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## **AEON CREDIT SERVICE (ASIA) CO., LTD.**

**AEON 信貸財務(亞洲)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 900)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST AUGUST 2024**

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 six months ended 31st August 2024, together with comparative figures of the previous period as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 31st August 2024*

	<i>Notes</i>	<b>1.3.2024 to 31.8.2024 (Unaudited) HK\$'000</b>	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>
Revenue	3	<b>860,321</b>	783,109
Interest income	5	<b>734,492</b>	657,771
Interest expense	6	<b>(64,537)</b>	(46,721)
Net interest income		<b>669,955</b>	611,050
Fees and commissions		<b>62,148</b>	62,748
Handling and late charges		<b>63,681</b>	62,590
Other income	7	<b>8,313</b>	5,377
Other gains and losses	8	<b>118</b>	(9,085)
Operating income		<b>804,215</b>	732,680
Operating expenses	9	<b>(378,246)</b>	(351,383)
Operating profit before impairment losses and impairment allowances		<b>425,969</b>	381,297
Impairment losses and impairment allowances		<b>(236,101)</b>	(164,633)
Recoveries of advances and receivables written-off		<b>13,343</b>	14,201
Profit before tax		<b>203,211</b>	230,865
Income tax expense	10	<b>(32,850)</b>	(39,439)
Profit for the period		<b>170,361</b>	191,426
Profit for the period attributable to: Owners of the Company		<b>170,361</b>	191,426
Earnings per share — Basic	12	<b>40.68 HK cents</b>	45.71 HK cents

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

*For the six months ended 31st August 2024*

	<b>1.3.2024 to 31.8.2024 (Unaudited) HK\$'000</b>	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Profit for the period	<u><b>170,361</b></u>	<u>191,426</u>
<b>Other comprehensive income (expense)</b>		
Item that will not be reclassified to profit or loss:		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	<b>5,333</b>	(21,306)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	<b>2,261</b>	(6,292)
Fair value adjustment on cash flow hedges, net of tax	<b>(10,741)</b>	(17,496)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	<u><b>(8,665)</b></u>	<u>10,351</u>
Other comprehensive expense for the period	<u><b>(11,812)</b></u>	<u>(34,743)</u>
Total comprehensive income for the period	<u><b>158,549</b></u>	<u>156,683</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u><b>158,549</b></u>	<u>156,683</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st August 2024

		31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
	NOTES		
<b>Non-current assets</b>			
Property, plant and equipment		170,308	172,341
Intangible assets		29,923	31,133
Right-of-use assets		121,032	118,631
Goodwill		15,820	15,820
Equity instruments at fair value through other comprehensive income		97,977	92,644
Advances and receivables	13	1,572,145	1,512,414
Prepayments, deposits and other debtors	15	48,589	35,782
Derivative financial instruments	18	10,965	23,628
Deferred tax assets		13,356	5,454
		<u>2,080,115</u>	<u>2,007,847</u>
<b>Current assets</b>			
Advances and receivables	13	5,383,671	5,201,354
Prepayments, deposits and other debtors	15	86,437	78,691
Amount due from immediate holding company		–	1
Amount due from an intermediate holding company		–	31
Derivative financial instruments	18	845	–
Time deposits		21,417	15,319
Bank balances and cash		279,828	257,989
		<u>5,772,198</u>	<u>5,553,385</u>
<b>Current liabilities</b>			
Creditors and accruals	16(a)	253,931	261,832
Contract liabilities	16(b)	34,386	21,554
Amounts due to fellow subsidiaries		21,091	17,872
Amount due to an intermediate holding company		8,834	4,722
Borrowings from immediate holding company	17	800,000	800,000
Bank borrowings	17	710,037	468,685
Lease liabilities		40,917	38,243
Derivative financial instruments	18	58,943	59,109
Tax liabilities		22,997	5,526
		<u>1,951,136</u>	<u>1,677,543</u>
<b>Net current assets</b>		<u>3,821,062</u>	<u>3,875,842</u>
<b>Total assets less current liabilities</b>		<u>5,901,177</u>	<u>5,883,689</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Continued)**

*At 31st August 2024*

		<b>31.8.2024</b> <b>(Unaudited)</b> <b>HK\$'000</b>	29.2.2024 (Audited) HK\$'000
	<i>NOTES</i>		
<b>Capital and reserves</b>			
Share capital		<b>269,477</b>	269,477
Reserves		<b>3,856,561</b>	3,798,516
<b>Total equity</b>		<b>4,126,038</b>	4,067,993
<b>Non-current liabilities</b>			
Bank borrowings	17	<b>1,661,123</b>	1,709,571
Deferred tax liabilities		–	88
Lease liabilities		<b>86,389</b>	84,097
Derivative financial instruments	18	<b>27,627</b>	21,940
		<b>1,775,139</b>	1,815,696
		<b>5,901,177</b>	5,883,689

