



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 2020



Approved by The Hong Kong Council of Social Service
香港社會服務發展局

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Masaaki Mangetsu (*Chairman*)

Independent Non-executive Directors

Lee Ching Ming Adrian
Kenji Hayashi
Shing Mo Han Yvonne
Junko Dochi

Company Secretary

Hung Tun Shun Jason

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Share Registrar

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

Major Bankers

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

Registered Office

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

Internet Address

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

Stock Code

900

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 31st August 2020*

		1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Revenue	3	574,460	654,867
Interest income	5	498,644	567,281
Interest expense	6	(24,091)	(37,788)
Net interest income		474,553	529,493
Fees and commissions		40,668	48,620
Handling and late charges		35,148	38,966
Other income	7	8,917	1,627
Other gains and losses	8	123	(7,623)
Operating income		559,409	611,083
Operating expenses	9	(257,536)	(280,780)
Operating profit before impairment losses and impairment allowances		301,873	330,303
Impairment losses and impairment allowances		(140,127)	(124,290)
Recoveries of advances and receivables written-off		18,371	24,166
Share of results of an associate		1,523	192
Profit before tax		181,640	230,371
Income tax expense	10	(29,239)	(39,977)
Profit for the period		152,401	190,394
Profit for the period attributable to: Owners of the Company		152,401	190,394
Earnings per share – Basic	12	36.39 HK cents	45.47 HK cents

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

For the six months ended 31st August 2020

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Profit for the period	<u>152,401</u>	<u>190,394</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain on equity instruments at fair value through other comprehensive income	31,560	10,396
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	2,528	(15,967)
Net adjustment on cash flow hedges	(14,855)	2,392
Other comprehensive income (expense) for the period	<u>19,233</u>	<u>(3,179)</u>
Total comprehensive income for the period	<u>171,634</u>	<u>187,215</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>171,634</u>	<u>187,215</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2020

	Notes	31.8.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	13(a)	96,376	105,173
Right-of-use assets	13(b)	83,905	92,786
Interest in an associate		17,369	15,587
Equity instruments at fair value through other comprehensive income	14	112,631	81,071
Advances and receivables	15	617,136	719,765
Prepayments, deposits and other debtors	18	24,378	26,258
Derivative financial instruments	25	–	1,809
Deferred tax assets	27	8,130	8,769
		959,925	1,051,218
Current assets			
Advances and receivables	15	3,326,146	3,708,241
Prepayments, deposits and other debtors	18	60,884	70,425
Amount due from immediate holding company		–	250
Amount due from intermediate holding company		96	–
Amount due from an associate		39	81
Derivative financial instruments	25	–	353
Restricted deposits	19	–	38,000
Time deposits	20	131,568	150,812
Bank balances and cash	21	765,290	710,338
		4,284,023	4,678,500
Current liabilities			
Creditors and accruals	22(a)	228,304	215,992
Contract liabilities	22(b)	10,804	10,562
Amounts due to fellow subsidiaries	23	56,838	38,775
Amount due to immediate holding company		57	–
Amount due to intermediate holding company		335	283
Amount due to ultimate holding company		10	50
Amount due to an associate		1,677	3,203
Bank borrowings	24	365,000	370,000
Collateralised debt obligation	28	–	548,400
Lease liabilities		47,412	37,869
Derivative financial instruments	25	2,940	839
Tax liabilities		24,836	16,514
		738,213	1,242,487
Net current assets		3,545,810	3,436,013
Total assets less current liabilities		4,505,735	4,487,231

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31st August 2020*

		31.8.2020	29.2.2020
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital	26	269,477	269,477
Reserves		3,123,571	3,044,065
		<hr/>	<hr/>
Total equity		3,393,048	3,313,542
		<hr/>	<hr/>
Non-current liabilities			
Bank borrowings	24	1,045,435	1,099,102
Lease liabilities		39,568	56,760
Derivative financial instruments	25	27,684	17,827
		<hr/>	<hr/>
		1,112,687	1,173,689
		<hr/>	<hr/>
		4,505,735	4,487,231
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 2020

	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 2019 (Audited)	269,477	93,042	(3,738)	(13,213)	2,845,079	3,190,647
Profit for the period	-	-	-	-	190,394	190,394
Fair value gain on equity instruments at fair value through other comprehensive income	-	10,396	-	-	-	10,396
Exchange difference arising from translation of foreign operations	-	-	-	(15,967)	-	(15,967)
Net adjustment on cash flow hedges	-	-	2,392	-	-	2,392
Total comprehensive income (expense) for the period	-	10,396	2,392	(15,967)	190,394	187,215
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at fair value through other comprehensive income	-	1,723	-	-	(1,723)	-
Final dividend paid for 2018/19 (<i>Note 11</i>)	-	-	-	-	(92,128)	(92,128)
	-	12,119	2,392	(15,967)	96,543	95,087
At 31st August 2019 (Unaudited)	269,477	105,161	(1,346)	(29,180)	2,941,622	3,285,734
At 1st March 2020 (Audited)	269,477	57,249	(17,416)	(24,951)	3,029,183	3,313,542
Profit for the period	-	-	-	-	152,401	152,401
Fair value gain on equity instruments at fair value through other comprehensive income	-	31,560	-	-	-	31,560
Exchange difference arising from translation of foreign operations	-	-	-	2,528	-	2,528
Net adjustment on cash flow hedges	-	-	(14,855)	-	-	(14,855)
Total comprehensive income (expense) for the period	-	31,560	(14,855)	2,528	152,401	171,634
Final dividend paid for 2019/20 (<i>Note 11</i>)	-	-	-	-	(92,128)	(92,128)
At 31st August 2020 (Unaudited)	269,477	88,809	(32,271)	(22,423)	3,089,456	3,393,048

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 31st August 2020*

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Net cash from operating activities	734,855	396,893
Dividends received	89	391
Proceeds on disposal of equity instruments at fair value through other comprehensive income	–	114
Proceeds on disposal of property, plant and equipment	–	35
Purchase of property, plant and equipment	(5,432)	(3,573)
Deposits paid for acquisition of property, plant and equipment	(7,308)	(19,520)
Placement of time deposits with maturity of more than three months	(12,403)	(25,932)
Release of time deposits with maturity of more than three months	29,281	15,930
Net cash generated from (used in) investing activities	4,227	(32,555)
Placement of restricted deposits	(1,358,808)	(613,929)
Withdrawal of restricted deposits	1,396,808	940,181
Repayment of lease liabilities	(23,717)	(30,803)
Dividends paid	(92,128)	(92,128)
New bank loans raised	83,038	100,000
Repayment of bank loans	(145,000)	(265,000)
Repayment of collateralised debt obligation	(548,400)	–
Net cash (used in) generated from financing activities	(688,207)	38,321
Net increase in cash and cash equivalents	50,875	402,659
Effect of changes in exchange rate	1,070	(5,812)
Cash and cash equivalents at beginning of the period	764,987	478,556
Cash and cash equivalents at end of the period	816,932	875,403
Being:		
Time deposits with maturity of three months or less	51,642	97,652
Bank balances and cash	765,290	777,751
	816,932	875,403

