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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 2021**

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 2021, together with comparative figures of the previous period as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
*For the three months ended 31st May 2021*

	<i>Notes</i>	<b>1.3.2021 to 31.5.2021 (Unaudited) HK\$'000</b>	<b>1.3.2020 to 31.5.2020 (Unaudited) HK\$'000</b>
Revenue	2	<b>254,494</b>	297,470
Interest income		<b>218,053</b>	258,310
Interest expense		<b>(8,725)</b>	(12,879)
Net interest income		<b>209,328</b>	245,431
Fees and commissions		<b>21,459</b>	20,921
Handling and late charges		<b>14,982</b>	18,239
Other income		<b>2,284</b>	1,121
Other gains and losses	4	<b>95</b>	46
Operating income		<b>248,148</b>	285,758
Operating expenses	5	<b>(139,128)</b>	(125,697)
Operating profit before impairment losses and impairment allowances		<b>109,020</b>	160,061
Impairment losses and impairment allowances		<b>(3,750)</b>	(80,030)
Recoveries of advances and receivables written-off		<b>10,200</b>	8,999
Share of results of an associate		<b>592</b>	1,061
Profit before tax		<b>116,062</b>	90,091
Income tax expense		<b>(19,099)</b>	(14,827)
Profit for the period		<b>96,963</b>	75,264
Profit for the period attributable to: Owners of the Company		<b>96,963</b>	75,264
Earnings per share – Basic		<b>23.15 HK cents</b>	17.97 HK cents

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

*For the three months ended 31st May 2021*

	<b>1.3.2021 to 31.5.2021 (Unaudited) HK\$'000</b>	1.3.2020 to 31.5.2020 (Unaudited) HK\$'000
Profit for the period	<u>96,963</u>	<u>75,264</u>
<b>Other comprehensive income (expense)</b>		
Item that will not be reclassified to profit or loss:		
Fair value gain on equity instruments at fair value through other comprehensive income	2,122	460
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	3,932	(5,678)
Net adjustment on cash flow hedges	<u>(5,642)</u>	<u>(1,491)</u>
Other comprehensive income (expense) for the period	<u>412</u>	<u>(6,709)</u>
Total comprehensive income for the period	<u><u>97,375</u></u>	<u><u>68,555</u></u>
Total comprehensive income for the period attributable to: Owners of the Company	<u><u>97,375</u></u>	<u><u>68,555</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st May 2021

	<i>Notes</i>	31.5.2021 (Unaudited) <i>HK\$'000</i>	28.2.2021 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		102,326	107,214
Right-of-use assets		80,099	82,278
Investment in an associate		20,351	19,406
Equity instruments at fair value through other comprehensive income		67,592	65,470
Advances and receivables	6	602,748	589,136
Prepayments, deposits and other debtors		15,829	16,349
Deferred tax assets		892	2,509
		889,837	882,362
<b>Current assets</b>			
Advances and receivables	6	3,242,737	3,254,632
Prepayments, deposits and other debtors		57,463	51,446
Amount due from immediate holding company		31	–
Amount due from an associate		38	37
Time deposits		477,034	135,302
Fiduciary bank balances		28	–
Bank balances and cash		574,550	759,587
		4,351,881	4,201,004
<b>Current liabilities</b>			
Creditors and accruals		256,349	263,789
Contract liabilities		18,576	16,301
Amounts due to fellow subsidiaries		47,244	63,741
Amount due to intermediate holding company		904	1,497
Amount due to ultimate holding company		15	14
Amount due to an associate		1,690	1,672
Bank borrowings	9	522,982	527,635
Lease liabilities		40,690	42,002
Derivative financial instruments	10	3,998	4,384
Tax liabilities		24,970	20,726
		917,418	941,761
<b>Net current assets</b>		3,434,463	3,259,243
<b>Total assets less current liabilities</b>		4,324,300	4,141,605

