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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)

UNAUDITED RESULTS
FOR THE THREE MONTHS ENDED 31ST MAY 2022

The board (the “Board”) of directors (the “Directors”) of AEON Credit Service (Asia) Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31st May 2022, together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three months ended 31st May 2022

	<i>Notes</i>	1.3.2022 to 31.5.2022 (Unaudited) HK\$'000	1.3.2021 to 31.5.2021 (Unaudited) HK\$'000
Revenue	2	279,059	254,494
Interest income		233,883	218,053
Interest expense		(7,796)	(8,725)
Net interest income		226,087	209,328
Fees and commissions		28,890	21,459
Handling and late charges		16,286	14,982
Other income		6,415	2,284
Other gains and losses	4	46	95
Operating income		277,724	248,148
Operating expenses	5	(150,828)	(139,128)
Operating profit before impairment losses and impairment allowances		126,896	109,020
Impairment losses and impairment allowances		(36,798)	(3,750)
Recoveries of advances and receivables written-off		8,226	10,200
Share of results of an associate		–	592
Profit before tax		98,324	116,062
Income tax expense		(15,661)	(19,099)
Profit for the period		82,663	96,963
Profit for the period attributable to: Owners of the Company		82,663	96,963
Earnings per share – Basic		19.74 HK cents	23.15 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31st May 2022

	1.3.2022 to 31.5.2022 (Unaudited) HK\$'000	1.3.2021 to 31.5.2021 (Unaudited) HK\$'000
Profit for the period	<u>82,663</u>	<u>96,963</u>
Other comprehensive income (expenses)		
Item that will not be reclassified to profit or loss:		
Fair value gain on equity instruments at fair value through other comprehensive income	11,520	2,122
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	(9,262)	3,932
Net adjustment on cash flow hedges	<u>22,597</u>	<u>(5,642)</u>
Other comprehensive income for the period	<u>24,855</u>	412
Total comprehensive income for the period	<u><u>107,518</u></u>	<u><u>97,375</u></u>
Total comprehensive income for the period attributable to: Owners of the Company	<u><u>107,518</u></u>	<u><u>97,375</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st May 2022

		31.5.2022 (Unaudited) HK\$'000	28.2.2022 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		98,161	100,283
Right-of-use assets		53,038	58,891
Goodwill		15,820	15,820
Equity instruments at fair value through other comprehensive income		82,597	71,077
Advances and receivables	6	826,454	750,797
Prepayments, deposits and other debtors		45,778	31,559
Derivative financial instruments	10	13,098	2,711
Deferred tax assets		1,697	1,250
		1,136,643	1,032,388
Current assets			
Advances and receivables	6	3,441,408	3,342,610
Prepayments, deposits and other debtors		68,907	64,165
Amount due from immediate holding company		2	2
Amount due from an intermediate holding company		39	44
Time deposits		122,158	193,374
Bank balances and cash		486,041	456,973
		4,118,555	4,057,168
Current liabilities			
Creditors and accruals		236,025	184,160
Contract liabilities		21,891	18,610
Amounts due to fellow subsidiaries		39,853	57,626
Amount due to an intermediate holding company		1,175	1,275
Bank borrowings	9	100,000	165,000
Lease liabilities		39,209	36,827
Derivative financial instruments	10	581	1,542
Tax liabilities		28,740	25,314
		467,474	490,354
Net current assets		3,651,081	3,566,814
Total assets less current liabilities		4,787,724	4,599,202

		31.5.2022	28.2.2022
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital		269,477	269,477
Reserves		3,471,583	3,364,065
		<hr/>	<hr/>
Total equity		3,741,060	3,633,542
		<hr/>	<hr/>
Non-current liabilities			
Bank borrowings	9	992,698	919,139
Lease liabilities		13,073	20,762
Derivative financial instruments	10	40,893	25,759
		<hr/>	<hr/>
		1,046,664	965,660
		<hr/>	<hr/>
		4,787,724	4,599,202
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31st May 2022

