of two system projects.

Overall, the Group's operating income for 1HFY2024/25 recorded an increase of 9.8%, or HK\$71.5 million, from HK\$732.7 million in 1HFY2023/24 to HK\$804.2 million for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Profit or Loss Analysis (Continued)

Operating expenses

The Group implemented more marketing and promotional activities through a strategic combination of traditional and digital marketing channels that precisely targeting the intended customer segments. Such approach effectively managed marketing and advertising promotional expenses, resulting in a decrease of HK\$2.8 million (HK\$50.8 million in 1HFY2024/25). With the launch of new operating systems and upgraded network facilities, depreciation of property, plant and equipment and amortization of intangible assets increased by HK\$2.4 million (HK\$23.5 million in 1HFY2024/25) compared with the Previous Period. In addition, general administrative expenses increased by HK\$12.2 million (HK\$113.3 million in 1HFY2024/25) compared with the Previous Period due to higher card association fees driven by increased overseas card sales. Additional manpower to support the back-office digitalization and branch network expansion resulted in an increase in staff costs of HK\$14.3 million (HK\$119.2 million in 1HFY2024/25) compared with the Previous Period.

Although total operating expenses increased by 7.6%, or HK\$26.9 million, from HK\$351.4 million in the Previous Period to HK\$378.2 million in the Reporting Period, the cost-to-income ratio decreased from 48.0% in 1HFY2023/24 to 47.0% in 1HFY2024/25 due to the increase in operating income.

At the operating level before impairment losses and impairment allowances, the Group recorded an operating profit of HK\$426.0 million in 1HFY2024/25, representing an increase of 11.7% from the HK\$381.3 million recorded in 1HFY2023/24.

Impairment losses and impairment allowances

Although the unemployment rate remained relatively stable during the Reporting Period, the change in consumer spending behavior after the pandemic and the continued high interest rate environment, coupled with a significant decline in transaction volume in the capital and real estate markets, resulted in an increase in credit defaults and weakened economic indicators in 1HFY2024/25. To address this, the Group made significant efforts to refine its credit assessment model to control the proportion of advances and receivables with higher credit risk, and used effective credit risk management and fraud detection tools to reduce the likelihood of the occurrence of credit impaired assets. With the continued increase in gross advances and receivables during the Reporting Period, impairment losses and impairment allowances recorded an increase of HK\$71.5 million, or 43.4%, to HK\$236.1 million in 1HFY2024/25 from HK\$164.6 million in 1HFY2023/24.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Consolidated Statement of Financial Position Analysis

The Group's total equity as at 31st August 2024 was HK\$4,126.0 million, representing an increase of 1.4%, or HK\$58.0 million, compared with a balance of HK\$4,068.0 million as at 29th February 2024.

Total assets as at 31st August 2024 amounted to HK\$7,852.3 million, compared with total assets of HK\$7,561.2 million as at 29th February 2024.

Advances and receivables

With the launch of successful marketing and advertising activities and the expansion of the service network to promote sales during the Reporting Period, personal loan receivables increased from HK\$1,574.0 million as at 29th February 2024 to HK\$1,674.5 million as at 31st August 2024, while credit card receivables increased from HK\$5,188.6 million as at 29th February 2024 to HK\$5,339.9 million as at 31st August 2024.

Gross advances and receivables increased by 3.8%, or HK\$264.5 million, to HK\$7,225.3 million as at 31st August 2024 from HK\$6,960.9 million as at 29th February 2024. Gross advances and receivables exposed to credit risk increased significantly and credit impairment amounted to HK\$307.7 million and HK\$278.2 million as at 31st August 2024 and 29th February 2024, respectively. Impairment allowances amounted to HK\$269.5 million as at 31st August 2024, representing 3.7% of gross advances and receivables, compared with HK\$247.1 million as at 29th February 2024, representing 3.5% of gross advances and receivables.

