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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)

UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30TH NOVEMBER 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 nine months ended 30th November 2024 (the “reporting period” or “nine months of FY2024/25”), together with comparative figures of the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30th November 2024

	Notes	1.3.2024 to 30.11.2024 (Unaudited) HK\$'000	1.3.2023 to 30.11.2023 (Unaudited) HK\$'000
Revenue	2	1,304,551	1,192,889
Interest income		1,105,493	1,005,105
Interest expense		(97,230)	(76,385)
Net interest income		1,008,263	928,720
Fees and commissions		99,341	94,878
Handling and late charges		99,717	92,906
Other income	4	10,474	7,638
Other gains and losses	5	7	(9,031)
Operating income		1,217,802	1,115,111
Operating expenses	6	(569,371)	(532,677)
Operating profit before impairment losses and impairment allowances		648,431	582,434
Impairment losses and impairment allowances		(340,243)	(264,148)
Recoveries of advances and receivables written-off		20,560	21,157
Profit before tax		328,748	339,443
Income tax expense		(53,441)	(57,180)
Profit for the period		275,307	282,263
Profit for the period attributable to: Owners of the Company		275,307	282,263
Earnings per share — Basic		65.74 HK cents	67.40 HK cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30th November 2024

	1.3.2024 to 30.11.2024 (Unaudited) HK\$'000	1.3.2023 to 30.11.2023 (Unaudited) HK\$'000
Profit for the period	<u>275,307</u>	<u>282,263</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	13,942	(22,990)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	(1,698)	(3,819)
Fair value adjustment on cash flow hedges, net of tax	(11,914)	(26,227)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	<u>(7,973)</u>	<u>14,183</u>
Other comprehensive expense for the period	<u>(7,643)</u>	<u>(38,853)</u>
Total comprehensive income for the period	<u><u>267,664</u></u>	<u><u>243,410</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u><u>267,664</u></u>	<u><u>243,410</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th November 2024

	Notes	30.11.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		173,097	172,341
Intangible assets		28,811	31,133
Right-of-use assets		113,994	118,631
Goodwill		15,820	15,820
Equity instruments at fair value through other comprehensive income		106,586	92,644
Advances and receivables	7	1,550,495	1,512,414
Prepayments, deposits and other debtors		35,988	35,782
Derivative financial instruments	10	11,891	23,628
Deferred tax assets		5,930	5,454
		<u>2,042,612</u>	<u>2,007,847</u>
Current assets			
Advances and receivables	7	5,535,674	5,201,354
Prepayments, deposits and other debtors		91,354	78,691
Amount due from immediate holding company		–	1
Amount due from an intermediate holding company		–	31
Derivative financial instruments	10	555	–
Time deposits		21,336	15,319
Bank balances and cash		213,628	257,989
		<u>5,862,547</u>	<u>5,553,385</u>
Current liabilities			
Creditors and accruals		249,586	261,832
Contract liabilities		42,831	21,554
Amounts due to fellow subsidiaries		21,683	17,872
Amount due to an intermediate holding company		9,851	4,722
Borrowings from immediate holding company	9	880,000	800,000
Bank borrowings	9	1,006,843	468,685
Bank overdraft		1,941	–
Lease liabilities		37,199	38,243
Derivative financial instruments	10	31,744	59,109
Tax liabilities		41,246	5,526
		<u>2,322,924</u>	<u>1,677,543</u>
Net current assets		<u>3,539,623</u>	<u>3,875,842</u>
Total assets less current liabilities		<u>5,582,235</u>	<u>5,883,689</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