	<i>Notes</i>	<b>31.5.2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2021 (Audited) HK\$'000
<b>Capital and reserves</b>			
Share capital		<b>269,477</b>	269,477
Reserves		<b>3,249,928</b>	3,152,553
		<hr/>	<hr/>
<b>Equity</b>		<b>3,519,405</b>	3,422,030
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Bank borrowings	9	<b>731,234</b>	655,246
Lease liabilities		<b>36,821</b>	42,692
Derivative financial instruments	10	<b>36,840</b>	21,637
		<hr/>	<hr/>
		<b>804,895</b>	719,575
		<hr/>	<hr/>
		<b>4,324,300</b>	4,141,605
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the three months ended 31st May 2021*

	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 2020 (Audited)	269,477	57,249	(17,416)	(24,951)	3,029,183	3,313,542
Profit for the period	-	-	-	-	75,264	75,264
Fair value gain on equity instruments at fair value through other comprehensive income	-	460	-	-	-	460
Exchange difference arising from translation of foreign operations	-	-	-	(5,678)	-	(5,678)
Net adjustment on cash flow hedges	-	-	(1,491)	-	-	(1,491)
Total comprehensive income (expense) for the period	-	460	(1,491)	(5,678)	75,264	68,555
At 31st May 2020 (Unaudited)	<u>269,477</u>	<u>57,709</u>	<u>(18,907)</u>	<u>(30,629)</u>	<u>3,104,447</u>	<u>3,382,097</u>
At 1st March 2021 (Audited)	<u>269,477</u>	<u>41,648</u>	<u>(24,750)</u>	<u>(10,847)</u>	<u>3,146,502</u>	<u>3,422,030</u>
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>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31st May 2021

	1.3.2021 to 31.5.2021 (Unaudited) HK\$'000	1.3.2020 to 31.5.2020 (Unaudited) HK\$'000
<b>Net cash from operating activities</b>	<b>94,469</b>	356,938
Dividends received	191	–
Purchase of property, plant and equipment	(4,189)	(2,834)
Deposits paid for acquisition of property, plant and equipment	(3,325)	(213)
Placement of time deposits with maturity of more than three months	(255,298)	(12,403)
Release of time deposits with maturity of more than three months	29,622	20,235
<b>Net cash (used in) from investing activities</b>	<b>(232,999)</b>	4,785
Placement of restricted deposits	–	(721,723)
Withdrawal of restricted deposits	–	721,723
Repayment of lease liabilities	(12,935)	(12,122)
New bank loans raised	150,000	83,038
Repayment of bank loans	(70,000)	(95,000)
Repayment of collateralised debt obligations	–	(230,300)
<b>Net cash from (used in) financing activities</b>	<b>67,065</b>	(254,384)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(71,465)</b>	107,339
<b>Effect of changes in exchange rate</b>	<b>1,185</b>	(1,831)
<b>Cash and cash equivalents at beginning of the period</b>	<b>864,964</b>	764,987
<b>Cash and cash equivalents at end of the period</b>	<b>794,684</b>	870,495
Being:		
Time deposits with maturity of three months or less	220,134	60,357
Bank balances and cash	574,550	810,138
	<b>794,684</b>	870,495

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st May 2021

### 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 2021 that is included in the unaudited results for the three months ended 31st May 2021 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 2021 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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 28th February 2021.

### 2. REVENUE

	<b>1.3.2021 to 31.5.2021 (Unaudited) HK\$’000</b>	1.3.2020 to 31.5.2020 (Unaudited) HK\$’000
Interest income	<b>218,053</b>	258,310
Fees and commissions		
– Credit cards	<b>15,039</b>	14,389
– Insurance	<b>6,420</b>	6,532
Handling and late charges	<b>14,982</b>	18,239
	<b>254,494</b>	297,470

### 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:

##### 1.3.2021 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>
<b>REVENUE</b>	<b><u>201,239</u></b>	<b><u>46,835</u></b>	<b><u>6,420</u></b>	<b><u>254,494</u></b>
<b>RESULT</b>				
Segment results	<b><u>73,250</u></b>	<b><u>39,254</u></b>	<b><u>3,108</u></b>	<b>115,612</b>
Unallocated operating income				<b>600</b>
Unallocated expenses				<b>(742)</b>
Share of results of an associate				<b>592</b>
Profit before tax				<b><u>116,062</u></b>