	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 2021 (Audited)	269,477	41,648	(24,750)	(10,847)	3,146,502	3,422,030
Profit for the period	-	-	-	-	96,963	96,963
Fair value gain on equity instruments at fair value through other comprehensive income	-	2,122	-	-	-	2,122
Exchange difference arising from translation of foreign operations	-	-	-	3,932	-	3,932
Net adjustment on cash flow hedges	-	-	(5,642)	-	-	(5,642)
Total comprehensive income (expense) for the period	-	2,122	(5,642)	3,932	96,963	97,375
At 31st May 2021 (Unaudited)	<u>269,477</u>	<u>43,770</u>	<u>(30,392)</u>	<u>(6,915)</u>	<u>3,243,465</u>	<u>3,519,405</u>
At 1st March 2022 (Audited)	<u>269,477</u>	<u>47,255</u>	<u>(2,180)</u>	<u>(2,598)</u>	<u>3,321,588</u>	<u>3,633,542</u>
Profit for the period	-	-	-	-	82,663	82,663
Fair value gain on equity instruments at fair value through other comprehensive income	-	11,520	-	-	-	11,520
Exchange difference arising from translation of foreign operations	-	-	-	(9,262)	-	(9,262)
Net adjustment on cash flow hedges	-	-	22,597	-	-	22,597
Total comprehensive income (expense) for the period	-	11,520	22,597	(9,262)	82,663	107,518
At 31st May 2022 (Unaudited)	<u>269,477</u>	<u>58,775</u>	<u>20,417</u>	<u>(11,860)</u>	<u>3,404,251</u>	<u>3,741,060</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31st May 2022

	1.3.2022 to 31.5.2022 (Unaudited) HK\$'000	1.3.2021 to 31.5.2021 (Unaudited) HK\$'000
Net cash (used in) from operating activities	<u>(41,151)</u>	<u>94,469</u>
Dividends received	–	191
Purchase of property, plant and equipment	(2,874)	(4,189)
Deposits paid for acquisition of property, plant and equipment	(15,293)	(3,325)
Placement of time deposits with maturity of more than three months	(63,238)	(255,298)
Release of time deposits with maturity of more than three months	<u>61,102</u>	<u>29,622</u>
Net cash used in investing activities	<u>(20,303)</u>	<u>(232,999)</u>
Repayment of lease liabilities	(12,755)	(12,935)
New bank loans raised	100,000	150,000
Repayment of bank loans	<u>(65,000)</u>	<u>(70,000)</u>
Net cash from financing activities	<u>22,245</u>	<u>67,065</u>
Net decrease in cash and cash equivalents	(39,209)	(71,465)
Effect of changes in exchange rate	(1,980)	1,185
Cash and cash equivalents at beginning of the period	<u>588,963</u>	<u>864,964</u>
Cash and cash equivalents at end of the period	<u><u>547,774</u></u>	<u><u>794,684</u></u>
Being:		
Time deposits with maturity of three months or less	61,733	220,134
Bank balances and cash	<u>486,041</u>	<u>574,550</u>
	<u><u>547,774</u></u>	<u><u>794,684</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st May 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The financial information relating to the year ended 28th February 2022 that is included in the unaudited results for the three months ended 31st May 2022 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements is as follows:

The Company will deliver 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.

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 Hong Kong Companies Ordinance.

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended 31st May 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 28th February 2022.