Bank borrowings and borrowings from immediate holding company

Due to the increase in the gross advances and receivables balance, the Group raised additional bank borrowings and borrowings from the immediate holding company during the Reporting Period, with a balance of HK\$3,171.2 million as at 31st August 2024, compared with HK\$2,978.3 million as at 29th February 2024. Of the borrowings as at 31st August 2024, 47.6% will mature within one year, 24.6% between one and two years and 27.7% between two and five years. Of the borrowings maturing in more than one year, 47% had fixed interest rates and 53% were hedged against interest rate and/or currency exchange rate fluctuations through relevant swap instruments.

The average duration of borrowings as at 31st August 2024 was 1.1 years, compared with 1.4 years as at 29th February 2024.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Consolidated Statement of Financial Position Analysis (Continued)

Segment information

The Group's business comprises three operating segments, credit cards, personal loans and insurance intermediary business. For 1HFY2024/25, 77.8% of the Group's revenue was derived from credit card business, compared with 79.7% in 1HFY2023/24, while personal loan business accounted for 20.5% of the Group's revenue, compared with 18.9% in the Previous Period. As for segment results, profit from credit card operations accounted for 104.0% of the Group's total business, compared with 86.2% in the Previous Period, while loss from personal loan operations accounted for 7.1%, compared with profit from personal loan operations of 11.6% in the Previous Period.

In the credit card business, with successful targeted marketing and the launch of well-received marketing programs on overseas and dining spending, the Group continued to record a progressive increase in credit card sales and accumulate higher revolving credit card balances during the Reporting Period. As a result, revenue from credit card operations increased by 7.2%, or HK\$44.9 million to HK\$669.0 million from HK\$624.1 million in 1HFY2023/24. This remarkable surge in revenue could marginally mitigate the impact of the rise in borrowing costs and the drastic increase in impairment losses and allowances, resulting in the segment result for the Reporting Period recording an increase of HK\$12.4 million, or 6.2%, to HK\$212.4 million from HK\$200.0 million in 1HFY2023/24.

As for personal loan operations, through personalized marketing activities on social media, expansion of the branch network and the promotion of instant loans, the personal loan receivables balance gradually increased. Revenue from personal loan operations increased by 18.9%, or HK\$28.0 million, from HK\$148.0 million in 1HFY2023/24 to HK\$176.0 million in 1HFY2024/25. However, this increase in revenue could not offset the persistently high funding costs and the increase in impairment losses and allowances during the Reporting Period, leading the segment result to record a loss of HK\$14.5 million in the Reporting Period as compared with a profit of HK\$26.9 million in 1HFY2023/24.

The insurance intermediary business has smoothly progressed through the change in business model and products and resumed progressive growth during the Reporting Period, with segment revenue and result amounting to HK\$15.4 million and HK\$6.3 million, respectively, for the Reporting Period, compared with HK\$11.1 million and HK\$5.0 million, respectively, for the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Consolidated Statement of Financial Position Analysis *(Continued)*

Segment information *(Continued)*

By geographical location, revenue from Hong Kong operations increased by 9.3%, or HK\$71.7 million, to HK\$841.9 million in 1HFY2024/25 from HK\$770.2 million in 1HFY2023/24 due to higher receivables balances, while the segment result decreased by 12.3%, or HK\$28.2 million, to HK\$201.4 million from HK\$229.6 million in 1HFY2023/24 due to high funding costs and depressed consumer sentiment.

In Mainland China, the Group focused on improving the financial performance and diversifying the loan products of its microfinance subsidiary in Shenzhen. Sales of this subsidiary achieved stable growth during the Reporting Period, resulting in an increase in revenue of HK\$5.6 million to HK\$18.5 million from HK\$12.9 million in 1HFY2023/24. The segment result increased slightly to HK\$2.8 million for the Reporting Period from HK\$2.3 million for 1HFY2023/24.