##### 1.3.2020 to 31.5.2020 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b><u>231,509</u></b>	<b><u>59,429</u></b>	<b><u>6,532</u></b>	<b><u>297,470</u></b>
<b>RESULT</b>				
Segment results	<b><u>72,943</u></b>	<b><u>12,824</u></b>	<b><u>3,464</u></b>	<b>89,231</b>
Unallocated operating income				<b>395</b>
Unallocated expenses				<b>(596)</b>
Share of results of an associate				<b>1,061</b>
Profit before tax				<b><u>90,091</u></b>

## Geographical information

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

### 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>
<b>REVENUE</b>	<b>250,236</b>	<b>4,258</b>	<b>254,494</b>
<b>RESULT</b>			
Segment results	<b>116,438</b>	<b>(826)</b>	<b>115,612</b>
Unallocated operating income			<b>600</b>
Unallocated expenses			<b>(742)</b>
Share of results of an associate			<b>592</b>
Profit before tax			<b>116,062</b>

### 1.3.2020 to 31.5.2020 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>295,030</b>	<b>2,440</b>	<b>297,470</b>
<b>RESULT</b>			
Segment results	<b>90,640</b>	<b>(1,409)</b>	<b>89,231</b>
Unallocated operating income			<b>395</b>
Unallocated expenses			<b>(596)</b>
Share of results of an associate			<b>1,061</b>
Profit before tax			<b>90,091</b>

#### 4. OTHER GAINS AND LOSSES

	<b>1.3.2021 to 31.5.2021 (Unaudited) HK\$'000</b>	1.3.2020 to 31.5.2020 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain on hedging instruments released from cash flow hedge reserve	<b>8,880</b>	3,443
Exchange loss on a bank loan	<b>(8,880)</b>	(3,443)
Other exchange gains (losses), net	<b>30</b>	(22)
Hedge ineffectiveness on cash flow hedges, net	<b>68</b>	68
Losses on disposal of property, plant and equipment	<b>(3)</b>	–
	<b>95</b>	<b>46</b>

#### 5. OPERATING EXPENSES

	<b>1.3.2021 to 31.5.2021 (Unaudited) HK\$'000</b>	1.3.2020 to 31.5.2020 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	<b>7,035</b>	9,031
Depreciation on right-of-use assets	<b>13,257</b>	11,587
Expenses relating to short-term leases	<b>403</b>	1,958
	<b>13,660</b>	13,545
General administrative expenses	<b>40,005</b>	38,066
Marketing and promotion expenses	<b>25,082</b>	13,336
Other operating expenses	<b>14,436</b>	15,824
Staff costs including directors' emoluments	<b>38,910</b>	35,895
	<b>139,128</b>	<b>125,697</b>

#### 6. ADVANCES AND RECEIVABLES

	<b>31.5.2021 (Unaudited) HK\$'000</b>	28.2.2021 (Audited) HK\$'000
Credit card receivables	<b>3,197,981</b>	3,214,899
Personal loan receivables	<b>768,013</b>	781,014
	<b>3,965,994</b>	3,995,913
Accrued interest and other receivables	<b>60,641</b>	66,359
Gross advances and receivables	<b>4,026,635</b>	4,062,272
Impairment allowances ( <i>note 7</i> )	<b>(181,150)</b>	(218,504)
	<b>3,845,485</b>	3,843,768
Current portion included under current assets	<b>(3,242,737)</b>	(3,254,632)
Amount due after one year	<b>602,748</b>	589,136

## 7. IMPAIRMENT ALLOWANCES

	<b>31.5.2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2021 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	<b>103,780</b>	115,771
Personal loan receivables	<b>74,810</b>	99,518
Accrued interest and other receivables	<b>2,560</b>	3,215
	<b>181,150</b>	218,504

An analysis of movements in impairment allowances during each of the two periods ended 31st May 2021 and 31st May 2020 are set out as below:

