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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 NINE MONTHS ENDED 30TH NOVEMBER 2020

The board (the “Board”) of directors (the “Directors”) of AEON Credit Service (Asia) Company Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30th November 2020, together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30th November 2020

	<i>Notes</i>	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000
Revenue	2	839,595	974,565
Interest income		732,973	842,604
Interest expense		(33,384)	(53,451)
Net interest income		699,589	789,153
Fees and commissions		55,583	74,200
Handling and late charges		51,039	57,761
Other income	4	10,780	2,169
Other gains and losses	5	170	(7,988)
Operating income		817,161	915,295
Operating expenses	6	(394,879)	(424,147)
Operating profit before impairment losses and impairment allowances		422,282	491,148
Impairment losses and impairment allowances		(177,669)	(188,987)
Recoveries of advances and receivables written-off		28,518	34,015
Share of results of an associate		2,126	454
Profit before tax		275,257	336,630
Income tax expense		(44,886)	(57,766)
Profit for the period		230,371	278,864
Profit for the period attributable to: Owners of the Company		230,371	278,864
Earnings per share – Basic		55.01 HK cents	66.59 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30th November 2020

	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000
Profit for the period	<u>230,371</u>	<u>278,864</u>
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss:		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	48,363	(21,309)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	11,702	(12,534)
Net adjustment on cash flow hedges	<u>(14,427)</u>	<u>1,804</u>
Other comprehensive income (expense) for the period	<u>45,638</u>	<u>(32,039)</u>
Total comprehensive income for the period	<u>276,009</u>	<u>246,825</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>276,009</u>	<u>246,825</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th November 2020

	<i>Notes</i>	30.11.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		112,755	105,173
Right-of-use assets		70,209	92,786
Investment in an associate		18,692	15,587
Equity instruments at fair value through other comprehensive income		129,435	81,071
Advances and receivables	7	595,656	719,765
Prepayments, deposits and other debtors		9,671	26,258
Derivative financial instruments	11	–	1,809
Deferred tax assets		3,122	8,769
		939,540	1,051,218
Current assets			
Advances and receivables	7	3,306,798	3,708,241
Prepayments, deposits and other debtors		56,989	70,425
Amount due from intermediate holding company		21	–
Amount due from immediate holding company		4	250
Amount due from an associate		36	81
Derivative financial instruments	11	–	353
Restricted deposits		–	38,000
Time deposits		326,096	150,812
Bank balances and cash		554,723	710,338
		4,244,667	4,678,500
Current liabilities			
Creditors and accruals		258,654	215,992
Contract liabilities		12,887	10,562
Amounts due to fellow subsidiaries		60,673	38,775
Amount due to intermediate holding company		390	283
Amount due to ultimate holding company		14	50
Amount due to an associate		1,715	3,203
Bank borrowings	10	647,228	370,000
Collateralised debt obligation	12	–	548,400
Lease liabilities		41,657	37,869
Derivative financial instruments	11	6,501	839
Tax liabilities		35,476	16,514
		1,065,195	1,242,487
Net current assets		3,179,472	3,436,013
Total assets less current liabilities		4,119,012	4,487,231

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

At 30th November 2020

		30.11.2020	29.2.2020
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital		269,477	269,477
Reserves		3,135,818	3,044,065
		<hr/>	<hr/>
Total equity		3,405,295	3,313,542
		<hr/>	<hr/>
Non-current liabilities			
Bank borrowings	<i>10</i>	662,182	1,099,102
Lease liabilities		31,595	56,760
Derivative financial instruments	<i>11</i>	19,940	17,827
		<hr/>	<hr/>
		713,717	1,173,689
		<hr/>	<hr/>
		4,119,012	4,487,231
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th November 2020

