AEON CREDIT SERVICE (ASIA) COMPANY LIMITED
AEON 信貸財務（亞洲）有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 900)

FINAL RESULTS FOR THE YEAR ENDED 28TH FEBRUARY 2023

The board (the "Board") of directors (the "Directors") of AEON Credit Service (Asia) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28th February 2023, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 28th February 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*5*	**1,231,631**	1,049,589
Interest income	*7*	**1,032,133**	879,273
Interest expense	*8*	**(44,128)**	(31,830)
Net interest income		**988,005**	847,443
Fees and commissions		**131,714**	103,435
Handling and late charges		**67,784**	66,881
Other income	*9*	**26,120**	5,463
Other gains and losses	*10*	**(9,463)**	(2,709)
Operating income		**1,204,160**	1,020,513
Operating expenses	*11*	**(647,484)**	(577,861)
Operating profit before impairment losses and impairment allowances		**556,676**	442,652
Impairment losses and impairment allowances		**(172,649)**	(94,095)
Gain on deemed disposal of investment in an associate		**–**	7,910
Recoveries of advances and receivables written-off		**33,334**	40,351
Gain on disposal of distressed assets		**31,933**	–
Share of results of an associate		**–**	1,155
Profit before tax		**449,294**	397,973
Income tax expense	*12*	**(75,683)**	(55,381)
Profit for the year		**373,611**	342,592
Profit for the year attributable to:			
Owners of the Company		**373,611**	342,592
Earnings per share – Basic	*14*	**89.22 HK cents**	81.81 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28th February 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28th February 2023

	Notes	28.2.2023 HK$'000	28.2.2022 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**84,584**	100,283
Right-of-use assets	*15*	**43,077**	58,891
Goodwill		**15,820**	15,820
Equity instruments at fair value through other comprehensive income	*16*	**97,133**	71,077
Advances and receivables	*17*	**1,239,940**	750,797
Prepayments, deposits and other debtors	*20*	**64,282**	31,559
Derivative financial instruments	*24*	**34,768**	2,711
Deferred tax assets	*25*	**10,183**	1,250
		1,589,787	1,032,388
Current assets			
Advances and receivables	*17*	**4,404,568**	3,342,610
Prepayments, deposits and other debtors	*20*	**67,009**	64,165
Amount due from immediate holding company		**1**	2
Amount due from an intermediate holding company		**32**	44
Amount due from ultimate holding company		**9**	–
Derivative financial instruments	*24*	**878**	–
Time deposits		**13,073**	193,374
Bank balances and cash		**382,323**	456,973
		4,867,893	4,057,168
Current liabilities			
Creditors and accruals	*21(a)*	**202,983**	184,160
Contract liabilities	*21(b)*	**23,897**	18,610
Amounts due to fellow subsidiaries		**44,485**	57,626
Amount due to an intermediate holding company		**1,591**	1,275
Bank borrowings	*22*	**789,977**	165,000
Lease liabilities	*23*	**34,392**	36,827
Derivative financial instruments	*24*	**–**	1,542
Tax liabilities		**93,507**	25,314
		1,190,832	490,354
Net current assets		**3,677,061**	3,566,814
Total assets less current liabilities		**5,266,848**	4,599,202

	Notes	**28.2.2023**	28.2.2022
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**269,477**	269,477
Reserves		**3,622,983**	3,364,065
Total equity		**3,892,460**	3,633,542
Non-current liabilities			
Bank borrowings	*22*	**1,317,698**	919,139
Lease liabilities	*23*	**8,307**	20,762
Derivative financial instruments	*24*	**48,383**	25,759
		1,374,388	965,660
		5,266,848	4,599,202