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2020	91,705	49,711	121,092	262,508
Net (repayment) addition in advances and receivables	(2,482)	1,407	(16,097)	(17,172)
Transfer to 12 months expected credit loss (Stage 1)	41,232	(37,619)	(3,613)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(3,603)	7,121	(3,518)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7)	(28,742)	28,749	–
Total transfer between stages	37,622	(59,240)	21,618	–
Remeasurement of expected credit loss during the period	(30,248)	53,247	74,203	97,202
Amounts written-off as uncollectable	–	–	(61,945)	(61,945)
Exchange realignment	(5)	(2)	(39)	(46)
At 31st May 2020	<u>96,592</u>	<u>45,123</u>	<u>138,832</u>	<u>280,547</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:

	31.05.2021 (Unaudited)		28.02.2021 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	36,943	0.9	44,087	1.1
Overdue 2 months but less than 3 months	34,921	0.9	37,261	0.9
Overdue 3 months but less than 4 months	14,988	0.4	20,330	0.5
Overdue 4 months or above	61,403	1.5	66,909	1.6
	<u>148,255</u>	<u>3.7</u>	<u>168,587</u>	<u>4.1</u>

\* *Percentage of gross advances and receivables*

## 9. BANK BORROWINGS

	<b>31.5.2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	28.2.2021 (Audited) HK\$'000
Carrying amount repayable ( <i>Note</i> )		
Within one year	<b>522,982</b>	527,635
Within a period of more than one year but not more than two years	<b>100,000</b>	165,000
Within a period of more than two years but not more than five years	<b>631,234</b>	407,100
Within a period of more than five years	–	83,146
	<b>1,254,216</b>	1,182,881
Amount repayable within one year included under current liabilities	<b>(522,982)</b>	(527,635)
Amount repayable after one year	<b>731,234</b>	655,246

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

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>31.5.2021</b> <b>(Unaudited)</b>		28.2.2021 (Audited)	
	<b>Assets</b> <b>HK\$'000</b>	<b>Liabilities</b> <b>HK\$'000</b>	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	–	<b>15,535</b>	–	11,182
Cross-currency interest rate swaps	–	<b>25,303</b>	–	14,839
	–	<b>40,838</b>	–	26,021
Current portion	–	<b>(3,998)</b>	–	(4,384)
	–	<b>36,840</b>	–	21,637
Non-current portion	–	<b>36,840</b>	–	21,637

All derivative financial instruments entered by the Group that remain outstanding at 31st May 2021 and 28th February 2021 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

Although rollout of vaccinations had already taken place in many parts of the world, COVID-19 continued to pose significant threat to the Asia Pacific and other regions throughout the first quarter, dashing any hopes of a full resumption of business and travel. With the progressive relaxation of social distancing rules locally, economic activities in Hong Kong showed some signs of recovery, with a drop in unemployment rates and slight increase in domestic consumption. However, demand for consumer credit generally remained sluggish. In the first quarter, despite that the anticipated recovery in sales and receivables was not fully achieved, the Group increased the scale of credit card and personal loan promotions and achieved an increase in sales of 12% when compared with the first quarter of last year (“previous period”).

In the first quarter, the Company started the second phase of its core system replacement project for developing the new card and loan system and commenced the replacement of its netmember and mobile application systems intended to deliver a better customer experience. At the same time, the Group continued to improve its credit assessment criteria to strike a better balance between customers’ specific financial needs and the Group’s prudent credit risk management.

### Financial Review

For the three months ended 31st May 2021, profit before tax was HK\$116.1 million, an increase of HK\$26.0 million when compared with the previous period. After deducting income tax expense of HK\$19.1 million, the Group recorded an increase in profit of 28.8% or HK\$21.7 million, with profit after tax increasing from HK\$75.3 million in the previous period to HK\$97.0 million in the current period. Earnings per share increased from 17.97 HK cents to 23.15 HK cents for the reporting period.

Net debt to equity ratio was 0.1 at 31st May 2021 and 28th February 2021, while equity to total assets ratio was 67.1% and 67.3% at 31st May 2021 and 28th February 2021 respectively.