Prospects

The Hong Kong government is actively promoting the mega-events in the second half of the financial year ending 28 February 2025 (“2HFY2024/25”), with the aim of attracting more tourists to Hong Kong. Additionally, various initiatives continue to be introduced to support small and medium enterprises in the retail sector, with the goal of bolstering domestic consumption. However, uncertainties persist regarding the economic outlook, primarily due to protracted high interest rates dampening capital investment appetites and unpredictable geopolitical developments. Accordingly, momentum in Hong Kong’s consumer finance growth is anticipated to remain constrained. Despite ambiguity over the timing and magnitude of interest rate reductions, interest rates are projected to trend downward following the first rate cut of 50 basis points in September, potentially alleviating pressures on funding costs.

Notwithstanding aforementioned challenges, the Group will persist in pursuing sustainable business expansion in line with its corporate mission. The Group will seek receivable growth at reasonable yields while managing funding expenses to increase net interest income. Flexible marketing strategies will also be adopted to broaden the customer base and service channels, leveraging on systems to boost service quality and operational efficiency. In addition, the Group will endeavour to diversify revenue streams by cultivating fee-generating transactions and insurance intermediary businesses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects *(Continued)*

As credit conditions are expected to stay testing, the Group will closely monitor the effectiveness of credit assessment and credit management improvement, as well as achieve better maturity matching, to minimize credit and liquidity risks.

On the marketing front, the Group will continue to launch mass promotional initiatives for credit cards and personal loans businesses with engaging gamification and incentives to capture shifting consumer spending behavior. Customer relationship management and engagement will further be strengthened across diverse platforms.

Regarding digitalization of operations, the Group will continue enhancing call center platform and providing responsive customer interaction. Data analytics tools will also be further developed to heighten the effectiveness of marketing, credit assessment and credit management activities.

To enhance credit card services, upcoming introduction of the virtual credit card functionality within the “AEON HK” mobile application (the “Mobile App”) will furnish customers with immediate purchasing capabilities right after card-approval and activation without branch visits.

In response to evolving consumer preferences and payment technologies, a new credit card design embodying the Group’s commitment to innovation and sustainability will be launched to offer customers a more convenient and premium payment experience. The redesign addresses growing contactless payment and the use of recycled plastics, reflecting the Company’s unwavering dedication to incorporating sustainability throughout operations. Upon completion of the application processing system upgrade, the Group will strive for wider paperless payment adoption to reduce environmental impacts.

For the Mainland China operations, microfinance and business process center subsidiaries in Shenzhen will continue expanding while opportunities within the Greater Bay Area are explored, also improving internal business processes to achieve greater sustainability and shareholder value creation.

With improving economic prospects in Hong Kong and the Greater Bay Area, the Group will continue to devote resources to provide exceptional consumer finance services to meet the evolving customers’ needs and to expand its customer base with innovative customized products. With the Group’s strong liquidity and balance sheet, as well as its proven management expertise and capabilities in many respects, the Group is well positioned to take advantage of the opportunities in the recovering consumer finance market to achieve growth in the remainder of the year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Funding and Capital Management

The Group manages its capital to ensure that:

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

Net debt to equity ratio

The Group's management reviews 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 period/year end was as follows:

	31.8.2024 <i>HK\$'000</i> (Unaudited)	29.2.2024 <i>HK\$'000</i> (Audited)
Debt (Note a)	3,298,466	3,100,596
Cash and cash equivalents	(297,355)	(271,658)
Net debt	3,001,111	2,828,938
Equity (Note b)	4,126,038	4,067,993
Net debt to equity ratio	0.7	0.7

Notes:

- (a) Debt comprises lease liabilities, bank borrowings and borrowings from immediate holding company.
- (b) Equity includes all capital and reserves of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Funding and Capital Management *(Continued)*

The principal source of internally generated capital was from accumulated profits. 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 requirements.

The Group's principal operations are transacted and recorded in HKD and thereby its core assets are not subject to any exposure on exchange rate fluctuation. During the period 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 31st August 2024, capital commitments entered into were mainly related to the purchase of property, plant and equipment and intangible assets.