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st August 2024

	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 2023 (Audited)	269,477	73,311	50,342	(11,613)	3,510,943	3,892,460
Profit for the period	–	–	–	–	191,426	191,426
Fair value loss on equity instruments at fair value through other comprehensive income	–	(21,306)	–	–	–	(21,306)
Exchange difference arising from translation of foreign operations	–	–	–	(6,292)	–	(6,292)
Fair value adjustment on cash flow hedges, net of tax	–	–	(17,496)	–	–	(17,496)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	10,351	–	–	10,351
Total comprehensive (expense) income for the period	–	(21,306)	(7,145)	(6,292)	191,426	156,683
Final dividend paid for 2022/23 (Note 11)	–	–	–	–	(92,128)	(92,128)
At 31st August 2023 (Unaudited)	269,477	52,005	43,197	(17,905)	3,610,241	3,957,015
<b>At 1st March 2024 (Audited)</b>	<b>269,477</b>	<b>68,821</b>	<b>35,582</b>	<b>(16,468)</b>	<b>3,710,581</b>	<b>4,067,993</b>
Profit for the period	–	–	–	–	170,361	170,361
Fair value gain on equity instruments at fair value through other comprehensive income	–	5,333	–	–	–	5,333
Exchange difference arising from translation of foreign operations	–	–	–	2,261	–	2,261
Fair value adjustment on cash flow hedges, net of tax	–	–	(10,741)	–	–	(10,741)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	(8,665)	–	–	(8,665)
Total comprehensive income (expense) for the period	–	5,333	(19,406)	2,261	170,361	158,549
Final dividend paid for 2023/24 (Note 11)	–	–	–	–	(100,504)	(100,504)
At 31st August 2024 (Unaudited)	269,477	74,154	16,176	(14,207)	3,780,438	4,126,038

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31st August 2024

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
<b>Net cash used in operating activities</b>	<b>(201)</b>	<b>(327,527)</b>
Dividends received	–	36
Proceeds from sale of property, plant and equipment	1	7
Purchase of property, plant and equipment and intangible assets	(12,378)	(50,442)
Deposits paid for acquisition of property, plant and equipment and intangible assets	(14,489)	(26,237)
Placement of time deposits with maturity of more than three months	(3,849)	–
Release of time deposits with maturity of more than three months	1,650	7,858
<b>Net cash used in investing activities</b>	<b>(29,065)</b>	<b>(68,778)</b>
Repayment of lease liabilities	(30,322)	(30,726)
Dividends paid	(100,504)	(92,128)
New borrowings from immediate holding company raised	–	5,600,000
Repayment of borrowings from immediate holding company	–	(5,000,000)
New bank loans raised	7,013,665	6,305,064
Repayment of bank loans	(6,827,860)	(6,424,869)
<b>Net cash from financing activities</b>	<b>54,979</b>	<b>357,341</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>25,713</b>	<b>(38,964)</b>
<b>Effect of changes in exchange rate</b>	<b>(16)</b>	<b>(1,742)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>271,658</b>	<b>387,508</b>
<b>Cash and cash equivalents at end of the period</b>	<b>297,355</b>	<b>346,802</b>
Being:		
Time deposits with maturity of three months or less	17,527	15,588
Bank balances and cash	279,828	331,214
	<b>297,355</b>	<b>346,802</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31st August 2024*

## 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 (“HKICPA”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

The financial information relating to the year ended 29th February 2024 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 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st August 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 29th February 2024.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1st March 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRSs in the current interim 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.

#### ***2.1 Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")***

The Group has applied the new accounting policy and the amendments retrospectively. The application of the amendments in the current period has the following impacts on borrowings which are subject to meeting certain covenants within 12 months from reporting date.

The Group's right to defer settlement for borrowings of HK\$1,317,698,000 and HK\$1,709,571,000 as at 1st March 2023 and 29th February 2024, respectively are subject to compliance with certain financial ratios only after the reporting period. Upon the application of the 2022 Amendments, such borrowings are still classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

Except as described above, the application of the 2020 and 2022 Amendments has no other material impact on the classification of the Group's other liabilities.



### 3. REVENUE

	<b>1.3.2024 to 31.8.2024 (Unaudited) HK\$'000</b>	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>
Interest income	<b>734,492</b>	657,771
Fees and commissions		
Credit cards — issuing	<b>19,386</b>	31,223
Credit cards — acquiring	<b>27,401</b>	20,469
Insurance	<b>15,361</b>	11,056
Handling and late charges	<b>63,681</b>	62,590
Revenue from contracts with customers	<b>125,829</b>	125,338
Total revenue	<b>860,321</b>	783,109

#### 1.3.2024 to 31.8.2024 (Unaudited)

	<b>Credit cards HK\$'000</b>	<b>Personal loans HK\$'000</b>	<b>Insurance HK\$'000</b>	<b>Total HK\$'000</b>
Interest income	<b>565,085</b>	<b>169,385</b>	22	<b>734,492</b>
Fees and commissions	<b>46,787</b>	–	<b>15,361</b>	<b>62,148</b>
Handling and late charges	<b>57,105</b>	<b>6,576</b>	–	<b>63,681</b>
Segment revenue	<b>668,977</b>	<b>175,961</b>	<b>15,383</b>	<b>860,321</b>

#### 1.3.2023 to 31.8.2023 (Unaudited)

	<b>Credit cards HK\$'000</b>	<b>Personal loans HK\$'000</b>	<b>Insurance HK\$'000</b>	<b>Total HK\$'000</b>
Interest income	516,080	141,691	–	657,771
Fees and commissions	51,692	–	11,056	62,748
Handling and late charges	56,280	6,310	–	62,590
Segment revenue	624,052	148,001	11,056	783,109

#### 4. SEGMENT INFORMATION

##### Services from which operating and reportable segments derive their revenues

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

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

##### Segment revenue and results

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

##### 1.3.2024 to 31.8.2024 (Unaudited)

	<b>Credit cards</b> <i>HK\$'000</i>	<b>Personal loans</b> <i>HK\$'000</i>	<b>Insurance</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>	<b>668,977</b>	<b>175,961</b>	<b>15,383</b>	<b>860,321</b>
<b>RESULT</b>				
Segment results	<b>212,379</b>	<b>(14,542)</b>	<b>6,295</b>	<b>204,132</b>
Unallocated operating income				<b>555</b>
Unallocated expenses				<b>(1,476)</b>
Profit before tax				<b>203,211</b>