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28th February 2023

	Share capital *HK$'000*	Investment revaluation reserve *HK$'000*	Hedging reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1st March 2021	269,477	41,648	(24,750)	(10,847)	3,146,502	3,422,030
Profit for the year	–	–	–	–	342,592	342,592
Fair value gain on equity instruments at FVTOCI	–	5,607	–	–	–	5,607
Exchange difference arising from translation of foreign operations	–	–	–	5,273	–	5,273
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	–	–	–	3,783	–	3,783
Reclassification adjustment for the cumulative exchange differences upon deemed disposal of investment in an associate	–	–	–	(807)	–	(807)
Net adjustment on cash flow hedges	–	–	22,570	–	–	22,570
Total comprehensive income for the year	–	5,607	22,570	8,249	342,592	379,018
Final dividend paid for 2020/21	–	–	–	–	(75,378)	(75,378)
Interim dividend paid for 2021/22	–	–	–	–	(92,128)	(92,128)
	–	5,607	22,570	8,249	175,086	211,512
At 28th February 2022	**269,477**	**47,255**	**(2,180)**	**(2,598)**	**3,321,588**	**3,633,542**
Profit for the year	**–**	**–**	**–**	**–**	**373,611**	**373,611**
Fair value gain on equity instruments at FVTOCI	**–**	**26,056**	**–**	**–**	**–**	**26,056**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**(17,787)**	**–**	**(17,787)**
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	**–**	**–**	**8,772**	**–**	**8,772**
Net adjustment on cash flow hedges, net of tax	**–**	**–**	**52,522**	**–**	**–**	**52,522**
Total comprehensive income for the year	**–**	**26,056**	**52,522**	**(9,015)**	**373,611**	**443,174**
Final dividend paid for 2021/22	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2022/23	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	–	**26,056**	**52,522**	**(9,015)**	**189,355**	**258,918**
At 28th February 2023	**269,477**	**73,311**	**50,342**	**(11,613)**	**3,510,943**	**3,892,460**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28th February 2023

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 28th February 2023

1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the years ended 28th February 2023 and 28th February 2022 included in this preliminary announcement of annual results for the year ended 28th February 2023 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 28th February 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 28th February 2023 in due course.

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

2. BASIS OF PREPARATION

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

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1st March 2022 for the preparation of the consolidated financial statements:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

The significant accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 28th February 2022, except for the adoption of the amendments to HKFRSs as disclosed in note 3 above.

5. REVENUE

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

6. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

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

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

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

Segment revenue and results

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

For the year ended 28th February 2023

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

For the year ended 28th February 2022

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

Geographical information

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

For the year ended 28th February 2023

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

For the year ended 28th February 2022

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

7. INTEREST INCOME

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

8. INTEREST EXPENSE

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

9. OTHER INCOME

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

10. OTHER GAINS AND LOSSES

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

11. OPERATING EXPENSES

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

12. INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current year	**80,270**	63,311
– Underprovision (overprovision) in respect of prior years	**509**	(9,795)
	80,779	53,516
People's Republic of China ("PRC") Enterprise Income Tax		
– Current year	**1,735**	–
Dividend withholding tax	**–**	606
Deferred tax *(Note 25)*		
– Current year	**(6,831)**	1,259
	75,683	55,381

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

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

13. DIVIDENDS

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

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

14. EARNINGS PER SHARE – BASIC

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

15. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the year, the Group recognised addition of approximately **HK$7,591,000** (2022: HK$18,239,000), **HK$287,000** (2022: HK$42,000), **HK$5,839,000** (2022: HK$1,337,000), **HK$966,000** (2022: Nil) and **HK$38,339,000** (2022: HK$29,470,000) on computer equipment, furniture and fixtures, leasehold improvements, motor vehicles and right-of-use assets respectively.

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

17. ADVANCES AND RECEIVABLES

	28.2.2023	28.2.2022
	HK$'000	*HK$'000*
Credit card receivables	**4,481,038**	3,304,452
Personal loan receivables	**1,263,929**	905,434
	5,744,967	4,209,886
Accrued interest and other receivables	**91,250**	64,664
Gross advances and receivables	**5,836,217**	4,274,550
Impairment allowances *(Note 18)*	**(191,709)**	(181,143)
	5,644,508	4,093,407
Current portion included under current assets	**(4,404,568)**	(3,342,610)
Amount due after one year	**1,239,940**	750,797