2. REVENUE

	1.3.2022 to 31.5.2022 (Unaudited) HK\$’000	1.3.2021 to 31.5.2021 (Unaudited) HK\$’000
Interest income	233,883	218,053
Fees and commissions		
– Credit cards – issuing	15,193	13,428
– Credit cards – acquiring	6,211	1,611
– Insurance	7,486	6,420
Handling and late charges	16,286	14,982
	279,059	254,494

3. SEGMENT INFORMATION

Services from which operating and reportable segments derive their revenues

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

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

Segment revenue and results

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

1.3.2022 to 31.5.2022 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>218,056</u>	<u>53,474</u>	<u>7,529</u>	<u>279,059</u>
RESULT				
Segment results	<u>75,678</u>	<u>13,848</u>	<u>4,246</u>	93,772
Unallocated operating income				5,583
Unallocated expenses				<u>(1,031)</u>
Profit before tax				<u>98,324</u>

1.3.2021 to 31.5.2021 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>201,239</u>	<u>46,835</u>	<u>6,420</u>	<u>254,494</u>
RESULT				
Segment results	<u>73,250</u>	<u>39,254</u>	<u>3,108</u>	115,612
Unallocated operating income				600
Unallocated expenses				(742)
Share of results of an associate				592
Profit before tax				<u>116,062</u>

Geographical information

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

1.3.2022 to 31.5.2022 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	273,766	5,293	279,059
RESULT			
Segment results	93,080	692	93,772
Unallocated operating income			5,583
Unallocated expenses			(1,031)
Profit before tax			98,324

1.3.2021 to 31.5.2021 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	250,236	4,258	254,494
RESULT			
Segment results	116,438	(826)	115,612
Unallocated operating income			600
Unallocated expenses			(742)
Share of results of an associate			592
Profit before tax			116,062

4. OTHER GAINS AND LOSSES

	1.3.2022 to 31.5.2022 (Unaudited) HK\$'000	1.3.2021 to 31.5.2021 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain on hedging instruments released from cash flow hedge reserve	26,560	8,880
Exchange loss on a bank loan	(26,560)	(8,880)
Other exchange gains, net	31	30
Hedge ineffectiveness on cash flow hedges, net	101	68
Losses on disposal of property, plant and equipment	(86)	(3)
	<u>46</u>	<u>95</u>

5. OPERATING EXPENSES

	1.3.2022 to 31.5.2022 (Unaudited) HK\$'000	1.3.2021 to 31.5.2021 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	7,092	7,035
Depreciation on right-of-use assets	12,906	13,257
Expenses relating to short-term leases	1,088	403
	13,994	13,660
General administrative expenses	42,769	40,005
Marketing and promotion expenses	21,089	25,082
Other operating expenses	17,877	14,436
Staff costs including directors' emoluments	48,007	38,910
	<u>150,828</u>	<u>139,128</u>

6. ADVANCES AND RECEIVABLES

	31.5.2022 (Unaudited) HK\$'000	28.2.2022 (Audited) HK\$'000
Credit card receivables	3,423,164	3,304,452
Personal loan receivables	955,823	905,434
	4,378,987	4,209,886
Accrued interest and other receivables	65,081	64,664
	4,444,068	4,274,550
Impairment allowances (note 7)	(176,206)	(181,143)
	4,267,862	4,093,407
Current portion included under current assets	(3,441,408)	(3,342,610)
	<u>826,454</u>	<u>750,797</u>

7. IMPAIRMENT ALLOWANCES

	31.5.2022 (Unaudited) HK\$'000	28.2.2022 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	90,321	98,876
Personal loan receivables	83,624	79,936
Accrued interest and other receivables	2,261	2,331
	<u>176,206</u>	<u>181,143</u>

An analysis of movements in impairment allowances during each of the two periods ended 31st May 2022 and 31st May 2021 are set out as below:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2022	72,719	22,067	86,357	181,143
Net addition (repayment) in advances and receivables	4,188	(5,463)	(2,730)	(4,005)
Transfer to 12 months expected credit loss (Stage 1)	19,615	(18,915)	(700)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,838)	3,742	(1,904)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7)	(15,511)	15,518	–
Total transfer between stages	17,770	(30,684)	12,914	–
Remeasurement of expected credit loss during the period	(20,531)	34,166	27,168	40,803
Amounts written-off as uncollectable	–	–	(42,107)	(42,107)
Exchange realignment	49	39	284	372
At 31st May 2022	<u>74,195</u>	<u>20,125</u>	<u>81,886</u>	<u>176,206</u>