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st August 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The financial information relating to the year ended 29th February 2020 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 2020 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 certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st August 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 29th February 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st March 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

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

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

3. REVENUE

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Interest income	498,644	567,281
Fees and commissions		
Credit cards	28,008	34,623
Insurance	12,660	13,997
Handling and late charges	35,148	38,966
	<hr/>	<hr/>
Revenue from contracts with customers	75,816	87,586
	<hr/>	<hr/>
Total revenue	574,460	654,867
	<hr/>	<hr/>

3. REVENUE (Continued)

1.3.2020 to 31.8.2020 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	388,785	109,859	–	498,644
Fees and commissions	28,008	–	12,660	40,668
Handling and late charges	32,742	2,406	–	35,148
	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	449,535	112,265	12,660	574,460

1.3.2019 to 31.8.2019 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	429,635	137,592	54	567,281
Fees and commissions	34,623	–	13,997	48,620
Handling and late charges	33,465	5,501	–	38,966
	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	497,723	143,093	14,051	654,867

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

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

1.3.2020 to 31.8.2020 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	449,535	112,265	12,660	574,460
RESULT				
Segment results	150,410	24,000	6,247	180,657
Unallocated operating income				809
Unallocated expenses				(1,349)
Share of results of an associate				1,523
Profit before tax				181,640

1.3.2019 to 31.8.2019 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	497,723	143,093	14,051	654,867
RESULT				
Segment results	180,774	43,310	6,464	230,548
Unallocated operating income				1,686
Unallocated expenses				(2,055)
Share of results of an associate				192
Profit before tax				230,371

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 head office expenses and share of results of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

4. SEGMENT INFORMATION (Continued)

Geographical information

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

1.3.2020 to 31.8.2020 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	568,929	5,531	574,460
RESULT			
Segment results	184,167	(3,510)	180,657
Unallocated operating income			809
Unallocated expenses			(1,349)
Share of results of an associate			1,523
Profit before tax			181,640

1.3.2019 to 31.8.2019 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	647,608	7,259	654,867
RESULT			
Segment results	241,845	(11,297)	230,548
Unallocated operating income			1,686
Unallocated expenses			(2,055)
Share of results of an associate			192
Profit before tax			230,371

5. INTEREST INCOME

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Non-credit impaired advances	489,000	559,845
Credit impaired advances	5,787	4,731
Time deposits, restricted deposits and bank balances	3,857	2,705
	498,644	567,281

6. INTEREST EXPENSE

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Interest on bank borrowings	15,189	14,500
Interest on collateralised debt obligation	2,864	15,068
Interest on lease liabilities	1,333	1,353
Net interest expense on interest rate swap contracts	4,705	6,867
	24,091	37,788

7. OTHER INCOME

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	89	391
Government grants	5,891	–
Others	2,937	1,236
	8,917	1,627

8. OTHER GAINS AND LOSSES

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Exchange (loss) gain		
Exchange (loss) gain on hedging instrument released from cash flow hedge reserve	(3,552)	275
Exchange gain (loss) on bank loans	3,552	(275)
Other exchange losses, net	(11)	(151)
Hedge ineffectiveness on cash flow hedges	136	(66)
Losses on disposal of property, plant and equipment	(2)	(339)
Losses on termination of lease contracts	–	(7,067)
	123	(7,623)

9. OPERATING EXPENSES

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	16,594	17,013
Depreciation on right-of-use assets	23,615	23,042
Expenses relating to short-term leases and other leases with lease terms ending within 12 months from the date of initial application of HKFRS 16 <i>Leases</i>	3,926	10,663
	27,541	33,705
General administrative expenses	77,643	81,243
Marketing and promotion expenses	26,494	37,766
Other operating expenses	31,907	32,623
Staff costs including Directors' emoluments	77,357	78,430
	257,536	280,780

10. INCOME TAX EXPENSE

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	28,600	40,269
Deferred tax (<i>Note 27</i>)	639	(292)
	<hr/> 29,239 <hr/>	<hr/> 39,977 <hr/>

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.

11. DIVIDENDS

On 14th July 2020, a dividend of 22.0 HK cents (six months ended 31st August 2019: 22.0 HK cents) per share amounting to a total of HK\$92,128,000 (six months ended 31st August 2019: HK\$92,128,000) was paid to shareholders as the final dividend for 2019/20.

In respect of the current interim period, the Directors have declared an interim dividend of 22.0 HK cents per share amounting to HK\$92,128,000 payable to the shareholders of the Company whose names appear on the Register of Members on 16th October 2020. The interim dividend will be paid on 30th October 2020. 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\$152,401,000 (six months ended 31st August 2019: HK\$190,394,000) and on the number of shares of 418,766,000 (six months ended 31st August 2019: 418,766,000) in issue during the period.

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

- (a) For property, plant and equipment, the Group acquired computer equipment and incurred costs in respect of leasehold improvements of approximately HK\$7,742,000 during the current period (six months ended 31st August 2019: HK\$9,263,000).
- (b) The Group leases various offices, branches, ATM locations, director and staff quarters for its operations. Lease contracts are entered into for fixed term of 1 to 3 years. The Group is required to make fixed monthly payments. During the current period, the Group recognised additional HK\$14,724,000 (six months ended 31st August 2019: HK\$88,229,000) of right-of-use assets and lease liabilities.

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.8.2020 (Unaudited) <i>HK\$'000</i>	29.2.2020 (Audited) <i>HK\$'000</i>
Equity instruments at FVTOCI		
– Listed investment in Hong Kong	3,836	5,417
– Unlisted investments	108,795	75,654
	112,631	81,071

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

	31.8.2020 (Unaudited) <i>HK\$'000</i>	29.2.2020 (Audited) <i>HK\$'000</i>
Credit card receivables	3,262,165	3,579,077
Personal loan receivables	867,331	1,025,858
	4,129,496	4,604,935
Accrued interest and other receivables	71,050	85,579
	4,200,546	4,690,514
Impairment allowances (<i>Note 16</i>)	(257,264)	(262,508)
	3,943,282	4,428,006
Current portion included under current assets	(3,326,146)	(3,708,241)
	617,136	719,765