	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 2019 (Audited)	269,477	93,040	(3,738)	(13,213)	2,845,079	3,190,645
Profit for the period	-	-	-	-	278,864	278,864
Fair value loss on equity instruments at fair value through other comprehensive income	-	(21,309)	-	-	-	(21,309)
Exchange difference arising from translation of foreign operations	-	-	-	(12,534)	-	(12,534)
Net adjustment on cash flow hedges	-	-	1,804	-	-	1,804
Total comprehensive (expense) income for the period	-	(21,309)	1,804	(12,534)	278,864	246,825
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at fair value through other comprehensive income	-	1,723	-	-	(1,723)	-
Final dividend paid for the year from 1.3.2018 to 28.2.2019	-	-	-	-	(92,128)	(92,128)
Interim dividend paid for the year from 1.3.2019 to 29.2.2020	-	-	-	-	(92,128)	(92,128)
	-	(19,586)	1,804	(12,534)	92,885	62,569
At 30th November 2019 (Unaudited)	269,477	73,454	(1,934)	(25,747)	2,937,964	3,253,214
At 1st March 2020 (Audited)	269,477	57,249	(17,416)	(24,951)	3,029,183	3,313,542
Profit for the period	-	-	-	-	230,371	230,371
Fair value gain on equity instruments at fair value through other comprehensive income	-	48,363	-	-	-	48,363
Exchange difference arising from translation of foreign operations	-	-	-	11,702	-	11,702
Net adjustment on cash flow hedges	-	-	(14,427)	-	-	(14,427)
Total comprehensive income (expense) for the period	-	48,363	(14,427)	11,702	230,371	276,009
Final dividend paid for the year from 1.3.2019 to 29.2.2020	-	-	-	-	(92,128)	(92,128)
Interim dividend paid for the year from 1.3.2020 to 28.2.2021	-	-	-	-	(92,128)	(92,128)
	-	48,363	(14,427)	11,702	46,115	91,753
At 30th November 2020 (Unaudited)	269,477	105,612	(31,843)	(13,249)	3,075,298	3,405,295

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30th November 2020

	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000
Net cash from operating activities	939,383	609,840
Dividends received	178	929
Proceeds on disposal of equity instruments at fair value through other comprehensive income	–	114
Proceeds on disposal of property, plant and equipment	6	35
Purchase of property, plant and equipment	(15,257)	(10,277)
Deposits paid for acquisition of property, plant and equipment	(13,515)	(22,237)
Placement of time deposits with maturity of more than three months	(29,455)	(80,433)
Release of time deposits with maturity of more than three months	85,191	33,071
Net cash from (used in) investing activities	27,148	(78,798)
Placement of restricted deposits	(1,358,808)	(727,929)
Withdrawal of restricted deposits	1,396,808	1,109,396
Repayment of lease liabilities	(36,645)	(42,856)
Dividends paid	(184,256)	(184,256)
New bank loans raised	83,038	309,601
Repayment of collateralised debt obligation	(548,400)	(375,500)
Repayment of bank loans	(250,000)	(325,000)
Net cash used in financing activities	(898,263)	(236,544)
Net increase in cash and cash equivalents	68,268	294,498
Effect of changes in exchange rate	4,394	(5,829)
Cash and cash equivalents at beginning of the period	764,987	478,556
Cash and cash equivalents at end of the period	837,649	767,225
Being:		
Time deposits with maturity of three months or less	282,926	59,312
Bank balances and cash	554,723	707,913
	837,649	767,225

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th November 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“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 financial information relating to the year ended 29th February 2020 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 29th February 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30th November 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 29th February 2020.

Application of amendments to HKFRSs

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

Amendments to HKFRS 3 Definition of a Business

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

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

Government grants

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

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

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

2. REVENUE

	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000
Interest income	732,973	842,604
Fees and commissions		
Credit cards	37,366	51,225
Insurance	18,217	22,975
Handling and late charges	51,039	57,761
	<u>839,595</u>	<u>974,565</u>

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:

1.3.2020 to 30.11.2020 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Consolidated HK\$'000
REVENUE	<u>659,046</u>	<u>162,332</u>	<u>18,217</u>	<u>839,595</u>
RESULT				
Segment results	<u>223,385</u>	<u>40,476</u>	<u>8,894</u>	272,755
Unallocated operating income				2,141
Unallocated expenses				(1,765)
Share of results of an associate				2,126
Profit before tax				<u>275,257</u>

1.3.2019 to 30.11.2019 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Consolidated HK\$'000
REVENUE	<u>741,460</u>	<u>210,077</u>	<u>23,028</u>	<u>974,565</u>
RESULT				
Segment results	<u>263,950</u>	<u>61,930</u>	<u>11,120</u>	337,000
Unallocated operating income				2,576
Unallocated expenses				(3,400)
Share of results of an associate				454
Profit before tax				<u>336,630</u>

3. SEGMENT INFORMATION (Continued)

Geographical information

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

1.3.2020 to 30.11.2020 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	830,350	9,245	839,595
RESULT			
Segment results	278,061	(5,306)	272,755
Unallocated operating income			2,141
Unallocated expenses			(1,765)
Share of results of an associate			2,126
Profit before tax			275,257

1.3.2019 to 30.11.2019 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	964,373	10,192	974,565
RESULT			
Segment results	349,619	(12,619)	337,000
Unallocated operating income			2,576
Unallocated expenses			(3,400)
Share of results of an associate			454
Profit before tax			336,630

4. OTHER INCOME

	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	178	781
Unlisted equity securities	–	148
Government grants	6,046	–
Others	4,556	1,240
	<u>10,780</u>	<u>2,169</u>

5. OTHER GAINS AND LOSSES

	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000
Exchange (loss) gain		
Exchange (loss) gain on hedging instrument released from cash flow hedge reserve	(5,727)	3,426
Exchange gain (loss) on a bank loan	5,727	(3,426)
Other exchange gain (loss) , net	89	(176)
Hedge ineffectiveness on cash flow hedges, net	136	(48)
Losses on disposal of property, plant and equipment	(55)	(697)
Losses on termination of lease contracts	–	(7,067)
	<u>170</u>	<u>(7,988)</u>

6. OPERATING EXPENSES

	1.3.2020 to 30.11.2020 (Unaudited) HK\$'000	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	23,996	26,980
Depreciation on right-of-use assets	35,999	35,262
Expenses relating to short-term leases and other leases with lease terms ending within 12 months from the date of initial application of HKFRS 16 <i>Leases</i>	5,582	12,501
	<u>41,581</u>	<u>47,763</u>
General administrative expenses	117,945	123,473
Marketing and promotion expenses	45,986	57,563
Other operating expenses	48,574	50,024
Staff costs including Directors' emoluments	116,797	118,344
	<u>394,879</u>	<u>424,147</u>

7. ADVANCES AND RECEIVABLES

	30.11.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Credit card receivables	3,249,361	3,579,077
Personal loan receivables	821,248	1,025,858
	<hr/>	<hr/>
Accrued interest and other receivables	4,070,609 67,145	4,604,935 85,579
	<hr/>	<hr/>
Gross advances and receivables	4,137,754	4,690,514
Impairment allowances (<i>Note 8</i>)	(235,300)	(262,508)
	<hr/>	<hr/>
Current portion included under current assets	3,902,454 (3,306,798)	4,428,006 (3,708,241)
	<hr/>	<hr/>
Amount due after one year	595,656	719,765
	<hr/>	<hr/>

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

8. IMPAIRMENT ALLOWANCES

	30.11.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	124,540	140,022
Personal loan receivables	105,752	115,923
Accrued interest and other receivables	5,008	6,563
	<hr/>	<hr/>
	235,300	262,508
	<hr/>	<hr/>