##### 1.3.2023 to 31.8.2023 (Unaudited)

	<b>Credit cards</b> <i>HK\$'000</i>	<b>Personal loans</b> <i>HK\$'000</i>	<b>Insurance</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>	<b>624,052</b>	<b>148,001</b>	<b>11,056</b>	<b>783,109</b>
<b>RESULT</b>				
Segment results	<b>200,034</b>	<b>26,925</b>	<b>4,984</b>	<b>231,943</b>
Unallocated operating income				<b>1,438</b>
Unallocated expenses				<b>(2,516)</b>
Profit before tax				<b>230,865</b>

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results (Continued)

The accounting policies of operating and reportable segments are the same as the Group's accounting policies. Segment results represent the profit before tax earned by each segment without allocation of certain other operating income (including dividend income), unallocated expenses (including head office expenses). This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

##### Geographical information

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

##### 1.3.2024 to 31.8.2024 (Unaudited)

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>	<b>841,852</b>	<b>18,469</b>	<b>860,321</b>
<b>RESULT</b>			
Segment results	<b>201,368</b>	<b>2,764</b>	<b>204,132</b>
Unallocated operating income			<b>555</b>
Unallocated expenses			<b>(1,476)</b>
Profit before tax			<b>203,211</b>

##### 1.3.2023 to 31.8.2023 (Unaudited)

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>	<b>770,192</b>	<b>12,917</b>	<b>783,109</b>
<b>RESULT</b>			
Segment results	<b>229,638</b>	<b>2,305</b>	<b>231,943</b>
Unallocated operating income			<b>1,438</b>
Unallocated expenses			<b>(2,516)</b>
Profit before tax			<b>230,865</b>

## 5. INTEREST INCOME

	<b>1.3.2024 to 31.8.2024 (Unaudited) HK\$'000</b>	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>
Non-credit impaired advances	<b>723,887</b>	651,073
Credit impaired advances	<b>10,212</b>	6,530
Time deposits and bank balances	<b>393</b>	168
	<b><u>734,492</u></b>	<b><u>657,771</u></b>

## 6. INTEREST EXPENSE

	<b>1.3.2024 to 31.8.2024 (Unaudited) HK\$'000</b>	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>
Interest on borrowings from immediate holding company	<b>17,101</b>	7,432
Interest on bank borrowings	<b>47,849</b>	43,001
Interest on lease liabilities	<b>2,857</b>	1,707
Net interest income on interest rate swap contracts	<b>(3,270)</b>	(5,419)
	<b><u>64,537</u></b>	<b><u>46,721</u></b>

## 7. OTHER INCOME

	<b>1.3.2024 to 31.8.2024 (Unaudited) HK\$'000</b>	<b>1.3.2023 to 31.8.2023 (Unaudited) HK\$'000</b>
Dividends received from financial instruments		
Listed equity securities	<b>–</b>	36
Marketing support fund	<b>7,758</b>	3,938
Others	<b>555</b>	1,403
	<b><u>8,313</u></b>	<b><u>5,377</u></b>

## 8. OTHER GAINS AND LOSSES

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain (loss) on hedging instrument released from cash flow hedge reserve	5,395	(15,770)
Exchange (loss) gain on bank loans	(5,395)	15,770
Other exchange loss, net	(50)	(21)
Hedge ineffectiveness on cash flow hedges	202	202
Losses on disposal of property, plant and equipment	(34)	(9,266)
	<u>118</u>	<u>(9,085)</u>

## 9. OPERATING EXPENSES

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Depreciation on property, plant and equipment and amortization of intangible assets	23,525	21,097
Depreciation on right-of-use assets	30,927	28,542
Expenses relating to short-term leases	1,614	2,337
	<u>32,541</u>	<u>30,879</u>
General administrative expenses	113,306	101,085
Marketing and promotion expenses	50,818	53,636
Other operating expenses	38,828	39,779
Staff costs including Directors' emoluments	119,228	104,907
	<u>378,246</u>	<u>351,383</u>

## 10. INCOME TAX EXPENSE

	1.3.2024 to 31.8.2024 (Unaudited) HK\$'000	1.3.2023 to 31.8.2023 (Unaudited) HK\$'000
Current tax		
— Hong Kong Profits Tax	37,868	29,899
— PRC Enterprise Income Tax	110	80
Deferred tax	(5,128)	9,460
	<u>32,850</u>	<u>39,439</u>

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

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

A Company's PRC subsidiary is a qualified small and thin-profit enterprise, which annual taxable income up to RMB3 million is subject to an effective tax rate of 5% from 1st January 2023 to 31st December 2027.

## 11. DIVIDENDS

On 26th July 2024, a dividend of 24.0 HK cents (six months ended 31st August 2023: 22.0 HK cents) per share amounting to a total of HK\$100,504,000 (six months ended 31st August 2023: HK\$92,128,000) was paid to shareholders as the final dividend for 2023/24 (six months ended 31st August 2023: final dividend for 2022/23).

In respect of the current interim period, the Directors have declared an interim dividend of 24.0 HK cents per share amounting to HK\$100,504,000 payable to the shareholders of the Company whose names appear on the Register of Members on 16th October 2024. The interim dividend will be paid on 31st October 2024. This interim dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

## 12. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share is based on the unaudited profit for the period of HK\$170,361,000 (six months ended 31st August 2023: HK\$191,426,000) and on the number of shares of 418,766,000 (six months ended 31st August 2023: 418,766,000) in issue during the period.