At 30th November 2024

	<i>Notes</i>	30.11.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Capital and reserves			
Share capital		269,477	269,477
Reserves		3,865,172	3,798,516
Total equity		4,134,649	4,067,993
Non-current liabilities			
Bank borrowings	9	1,339,657	1,709,571
Deferred tax liabilities		–	88
Lease liabilities		83,391	84,097
Derivative financial instruments	10	24,538	21,940
		1,447,586	1,815,696
		5,582,235	5,883,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30th November 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	–	–	–	–	282,263	282,263
Fair value loss on equity instruments at fair value through other comprehensive income	–	(22,990)	–	–	–	(22,990)
Exchange difference arising from translation of foreign operations	–	–	–	(3,819)	–	(3,819)
Fair value adjustment on cash flow hedges, net of tax	–	–	(26,227)	–	–	(26,227)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	14,183	–	–	14,183
Total comprehensive (expense) income for the period	–	(22,990)	(12,044)	(3,819)	282,263	243,410
Final dividend paid for the year from 1.3.2022 to 28.2.2023	–	–	–	–	(92,128)	(92,128)
Interim dividend paid for the year from 1.3.2023 to 29.2.2024	–	–	–	–	(100,504)	(100,504)
	–	(22,990)	(12,044)	(3,819)	89,631	50,778
At 30th November 2023 (Unaudited)	269,477	50,321	38,298	(15,432)	3,600,574	3,943,238
At 1st March 2024 (Audited)	269,477	68,821	35,582	(16,468)	3,710,581	4,067,993
Profit for the period	–	–	–	–	275,307	275,307
Fair value gain on equity instruments at fair value through other comprehensive income	–	13,942	–	–	–	13,942
Exchange difference arising from translation of foreign operations	–	–	–	(1,698)	–	(1,698)
Fair value adjustment on cash flow hedges, net of tax	–	–	(11,914)	–	–	(11,914)
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	(7,973)	–	–	(7,973)
Total comprehensive income (expense) for the period	–	13,942	(19,887)	(1,698)	275,307	267,664
Final dividend paid for the year from 1.3.2023 to 29.2.2024	–	–	–	–	(100,504)	(100,504)
Interim dividend paid for the year from 1.3.2024 to 28.2.2025	–	–	–	–	(100,504)	(100,504)
	–	13,942	(19,887)	(1,698)	74,299	66,656
At 30th November 2024 (Unaudited)	269,477	82,763	15,695	(18,166)	3,784,880	4,134,649

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30th November 2024

	1.3.2024 to 30.11.2024 (Unaudited) HK\$'000	1.3.2023 to 30.11.2023 (Unaudited) HK\$'000
Net cash from (used in) operating activities	24,855	(559,966)
Dividends received	–	71
Proceeds from sale of property, plant and equipment	2	7
Purchase of property, plant and equipment and intangible assets	(12,425)	(48,137)
Deposits paid for acquisition of property, plant and equipment and intangible assets	(23,926)	(44,110)
Placement of time deposits with maturity of more than three months	(7,555)	(1,650)
Release of time deposits with maturity of more than three months	5,519	7,858
Net cash used in investing activities	(38,385)	(85,961)
Repayment of lease liabilities	(44,694)	(45,502)
Dividends paid	(201,007)	(192,632)
New borrowings from immediate holding company raised	80,000	7,970,000
Repayment of borrowings from immediate holding company	–	(7,180,000)
New bank loans raised	10,442,988	10,002,176
Repayment of bank loans	(10,277,133)	(10,009,989)
Settlement of derivative financial instruments	(28,001)	–
Net cash (used in) from financing activities	(27,847)	544,053
Net decrease in cash and cash equivalents	(41,377)	(101,874)
Effect of changes in exchange rate	(895)	(1,508)
Cash and cash equivalents at beginning of the period	271,658	387,508
Cash and cash equivalents at end of the period	229,386	284,126
Being:		
Time deposits with maturity of three months or less	17,699	3,378
Bank balances and cash	213,628	280,748
Bank overdrafts	(1,941)	–
	229,386	284,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th November 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 16 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.

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 Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30th November 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 29th February 2024.

Application of amendments to HKFRSs

In the current 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

The application of 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.