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2021	80,218	30,777	107,509	218,504
Net addition (repayment) in advances and receivables	437	(4,162)	(4,425)	(8,150)
Transfer to 12 months expected credit loss (Stage 1)	20,694	(19,483)	(1,211)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,749)	4,236	(2,487)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(67)	(20,512)	20,579	–
Total transfer between stages	18,878	(35,759)	16,881	–
Remeasurement of expected credit loss during the period	(17,834)	37,288	(7,554)	11,900
Amounts written-off as uncollectable	–	–	(40,933)	(40,933)
Exchange realignment	(20)	(27)	(124)	(171)
At 31st May 2021	<u>81,679</u>	<u>28,117</u>	<u>71,354</u>	<u>181,150</u>

8. 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:

	31.05.2022 (Unaudited)		28.02.2022 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	39,806	0.9	45,261	1.1
Overdue 2 months but less than 3 months	30,818	0.7	29,930	0.7
Overdue 3 months but less than 4 months	13,364	0.3	13,588	0.3
Overdue 4 months or above	48,767	1.1	56,816	1.4
	<u>132,755</u>	<u>3.0</u>	<u>145,595</u>	<u>3.5</u>

* *Percentage of gross advances and receivables*

9. BANK BORROWINGS

	31.5.2022 (Unaudited) HK\$'000	28.2.2022 (Audited) HK\$'000
Carrying amount repayable (<i>Note</i>)		
Within one year	100,000	165,000
Within a period of more than one year but not more than two years	160,000	160,000
Within a period of more than two years but not more than five years	832,698	759,139
	1,092,698	1,084,139
Amount repayable within one year included under current liabilities	(100,000)	(165,000)
Amount repayable after one year	992,698	919,139

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

10. DERIVATIVE FINANCIAL INSTRUMENTS

	31.5.2022 (Unaudited)		28.2.2022 (Audited)	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	13,098	847	2,711	3,927
Cross-currency interest rate swaps	–	40,627	–	23,374
	13,098	41,474	2,711	27,301
Current portion	–	(581)	–	(1,542)
Non-current portion	13,098	40,893	2,711	25,759

All derivative financial instruments entered by the Group that remain outstanding at 31st May 2022 and 28th February 2022 are for hedging purposes. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The operating environment for the three months ended 31st May 2022 (“1Q2022”, or the “reporting period”) remained challenging largely due to the outbreak of the fifth wave of the COVID-19 pandemic (the “Pandemic”) in early 2022. Nonetheless, with the Group continuing data analytical skill enhancement for targeted marketing, the launch of successful marketing promotions and a sales increase at branch level, overall sales for 1Q2022 increased by 12.3% against the first quarter of last year (“1Q2021”, or the “previous period”), with gross advances and receivables balance up by 4.0% relative to the amount at end of February 2022. Although unemployment rate increased in Hong Kong, the Group’s effective credit risk management had contributed to the ongoing maintenance of stable asset quality, with the percentage of overdue advances and receivables to total advances and receivables down from 3.5% as at 28th February 2022 to 3.0% as at 31st May 2022.

To cater for the expected behaviour shift of customer spending to the Internet under the new normal, the Group launched AEON Card Wakuwaku (the “Wakuwaku card”) in May 2022, its first ever cashback credit card, to allow cardholders to enjoy special spending rebates for on-line and overseas spending in Japan. To more effectively attract and engage with new younger generation customers, promotion of the Wakuwaku card had incorporated celebrity endorsement. The outcome was evident in having more than 5,000 Wakuwaku cards issued in the first month of its debut. To more comprehensively cover customers’ financial needs with top-notch all rounded service delivered through our branch staff, the Group opened three new branches at convenient locations in 1Q2022.