### 13. ADVANCES AND RECEIVABLES

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Credit card receivables	5,339,890	5,188,549
Personal loan receivables	1,674,542	1,573,989
	<b>7,014,432</b>	6,762,538
Accrued interest and other receivables	210,893	198,321
	<b>7,225,325</b>	6,960,859
Gross advances and receivables	(269,509)	(247,091)
Impairment allowances ( <i>Note 14</i> )		
	<b>6,955,816</b>	6,713,768
Current portion included under current assets	(5,383,671)	(5,201,354)
	<b>1,572,145</b>	1,512,414
Amount due after one year		

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

At 31st August 2024, the personal loan receivables include rescheduled loan receivables of HK\$172,146,000 (29th February 2024: HK\$135,744,000).

Set out below is an analysis of gross balance of advances and receivables (excluding impairment allowances):

	31.8.2024 (Unaudited) HK\$'000	%*	29.2.2024 (Audited) HK\$'000	%*
Stage 1	6,917,590	95.7	6,682,702	96.0
Stage 2	62,850	0.9	75,389	1.1
Stage 3	244,885	3.4	202,768	2.9
	<b>7,225,325</b>	<b>100.0</b>	<b>6,960,859</b>	<b>100.0</b>

\* *Percentage of gross advances and receivables*

Stage 1 covers the advances and receivables which credit risk has not significantly increased since initial recognition.

Stage 2 covers the advances and receivables which credit risk has significantly increased since initial recognition.

Stage 3 covers the advances and receivables for which credit loss events occurred and become credit-impaired.

## 14. IMPAIRMENT ALLOWANCES

	<b>31.8.2024</b> <b>(Unaudited)</b> <b>HK\$'000</b>	29.2.2024 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	<b>141,271</b>	146,731
Unused credit card limit	<b>2,609</b>	1,880
Personal loan receivables	<b>120,170</b>	93,147
Accrued interest and other receivables	<b>5,459</b>	5,333
	<b>269,509</b>	247,091

At 31st August 2024, the impairment allowance of personal loan receivables includes impairment allowance on rescheduled loan receivables of HK\$43,906,000 (29th February 2024: HK\$36,082,000).

An analysis of changes in impairment allowances including commitments on unused credit card limit during each of the two periods ended 31st August 2024 and 31st August 2023 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 2024	<b>123,883</b>	<b>32,208</b>	<b>91,000</b>	<b>247,091</b>
Net advance (repayment) in advances and receivables	<b>9,587</b>	<b>(2,768)</b>	<b>(5,004)</b>	<b>1,815</b>
Transfer to 12-months Expected Credit Loss ("ECL") (Stage 1)	<b>15,347</b>	<b>(14,450)</b>	<b>(897)</b>	<b>–</b>
Transfer to lifetime ECL not credit impaired (Stage 2)	<b>(3,462)</b>	<b>4,556</b>	<b>(1,094)</b>	<b>–</b>
Transfer to lifetime ECL credit impaired (Stage 3)	<b>(2,414)</b>	<b>(63,468)</b>	<b>65,882</b>	<b>–</b>
Total transfer between stages	<b>9,471</b>	<b>(73,362)</b>	<b>63,891</b>	<b>–</b>
Remeasurement of ECL during the period	<b>1,890</b>	<b>70,284</b>	<b>162,112</b>	<b>234,286</b>
Amounts written-off as uncollectable	<b>–</b>	<b>–</b>	<b>(213,831)</b>	<b>(213,831)</b>
Exchange realignment	<b>36</b>	<b>24</b>	<b>88</b>	<b>148</b>
At 31st August 2024	<b>144,867</b>	<b>26,386</b>	<b>98,256</b>	<b>269,509</b>



#### 14. IMPAIRMENT ALLOWANCES (Continued)

	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 2023	97,642	18,878	75,189	191,709
Net advance (repayment) in advances and receivables	13,053	8,012	(4,494)	16,571
Transfer to 12-months ECL (Stage 1)	28,749	(26,909)	(1,840)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,544)	7,299	(3,755)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(645)	(45,181)	45,826	–
Total transfer between stages	24,560	(64,791)	40,231	–
Remeasurement of ECL during the period	(18,167)	64,476	101,753	148,062
Amounts written-off as uncollectable	–	–	(121,573)	(121,573)
Exchange realignment	(57)	(43)	(174)	(274)
At 31st August 2023	<u>117,031</u>	<u>26,532</u>	<u>90,932</u>	<u>234,495</u>

#### 15. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	<b>31.8.2024</b> <b>(Unaudited)</b> <b><i>HK\$'000</i></b>	29.2.2024 (Audited) <i>HK\$'000</i>
Deposits for property, plant and equipment	<b>28,470</b>	22,071
Deposits for intangible assets	<b>578</b>	850
Rental and other deposits	<b>18,125</b>	16,463
Prepaid operating expenses	<b>52,483</b>	43,108
Other debtors	<b>35,370</b>	31,981
	<u><b>135,026</b></u>	<u>114,473</u>
Current portion included under current assets	<u><b>(86,437)</b></u>	<u>(78,691)</u>
Amount due after one year	<u><b>48,589</b></u>	<u>35,782</u>

## 16. CREDITORS AND ACCRUALS/CONTRACT LIABILITIES

- (a) The aged analysis of creditors presented based on the invoice date at the end of the reporting period is as follows:

	31.8.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Less than 1 month	113,742	110,010
Over 1 month but less than 3 months	1,592	3,134
Over 3 months	369	315
	<u>115,703</u>	<u>113,459</u>

- (b) At 31st August 2024, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of HK\$34,386,000 (29th February 2024: HK\$21,554,000).