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

15. ADVANCES AND RECEIVABLES (Continued)

An analysis of movements in the gross amount of advances and receivables during each of the two periods ended 31st August 2020 and 31st August 2019 are set out as below:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2020	4,306,771	188,719	195,024	4,690,514
Net repayment in advances and receivables	(308,602)	(2,642)	(34,081)	(345,325)
Transfer to 12 months ("12m") ECL (Stage 1)	209,134	(197,546)	(11,588)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(269,908)	280,938	(11,030)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(1,740)	(181,575)	183,315	-
Total transfer between stages	(62,514)	(98,183)	160,697	-
Amounts written-off as uncollectable	-	-	(145,728)	(145,728)
Exchange realignment	901	15	169	1,085
At 31st August 2020	3,936,556	87,909	176,081	4,200,546
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2019	4,816,267	128,325	182,788	5,127,380
Net repayment in advances and receivables	(36,087)	(198)	(11,961)	(48,246)
Transfer to 12m ECL (Stage 1)	295,682	(288,076)	(7,606)	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(407,275)	416,361	(9,086)	-
Transfer to lifetime ECL credit impaired (Stage 3)	(16,602)	(132,348)	148,950	-
Total transfer between stages	(128,195)	(4,063)	132,258	-
Amounts written-off as uncollectable	-	-	(110,232)	(110,232)
Exchange realignment	(2,455)	(206)	(1,133)	(3,794)
At 31st August 2019	4,649,530	123,858	191,720	4,965,108

15. ADVANCES AND RECEIVABLES (Continued)

(a) Credit card receivables

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

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (29th February 2020: 26.8% to 43.5%) per annum.

Asset backed financing transaction

The Group entered into asset backed financing transaction, which is collateralised by the Group's revolving credit card receivables portfolio. At 29th February 2020, the carrying amount of the credit card receivables under this financing transaction and the principal amount of the collateralised debt obligation were HK\$1,482,338,000 and HK\$548,400,000 respectively (see Notes 30 and 28). On 4th August 2020, the collateralised debt obligation was fully repaid.

(b) Personal loan receivables

Most of the personal loan receivables entered into with customers ranges from 6 months to 4 years and are denominated in HKD. The personal loan receivables carry effective interest ranging from 3.5% to 56.4% (29th February 2020: 3.6% to 56.5%) per annum.

16. IMPAIRMENT ALLOWANCES

	31.8.2020	29.2.2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Analysis by products as:		
Credit card receivables	139,792	140,022
Personal loan receivables	112,027	115,923
Accrued interest and other receivables	5,445	6,563
	257,264	262,508

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 2020 and 31st August 2019 are set out as below:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2020	91,705	49,711	121,092	262,508
Net repayment in advances and receivables	(6,960)	(876)	(23,007)	(30,843)
Transfer to 12m ECL (Stage 1)	73,305	(65,482)	(7,823)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(6,087)	13,533	(7,446)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(39)	(60,188)	60,227	–
Total transfer between stages	67,179	(112,137)	44,958	–
Remeasurement of ECL during the period	(58,238)	98,406	130,802	170,970
Amounts written-off as uncollectable	–	–	(145,728)	(145,728)
Exchange realignment	47	19	291	357
	<u>93,733</u>	<u>35,123</u>	<u>128,408</u>	<u>257,264</u>
At 31st August 2020	<u>93,733</u>	<u>35,123</u>	<u>128,408</u>	<u>257,264</u>
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2019	107,811	48,575	87,107	243,493
Net repayment in advances and receivables	(837)	(70)	(6,092)	(6,999)
Transfer to 12m ECL (Stage 1)	104,962	(101,088)	(3,874)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(9,422)	14,051	(4,629)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(384)	(46,441)	46,825	–
Total transfer between stages	95,156	(133,478)	38,322	–
Remeasurement of ECL during the period	(90,779)	125,308	96,760	131,289
Amounts written-off as uncollectable	–	–	(110,232)	(110,232)
Exchange realignment	(302)	(294)	(1,890)	(2,486)
	<u>111,049</u>	<u>40,041</u>	<u>103,975</u>	<u>255,065</u>
At 31st August 2019	<u>111,049</u>	<u>40,041</u>	<u>103,975</u>	<u>255,065</u>

17. OVERDUE ADVANCES AND RECEIVABLES

Set out below is an analysis of gross balance of advances and receivables (excluding impairment allowances) which is overdue for more than 1 month:

	31.8.2020 (Unaudited)		29.2.2020 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	53,192	1.3	143,457	3.1
Overdue 2 months but less than 3 months	41,942	1.0	59,422	1.3
Overdue 3 months but less than 4 months	27,282	0.6	35,930	0.8
Overdue 4 months or above	79,696	1.9	69,820	1.5
	<u>202,112</u>	<u>4.8</u>	<u>308,629</u>	<u>6.7</u>

* *Percentage of gross advances and receivables*

18. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	31.8.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Deposits for property, plant and equipment	15,732	14,814
Rental and other deposits	17,596	21,188
Prepaid operating expenses	40,222	49,030
Other debtors	11,712	11,651
	<u>85,262</u>	<u>96,683</u>
Current portion included under current assets	<u>(60,884)</u>	<u>(70,425)</u>
Amount due after one year	<u>24,378</u>	<u>26,258</u>

19. RESTRICTED DEPOSITS

The restricted deposits were in relation to the arrangement under collateralised debt obligation which was terminated on 4th August 2020. This represents time deposits carrying fixed rates ranging from 0.15% to 1.98% (six months ended 31st August 2019: 0.74% to 2.60%) per annum during the current interim period. There was no restricted deposit at 31st August 2020 as the related collateralised debt obligation was fully repaid during the current period. At 29th February 2020, restricted deposits of HK\$38,000,000 will mature within one year.

20. TIME DEPOSITS

Time deposits are denominated in RMB and carry fixed rates ranging from 1.4% to 2.3% (six months ended 31st August 2019: 1.5% to 1.9%) per annum during the current interim period.

	31.8.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Time deposit with maturity of three months or less	51,642	54,649
Time deposit with maturity of more than three months	79,926	96,163
	<u>131,568</u>	<u>150,812</u>

21. 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
31.8.2020 (Unaudited)				
Bank balances and cash	<u>755,049</u>	<u>9,652</u>	<u>589</u>	<u>765,290</u>
29.2.2020 (Audited)				
Bank balances and cash	<u>696,309</u>	<u>13,175</u>	<u>854</u>	<u>710,338</u>

22. 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:

	31.8.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Less than 1 month	58,747	57,372
Over 1 month but less than 3 months	2,017	3,070
Over 3 months	3,499	2,563
	<hr/> 64,263 <hr/>	<hr/> 63,005 <hr/>

- (b) At 31st August 2020, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of HK\$10,804,000 (29th February 2020: HK\$10,562,000).

23. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand except for HK\$52,696,000 (29th February 2020: HK\$35,982,000) 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:

	31.8.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Less than 1 month	52,696	35,982

24. BANK BORROWINGS

	31.8.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Bank loans, unsecured	1,410,435	1,469,102
Carrying amount repayable (<i>Note</i>)		
Within one year	365,000	370,000
Within a period of more than one year but not exceeding two years	452,106	529,162
Within a period of more than two years but not exceeding five years	509,319	569,940
Within a period of more than five years	84,010	–
Amount repayable within one year included under current liabilities	1,410,435 (365,000)	1,469,102 (370,000)
Amount repayable after one year	1,045,435	1,099,102

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

The carrying amounts of the bank borrowings are denominated in the following currencies:

	HKD HK\$'000	USD HK\$'000	JPY HK\$'000	Total HK\$'000
31.8.2020 (Unaudited)				
Bank loans	720,000	387,106	303,329	1,410,435
29.2.2020 (Audited)				
Bank loans	865,000	389,162	214,940	1,469,102

HKD bank loans of HK\$140,000,000 (29th February 2020: HK\$190,000,000) were arranged at fixed interest rates ranging from 2.06% to 2.66% (29th February 2020: 2.06% to 2.64%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans were arranged at floating interest rates ranging from 0.55% plus HIBOR to 0.60% plus HIBOR (29th February 2020: 0.55% plus HIBOR to 0.60% plus HIBOR) per annum. The USD bank loan was arranged at floating interest rate at 0.95% plus LIBOR (29th February 2020: 0.95% plus LIBOR) per annum and the JPY bank loans were arranged at floating interest rates at 0.40% plus LIBOR (29th February 2020: 0.40% plus LIBOR), thus exposing the Group to cash flow interest rate risk.

At 31st August 2020, the Group had available unutilised overdrafts and non-committed short term bank loan facilities of HK\$641,900,000 (29th February 2020: HK\$792,750,000) and HK\$795,500,000 (29th February 2020: HK\$383,038,000) respectively.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2020 (Unaudited)		29.2.2020 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	–	13,778	353	9,613
Cross-currency interest rate swap	–	16,846	1,809	9,053
	–	30,624	2,162	18,666
Current portion	–	(2,940)	(353)	(839)
	–	27,684	1,809	17,827
Non-current portion	–	27,684	1,809	17,827

All derivative financial instruments entered into by the Group that remain outstanding at 31st August 2020 and 29th February 2020 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 and collateralised debt obligation, 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\$580,000,000 (29th February 2020: HK\$675,000,000) from floating rates to fixed rates. The interest rate swaps with aggregate notional amount of HK\$580,000,000 (29th February 2020: HK\$675,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 2.3% to 3.3% (29th February 2020: 2.3% to 3.3%) per annum and floating interest receipts quarterly ranging from 0.55% plus HIBOR to 0.60% plus HIBOR (29th February 2020: 0.55% plus HIBOR to 0.60% plus HIBOR) per annum for periods up until July 2023 (29th February 2020: until July 2023).

Besides bank borrowings, the Group also entered into interest rate swap to minimise its exposures to cash flow changes of its collateralised debt obligation transaction. The interest rate swap ended on 6th July 2020. At 29th February 2020, there was one interest rate swap for HK\$150,000,000 entered into by the Group to swap its HK\$150,000,000 floating-rate financing facility from floating rates to fixed rate. The interest rate swap has fixed interest payment monthly at fixed interest rate of 3.2% per annum and floating interest receipt monthly of 0.55% plus HIBOR per annum for period up until July 2020.

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Cash flow hedges: (Continued)

Interest rate swaps (Continued)

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

During the period, net adjustment on the above-mentioned cash flow hedges amounted to HK\$3,339,000 (six months ended 31st August 2019: HK\$10,476,000) 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 USD bank borrowing and JPY bank borrowings by swapping the floating-rate USD bank borrowing and JPY bank borrowings to fixed-rate HKD bank borrowings.

The USD cross-currency interest rate swaps with notional amount of USD50,000,000 (29th February 2020: USD50,000,000) (equivalent to HK\$387,795,000 at the date of inception of the bank borrowing) have fixed currency payments in HKD at exchange rate of USD to HKD at 7.76 (29th February 2020: USD to HKD at 7.76), fixed interest payments quarterly in HKD at 2.27% (29th February 2020: 2.27%) per annum and floating interest receipts quarterly in USD at 0.95% plus LIBOR (29th February 2020: 0.95% plus LIBOR) per annum for periods up until September 2021 (29th February 2020: until September 2021).

The JPY cross-currency interest rate swaps with notional amount of JPY4,150,000,000 (29th February 2020: JPY3,000,000,000) (equivalent to HK\$300,398,000 at the date of inception of the bank borrowings (29th February 2020: HK\$217,360,000)) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07 (29th February 2020: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (29th February 2020: at 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus LIBOR (29th February 2020: 0.40% plus LIBOR) per annum for periods up until March 2026 (29th February 2020: until October 2022).

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\$11,516,000 (six months ended 31st August 2019: HK\$8,084,000) 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 LIBOR yield curves and the forward exchange rates between USD/JPY and HKD estimated at the end of the reporting period.

26. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Issued and fully paid		
At 1st March 2020 and 31st August 2020		
– Ordinary shares with no par value	418,766,000	269,477

27. DEFERRED TAX ASSETS/LIABILITIES

The followings are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during each of the two periods ended 31st August 2020 and 31st August 2019:

	Accelerated tax depreciation HK\$'000	Impairment allowances HK\$'000	Others HK\$'000	Total HK\$'000
At 1st March 2020 (Audited)	(14,528)	22,994	303	8,769
Credit (charge) to profit or loss for the period	1,267	(2,107)	201	(639)
At 31st August 2020 (Unaudited)	(13,261)	20,887	504	8,130
	Accelerated tax depreciation HK\$'000	Impairment allowances HK\$'000	Others HK\$'000	Total HK\$'000
At 1st March 2019 (Audited)	(7,902)	24,600	–	16,698
Credit (charge) to profit or loss for the period	521	(229)	–	292
At 31st August 2019 (Unaudited)	(7,381)	24,371	–	16,990

28. COLLATERALISED DEBT OBLIGATION

	31.8.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Tranche A	–	199,200
Tranche B	–	199,200
Tranche C	–	150,000
	–	548,400
Amount repayable within one year included under current liabilities	–	(548,400)
Amount repayable after one year	–	–

28. COLLATERALISED DEBT OBLIGATION (Continued)

- (a) The Group entered into a HK\$1,250,000,000 collateralised debt obligation financing transaction (the “Transaction”) with three tranches arranged at floating interest rates from 0.40% plus HIBOR per annum to 0.55% plus HIBOR per annum. Three corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, were arranged to swap these three tranches from floating-rates to fixed-rates from 3.2% to 3.8% per annum before the commencement of scheduled repayment. Starting from September 2019, the three tranches have entered into scheduled repayment period and were fully repaid on 4th August 2020. The effective interest rate was 2.4% (six months ended 31st August 2019: 3.6%) per annum during the period.
- (b) The Group transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the “Trust”) pursuant to the Transaction. The Group holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10 *Consolidated Financial Statements*, the Trust is controlled by the Group and the results thereof are consolidated by the Group in its condensed consolidated financial statements. According to HKFRS 9 *Financial Instruments*, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group’s condensed consolidated financial statements. The Trust was terminated on 4th September 2020.