Financial Review

In the reporting period, the Group made profit before tax of HK\$98.3 million, HK\$17.8 million less when compared with the previous period. After deducting income tax expense of HK\$15.7 million, the Group recorded a 14.7% decrease in profit, or HK\$14.3 million, with profit after tax down to HK\$82.7 million from HK\$97.0 million in the previous period. Earnings per share decreased from 23.15 HK cents to 19.74 HK cents for the reporting period.

Net debt to equity ratio remained at 0.1 at 31st May 2022, while equity to total assets ratio was 71.2% and 71.4% as at 31st May 2022 and 28th February 2022 respectively.

Net asset value per share (after final dividend) as at 31st May 2022 and 28th February 2022 was HK\$8.7 and HK\$8.5 respectively.

Consolidated Statement of Profit or Loss Analysis

Revenue

Revenue for 1Q2022 was HK\$279.1 million, an increase of 9.7%, or HK\$24.6 million, when compared to HK\$254.5 million in 1Q2021.

Net interest income

With the continued increase in receivable balances, the Group recorded a 7.3%, or HK\$15.8 million, increase in interest income to HK\$233.9 million, from HK\$218.1 million in the previous period.

With bank borrowings reduced, the Group's interest expense came down by 10.6%, or HK\$0.9 million, to HK\$7.8 million from HK\$8.7 million in the previous period. Average funding cost remained at 2.6% in the reporting period.

Consequently, net interest income of the Group in the reporting period was HK\$226.1 million, representing an increase of HK\$16.8 million against the previous period.

Operating income

With an increase in sales for the Company both as credit card issuer and acquirer, fees and commissions from the credit card business increased by HK\$6.4 million to HK\$21.4 million in the reporting period. With higher number of successfully solicited policies, fees and commissions from the insurance intermediary business also climbed from HK\$6.4 million in the previous period to HK\$7.5 million in the reporting period. Consequently, the Group recorded an increase of HK\$7.4 million in fees and commissions to HK\$28.9 million from HK\$21.5 million in the previous period. As a result of the rising demand in cash advance in 1Q2022, handling and late charges increased by HK\$1.3 million to HK\$16.3 million in the reporting period. The Company recognised government grants of HK\$0.8 million under other income in 1Q2022.

Operating income of the Group for 1Q2022 saw an increase of HK\$29.6 million to HK\$277.7 million from HK\$248.1 million in the previous period.

Operating expenses

Due to the fifth wave of the Pandemic, the Group delayed certain marketing and promotion activities, hence there was a HK\$4.0 million decrease in marketing and promotion expenses to HK\$21.1 million in the reporting period. With the acquisition of a subsidiary in February 2022, together with the opening of new branches, and additional cost incurred for supporting the provision of off-us card acquiring service for AEON Stores and the card and loan system replacement project, staff costs and general administrative expenses increased by HK\$9.1 million and HK\$2.8 million, respectively, against the previous period.

Although overall operating expenses recorded an increase of HK\$11.7 million to HK\$150.8 million from HK\$139.1 million in the previous period, because of an increase in operating income, cost-to-income ratio decreased to 54.3% from 56.1% in the previous period.

At operating level, before impairment losses and impairment allowances, the Group recorded operating profit of HK\$126.9 million for the reporting period, up by 16.4%, or HK\$17.9 million, when compared with the previous period.

Impairment losses and impairment allowances

In the previous period, given the rollout of COVID-19 vaccine and an expectation of significant rebound in key economic indicators, there was a substantial reversal in impairment allowances at end of 1Q2021. Nevertheless, subsequent outbreak of the fifth wave of the Pandemic in the reporting period had cast a shadow over the pace of economic recovery in Hong Kong. Corresponding with an increase in gross advances and receivables amount, impairment losses and impairment allowances increased by HK\$33.0 million to HK\$36.8 million in the reporting period from HK\$3.8 million in the 1Q2021.