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

18. IMPAIRMENT ALLOWANCES

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

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

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1st March 2022	**72,719**	**22,067**	**86,357**	**181,143**
Net effect of advance (repayment) in advances and receivables	**31,500**	**(11,055)**	**(4,648)**	**15,797**
Transfer to 12 months ("12m") expected credit loss ("ECL") (Stage 1)	**65,014**	**(62,580)**	**(2,434)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(8,144)**	**13,305**	**(5,161)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(194)**	**(54,884)**	**55,078**	**–**
Total transfer between stages	**56,676**	**(104,159)**	**47,483**	**–**
Remeasurement of ECL during the year	**(63,141)**	**112,095**	**107,898**	**156,852**
Amounts written-off as uncollectable	**–**	**–**	**(161,461)**	**(161,461)**
Exchange realignment	**(112)**	**(70)**	**(440)**	**(622)**
At 28th February 2023	**97,642**	**18,878**	**75,189**	**191,709**

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st March 2021	80,218	30,777	107,509	218,504
Net effect of advance (repayment) in advances and receivables	7,620	(11,228)	(13,660)	(17,268)
Transfer to 12m ECL (Stage 1)	77,107	(72,440)	(4,667)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(6,803)	16,106	(9,303)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(211)	(61,249)	61,460	–
Total transfer between stages	70,093	(117,583)	47,490	–
Remeasurement of ECL during the year	(85,179)	120,132	76,410	111,363
Amounts written-off as uncollectable	–	–	(131,214)	(131,214)
Exchange realignment	(33)	(31)	(178)	(242)
At 28th February 2022	72,719	22,067	86,357	181,143

19. OVERDUE ADVANCES AND RECEIVABLES

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

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

* Percentage of gross advances and receivables

20. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

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

21. 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:

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

(b) At 28th February 2023, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of **HK$23,897,000** (28th February 2022: HK$18,610,000).

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

Under the Group's customer loyalty programmes, the Group grants credits to customers for credit card transactions. The customers can redeem the awarded credits for goods or services and settlement of outstanding balances in the future at their discretion and the awarded credits have expiration dates.

22. BANK BORROWINGS

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

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

23. LEASE LIABILITIES

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

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

25. DEFERRED TAX

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

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the 2023 AGM, the register of members of the Company will be closed from 26th June 2023 to 29th June 2023, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2023 AGM, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 23rd June 2023.

For the purpose of determining the shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from 6th July 2023 to 7th July 2023, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 5th July 2023.

DIVIDEND

The Group has adopted a stable dividend policy, aiming to pay regular dividends with a target annual dividend payout ratio of not less than 30.0% of the consolidated net profits of the Group for the financial year. When proposing a dividend, besides financial performance, the Board will take into consideration shareholders' interests, payout history, general business environment and cash flow requirements.

The Board has recommended a final dividend of 22.0 HK cents per share, bringing the total dividend for the year ended 28th February 2023 to 44.0 HK cents per share, representing a dividend payout ratio of 49.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

Operational Review

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

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

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

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

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

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

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

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

Financial Review

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

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

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

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

Consolidated Statement of Profit or Loss Analysis

Revenue

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

Net Interest Income

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

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

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

Operating Income

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

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

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

Operating Expenses

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

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

Cost-To-Income Ratio

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

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

Impairment Losses and Impairment Allowances

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

Gain on Disposal of Distressed Assets

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

Consolidated Statement of Financial Position Analysis

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

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

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

Goodwill

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

Advances and Receivables

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

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

Bank Borrowings

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

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

Segment Information

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

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

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

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

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

HUMAN RESOURCES

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

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, employees and other stakeholders. The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as applicable to the Company throughout the year ended 28th February 2023 and set out then in Appendix 14 to the Listing Rules, with the exceptions of code provision B.2.2 which is explained below.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by Directors pursuant to its own Securities Dealing Code. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code/the Company's own Securities Dealing Code throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF ANNUAL RESULTS

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 28th February 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 4th April 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2022/23 annual report of the Group, containing the relevant information required by the Listing Rules, will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

BOARD OF DIRECTORS

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

By order of the Board
Tomoharu Fukayama
Managing Director

Hong Kong, 4th April 2023