8. IMPAIRMENT ALLOWANCES (Continued)

An analysis of movements in impairment allowances including commitments on unused credit limit during each of the two periods ended 30th November 2020 and 30th November 2019 are set out as below:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2020	91,705	49,711	121,092	262,508
Net repayment in advances and receivables	(6,586)	(13,402)	(6,655)	(26,643)
Transfer to 12 months Expected Credit Loss (Stage 1)	100,557	(89,196)	(11,361)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(8,243)	18,873	(10,630)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(38)	(77,233)	77,271	–
Total transfer between stages	92,276	(147,556)	55,280	–
Remeasurement of Expected Credit Loss during the period	(90,937)	144,147	151,102	204,312
Amounts written-off as uncollectable	–	–	(205,643)	(205,643)
Exchange realignment	101	40	625	766
At 30th November 2020	86,559	32,940	115,801	235,300
	<i>Stage 1</i> <i>HK\$'000</i>	<i>Stage 2</i> <i>HK\$'000</i>	<i>Stage 3</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
At 1st March 2019	107,811	48,575	87,107	243,493
Net (repayment) addition in advances and receivables	(1,579)	81	(13,029)	(14,527)
Transfer to 12 months Expected Credit Loss (Stage 1)	147,030	(140,693)	(6,337)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(14,171)	21,022	(6,851)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(698)	(69,826)	70,524	–
Total transfer between stages	132,161	(189,497)	57,336	–
Remeasurement of Expected Credit Loss during the period	(132,133)	187,310	149,509	204,686
Amounts written-off as uncollectable	–	–	(173,280)	(173,280)
Exchange realignment	(83)	(67)	(514)	(664)
At 30th November 2019	106,177	46,402	107,129	259,708

9. 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:

	30.11.2020 (Unaudited)		29.2.2020 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	41,868	1.0	143,457	3.1
Overdue 2 months but less than 3 months	41,250	1.0	59,422	1.3
Overdue 3 months but less than 4 months	23,954	0.6	35,930	0.8
Overdue 4 months or above	71,529	1.7	69,820	1.5
	<u>178,601</u>	<u>4.3</u>	<u>308,629</u>	<u>6.7</u>

* Percentage of gross advances and receivables

10. BANK BORROWINGS

	30.11.2020 (Unaudited) HK\$'000	29.2.2020 (Audited) HK\$'000
Bank loans, unsecured	<u>1,309,410</u>	<u>1,469,102</u>
Carrying amount repayable (<i>Note</i>)		
Within one year	647,228	370,000
Within a period of more than one year but not exceeding two years	165,000	529,162
Within a period of more than two years but not exceeding five years	412,109	569,940
Within a period of more than five years	<u>85,073</u>	<u>–</u>
	<u>1,309,410</u>	<u>1,469,102</u>
Amount repayable within one year included under current liabilities	<u>(647,228)</u>	<u>(370,000)</u>
Amount repayable after one year	<u>662,182</u>	<u>1,099,102</u>

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

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30.11.2020 (Unaudited)		29.2.2020 (Audited)	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	–	12,817	353	9,613
Cross-currency interest rate swap	–	13,624	1,809	9,053
	–	26,441	2,162	18,666
Current portion	–	(6,501)	(353)	(839)
Non-current portion	–	19,940	1,809	17,827

All derivative financial instruments entered into by the Group that remain outstanding at 30th November 2020 and 29th February 2020 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 and collateralised debt obligation, the designated hedged items.

12. COLLATERALISED DEBT OBLIGATION

	30.11.2020 (Unaudited) <i>HK\$'000</i>	29.2.2020 (Audited) <i>HK\$'000</i>
Tranche A	–	199,200
Tranche B	–	199,200
Tranche C	–	150,000
	–	548,400
Amount repayable within one year included under current liabilities	–	(548,400)
Amount repayable after one year	–	–

All the collateralised debt obligation was fully repaid on 4th August 2020.