29. CAPITAL COMMITMENTS

	31.8.2020	29.2.2020
	(Unaudited)	(Audited)
	HK\$’000	HK\$’000
Contracted for but not provided in the condensed consolidated financial statements:		
Purchase of property, plant and equipment	25,474	27,210

30. PLEDGE OF ASSETS

The Group has no pledged asset at 31st August 2020 as the related collateralised debt obligation was fully repaid on 4th August 2020. At 29th February 2020, the collateralised debt obligation was secured by credit card receivables and restricted deposits of HK\$1,482,338,000 and HK\$38,000,000 respectively (see Notes 15(a) and 19).

31. RELATED PARTY TRANSACTIONS

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

	(Unaudited)							
	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associate	
	1.3.2020 to 31.8.2020	1.3.2019 to 31.8.2019	1.3.2020 to 31.8.2020	1.3.2019 to 31.8.2019	1.3.2020 to 31.8.2020	1.3.2019 to 31.8.2019	1.3.2020 to 31.8.2020	1.3.2019 to 31.8.2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income received	<u>2,144</u>	<u>2,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Commissions received	<u>4,531</u>	<u>2,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dividends received	<u>89</u>	<u>391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Service fees received	<u>-</u>	<u>-</u>	<u>579</u>	<u>571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Licence fees paid	<u>6,754</u>	<u>5,803</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>36</u>	<u>-</u>	<u>-</u>
Service fees paid	<u>-</u>	<u>-</u>	<u>6,313</u>	<u>6,561</u>	<u>-</u>	<u>-</u>	<u>11,214</u>	<u>10,315</u>
Gift certificates paid	<u>1,450</u>	<u>2,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Development fees paid	<u>2,649</u>	<u>5,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Compensation of key management personnel

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

	1.3.2020 to 31.8.2020 (Unaudited) HK\$'000	1.3.2019 to 31.8.2019 (Unaudited) HK\$'000
Short-term benefits	<u>5,004</u>	<u>7,751</u>
Post-employment benefits	<u>68</u>	<u>36</u>
	<u>5,072</u>	<u>7,787</u>

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

32. PARTICULARS OF SUBSIDIARIES AND A MASTER TRUST OF THE COMPANY

(a) Subsidiary

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
		31.8.2020	29.2.2020	31.8.2020	29.2.2020	
		(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 (Shenyang) Co., Ltd (Note)	Mainland China	HK\$124,221,000	HK\$124,221,000	100%	100%	Microfinance business under voluntary liquidation
AEON Micro Finance (Tianjin) Co., Ltd (Note)	Mainland China	RMB100,000,000	RMB100,000,000	100%	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd (Note)	Mainland China	RMB150,000,000	RMB150,000,000	100%	100%	Microfinance business

Note: The companies are wholly foreign owned enterprises established in the Mainland China.

(b) Master Trust

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. On 4th August 2020, the collateralised debt obligation was fully repaid and the Trust was terminated on 4th September 2020. At 29th February 2020, assets in this special purpose entity mainly consisted of credit card receivables, restricted deposits, time deposits, subordinated beneficiary and seller beneficiary.

33. 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).

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

	31.8.2020 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Equity instruments at fair value through other comprehensive income				
Listed equity securities	3,836	–	–	3,836
Unlisted equity securities	–	–	108,795	108,795
Total	3,836	–	108,795	112,631
Derivative financial liabilities	–	30,624	–	30,624
	29.2.2020 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Derivative financial assets	–	2,162	–	2,162
Equity instruments at fair value through other comprehensive income				
Listed equity securities	5,417	–	–	5,417
Unlisted equity securities	–	–	75,654	75,654
Total	5,417	2,162	75,654	83,233
Derivative financial liabilities	–	18,666	–	18,666

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

There were no transfers between Levels in the current period.

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:

	31.8.2020 (Unaudited)		29.2.2020 (Audited)	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Bank borrowings	<u>1,410,435</u>	<u>1,472,857</u>	<u>1,469,102</u>	<u>1,518,941</u>

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 marketability discount.

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 USD/JPY and HKD (for cross-currency interest rate swap), 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 Thursday, 15th October 2020 to Friday, 16th October 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14th October 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hong Kong's economy was seriously hit by the COVID-19 pandemic (the "Pandemic") in the first half of this year, with unprecedented restriction on international travel and social distancing measures imposed on dining and recreational activities, leading to a substantial reduction in retail, travel and entertainment related spending. Even though there was increased spending in daily consumption items, the demand for consumer finance remained sluggish as local market outlook remained skeptical. Credit environment remained relatively stable with the first round of employment subsidies from the government to the labour market already paid out.

Against this backdrop, the Group concentrated its marketing efforts on AEON credit cards inside AEON stores while reducing the frequency and scale of mass promotions. In the meantime, the Group continued to deploy its strategies to stimulate online usage, including adding more features to the Company's mobile application and revamping the Company's website, all in a bid to deliver convenient service experience to our customers.

In the first half of the year, the Group continued to adopt a cautious approach in extending credit to better control asset quality. Moreover, the implementation of default alert mechanism had considerably reduced the default rates of our overdue advances and receivables. The Group continued with its development of the new card and loan system, while streamlining the cost structure of both its Hong Kong operations and the two microfinance subsidiaries in Shenzhen and Tianjin.

Interim Dividend

In view of the sound fundamentals of the Group, the Board has declared an interim dividend of 22.0 HK cents per share (2019/20 Interim: 22.0 HK cents per share), representing a dividend payout ratio of 60.5%, compared to 48.4% in 2019/20.

Financial Review

For the six months ended 31st August 2020 ("1H2020"), profit before tax was HK\$181.6 million, a decrease of HK\$48.7 million when compared with the six months ended 31st August 2019 ("1H2019", or "previous period"). After deducting income tax expense of HK\$29.2 million, the Group recorded a decrease in profit of 20.0%, with profit after tax reducing from HK\$190.4 million in the previous period to HK\$152.4 million in the 1H2020. Earnings per share decreased from 45.47 HK cents to 36.39 HK cents for the reporting period.

Net debt to equity ratio was 0.2 at 31st August 2020 and 0.4 at 29th February 2020, while total equity to total assets ratio was 64.7% and 57.8% at 31st August 2020 and 29th February 2020 respectively.