Human Resources

At 31st August 2024 and 29th February 2024, the Group's total number of employees was 581 (Hong Kong: 384, PRC: 197) and 567 (Hong Kong: 383, PRC: 184) respectively. The Group continues to recognize and reward its staff in a manner similar to that disclosed in its 2023/24 Annual Report.

CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS

The Group's approach and strategy underpinning its credit business model as detailed in the annual report for the financial year ended 29th February 2024 remained largely identical for 1HFY2024/25.

Regarding personal loan business, the Company provides instalment loans to customers and earns interest income for their durations, with loan amount mostly ranging from HK\$5,000 to either 12 times of the monthly salary or HK\$1,000,000 (whichever is lower) for 1HFY2024/25 and 1HFY2023/24, interest rates ranging from 2.3% to 48.0% for both 1HFY2024/25 and 1HFY2023/24, with reference to the nature of the loan, the credit score of the applicant, as well as credit risks identified in relation to the loan type/nature of and the aspects taken into account in the relevant credit assessment.

In general, without taking into account of specific circumstances and considerations, (i) interest rates range from 2.0% to less than 23.0% for applicants with credit scores assigned by credit reference agency TransUnion (TU) in the range of AA to CC, 24.0% to 30.0% for DD and GG, 31% or above for HH to II and applicants under debt restructuring; and (ii) tenors are up to 36 months for tax loans, up to 60 months for normal personal loans, and up to ten years for debt rescheduled loans.

CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS *(Continued)*

For card issuing business, the Company issues credit cards of different brands to individuals with approved credit limits. In order to maintain the credit facility, cardholders may be charged an annual fee. For card credit purchase transactions, the Company receives interchange fees from the various card associations for ‘off-us’ transactions (i.e., transactions made through a card association’s network) and commissions directly from certain merchants for ‘on-us’ transactions (i.e., transactions made only through the Company’s own network and not a card association’s network) and card instalment plans. Cardholders are provided with interest-free period of up to around 52 days, with interest being charged on the unpaid balance and new transactions after the statement date (i.e. the 2nd, 12th and 22nd of each month). For credit purchase card installment plan, cardholders can select to repay the transactions by installments with tenants up to 24 months and with monthly handling fees. For card cash advance transactions, a one-time cash advance handling fee will be charged, and interest will accrue on the unpaid balance from the cash advance drawdown. Each credit card account is subject to a minimum monthly payment. A late payment fee will be charged for each minimum payment not received by the payment due date. For 1HFY2024/25 and 1HFY2023/24, the Company provided household credit limits under credit card facilities mostly ranging from HK\$5,000 to HK\$590,000, with effective interest rates ranging up to 35.9% (with reference to nature of the credit card transactions).

For both 1HFY2024/25 and 1HFY2023/24, all of the customers in the Group’s consumer credit financing business are either residing in Hong Kong or the Mainland China.

Customer Acquisition

The aggregate outstanding balances of the top five customers represented less than 1% of the entire personal loan outstanding balance at 29th February 2024 and 31st August 2024 that comprised primarily of individuals with a stable source of income. Around 46.2% of the Company’s customers are currently in the age range of 41 to 60.

Credit Assessment and Management

There is no change in the credit assessment or management process for personal loans and credit cards for the six months ended 31st August 2024, of which details are stated in the annual report for the year ended 29th February 2024.

Internal Control

There is no change in the key internal controls of the credit business for the six months ended 31st August 2024, of which details are stated in the annual report for the year ended 29th February 2024.

CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS *(Continued)*

Income and Source of Funding

For the six months ended 31st August 2024, interest income from money lending business accounted for 85.4% of the Group's revenue (1HFY2023/24: 84.0%). Details of the aggregate principal amount and interest receivable, duration and the effective interest rates of the loans under credit card facilities and personal loans are listed in note 15 to the condensed consolidated financial statements in this interim report. The Group also received fees and commissions from credit card transactions and from handling and late charges from credit card and personal loan transactions, which accounted for 5.4% and 7.4% respectively of the Group's revenue in 1HFY2024/25 (1HFY2023/24: 6.6% and 8.0% respectively).

The source of funding for both credit card and personal loan business comes from bank borrowings, borrowings from immediate holding company and the internal resources of the Group. At 31st August 2024 and 29th February 2024, the Group's indebtedness is either with fixed interest rates or hedged against interest rate fluctuation by means of interest rate swaps. Moreover, the Group has an evenly distributed indebtedness portfolio to lessen the impact of short-term interest rate fluctuations. The average duration of indebtedness was 1.1 years at 31st August 2024, as compared with 1.4 years at 29th February 2024.

Regarding liquidity risk, the Group continues to utilise long-term bank borrowings to fund its receivables growth, with the majority of tenors for the receivables being within one to two years. The Group therefore does not have any liquidity risk issues.

In relation to capital base, at 31st August 2024, 56.5% of its funding was derived from total equity, 11.0% from immediate holding company and 32.5% from direct borrowings from financial institutions, with debt-to-equity ratio being 0.7 (29th February 2024: 0.7). 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.

Money Lending Business in the Mainland China

In the Mainland China, the microfinance subsidiary in Shenzhen, AMF (SZ), provides loans to the general public residing in Shenzhen under its microfinance licence granted by the Shenzhen Local Financial Supervision and Administration Bureau. The microfinance subsidiary provides instalment loans to individuals and earns interest income for the durations of such loans, with the loan amounts mostly ranging from RMB5,000 to RMB500,000 for 1HFY2024/25 and from RMB3,500 to RMB350,000 for 1HFY2023/24, interest rates ranging from 8.0% up to 32.0% for 1HFY2024/25 and 9.0% up to 24.0% for 1HFY2023/24 (depending on the loan amount and tenor, as well the credit risks identified with regard to the nature of the loan and the aspects taken into account in the relevant credit assessment) and tenors mostly ranging from one months to three years for 1HFY2024/25 and from three months to three years for 1HFY2023/24.

The credit assessment, credit monitoring, risk management and internal control are similar to that for the Company's personal loan business in Hong Kong.

MANAGEMENT OF RISKS

The Group's major financial instruments include equity instruments at FVTOCI, advances and receivables, other debtors, time deposits, bank balances and cash, amount due from intermediate holding company and immediate holding company, bank borrowings, borrowings from immediate holding company, creditors, lease liabilities, amounts due to fellow subsidiaries, intermediate holding company, and derivative financial instruments in the designated hedge accounting relationships. Details of the Group's derivative financial instruments are disclosed in respective notes.

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

Each department across the Group embraces the Group's Enterprise Risk Management (the "ERM") framework for its process management in day-to-day business activities. The ERM framework includes credit, operational (process, system, human, tangible assets, reputation), market, liquidity, legal and compliance risks. There are risk management policies, regulations and guidelines issued for each department to identify, assess, manage, and control risks across the Group. All business units have established procedures, key risk indicators and key performance indicators to ensure continuity of operations capability, high quality customer service and effective risk control through proactive management, operational excellence and alignment with best market practices. Management manages significant risks and ensures that risk mitigation efforts are prioritised and adequately controlled. Exposure to 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.

MANAGEMENT OF RISKS *(Continued)*

Market risk

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

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

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

Foreign currency risk

Certain bank balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk as a result of a change in foreign currency exchange rates.

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

MANAGEMENT OF RISKS *(Continued)*

Market risk *(Continued)*

Interest rate risk

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

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

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

Equity price risk

The Group is exposed to equity price risk through its equity instruments at FVTOCI. The management will monitor the price movements and take appropriate actions when it is required.