## 17. BANK BORROWINGS/BORROWINGS FROM IMMEDIATE HOLDING COMPANY

	31.8.2024 (Unaudited)		29.2.2024 (Audited)	
	Borrowings from immediate		Borrowings from immediate	
	Bank borrowings	holding company	Bank borrowings	holding company
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount repayable ( <i>Note</i> )				
Within one year	710,037	800,000	468,685	800,000
Within a period of more than one year but not more than two years	781,295	–	720,000	–
Within a period of more than two years but not more than five years	879,828	–	989,571	–
	<u>2,371,160</u>	<u>800,000</u>	<u>2,178,256</u>	<u>800,000</u>
Amount repayable within one year included under current liabilities	<u>(710,037)</u>	<u>(800,000)</u>	<u>(468,685)</u>	<u>(800,000)</u>
Amount repayable after one year	<u>1,661,123</u>	<u>–</u>	<u>1,709,571</u>	<u>–</u>

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

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

	31.8.2024		29.2.2024	
	(Unaudited)		(Audited)	
	Assets	Liabilities	Assets	Liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest rate swaps	11,810	8,928	23,628	2,471
Cross-currency interest rate swap	–	77,642	–	78,578
	<u>11,810</u>	<u>86,570</u>	<u>23,628</u>	<u>81,049</u>
Current portion	(845)	(58,943)	–	(59,109)
	<u>10,965</u>	<u>27,627</u>	<u>23,628</u>	<u>21,940</u>
Non-current portion				

All derivative financial instruments entered into by the Group that remain outstanding at 31st August 2024 and 29th February 2024 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 15th October 2024 to Wednesday, 16th October 2024, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 14th October 2024.

## **Compliance with Corporate Governance Code**

The Company is committed to maintaining a high standard of corporate governance to balance the interests of shareholders, customers, employees and other stakeholders. The Company has continued to comply with the code provisions of the Corporate Governance Code as applicable to the Company throughout the six months ended 31st August 2024 and set out then in Appendix C1 to the Listing Rules, with the exception of code provision B.2.2 which is explained below.

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

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

## **Compliance with Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own code for securities transactions by Directors pursuant to its own Securities Dealing Code. Having made specific enquiries of all Directors, they confirmed that they have complied with the required standard set out in the Model Code and the Company's own Securities Dealing Code throughout the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the six months ended 31st August 2024 (“1HFY2024/25” or the “Reporting Period”), the Hong Kong economy recorded moderate growth, thanks in part to the support from the Hong Kong government in stimulating domestic spending. However, the ‘higher-for-longer’ interest rate environment, combined with continued depressed capital and real estate markets, ongoing geopolitical conflicts and shifts in customer spending behavior, resulted in weakened economic indicators and a persistently high level of credit defaults.

To cope with the slower than expected economic recovery and other headwinds, the Group took timely measures during the Reporting Period to sustain the increase in both sales and receivables, while making significant efforts to enhance its risk-based pricing mechanism to maximize the return from its credit card and personal loan portfolios, and utilized an effective credit risk management mechanism to reduce the likelihood of credit impairment.

With regard to marketing, the Group utilized targeted marketing and attractive promotions such as “Day Day Spend & Rewards@Local/Overseas/Online Spending” and “AEON x Water World Ocean Park • Frenzy Summer Party Time” to better promote the competitive edge of its carefully devised products and services to the intended customers. The Group also organized themed roadshows at exhibitions and shopping malls to expand its reach. In addition, the Group continued to launch attractive incentive programs to stimulate local dining and overseas spending.

In order to diversify its branch network and meet customers’ growing demand for face-to-face advisory services, the Group continued to revamp and expand its branch network, including the opening of the new Shatin branch in June 2024 with a dedicated insurance consultation counter.

Regarding credit management, the continued enhancement of the Group’s credit assessment model with updated market indicators, along with the effective use of analytics tool in the collection department, has helped to achieve a finer balance between customers’ financial needs and credit risk, and strengthen the Group’s ability to provide customers with additional credit facilities that remain affordable. Consequently, the Group has greater capabilities in identifying customers in need of credit counseling and providing flexible solutions to reduce their financial burden.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Business Review (Continued)**

Despite the challenging market conditions, the Group achieved an overall increase in sales of 10.6% in 1H FY2024/25 compared with the first half of the previous year (“1H FY2023/24” or the “Previous Period”), and the gross advances and receivables balance continued to record an increase of 3.8% from the end of February 2024. Although there was an increase in credit defaults due to the negative market sentiment during the Reporting Period, the Group has taken robust credit monitoring measures to mitigate the further deterioration of asset quality, with the percentage of advances and receivables with credit risk increased significantly and the percentage of impaired credit (i.e., stage 2 and stage 3 receivables) to total advances and receivables increased slightly from 4.0% as at 29th February 2024 to 4.3% as at 31st August 2024.

To further strengthen the technological foundation, the Group has successfully relocated its core data center to Tseung Kwan O, with its infrastructure ranked top tier in terms of uptime guarantee, fault tolerance and competitive service cost. The new data center is located in a building purposely designed to meet internationally recognized green building certification standards, demonstrating the Group’s commitment to integrating sustainability into its business operations.

As for the Mainland China business, AEON Micro Finance (Shenzhen) Co., Ltd. (“AMF(SZ)”) achieved an increasing sales trend throughout the Reporting Period, while AEON Information Service (Shenzhen) Co., Ltd. (“AIS”) provided the Group with effective telemarketing activities to increase personal loan and cash advance sales.

### **Interim Dividend**

In view of the Group’s strong financial position and in order to once again share its fruitful results with shareholders, the Board has resolved to declare an interim dividend of 24.0 HK cents per share (1H FY2023/24: 24.0 HK cents per share), representing a dividend payout ratio of 59.0%, which is in line with the Group’s policy of paying no less than 30% of its net profit for the period as dividends.