Net asset value per share (after interim dividend) at 31st August 2020 was HK\$7.9, compared to the net asset value per share (after final dividend) of HK\$7.7 at 29th February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Profit or Loss Analysis

Revenue

Revenue for the period was HK\$574.5 million, a decrease of 12.3% or HK\$80.4 million when compared with HK\$654.9 million in the previous period.

Net interest income

The Pandemic almost brought a complete halt to both domestic and overseas spending initiatives, with reduction in overall sales for the 1H2020 when compared to the previous period. Together with a decrease in revolving credit card balances and personal loan balances, the Group recorded a decrease in interest income of 12.1% or HK\$68.7 million, from HK\$567.3 million in the previous period to HK\$498.6 million in the reporting period.

Given the favourable interest rate market and the repayment of collateralized debt obligation and certain long-term borrowings, the Group's average funding cost reduced from 3.0% in the previous period to 2.5% in the reporting period. Interest expense recorded a decrease of 36.2% or HK\$13.7 million, from HK\$37.8 million in the previous period to HK\$24.1 million in the reporting period.

Consequently, net interest income of the Group in the current period was HK\$474.6 million, representing a decrease of 10.4% or HK\$54.9 million when compared with the 1H2019.

Operating income

Following the decrease in credit card sales, there was a drop in fees and commissions from the credit card business of 19.1% or HK\$6.6 million to HK\$28.0 million in the current period. There was also a drop in fees and commissions from the insurance business of HK\$1.3 million to HK\$12.7 million in the current period due to the working arrangement under the Pandemic. The Group recorded an overall decrease in fees and commission of HK\$7.9 million from HK\$48.6 million in the 1H2019 to HK\$40.7 million in 1H2020.

Following a drop in demand for cash advance in the first half, handling and late charges recorded a decrease of 9.8% or HK\$3.8 million to HK\$35.1 million in the current period. The Group applied and recognised government subsidies of HK\$5.9 million under the Employment Support Scheme, resulting in other income being HK\$8.9 million in the current period, compared to HK\$1.6 million in the previous period.

Operating income of the Group for the 1H2020 recorded a drop of HK\$51.7 million from HK\$611.1 million in the 1H2019 to HK\$559.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Profit or Loss Analysis (Continued)

Operating expenses

During the period under review, there was a reduction in marketing and promotion expenses due to the reduced mass promotion activities, resulting in a decrease of HK\$11.3 million in those expenses when compared to the previous period. With reduction in the number of ATMs and the closure of less profitable branches, expenses related to leases decreased by around HK\$6.2 million when compared to the previous period. There was also a reduction in expenses related to ATM operations, resulting in a drop of HK\$3.6 million in general administrative expenses when compared to the previous period. Overall operating expenses recorded a drop of HK\$23.3 million from HK\$280.8 million in the previous period to HK\$257.5 million in the current period. Cost-to-income ratio remained at around 46.0% for both periods.

At the operating level before impairment allowances, the Group recorded an operating profit of HK\$301.9 million for the 1H2020, representing a decrease of 8.6% from HK\$330.3 million in the previous period.

Impairment losses and impairment allowances

Despite the rising unemployment rate in Hong Kong in the first half, the early default detection action taken by the Group had successfully reduced the overdue advances and receivables from HK\$308.6 million at 29th February 2020 to HK\$202.1 million at 31st August 2020. With the deterioration of asset quality since the second half of last year, impairment losses and impairment allowances recorded an increase of 12.7% or HK\$15.8 million, from HK\$124.3 million in the 1H2019 to HK\$140.1 million in the first half of the reporting period.

Consolidated Statement of Financial Position Analysis

The Group's total equity at 31st August 2020 was HK\$3,393.0 million, representing a growth of 2.4% or HK\$79.5 million when compared to the balance of HK\$3,313.5 million at 29th February 2020.

Total assets at 31st August 2020 were HK\$5,243.9 million compared to total assets of HK\$5,729.7 million at 29th February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Consolidated Statement of Financial Position Analysis (Continued)

Advances and Receivables

Due to weakening credit demand in the market and temporary suspension of marketing activities on loan business, personal loan receivables decreased by 15.5% from HK\$1,025.9 million at 29th February 2020 to HK\$867.3 million at 31st August 2020. Moreover, the impact of the Pandemic on consumer spending resulted in a decrease in credit card sales, with credit card receivables also recording a decrease of 8.9%, or HK\$316.9 million, from HK\$3,579.1 million at 29th February 2020 to HK\$3,262.2 million at 31st August 2020. Overall, the Group recorded a decrease in its gross advances and receivables of HK\$490.0 million to HK\$4,200.5 million at 31st August 2020, when compared to HK\$4,690.5 million at 29th February 2020. Impairment allowances amounted to HK\$257.3 million at 31st August 2020, covering 6.1% of gross advances and receivables, as compared to HK\$262.5 million, covering 5.6% of gross advances and receivables at 29th February 2020. Percentage of overdue advances and receivables to gross advances and receivables was 4.8% at 31st August 2020, compared to 6.7% at 29th February 2020.

Bank Borrowings

The Group had repaid the collateralised debt obligation and certain bank borrowings in the first half, with total indebtedness reducing from HK\$2,017.5 million at 29th February 2020 to HK\$1,410.4 million at 31st August 2020. For bank borrowings at 31st August 2020, 9.9% were with fixed interest rates and 90.1% were hedged against interest rate fluctuation by interest rate swaps. 25.9% of the bank borrowings will mature within one year, 32.0% between one and two years, 36.1% between two and five years, and 6.0% over five years.

The average duration of bank borrowings was 2.0 years at 31st August 2020, compared to 1.6 years at 29th February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Segment Information

The Group's business comprises three operating segments, namely credit cards, personal loans, and insurance intermediary business. In the 1H2020, 78.3% of the Group's revenue was derived from credit card operations, compared to 76.0% in the previous period, while personal loan operations accounted for 19.5% of the Group's revenue, compared to 21.9% in the previous period. For segment results, credit card operations accounted for 83.3% of the Group's whole operations as compared to 78.4% in the previous period, while personal loan operations accounted for 13.3% as compared to 18.8% in the previous period.

During the period under review, the Group recorded a decrease in credit card sales and receivable balance, with revenue from credit card operations recording a decrease of 9.7% or HK\$48.2 million from HK\$497.7 million in 1H2019 to HK\$449.5 million in 1H2020. Despite an effective control of operating expenses and reduction in funding costs, segment results for the period recorded a decrease of HK\$30.4 million from HK\$180.8 million in 1H2019 to HK\$150.4 million in 1H2020.