13. PLEDGE OF ASSETS

The Group has no pledged asset at 30th November 2020 as the related collateralised debt obligation was fully repaid on 4th August 2020. At 29th February 2020, the collateralised debt obligation was secured by credit card receivables and restricted deposits of HK\$1,482,338,000 and HK\$38,000,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Although there was a partial relaxation of social distancing restrictions in Hong Kong in the third quarter, the high number of confirmed cases of COVID-19 pandemic (the “Pandemic”) overseas continued to impact international travel, leading to a slow recovery in retail and travel related spending. The arrival of the fourth wave of the Pandemic in mid-November put an almost complete halt to the expected recovery of the economic situation in Hong Kong. Largely because of the second tranche of the Employment Support Scheme, the unemployment rate in Hong Kong remained stable, with no obvious further deterioration in the credit environment in the third quarter.

Following the launch of different marketing programs aimed to fuel the recovery in local spending, the Group’s credit purchase sales in the third quarter managed to achieve a growth against the immediately past two quarters. Through consistently adopting a cautious approach in extending credit to better control asset quality, the Group considerably reduced the default rates of its overdue advances and receivables.

Throughout this current period, the Group continued to deploy new technologies to deliver a premium customer service experience and to stimulate online usage. The Group progressively moved forward with its development of the new card and loan system, while actively exploring new sales channels for both its Hong Kong and China operations in order to secure new customer bases.

Financial Review

For the nine months ended 30th November 2020, profit before tax was HK\$275.3 million, a decrease of HK\$61.4 million when compared with the previous period, which was due to a decrease in operating income. After deducting income tax expenses of HK\$44.9 million, the Group recorded a decrease in profit of 17.4%, with profit after tax reducing from HK\$278.9 million in the previous period to HK\$230.4 million in the current period. Earnings per share decreased from 66.59 HK cents to 55.01 HK cents for the reporting period.

Net debt to equity ratio was 0.14 and 0.38 at 30th November 2020 and 29th February 2020 respectively, while total equity to total assets ratio was 65.7% and 57.8% at 30th November 2020 and 29th February 2020 respectively.

Net asset value per share was HK\$8.1 at 30th November 2020, as compared with the net asset value per share (after final dividend) of HK\$7.7 at 29th February 2020.

Consolidated Profit or Loss Analysis

Revenue

Revenue for the period was HK\$839.6 million, a decrease of 13.8% or HK\$135.0 million when compared with HK\$974.6 million in the previous period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Consolidated Profit or Loss Analysis (Continued)

Net interest income

The Pandemic almost brought a complete halt to both local and overseas spending initiatives in the first half of the year. Although slight recovery was noted in the third quarter, there was a reduction in overall sales and revolving credit card balances and personal loan balances in the reporting period. The Group recorded a decrease in interest income of 13.0% or HK\$109.6 million, from HK\$842.6 million in the previous financial period to HK\$733.0 million in the reporting period.

Given both the favourable interest rate market and the repayment of collateralized debt obligation and certain long-term bank borrowings, the Group's average funding cost reduced from 2.8% in the previous period to 2.5% in the reporting period. Interest expense recorded a decrease of 37.5% or HK\$20.1 million, from HK\$53.5 million in the previous period to HK\$33.4 million in the reporting period.

Consequently, the Group's net interest income in the current period was HK\$699.6 million, representing a decrease of 11.3% or HK\$89.6 million when compared with the first nine months of 2019/20.

Operating income

Because of a decrease in credit card sales, there was accordingly a drop in fees and commissions from the credit card business of 27.1% or HK\$13.9 million to HK\$37.4 million in the current period. There was also a drop of HK\$4.8 million in fees and commissions from the insurance business to HK\$18.2 million in the current period due to a lower number of successfully solicited policies under the Pandemic. The Group recorded an overall decrease of HK\$18.6 million in fees and commissions from HK\$74.2 million in the first nine months of 2019/20 to HK\$55.6 million in the reporting period.

Because of the drop in card cash advance sales, handling and late charges recorded a decrease of 11.6% or HK\$6.7 million to HK\$51.0 million in the reporting period. The Group recognised government subsidies of HK\$6.0 million in the reporting period, resulting in other income of HK\$10.8 million, compared to HK\$2.2 million in the previous period.