2. REVENUE

	1.3.2024 to 30.11.2024 (Unaudited) HK\$'000	1.3.2023 to 30.11.2023 (Unaudited) HK\$'000
Interest income	1,105,493	1,005,105
Fees and commissions		
Credit cards — issuing	36,947	45,219
Credit cards — acquiring	40,404	32,052
Insurance	21,990	17,607
Handling and late charges	99,717	92,906
	<u>1,304,551</u>	<u>1,192,889</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:

1.3.2024 to 30.11.2024 (Unaudited)

	Credit cards HK\$'000	Personal loans HK\$'000	Insurance HK\$'000	Consolidated HK\$'000
REVENUE	<u>1,018,584</u>	<u>263,918</u>	<u>22,049</u>	<u>1,304,551</u>
RESULT				
Segment results	<u>329,391</u>	<u>(7,086)</u>	<u>8,560</u>	330,865
Unallocated operating income				2,062
Unallocated operating expenses				<u>(4,179)</u>
Profit before tax				<u>328,748</u>

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

1.3.2023 to 30.11.2023 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>945,285</u>	<u>229,997</u>	<u>17,607</u>	<u>1,192,889</u>
RESULT				
Segment results	<u>295,426</u>	<u>37,508</u>	<u>7,694</u>	340,628
Unallocated operating income				2,409
Unallocated operating expenses				<u>(3,594)</u>
Profit before tax				<u>339,443</u>

Geographical information

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

1.3.2024 to 30.11.2024 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>1,272,792</u>	<u>31,759</u>	<u>1,304,551</u>
RESULT			
Segment results	<u>324,008</u>	<u>6,857</u>	330,865
Unallocated operating income			2,062
Unallocated operating expenses			<u>(4,179)</u>
Profit before tax			<u>328,748</u>

1.3.2023 to 30.11.2023 (Unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>1,172,404</u>	<u>20,485</u>	<u>1,192,889</u>
RESULT			
Segment results	<u>335,493</u>	<u>5,135</u>	340,628
Unallocated operating income			2,409
Unallocated operating expenses			<u>(3,594)</u>
Profit before tax			<u>339,443</u>

4. OTHER INCOME

	1.3.2024 to 30.11.2024 (Unaudited) HK\$'000	1.3.2023 to 30.11.2023 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	–	71
Marketing support fund	8,413	5,229
Others	2,061	2,338
	<u>10,474</u>	<u>7,638</u>

5. OTHER GAINS AND LOSSES

	1.3.2024 to 30.11.2024 (Unaudited) HK\$'000	1.3.2023 to 30.11.2023 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain (loss) on hedging instrument released from cash flow hedge reserve	3,600	(18,260)
Exchange (loss) gain on bank loans	(3,600)	18,260
Other exchange loss, net	(84)	(61)
Hedge ineffectiveness on cash flow hedges, net	202	303
Losses on disposal of property, plant and equipment	(111)	(9,282)
Gain on lease modification	–	9
	<u>7</u>	<u>(9,031)</u>

6. OPERATING EXPENSES

	1.3.2024 to 30.11.2024 (Unaudited) HK\$'000	1.3.2023 to 30.11.2023 (Unaudited) HK\$'000
Depreciation on property, plant and equipment and amortization of intangible assets	35,164	31,619
Depreciation on right-of-use assets	44,289	42,904
Expenses relating to short-term leases	2,178	3,136
	46,467	46,040
General administrative expenses	172,213	154,841
Marketing and promotion expenses	77,500	83,087
Other operating expenses	59,281	56,219
Staff costs including Directors' emoluments	178,746	160,871
	<u>569,371</u>	<u>532,677</u>

7. ADVANCES AND RECEIVABLES

	30.11.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Credit card receivables	5,458,623	5,188,549
Personal loan receivables	<u>1,677,284</u>	<u>1,573,989</u>
	7,135,907	6,762,538
Accrued interest and other receivables	<u>218,462</u>	<u>198,321</u>
	7,354,369	6,960,859
Gross advances and receivables		
Impairment allowances (<i>Note 8</i>)	<u>(268,200)</u>	<u>(247,091)</u>
	7,086,169	6,713,768
Current portion included under current assets	<u>(5,535,674)</u>	<u>(5,201,354)</u>
	1,550,495	1,512,414
Amount due after one year	<u><u>1,550,495</u></u>	<u><u>1,512,414</u></u>

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

At 30th November 2024, the personal loan receivables include rescheduled loan receivables of HK\$185,101,000 (29th February 2024: HK\$135,744,000).