For personal loans, the continuously unfavourable market conditions resulting in weak demand for loan products continued to drag down personal loan receivables. Consequently, revenue from personal loan operations decreased by 21.5% or HK\$30.8 million from HK\$143.1 million in 1H2019 to HK\$112.3 million in 1H2020. As the Group continued to exercise tight expense control and prudent asset quality management, segment results for the period recorded a decrease of HK\$19.3 million from HK\$43.3 million in 1H2019 to HK\$24.0 million in 1H2020.

With the special work arrangement under the Pandemic, revenue from insurance operations recorded a decrease of HK\$1.4 million from HK\$14.1 million in 1H2019 to HK\$12.7 million in 1H2020, and segment results being HK\$6.2 million, compared to HK\$6.5 million in the previous period.

In relation to financial information by geographical locations, revenue from Hong Kong operations recorded a decrease of 12.2% or HK\$78.7 million, from HK\$647.6 million in 1H2019 to HK\$568.9 million in 1H2020, mainly attributable to the drop in credit card sales and revolving credit card receivable balance. Despite an effective cost control and reduction in funding cost, segment results from Hong Kong operations recorded a decrease of 23.8% or HK\$57.6 million, from HK\$241.8 million in 1H2019 to HK\$184.2 million in 1H2020.

For Mainland China operations, the microfinance subsidiaries concentrated on cost and bad debt control to minimize losses. Although revenue from Mainland China operations recorded a decrease of HK\$1.8 million, from HK\$7.3 million in 1H2019 to HK\$5.5 million in 1H2020, losses from our Mainland China operations recorded a reduction of HK\$7.8 million, from a loss of HK\$11.3 million in 1H2019 to a loss of HK\$3.5 million in 1H2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

The Pandemic is expected to persist while the full resumption of normal social and travel activities is not expected to happen in the near future. Besides, unemployment rate in Hong Kong is yet to peak out, which will inevitably create more turbulence for the Group's operating environment in the second half.

Under this extremely challenging environment, the Group will primarily focus on containing any deterioration of asset quality as far as possible. The Group will emphasize on data analytical technique to strengthen its credit control activities. On the marketing side, the Group will resume its mass promotion activities for both credit card business and personal loan business so as to capture the possible surge of consumer spending in the market. Moreover, the Group will further strengthen its collaboration with AEON Stores to enhance the competitiveness of AEON credit card.

As financial technology is developing at a fast pace, the Group will continue to commit significant resources to digitalization in order to enhance operation efficiency and upgrade its ability to respond to market changes. These include the new card and loan system project and also continued enhancement of the Company's mobile applications and website.

With the add in of fund transfer for card cash advance to the bank accounts of customers through Faster Payment System in mobile application, cardholders started shifting their cash advance transactions from using ATM to mobile application. Upon assessing the profitability in maintaining the ATM network, the Group decided to cease the ATM operation in the fourth quarter of this year.

For the Mainland China businesses, the operating environment is still uncertain and the microfinance subsidiaries will mainly focus on improving asset quality. The Group will continue to assess the business prospects of its two microfinance subsidiaries and fine-tune their operating models when necessary, in order to create greater value for shareholders.

With the precautionary measures being taken, as well as the Group's strong liquidity position and capital base, the Group is well prepared to face the challenges ahead and to move forward to capture new business opportunities that may arise as and when market conditions start to recover.

Funding and Capital Management

The Group manages its capital to ensure that:

- the Group will continue as a going concern;
- to maintain healthy capital ratio to instil confidence in stakeholders during periods of uncertainty and turmoil in financial markets;
- funds are available at competitive costs to meet all contractual financial commitments; and
- to fund receivable growth and to generate reasonable returns from available funds.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Funding and Capital Management (Continued)

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:

	31.8.2020	29.2.2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Debt (Note a)	1,410,435	2,017,502
Cash and cash equivalents	(816,932)	(764,987)
Net debt	593,503	1,252,515
Equity (Note b)	3,393,048	3,313,542
Net debt to equity ratio	0.2	0.4

Notes:

- (a) Debt comprises bank borrowings and collateralised debt obligation as detailed in Notes 24 and 28 respectively.
- (b) Equity includes all capital and reserves of the Group.

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 2020, capital commitments entered into were mainly related to the purchase of property, plant and equipment.

Human Resources

The total number of staff of the Group at 31st August 2020 and 29th February 2020 was 399 (Hong Kong: 349; PRC: 50) and 391 (Hong Kong: 338; PRC: 53) respectively. The Group continues to recognize and reward its staff similar to that disclosed in its 2019/20 Annual Report.

MANAGEMENT OF RISKS

The Group has established policies, procedures and controls for measuring, monitoring and controlling market, credit, liquidity, capital and operational risks, which are reviewed regularly by the Group's management. The internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures.

The Group's major financial instruments include available-for-sale investments, advances and receivables, other debtors, restricted deposits, time deposits, fiduciary bank balances, bank balances and cash, derivative financial assets, intermediate holding company, bank borrowings, bank overdrafts, creditors, amounts due to fellow subsidiaries, ultimate holding company and an associate and derivative financial liabilities.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group seeks to minimise the effects of cash flow risk by using derivative financial instruments to hedge the cash flow risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, and the use of derivative financial instruments. The Group does not enter into or trade derivative financial instruments for speculative purposes.

The Group's operational risk covers processing risk, human risk, system risk, tangible risk and reputational risk. There are risk management policies, regulations and guidelines approved by the management and the Board for adherence by all business units in the Group. The major risk control tool kits are key risk indicators and key performance indicators that are set up for critical business processes. The management manages and monitors these indicators to ensure effective risk management and internal controls are in place in the operating units.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk. 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.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

MANAGEMENT OF RISKS (Continued)

Market risk (Continued)

Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's position as a result of a change in foreign currency exchange rates. Certain bank balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

To minimise the foreign currency risk, the Group has been using cross currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk after taking derivative financial instruments into consideration is not material to the Group.

Interest rate risk management

The Group's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings including variable rate borrowings under hedge accounting to change from variable rate to fixed rate. 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 floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed rate.

The Group monitors the interest rate exposure through assessing the interest rate gap of its interest bearing financial assets and financial liabilities. To minimise the cash flow interest rate gap, the Group has been using interest rate swaps to convert a proportion of its variable rate debts to fixed rate. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

Other price risks

The Group is exposed to equity price risk through its available-for-sale investments operating in consumer credit finance services and related business. The management will monitor the price movements and take appropriate actions when it is required.

MANAGEMENT OF RISKS (Continued)

Credit risk

The Group's maximum exposures to credit risk in the event of the counterparties' failure to perform their obligations at 31st August 2020 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the condensed consolidated statement of financial position. The Group's credit risk is primarily attributable to its advances and receivables.