The Group's operating income for the first nine months of 2020/21 recorded a drop of HK\$98.1 million from HK\$915.3 million in the previous period to HK\$817.2 million in the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Consolidated Profit or Loss Analysis (Continued)

Operating expenses

During the period under review, a reduction in mass promotional activities led to a decrease in marketing and promotion expenses, with a decrease of HK\$11.6 million when compared to the previous period. Following the reduction in the number of ATMs and branches, expenses related to leases and general administrative expenses decreased by HK\$6.2 million and HK\$5.5 million respectively in the reporting period. Combining together with savings from other expenses such as depreciation, staff costs and other operating expenses, overall operating expenses recorded a decrease of HK\$29.3 million, having gone from HK\$424.1 million in the previous period to HK\$394.9 million in the reporting period. However, as there was also a decrease in operating income, cost-to-income ratio increased from 46.3% in the previous period to 48.3% in the reporting period.

At the operating level before impairment losses and impairment allowances, the Group recorded an operating profit of HK\$422.3 million for the nine months ended 30th November 2020, representing a decrease of 14.0% from HK\$491.1 million in the previous period.

Impairment losses and impairment allowances

Despite the rising unemployment rate in Hong Kong, the early default detection action and the prudent credit assessment performed by the Group successfully reduced the overdue advances and receivables from HK\$308.6 million at 29th February 2020 to HK\$202.1 million at 31st August 2020, decreasing further to HK\$178.6 million at 30th November 2020. This resulted in a decrease of 6.0% or HK\$11.3 million in impairment losses and impairment allowances from HK\$189.0 million in the first nine months of 2019/20 to HK\$177.7 million in the first nine months of 2020/21.

Consolidated Statement of Financial Position Analysis

The Group's total equity at 30th November 2020 was HK\$3,405.3 million, representing a growth of 2.8% or HK\$91.8 million when compared to the balance of HK\$3,313.5 million at 29th February 2020.

Total assets at 30th November 2020 were HK\$5,184.2 million, representing a decrease of 9.5% or HK\$545.5 million when compared to total assets of HK\$5,729.7 million at 29th February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Consolidated Statement of Financial Position Analysis (Continued)

Advances and Receivables

As the consumer credit demand still remained weak in the third quarter, personal loan receivables decreased by 19.9% from HK\$1,025.9 million at 29th February 2020 to HK\$821.2 million at 30th November 2020. Moreover, the Pandemic had also affected consumer spending resulting in a decrease in credit card sales, with credit card receivables also recording a decrease of 9.2%, or HK\$329.7 million, from HK\$3,579.1 million at 29th February 2020 to HK\$3,249.4 million at 30th November 2020. The gross advances and receivables of the Group was HK\$4,137.8 million at 30th November 2020, as compared to HK\$4,200.5 million at 31st August 2020 and HK\$4,690.5 million at 29th February 2020 respectively. Impairment allowances amounted to HK\$235.3 million at 30th November 2020, covering 5.7% of gross advances and receivables, as compared to HK\$262.5 million at 29th February 2020, covering 5.6% of gross advances and receivables. The percentage of overdue advances and receivables to gross advances and receivables was 4.3% at 30th November 2020, as compared to 4.8% at 31st August 2020 and 6.7% at 29th February 2020 respectively.

Bank Borrowings

Upon repayment of the collateralized debt obligation and certain bank borrowings, the Group's total debt reduced from HK\$2,017.5 million at 29th February 2020 to HK\$1,309.4 million at 30th November 2020. In regard to bank borrowings at 30th November 2020, 6.9% had fixed interest rates and 93.1% were hedged against interest rate fluctuation by interest rate swaps. 49.4% of the bank borrowings will mature within one year, 12.6% between one and two years, 31.5% between two and five years, and 6.5% over five years.

The average duration of bank borrowings was 2.0 years at 30th November 2020, compared to 1.6 years at 29th February 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Segment Information

In the first nine months of 2020/21, 78.5% of the Group's revenue was derived from credit card operations, compared to 76.1% in the previous period. Personal loan operations accounted for 19.3% of the Group's revenue, compared to 21.6% in the previous period. For segment results, credit card operations accounted for 81.9% of the Group's revenue, compared to 78.3% in the previous period, while personal loan operations accounted for 14.8%, as compared to 18.4% in the previous period.