### **Financial Review**

The Group recorded profit before tax of HK\$203.2 million for the Reporting Period, a decrease of 12.0%, or HK\$27.7 million, from the Previous Period. With income tax expense of HK\$32.9 million, the Group’s profit after tax decreased by 11.0%, or HK\$21.1 million, to HK\$170.4 million from HK\$191.4 million in the Previous Period. Earnings per share decreased from 45.71 HK cents to 40.68 HK cents for the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

The net debt to equity ratio was 0.7 as at 31st August 2024 and 29th February 2024, while the equity to total assets ratio as at 31st August 2024 and 29th February 2024 was 52.5% and 53.8% respectively.

Net asset value per share (after interim dividend) was HK\$9.6 as at 31st August 2024, compared with a net asset value per share (after final dividend) of HK\$9.5 as at 29th February 2024.

### *Consolidated Statement of Profit or Loss Analysis*

#### *Revenue*

Revenue for 1HFY2024/25 was HK\$860.3 million, an increase of 9.9%, or HK\$77.2 million, compared with the HK\$783.1 million recorded in 1HFY2023/24.

#### *Net interest income*

The Group implemented various marketing programs in 1HFY2024/25 in order to meet the market demand, successfully maintaining the sales growth despite the slow economic recovery. As a result, revolving credit card receivables and personal loan receivables continued to increase throughout the Reporting Period. Accordingly, the Group recorded an increase in interest income of 11.7%, or HK\$76.7 million, from HK\$657.8 million in the Previous Period to HK\$734.5 million in the Reporting Period.

The Group's interest expenses recorded an increase of HK\$17.8 million, from HK\$46.7 million in the Previous Period to HK\$64.5 million in the Reporting Period as a result of an increase in both the amount of bank borrowings to finance the debtor receivable balances and the generally higher interest rates in line with the market. With a borrowing portfolio comprising a mix of borrowing rates and maturities, the Group's average cost of funds increased from 3.9% in the Previous Period to 4.1% in 1HFY2024/25.

As a result, the Group's net interest income for 1HFY2024/25 was HK\$670.0 million, representing an increase of 9.6%, or HK\$58.9 million, compared with HK\$611.1 million in 1HFY2023/24.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

#### *Consolidated Statement of Profit or Loss Analysis (Continued)*

##### *Operating income*

Although the value of credit card purchases increased significantly during the Reporting Period, the increase in commission income was offset by the increase in the cost of operating the attractive cashback incentive scheme and campaigns, resulting in a decrease in fees and commissions from credit card issuing business of HK\$11.8 million to HK\$19.4 million for the Reporting Period. For the credit card acquiring business, fees and commissions increased by HK\$6.9 million to HK\$27.4 million during the Reporting Period due to an increase in both the number of card acquiring merchants and transaction volume. Following the launch of new insurance products under the diversified insurance distribution channels, fees and commissions from the insurance intermediary business recorded an increase of HK\$4.3 million during the Reporting Period. Overall, the Group recorded a slight decrease in fees and commissions of 1.0%, or HK\$0.6 million, from HK\$62.7 million in 1HFY2023/24 to HK\$62.1 million in 1HFY2024/25.

As a result of the continued increase in demand for cash advances and the high number of customers making minimum payments in 1HFY2024/25, handling and late charges increased by HK\$1.1 million to HK\$63.7 million for 1HFY2024/25.

In terms of other income and other gains and losses, the Group recognized other income of HK\$7.8 million from business partner sponsorship in 1HFY2024/25 compared with HK\$3.9 million in 1HFY2023/24. Other gains amounted to HK\$0.1 million in the Reporting Period, while other losses of HK\$9.1 million in the Previous Period were mainly related to the disposal of property, plant and equipment upon the completion of two system projects.

Overall, the Group's operating income for 1HFY2024/25 recorded an increase of 9.8%, or HK\$71.5 million, from HK\$732.7 million in 1HFY2023/24 to HK\$804.2 million for the Reporting Period.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

#### *Consolidated Statement of Profit or Loss Analysis (Continued)*

##### *Operating expenses*

The Group implemented more marketing and promotional activities through a strategic combination of traditional and digital marketing channels that precisely targeting the intended customer segments. Such approach effectively managed marketing and advertising promotional expenses, resulting in a decrease of HK\$2.8 million (HK\$50.8 million in 1HFY2024/25). With the launch of new operating systems and upgraded network facilities, depreciation of property, plant and equipment and amortization of intangible assets increased by HK\$2.4 million (HK\$23.5 million in 1HFY2024/25) compared with the Previous Period. In addition, general administrative expenses increased by HK\$12.2 million (HK\$113.3 million in 1HFY2024/25) compared with the Previous Period due to higher card association fees driven by increased overseas card sales. Additional manpower to support the back-office digitalization and branch network expansion resulted in an increase in staff costs of HK\$14.3 million (HK\$119.2 million in 1HFY2024/25) compared with the Previous Period.

Although total operating expenses increased by 7.6%, or HK\$26.9 million, from HK\$351.4 million in the Previous Period to HK\$378.2 million in the Reporting Period, the cost-to-income ratio decreased from 48.0% in 1HFY2023/24 to 47.0% in 1HFY2024/25 due to the increase in operating income.

At the operating level before impairment losses and impairment allowances, the Group recorded an operating profit of HK\$426.0 million in 1HFY2024/25, representing an increase of 11.7% from the HK\$381.3 million recorded in 1HFY2023/24.