8. IMPAIRMENT ALLOWANCES

	30.11.2024 (Unaudited) HK\$'000	29.2.2024 (Audited) HK\$'000
Analysis by products as:		
Credit card receivables	138,070	146,731
Unused credit card limit	2,718	1,880
Personal loan receivables	121,845	93,147
Accrued interest and other receivables	<u>5,567</u>	<u>5,333</u>
	268,200	247,091
	<u><u>268,200</u></u>	<u><u>247,091</u></u>

At 30th November 2024, the impairment allowance of personal loan receivables includes impairment allowance on rescheduled loan receivables of HK\$46,882,000 (29th February 2024: HK\$36,082,000).

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 2024 and 30th November 2023 are set out as below:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2024	123,883	32,208	91,000	247,091
Net advance (repayment) in advances and receivables	14,496	(3,434)	(9,704)	1,358
Transfer to 12 months Expected Credit Loss (Stage 1)	21,795	(20,733)	(1,062)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(5,013)	6,395	(1,382)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(3,607)	(91,765)	95,372	–
Total transfer between stages	13,175	(106,103)	92,928	–
Remeasurement of Expected Credit Loss during the period	(8,629)	104,318	243,196	338,885
Amounts written-off as uncollectable	–	–	(319,007)	(319,007)
Exchange realignment	(21)	(28)	(78)	(127)
At 30th November 2024	<u>142,904</u>	<u>26,961</u>	<u>98,335</u>	<u>268,200</u>
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 1st March 2023	97,642	18,878	75,189	191,709
Net advance (repayment) in advances and receivables	20,984	3,406	540	24,930
Transfer to 12 months Expected Credit Loss (Stage 1)	33,929	(31,546)	(2,383)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(5,327)	9,518	(4,191)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(1,295)	(63,596)	64,891	–
Total transfer between stages	27,307	(85,624)	58,317	–
Remeasurement of Expected Credit Loss during the period	(26,643)	91,464	174,397	239,218
Amounts written-off as uncollectable	–	–	(200,887)	(200,887)
Exchange realignment	(60)	(41)	(75)	(176)
At 30th November 2023	<u>119,230</u>	<u>28,083</u>	<u>107,481</u>	<u>254,794</u>

8. IMPAIRMENT ALLOWANCES (Continued)

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

	30.11.2024 (Unaudited)		29.2.2024 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Stage 1	7,034,135	95.6%	6,682,702	96.0
Stage 2	63,805	0.9%	75,389	1.1
Stage 3	256,429	3.5%	202,768	2.9
	<u>7,354,369</u>	<u>100.0%</u>	<u>6,960,859</u>	<u>100.0</u>

* 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.

9. BANK BORROWINGS/BORROWINGS FROM IMMEDIATE HOLDING COMPANY

	30.11.2024 (Unaudited)		29.2.2024 (Audited)	
	Bank borrowings HK\$'000	Borrowings from immediate holding company HK\$'000	Bank borrowings HK\$'000	Borrowings from immediate holding company HK\$'000
Carrying amount repayable (Note)				
Within one year	1,006,843	880,000	468,685	800,000
Within a period of more than one year but not more than two years	659,657	–	720,000	–
Within a period of more than two years but not more than five years	<u>680,000</u>	<u>–</u>	<u>989,571</u>	<u>–</u>
	2,346,500	880,000	2,178,256	800,000
Amount repayable within one year included under current liabilities	<u>(1,006,843)</u>	<u>(880,000)</u>	<u>(468,685)</u>	<u>(800,000)</u>
Amount repayable after one year	<u>1,339,657</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.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	30.11.2024		29.2.2024	
	(Unaudited)		(Audited)	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	12,446	4,898	23,628	2,471
Cross-currency interest rate swap	–	51,384	–	78,578
	12,446	56,282	23,628	81,049
Current portion	(555)	(31,744)	–	(59,109)
Non-current portion	11,891	24,538	23,628	21,940