During the period under review, following a drop in credit card sales and receivable balance, revenue from credit card operations recorded a decrease of 11.1% or HK\$82.4 million from HK\$741.5 million in 2019/20 to HK\$659.0 million in 2020/21. Despite an effective control of operating expenses and a reduction in funding costs, segment results for the period recorded a decrease of HK\$40.6 million from HK\$264.0 million in 2019/20 to HK\$223.4 million in 2020/21.

For personal loans, the ongoing unfavourable market conditions for loan products continued to have an adverse effect on personal loan receivables. Consequently, revenue from personal loan operations in 2020/21 decreased by 22.7% or HK\$47.8 million from HK\$210.1 million in 2019/20 to HK\$162.3 million in the reporting period. Despite a drop in impairment losses and impairment allowances, the segment results for the period recorded a decrease of HK\$21.4 million from HK\$61.9 million in 2019/20 to HK\$40.5 million in 2020/21.

With the special work arrangements owing to the Pandemic, revenue from insurance operations recorded a decrease of HK\$4.8 million from HK\$23.0 million in 2019/20 to HK\$18.2 million in 2020/21, with segment results of HK\$8.9 million, as compared with HK\$11.1 million in the previous period.

In relation to financial information based on geographical locations, revenue from Hong Kong operations recorded a decrease of 13.9% or HK\$134.0 million, from HK\$964.4 million in 2019/20 to HK\$830.4 million in 2020/21, attributable to the drop in credit card sales and revolving credit card balance. Despite effective cost control and a reduction in funding costs as well as impairment losses and impairment allowances, segment results from Hong Kong operations still recorded a decrease of 20.5% or HK\$71.5 million, from HK\$349.6 million in 2019/20 to HK\$278.1 million in 2020/21.

For Mainland China operations, the microfinance subsidiaries continued to concentrate on cost and bad debt control to minimize losses. Although revenue recorded a decrease of HK\$0.9 million, from HK\$10.2 million in 2019/20 to HK\$9.3 million in 2020/21, losses from our Mainland China operations recorded a reduction of HK\$7.3 million, from a loss of HK\$12.6 million in the previous period to a loss HK\$5.3 million in the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

Although the Pandemic is expected to persist in the fourth quarter, the start of vaccinations being rolled out in a number of countries may see spending stimulus packages being launched in different countries for a recovery of social and travel activities. Locally, with no extension of the Employment Support Scheme expected, unemployment rate in Hong Kong might rise.

Under this rapidly changing and challenging operating environment, the Group will continue to focus on containing any possible deterioration of asset quality while at the same time resuming promotional activities in order to attract surge of consumer spending through different sales channels. The Group will continue its emphasis on collaboration with AEON Stores to enhance the competitiveness of AEON credit card. In regard to the cease of ATM operation in the fourth quarter, the Group has launched different promotional activities to stimulate the usage of mobile application for cash advance transactions.

For Mainland China operations, the Group will shift its focus onto exploring new business opportunities for its micro-finance subsidiary in Guangdong Province. As AEON Micro Finance (Tianjin) Co., Ltd. has been suffering losses throughout the past years, the Board has decided to commence voluntary liquidation of this micro-finance subsidiary, with no material adverse impact to the financial performance and operations of the Group.

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, 22nd December 2020

As at the date of this announcement, the Board comprises Mr. Tomoharu Fukayama (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Mr. Tony Fung and Mr. Daisuke Takenaka as Executive Directors; Mr. Masaaki Mangetsu (Chairman) as Non-executive Director; and Mr. Lee Ching Ming Adrian, Mr. Kenji Hayashi, Ms. Shing Mo Han Yvonne and Ms. Junko Dochi as Independent Non-executive Directors.