Credit risk

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 limit granted to credit card customers), other debtors, amount due from intermediate holding company, 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 to different divisions and departments the responsibility to determine credit limits, credit approvals and other monitoring processes to ensure that appropriate 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 Expected Credit Loss model.

MANAGEMENT OF RISKS *(Continued)*

Credit risk *(Continued)*

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 adjust or cancel the credit facilities granted, therefore management considers that the Group's credit risk is limited and controllable. At 31st August 2024, unused credit card limit of HK\$39,504,073,000 (29th February 2024: HK\$35,467,204,000) was unrecorded in the consolidated statement of financial position.

Other than concentration of credit risk on liquid funds and derivative financial instruments 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.

Liquidity risk

The Group has an appropriate liquidity risk management framework in place 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 as well as maintaining a conservative level of long-term funding to finance its short-term financial assets.

Capital risk

It is the Group's policy is to maintain a strong capital base to support the sustainable development of the Group's businesses. The Group relied principally on internally generated capital and external borrowings for the working capital. The funding position is regularly monitored and reviewed to ensure that it is within internally established limits and at reasonable costs.

MANAGEMENT OF RISKS *(Continued)*

Operational risk

The Group's operational risk includes processing risk, system risk, human risk, tangible assets risk, and reputational risk. Based on the Group's business nature, the main inherent operational risk is service suspension that can be caused by cyber-attack, IT project management failure and supply chain disruption. The Group has a very low risk tolerance towards these operational risks; thus, the Group's operational risk management framework provides a system of risk management and internal controls for the identification, assessment, mitigation, reporting and prevention of risks. The primary responsibility of each division head, department head and branch manager are to manage all risks, include but not limited to inherent risks, to the extent that they can be tolerated based on management's risk appetite.

Cyber security risk

Cyber security risk is the risk of loss resulting from a cyber-attack or information security breach in the Group. The Group has invested proper resources to manage cyber security risks, improve cyber resilience for critical business functions and operations, and ensure adequate cyber security awareness across the Group. The Group also periodically engaged qualified professional assessors to conduct assessments and simulation attacks to assess the robustness of the Group's cyber security controls.

Climate risk

Climate risk is the risk of loss due to changes in the climate or the Group's adjustment to operate in a lower-carbon and more environmentally sustainable economy. The Group has incorporated climate-related risks into operational, regulatory, reputational and strategic risks. The Group has identified strong typhoons, power suspensions, fire hazards and pandemics as physical climate-related risk drivers, and market sentiment and technology and regulatory changes as transitional climate-related risk drivers. The Group combats physical climate-related risks by digitalisation of the process in which financial services are delivered, for example, via the "AEON Netmember" and "AEON HK" mobile App. To ensure essential and critical business functions remain operational during and after an extreme event of a disaster, the Group also implemented Business Continuity Management System ("BCMS") to prepare for the response and actions necessary when climate change poses challenges to operational continuity. For transitional climate-related risks, the Company's Strategy Committee oversees medium and long-term strategy planning and development of the Group, taking into consideration of the risks faced by the Group, including climate risk.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, employees and other stakeholders. The Company has continued to comply with the code provisions of the CG Code as applicable to the Company throughout the six months ended 31st August 2024 and set out then in Appendix C1 to the Listing Rules, with the exception of code provision B.2.2 which is explained below.

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

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

Compliance with Code for Securities Transactions by Directors

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interests in Shares, Underlying Shares and Debentures

At 31st August 2024, 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*

<i>Name of Director</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of the Company</i>
Lai Yuk Kwong	20,000	0.01

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

<i>Name of Director</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of AFS</i>
Kenji Fujita	10,967	0.00

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

<i>Name of Director</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of AEON Japan</i>
Kenji Fujita	1,104	0.00

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 31st August 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Substantial Shareholders' Interests in Shares