##### *Impairment losses and impairment allowances*

Although the unemployment rate remained relatively stable during the Reporting Period, the change in consumer spending behavior after the pandemic and the continued high interest rate environment, coupled with a significant decline in transaction volume in the capital and real estate markets, resulted in an increase in credit defaults and weakened economic indicators in 1HFY2024/25. To address this, the Group made significant efforts to refine its credit assessment model to control the proportion of advances and receivables with higher credit risk, and used effective credit risk management and fraud detection tools to reduce the likelihood of the occurrence of credit impaired assets. With the continued increase in gross advances and receivables during the Reporting Period, impairment losses and impairment allowances recorded an increase of HK\$71.5 million, or 43.4%, to HK\$236.1 million in 1HFY2024/25 from HK\$164.6 million in 1HFY2023/24.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

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

The Group's total equity as at 31st August 2024 was HK\$4,126.0 million, representing an increase of 1.4%, or HK\$58.0 million, compared with a balance of HK\$4,068.0 million as at 29th February 2024.

Total assets as at 31st August 2024 amounted to HK\$7,852.3 million, compared with total assets of HK\$7,561.2 million as at 29th February 2024.

#### *Advances and receivables*

With the launch of successful marketing and advertising activities and the expansion of the service network to promote sales during the Reporting Period, personal loan receivables increased from HK\$1,574.0 million as at 29th February 2024 to HK\$1,674.5 million as at 31st August 2024, while credit card receivables increased from HK\$5,188.6 million as at 29th February 2024 to HK\$5,339.9 million as at 31st August 2024.

Gross advances and receivables increased by 3.8%, or HK\$264.5 million, to HK\$7,225.3 million as at 31st August 2024 from HK\$6,960.9 million as at 29th February 2024. Gross advances and receivables exposed to credit risk increased significantly and credit impairment amounted to HK\$307.7 million and HK\$278.2 million as at 31st August 2024 and 29th February 2024, respectively. Impairment allowances amounted to HK\$269.5 million as at 31st August 2024, representing 3.7% of gross advances and receivables, compared with HK\$247.1 million as at 29th February 2024, representing 3.5% of gross advances and receivables.

#### *Bank borrowings and borrowings from immediate holding company*

Due to the increase in the gross advances and receivables balance, the Group raised additional bank borrowings and borrowings from the immediate holding company during the Reporting Period, with a balance of HK\$3,171.2 million as at 31st August 2024, compared with HK\$2,978.3 million as at 29th February 2024. Of the borrowings as at 31st August 2024, 47.6% will mature within one year, 24.6% between one and two years and 27.7% between two and five years. Of the borrowings maturing in more than one year, 47.0% had fixed interest rates and 53.0% were hedged against interest rate and/or currency exchange rate fluctuations through relevant swap instruments.

The average duration of borrowings as at 31st August 2024 was 1.1 years, compared with 1.4 years as at 29th February 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial Review (Continued)

#### *Consolidated Statement of Financial Position Analysis (Continued)*

##### *Segment information*

The Group's business comprises three operating segments, credit cards, personal loans and insurance intermediary business. For 1H FY2024/25, 77.8% of the Group's revenue was derived from credit card business, compared with 79.7% in 1H FY2023/24, while personal loan business accounted for 20.5% of the Group's revenue, compared with 18.9% in the Previous Period. As for segment results, profit from credit card operations accounted for 104.0% of the Group's total business, compared with 86.2% in the Previous Period, while loss from personal loan operations accounted for 7.1%, compared with profit from personal loan operations of 11.6% in the Previous Period.

In the credit card business, with successful targeted marketing and the launch of well-received marketing programs on overseas and dining spending, the Group continued to record a progressive increase in credit card sales and accumulate higher revolving credit card balances during the Reporting Period. As a result, revenue from credit card operations increased by 7.2%, or HK\$44.9 million to HK\$669.0 million from HK\$624.1 million in 1H FY2023/24. This remarkable surge in revenue could marginally mitigate the impact of the rise in borrowing costs and the drastic increase in impairment losses and allowances, resulting in the segment result for the Reporting Period recording an increase of HK\$12.4 million, or 6.2%, to HK\$212.4 million from HK\$200.0 million in 1H FY2023/24.

As for personal loan operations, through personalized marketing activities on social media, expansion of the branch network and the promotion of instant loans, the personal loan receivables balance gradually increased. Revenue from personal loan operations increased by 18.9%, or HK\$28.0 million, from HK\$148.0 million in 1H FY2023/24 to HK\$176.0 million in 1H FY2024/25. However, this increase in revenue could not offset the persistently high funding costs and the increase in impairment losses and allowances during the Reporting Period, leading the segment result to record a loss of HK\$14.5 million in the Reporting Period as compared with a profit of HK\$26.9 million in 1H FY2023/24.

The insurance intermediary business has smoothly progressed through the change in business model and products and resumed progressive growth during the Reporting Period, with segment revenue and result amounting to HK\$15.4 million and HK\$6.3 million, respectively, for the Reporting Period, compared with HK\$11.1 million and HK\$5.0 million, respectively, for the Previous Period.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Financial Review (Continued)**

#### ***Consolidated Statement of Financial Position Analysis (Continued)***

##### ***Segment information (Continued)***

By geographical location, revenue from Hong Kong operations increased by 9.3%, or HK\$71.7 million, to HK\$841.9 million in 1H FY2024/25 from HK\$770.2 million in 1H FY2023/24 due to higher receivables balances, while the segment result decreased by 12.3%, or HK\$28.2 million, to HK\$201.4 million from HK\$229.6 million in 1H FY2023/24 due to high funding costs and depressed consumer sentiment.

In Mainland China, the Group focused on improving the financial performance and diversifying the loan products of its microfinance subsidiary in Shenzhen. Sales of this subsidiary achieved stable growth during the Reporting Period, resulting in an increase in revenue of HK\$5.6 million to HK\$18.5 million from HK\$12.9 million in 1H FY2023/24. The segment result increased slightly to HK\$2.8 million for the Reporting Period from HK\$2.3 million for 1H FY2023/24.