Net asset value per share (after final dividend) at 31st May 2021 was HK\$8.2, as compared with the net asset value per share (after final dividend) of HK\$8.0 at 28th February 2021.

### Consolidated Statement of Profit or Loss Analysis

#### *Revenue*

Revenue for the period was HK\$254.5 million, a decrease of 14.4% or HK\$43.0 million when compared with HK\$297.5 million in the previous period.

### *Net interest income*

With consumer spending primarily focused on daily necessities, sales had been gradually picking up. The Group recorded a decrease in interest income of 15.6% or HK\$40.3 million, from HK\$258.3 million in the first three months ended 31st May 2020 to HK\$218.1 million in the reporting period because of a drop in receivables. Nonetheless, receivables have started to pick up in May 2021.

Following full repayment of collateralized debt obligation and a reduction of other bank borrowings, the Group's interest expense recorded a decrease of 32.3% or HK\$4.2 million, from HK\$12.9 million in the previous period to HK\$8.7 million in the reporting period. Average funding cost for the reporting period and the previous period was 2.6% and 2.5%.

Consequently, net interest income of the Group in the current period was HK\$209.3 million, representing a decrease of HK\$36.1 million when compared with previous period.

### *Operating income*

With a promising rise in card credit purchase sales, fees and commissions from the credit card business brought about an increase of HK\$0.6 million to HK\$15.0 million in the current period. Fees and commissions from the insurance intermediary business remained stable at around HK\$6.4 million. Consequently, the Group recorded a slight increase of HK\$0.5 million in fees and commissions from HK\$20.9 million in the first three months of 2020/21 to HK\$21.5 million in the current period. Timely payments from customers led to a reduction in handling and late charges received by HK\$3.3 million to HK\$15.0 million in the reporting period.

Operating income of the Group for the first three months of 2021/22 recorded a decrease of HK\$37.6 million from HK\$285.8 million in 2010/21 to HK\$248.1 million in the reporting period.

### *Operating expenses*

In preparation of resurgent economic activities in the second half of this year, the Group had allocated more money for marketing and promotion activities aimed at generating higher sales, with relevant promotional activities already launched in the first quarter, resulting in an increase of marketing and promotion expenses of HK\$11.7 million to reach HK\$25.1 million in the reporting period. Largely to cater for the revamp projects on new card and loan system and on netmember and mobile application as well as hiring a new data analytics team, staff costs and general administration expenses recorded an increase of HK\$3.0 million and HK\$1.9 million respectively when compared with the previous period.

Overall operating expenses recorded an increase of HK\$13.4 million from HK\$125.7 million in the previous period to HK\$139.1 million in the current period. Coupled with a drop in operating income, cost-to-income ratio increased from 44.0% in the previous period to 56.1% in the current period.

At the operating level, before impairment losses and impairment allowances, the Group recorded an operating profit of HK\$109.0 million for the three months ended 31st May 2021, a decrease of 31.9% or HK\$51.0 million when compared with the previous period.

#### *Impairment losses and impairment allowances*

The continued enhancement of credit assessment had built up a quality portfolio in the Group. Coupled with the expected improvement in the economic situation, a drop in unemployment rate, as well as its effective collection effort to reduce the overdue advances and receivables, this had resulted in a significant improvement with the impairment losses and impairment allowances in the first three months of 2021/22, recording a decrease of 95.3% or HK\$76.3 million, from HK\$80.0 million in the first three months of 2020/21 to HK\$3.8 million in the first three months of 2021/22.

#### **Statement of Financial Position Analysis**

The Group's equity at 31st May 2021 was HK\$3,519.4 million, representing a growth of 2.8% or HK\$97.4 million when compared with the balance of HK\$3,422.0 million at 28th February 2021.

Gross advances and receivables recorded a decrease of 0.9%, or HK\$35.6 million, from HK\$4,062.3 million at 28th February 2021 to HK\$4,026.6 million at 31st May 2021. At the same time, overdue advances and receivables decreased from HK\$168.6 million at 28th February 2021 to HK\$148.3 million at 31st May 2021. Total assets at 31st May 2021 were HK\$5,241.7 million, as compared to total assets of HK\$5,083.4 million at 28th February 2021.