At 31st August 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of Shareholder	Nature of interest	Number of shares held	Percentage of the issued share capital of the Company
AEON Japan (<i>Note 1</i>)	Beneficial owner/Interest of a controlled corporation	294,888,000	70.42
AFS (<i>Note 2</i>)	Interest of a controlled corporation	236,768,500	56.54
AFS (HK) (<i>Note 3</i>)	Beneficial owner	236,768,500	56.54
FMR LLC	Interest of controlled corporations	37,776,206	9.02

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 48.20% 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 236,768,500 shares and 2,129,500 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 236,768,500 shares owned by AFS (HK).
3. Out of 236,768,500 shares, 213,114,000 shares were held by AFS (HK), and 8,250,000 shares and 15,404,500 shares were held by the Hongkong and Shanghai Banking Corporation Limited and Everbright Securities Investment Services (HK) Limited respectively, both as nominees on behalf of AFS (HK).

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the share capital of the Company at 31st August 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

Changes of Directors' Information

The changes in the information of Directors since the publication of the 2023/24 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Directors	Details of Changes
Kenji Fujita	<ul style="list-style-type: none">Appointed as a Non-executive Director, the Chairman of the Board and the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company on 26th June 2024
Tomoyuki Mitsufuji	<ul style="list-style-type: none">Retired as a Non-executive Director, the Chairman of the Board on 26th June 2024Ceased as the Chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee on 26th June 2024
Wei Aiguo	<ul style="list-style-type: none">Appointed as the chairman of AEON Micro Finance (Shenzhen) Co., Ltd. and AEON Information Service (Shenzhen) Co., Ltd., both with effect from 31st May 2024Received an annual discretionary bonus of HK\$430,000 in June 2024Entitled to an annual base salary of HK\$1,716,000 with effect from 26th June 2024Appointed as a member of the Strategy Committee on 26th June 2024
Lai Yuk Kwong	<ul style="list-style-type: none">Received an annual discretionary bonus of HK\$430,000 in June 2024Entitled to an annual base salary of HK\$1,704,000 with effect from 26th June 2024
Wan Yuk Fong	<ul style="list-style-type: none">Appointed as an Executive Director on 26th June 2024Entitled to an annual base salary of HK\$1,440,000 with effect from 26th June 2024
Tomoharu Fukayama	<ul style="list-style-type: none">Received an annual discretionary bonus of HK\$280,000 in June 2024Retired as an Executive Director on 26th June 2024Ceased as a member of the Strategy Committee on 26th June 2024

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

Changes of Directors' Information *(Continued)*

Name of Directors	Details of Changes
Jin Huashu	<ul style="list-style-type: none">Entitled to an annual base salary of RMB625,500 and a contractual bonus of RMB300,000 from AEON Micro Finance (Shenzhen) Co., Ltd. with effect from 1st June 2024

Purchase, Sale or Redemption of the Company's Listed Securities

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

Review of Unaudited Financial Information

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 31st August 2024. In addition, the condensed consolidated financial statements for the six months ended 31st August 2024 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and an unqualified review report is issued.

By order of the Board
Wei Aiguo
Managing Director

Hong Kong, 26th September 2024



TO THE BOARD OF DIRECTORS OF AEON CREDIT SERVICE (ASIA) COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed 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 4 to 33, which comprise the condensed consolidated statement of financial position as of 31st August 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26th September 2024

GLOSSARY

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
AIB	AEON Insurance Brokers (HK) Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
AMF (SZ)	AEON Micro Finance (Shenzhen) Co., Ltd.
Board	the board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
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
Director(s)	the director(s) of the Company
ECL	Expected Credit Loss

GLOSSARY *(Continued)*

ESG	Environmental, Social and Governance
FVTOCI	Fair value through other comprehensive income
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
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the PRC
JPY	Japanese Yen, the lawful currency of Japan
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Mainland China or PRC	the People's Republic of China
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
Rescheduled Loan	Rescheduled loan refers to loan that have been restructured and re-negotiated with the borrowers because of the inability of the borrowers to meet the original repayment schedule
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