Statement of Financial Position Analysis

The Group's total equity as at 31st May 2022 was HK\$3,741.1 million, representing a 3.0%, or HK\$107.6 million, growth when compared with the balance of HK\$3,633.5 million as at 28th February 2022.

Gross advances and receivables increased by 4.0%, or HK\$169.5 million, to HK\$4,444.1 million as at 31st May 2022 from HK\$4,274.6 million as at 28th February 2022. Overdue advances and receivables were down to HK\$132.8 million as at 31st May 2022 from HK\$145.6 million as at 28th February 2022. Total assets as at 31st May 2022 were HK\$5,255.2 million, as compared to HK\$5,089.6 million as at 28th February 2022.

Segment Information

In the reporting period, thanks to an increase in credit card receivable balance, revenue from credit card operations in 1Q2022 rose by 8.4%, or HK\$16.9 million, to HK\$218.1 million from HK\$201.2 million in the previous period. With stable asset quality, the segment results for the reporting period saw an increase of HK\$2.5 million to HK\$75.7 million from HK\$73.2 million in 1Q2021.

As for personal loan operations, with receivable balance recovered, the revenue in 1Q2022 increased by 14.2%, or HK\$6.7 million, to HK\$53.5 million from HK\$46.8 million in the previous period. However, with impairment losses and impairment allowances increased in the reporting period, the segment results came down by HK\$25.5 million to HK\$13.8 million from HK\$39.3 million in 1Q2021.

With a steady increase in demand for insurance products and services, insurance intermediary operations recorded a mild growth, with segment revenue and results amounting to HK\$7.5 million and HK\$4.2 million, respectively, in the reporting period, against HK\$6.4 million and HK\$3.1 million in the previous period.

By geographical location, thanks to the increasing receivable balances, revenue from Hong Kong operations recorded an increase of 9.4%, or HK\$23.6 million, to HK\$273.8 million in 1Q2022 from HK\$250.2 million in 1Q2021. However, expectation of slow economic recovery in the reporting period in stark contrast with the previous period led to an increase in impairment losses and impairment allowances in the reporting period, with the segment results decreased by 20.1%, or HK\$23.3 million, to HK\$93.1 million from HK\$116.4 million in 1Q2021.

As for Mainland China operations, the Group focused on improving the financial performance and launching new loan products under its microfinance subsidiary in Shenzhen. Sales in such subsidiary started to pick up in the reporting period, resulting in an increase in revenue of HK\$1.0 million to HK\$5.3 million from HK\$4.3 million in 1Q2021. Moreover, at the success of efforts to control operating costs and improve asset quality, results of the segment turned around to a profit of HK\$0.7 million from a loss of HK\$0.8 million in 1Q2021.

Prospects

With social distancing measures relaxing, economic activities in Hong Kong are expected to rebound gradually in the second quarter of 2022/23. Following the marketing and brand building efforts for the Wakuwaku card proven successful, the Group will place yet more emphasis on using both digital and traditional marketing channels to promote its credit card and personal loan products and to roll out different marketing programs to enrich customers' usage experience. Although the credit environment is expected to remain challenging because of anticipated interest rate increase, the unstable economic outlook and potential regulatory change on interest rate cap, the Group will continue to grow its receivables and at the same time closely monitor credit policy so as to minimize credit risk.

The card and loan system replacement project is currently targeted to be completed towards the end of this financial year, after which the Group will be able to launch new payment solutions, enjoy flexibility in offering product benefits and access to better still data analytical tools. With a strong capital position, the Group will continue to put resources in expanding its branch network, providing higher quality customer experiences, speeding up digitalization and exploring new investment opportunities to expand and diversify businesses.

Please note that the quarterly results of the Group presented herein have not been audited or reviewed by the Company's auditors. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Tomoharu Fukayama
Managing Director

Hong Kong, 23rd June 2022

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.