### **Prospects**

The Hong Kong government is actively promoting the mega-events in the second half of FY2024/25, with the aim of attracting more tourists to Hong Kong. Additionally, various initiatives continue to be introduced to support small and medium enterprises in the retail sector, with the goal of bolstering domestic consumption. However, uncertainties persist regarding the economic outlook, primarily due to protracted high interest rates dampening capital investment appetites and unpredictable geopolitical developments. Accordingly, momentum in Hong Kong's consumer finance growth is anticipated to remain constrained. Despite ambiguity over the timing and magnitude of interest rate reductions, interest rates are projected to trend downward following the first rate cut of 50 basis points in September, potentially alleviating pressures on funding costs.

Notwithstanding aforementioned challenges, the Group will persist in pursuing sustainable business expansion in line with its corporate mission. The Group will seek receivable growth at reasonable yields while managing funding expenses to increase net interest income. Flexible marketing strategies will also be adopted to broaden the customer base and service channels, leveraging on systems to boost service quality and operational efficiency. In addition, the Group will endeavour to diversify revenue streams by cultivating fee-generating transactions and insurance intermediary businesses.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Prospects (Continued)**

As credit conditions are expected to stay testing, the Group will closely monitor the effectiveness of credit assessment and credit management improvement, as well as achieve better maturity matching, to minimize credit and liquidity risks.

On the marketing front, the Group will continue to launch mass promotional initiatives for credit cards and personal loans businesses with engaging gamification and incentives to capture shifting consumer spending behavior. Customer relationship management and engagement will further be strengthened across diverse platforms.

Regarding digitalization of operations, the Group will continue enhancing call center platform and providing responsive customer interaction. Data analytics tools will also be further developed to heighten the effectiveness of marketing, credit assessment and credit management activities.

To enhance credit card services, upcoming introduction of the virtual credit card functionality within the “AEON HK” mobile application (the “Mobile App”) will furnish customers with immediate purchasing capabilities right after card-approval and activation without branch visits.

In response to evolving consumer preferences and payment technologies, a new credit card design embodying the Group’s commitment to innovation and sustainability will be launched to offer customers a more convenient and premium payment experience. The redesign addresses growing contactless payment and the use of recycled plastics, reflecting the Company’s unwavering dedication to incorporating sustainability throughout operations. Upon completion of the application processing system upgrade, the Group will strive for wider paperless payment adoption to reduce environmental impacts.

For the Mainland China operations, microfinance and business process center subsidiaries in Shenzhen will continue expanding while opportunities within the Greater Bay Area are explored, also improving internal business processes to achieve greater sustainability and shareholder value creation.

With improving economic prospects in Hong Kong and the Greater Bay Area, the Group will continue to devote resources to provide exceptional consumer finance services to meet the evolving customers’ needs and to expand its customer base with innovative customized products. With the Group’s strong liquidity and balance sheet, as well as its proven management expertise and capabilities in many respects, the Group is well positioned to take advantage of the opportunities in the recovering consumer finance market to achieve growth in the remainder of the year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Funding and Capital Management

The Group manages its capital to ensure that:

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

#### *Net debt to equity ratio*

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the period/year end was as follows:

	<b>31.8.2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>29.2.2024</b> <b>HK\$'000</b> <b>(Audited)</b>
Debt ( <i>Note a</i> )	<b>3,298,466</b>	3,100,596
Cash and cash equivalents	<b>(297,355)</b>	(271,658)
Net debt	<b>3,001,111</b>	2,828,938
Equity ( <i>Note b</i> )	<b>4,126,038</b>	4,067,993
Net debt to equity ratio	<b>0.7</b>	0.7

#### *Notes:*

- (a) Debt comprises lease liabilities, bank borrowings and borrowings from immediate holding company.
- (b) Equity includes all capital and reserves of the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **Funding and Capital Management (Continued)**

The principal source of internally generated capital was from accumulated profits. Taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

The Group's principal operations are transacted and recorded in HKD and thereby its core assets are not subject to any exposure on exchange rate fluctuation. During the period under review, the Group engaged in derivative financial instruments mainly to hedge exposure on interest rate and exchange rate fluctuations for its bank borrowings. At 31st August 2024, capital commitments entered into were mainly related to the purchase of property, plant and equipment and intangible assets.

### **Human Resources**

At 31st August 2024 and 29th February 2024, the Group's total number of employees was 581 (Hong Kong: 384; PRC: 197) and 567 (Hong Kong: 383; PRC: 184) respectively. The Group continues to recognize and reward its staff in a manner similar to that disclosed in its 2023/24 Annual Report.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

### **REVIEW OF UNAUDITED FINANCIAL INFORMATION**

The Audit Committee has reviewed the unaudited interim financial results for the six months ended 31st August 2024. In addition, the condensed consolidated financial statements for the six months ended 31st August 2024 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and an unqualified review report is issued.



## **PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE**

The 2024 Interim Report, containing the relevant information required by the Listing Rules, will be published on the respective websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Mr. Wei Aiguo (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director) and Ms. Wan Yuk Fong as Executive Directors; Mr. Kenji Fujita (Chairman) and Ms. Jin Huashu as Non-executive Directors; and Mr. Lee Ching Ming Adrian, Ms. Shing Mo Han Yvonne, Ms. Junko Dochi and Mr. Choi Ping Chung as Independent Non-executive Directors.

By order of the Board  
**Wei Aiguo**  
*Managing Director*

Hong Kong, 26th September 2024