In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different departments responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans and receivables at each reporting date to ensure that adequate impairment allowances are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is acceptable to the Group. At 31st August 2020, unused credit card limit of HK\$24,308,036,000 (29th February 2020: HK\$25,712,437,000) was unrecorded in the consolidated statement of financial position.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. 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 laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and maintain a conservative level of long-term funding to finance its short-term financial assets.

Capital risk

The Group's policy is to maintain a strong capital base to support the development of the Group's business. During the period under review, the Group relied principally on internally generated capital as well as structured finance and bank borrowings for the working capital. The funding position is monitored and reviewed regularly to ensure it is within internally established limits and at reasonable costs.

MANAGEMENT OF RISKS (Continued)

Operational risk

Operational risk is the risk event loss resulting from operation incidents, accidents and rumours. The Group's policy is to implement operational risk management framework across the Group. It provides risk management and internal control systems for risk identification, assessment, mitigation and prevention. The primary responsibility of each division head and branch manager is to manage inherent risks within the tolerance levels. The key inherent risks are processing, data security, compliance and financial crime. All business units set up procedures and key risk indicators and key performance indicators to ensure operation continuity capacity, high quality of customer service and effective risk control through proactive management, operational excellence and alignment with best market practices. Management manages significant risks and ensures mitigating risks are prioritized and controlled adequately.

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 complied with the code provisions of the CG Code throughout the six months ended 31st August 2020, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

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

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

Compliance with Model Code

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interest in Shares, Underlying Shares and Debentures

At 31st August 2020, 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>Director</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of the Company</i>
Tomoharu Fukayama	10,000	0.01

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

<i>Directors</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of AFS</i>
Masaaki Mangetsu	6,690	0.01
Tomoharu Fukayama	5,232	0.01
Daisuke Takenaka	432	0.01

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

<i>Director</i>	<i>Number of shares held under personal interests</i>	<i>Percentage of the issued share capital of AEON Japan</i>
Masaaki Mangetsu	1,591	0.01

Other than the holdings disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st August 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Substantial Shareholders' Interests in Shares

At 31st August 2020, 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	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	281,138,000	67.13
AFS (<i>Note 2</i>)	Interest of a controlled corporation	221,364,000	52.86
AFS (HK) (<i>Note 3</i>)	Beneficial owner	221,364,000	52.86
FMR LLC	Interest of controlled corporations	37,690,896	9.00
Fidelity Puritan Trust	Beneficial owner	21,810,000	5.21

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 47.83% of the issued share capital of AFS, the holding company of AFS (HK), and 60.59% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 221,364,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.
2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 221,364,000 shares owned by AFS (HK).
3. Out of 221,364,000 shares, 213,114,000 shares were held by AFS (HK), 7,700,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited and 550,000 shares were held by Tokai Tokyo Securities (Asia) Limited respectively, 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 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Changes in Information of Directors

The changes in the information of Directors since the publication of the 2019/20 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Directors	Details of Changes
Massaki Mangetsu	<ul style="list-style-type: none">• Ceased as a member of the Audit Committee on 23rd June 2020• Retired as a director of AEON Credit Service (Philippines) Inc. on 24th June 2020
Tomoharu Fukayama	<ul style="list-style-type: none">• Appointed as an Executive Director and the Managing Director on 23rd June 2020• Entitled to an annual base salary of HK\$1,068,000 with effect from 23rd June 2020• Appointed as a director and the managing director of AFS (HK) on 24th June 2020• 10% reduction in the monthly basic salary for a period of six months from July 2020 to December 2020
Hideo Tanaka	<ul style="list-style-type: none">• Resigned as a director of AIB on 18th June 2020• Received an annual discretionary bonus of HK\$317,000 in June 2020• Retired as an Executive Director and the Managing Director on 23rd June 2020
Lai Yuk Kwong	<ul style="list-style-type: none">• Received an annual discretionary bonus of HK\$153,000 in June 2020• Entitled to an annual base salary of HK\$1,656,000 with effect from 23rd June 2020• 5% reduction in the monthly basic salary for a period of six months from July 2020 to December 2020
Tony Fung	<ul style="list-style-type: none">• Received an annual discretionary bonus of HK\$362,000 in June 2020• Entitled to an annual base salary of HK\$2,040,000 with effect from 23rd June 2020• 5% reduction in the monthly basic salary for a period of six months from July 2020 to December 2020
Daisuke Takenaka	<ul style="list-style-type: none">• Appointed as an Executive Director on 23rd June 2020• Entitled to an annual base salary of HK\$840,000 with effect from 23rd June 2020

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Changes in Information of Directors (Continued)

Name of Directors	Details of Changes
Koh Yik Kung	<ul style="list-style-type: none">• Received an annual discretionary bonus of HK\$137,000 in June 2020• Retired as an Executive Director on 23rd June 2020
Lee Ching Ming Adrian	<ul style="list-style-type: none">• Entitled to an annual fee of HK\$340,000 with effect from 1st July 2020
Kenji Hayashi	<ul style="list-style-type: none">• Entitled to an annual fee of HK\$340,000 with effect from 1st July 2020
Shing Mo Han Yvonne	<ul style="list-style-type: none">• Appointed as an Independent Non-executive Director, and a member of the Audit Committee and the Remuneration Committee on 23rd June 2020• Entitled to an annual fee of HK\$320,000 with effect from 1st July 2020
Junko Dochi	<ul style="list-style-type: none">• Appointed as an Independent Non-executive Director, and a member of the Audit Committee and the Nomination Committee on 23rd June 2020• Entitled to an annual fee of HK\$320,000 with effect from 1st July 2020
Wong Hin Wing	<ul style="list-style-type: none">• Retired as an Independent Non-executive Director on 23rd June 2020• Ceased as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 23rd June 2020

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Loan Facility with Covenants relating to Specific Performance of the Controlling Shareholder

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

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

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

During the period under review, no repayment was made under the Facility.

Purchase, Sale or Redemption of 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 2020. In addition, the condensed consolidated financial statements for the six months ended 31st August 2020 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
Tomoharu Fukayama
Managing Director

Hong Kong, 30th September 2020



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 3 to 32, which comprise the condensed consolidated statement of financial position as of 31st August 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Listing 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

30th September 2020

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
Board	the board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
Mainland China or PRC	the People's Republic of China
Company	AEON Credit Service (Asia) Company Limited
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time
Director(s)	the director(s) of the Company
ECL	Expected Credit Loss
FVTOCI	Fair value through other comprehensive income
Group	the Company and its subsidiaries
HKD or HK\$	Hong Kong dollars, the lawful currency of Hong Kong
HIBOR	Hong Kong Interbank Offered Rate
HKAS	Hong Kong Accounting Standard
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

GLOSSARY (Continued)

LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
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
USD	United States Dollars, the lawful currency of the United States of America