#### **Segment Information**

In the first three months of 2021/22, notwithstanding the recovery in sales, the decrease in credit card receivable balance resulted in the revenue from credit card operations in 2021/22 decreasing by 13.1% or HK\$30.3 million from HK\$231.5 million in 2020/21 to HK\$201.2 million in 2021/22. This was offset by the improvement in impairment losses and allowances, and the segment results for the period recorded a slight increase of HK\$0.3 million from HK\$72.9 million in 2020/21 to HK\$73.2 million in 2021/22.

For personal loans, as the receivable balance has not fully recovered as expected, revenue from personal loan operations in the first three months of 2021/22 decreased by 21.2% or HK\$12.6 million from HK\$59.4 million in 2020/21 to HK\$46.8 million in the reporting period. The significant improvement in impairment losses and impairment allowances in the reporting period had resulted in the segment results for the period recording an increase of HK\$26.4 million from HK\$12.8 million in 2020/21 to HK\$39.3 million in 2021/22.

Insurance intermediary operations remained stable, with segment revenue and segment results being HK\$6.4 million and HK\$3.1 million respectively in the reporting period, as compared to HK\$6.5 million and HK\$3.5 million in the previous year.

In relation to financial information by geographical locations, revenue from Hong Kong operations recorded a decrease of 15.2% or HK\$44.8 million, from HK\$295.0 million in 2020/21 to HK\$250.2 million in 2021/22, broadly resulting from an overall lower revolving credit card balance as compared with the previous period. Through continued improvement of asset quality under the downsizing portfolio, the segment results recorded an increase of 28.5% or HK\$25.8 million, from HK\$90.6 million in 2020/21 to HK\$116.4 million in 2021/22.

For the China operations, as the Group's Tianjin operation having commenced voluntary liquidation in the fourth quarter of 2020/21, the Group was able to concentrate on improving the financial performance of the remaining microfinance subsidiary in Shenzhen. In the first quarter, the microfinance subsidiary continued to tighten its cost control measures while looking for new marketing channels. Sales in the subsidiary started to pick up in the reporting period, resulting in an increase in revenue of HK\$1.8 million, from HK\$2.4 million in 2020/21 to HK\$4.3 million in 2021/22. Moreover, the effort to control costs and improve asset quality resulted in a reduction of loss in the period by HK\$0.6 million to HK\$0.8 million from HK\$1.4 million in 2020/21.

## **Prospects**

With more vaccine incentives on offer, the vaccination rate is expected to increase, leading to the further expectation that the pandemic can soon be brought under stricter control. Economic activities in Hong Kong are thus expected to rebound in the second half of 2021/22. To better ensure the effectiveness of marketing channels in place and to capture any potential increase in market demand, the Group will place more emphasis on using social media and mobile applications in order to promote its products and marketing programs, with the expected launch of online application for credit cards through mobile applications in the second quarter. As unemployment rates are also expected to stabilize, continued improvement in the credit environment is anticipated. Besides AEON Stores, the Group will also line up with more physical and online merchants with a greater diversity of offers to stimulate customer spendings. Moreover, the Group will work towards a more effective credit policy that can maximize the profitability in extending credit but without unduly increasing risk beyond its appetite.

Our digitalization strategy had minimized the need to have face-to-face contact and manual operations so as to avoid the impact on operations from any future unexpected changes as might arise during the pandemic. In the meantime, the Group will continue to commit to further completing its digital transformation initiatives and upgrade its capabilities to respond to market uncertainties and changes. Thankfully, our strong capital base and low gearing can facilitate the Group in seizing new business opportunities in the turbulent financial markets. To prepare for keen competition that may arise during the resumption of normal market conditions, the Group will continue to enhance card benefits and find yet other new technologies to deliver premium customer experience. With the increase in sales in the first quarter and the bouncing back of receivables in May 2021, as well as all the favourable factors mentioned above, the Group is confident to sustain the growth trend.

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, 25th June 2021

*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. 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.*