All derivative financial instruments entered into by the Group that remain outstanding at 30th November 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hong Kong's economic expansion moderated in the third quarter of the financial year ending 28th February 2025 ("FY2024/25"). While growth persisted, domestic retail consumption remained weak due to evolving consumer spending patterns. A challenging and uncertain external economic environment compounded by macroeconomics headwinds including inflationary pressures, the United States monetary policy uncertainty regarding interest rate cuts, downward pressure on asset markets, and geopolitical conflicts, contributed to stagnant economic and social activities in Hong Kong. Personal bankruptcies remained elevated throughout the first nine months ended 30th November 2024 ("first nine months of FY2024/25" or the "Reporting Period"). However, recent improvements in Mainland China's economic outlook, coupled with the government's stimulus measures, are expected to bolster consumer confidence among residents and visitors, positively impacting local market sentiments and economic activities.

Given the slower-than-anticipated market recovery, the Group adopted a more prudent approach during the Reporting Period, prioritising stable growth in both sales and receivables. This strategy focused on building a high-quality portfolio designed to deliver income, growth and resilience. Enhancements to the credit assessment model, incorporating updated market indicators and refined detection mechanisms, facilitated earlier implementation of debt settlement plans and improving account management. Furthermore, a new monitoring mechanism has been implemented to identify and address high-risk accounts which required follow-up actions, contributing to improved control over the growth of default receivables.

The Group's third quarter marketing strategy focused on targeted and popular promotions to attract customers and drive sales growth both domestically and internationally. Key initiatives included the "AEON JCB Credit Card 2nd Wave of Japan Local and Japan Online Spending Rewards" and "AEON x Ocean Park Halloween Fest 'Dreadful Walled City'". Strategic collaborations with online travel agency partners continued, featuring joint promotions and rebates for overseas transactions. Ongoing campaigns such as "Day Day Spend & Rewards@ Local/Overseas/Online Spending", further promoted competitive products and services to targeted customer segments.

Following the upgrade of its credit application processing platform, virtual credit card functionality had been launched within the "AEON HK" mobile application (the "Mobile App"). This feature enables customers to make immediate purchases upon card approval and activation, eliminating the waiting time and the need to physically visit a branch.

The Group also continued to prioritise the digitalisation of operations. Enhancements to the call center platform improved customer interaction responsiveness. Further development of data analysis tools enhanced the effectiveness of marketing, credit assessment and credit management activities.

A new credit card design embodying the Group's commitment to innovation and sustainability was launched to offer customers a more convenient and premium payment experience. The redesigned card incorporates features addressing the increasing prevalence of contactless payments and utilised recycled plastics, underscoring the Company's dedication to integrating sustainability practices throughout its operations.

Proactive marketing initiatives contributed to a 9.2% increase in the Group's overall sales for the first nine months of FY2024/25 compared to the same period last year ("first nine months of FY2023/24" or the "Previous Period"). Gross advances and receivables balance also increased by 5.7% from the end of February 2024. While credit defaults rose due to negative market sentiment during the Reporting Period, the Group implemented robust credit monitoring measures to mitigate further deterioration of asset quality. These measures aimed to control the increase in both the percentage of advances and receivables with significantly increased credit risk, and the percentage of impaired credit receivables (i.e., stage 2 and stage 3 receivables) to total advances and receivables from 4.0% as at 29th February 2024 to 4.4% as at 30th November 2024.

To optimise resource allocation within its insurance intermediary business, AEON Insurance Brokers (HK) Limited ("AIB") has ceased its whole insurance broker business operation and submitted the application of revocation of its insurance broker licence to Insurance Authority. All personal and corporate insurance business of the Group in Hong Kong will continuously be operated under the insurance agency business operation of the Company and the Group's insurance intermediary services for both personal and corporate customers remain unaffected by any such cessation on AIB's part.

For the Mainland China business, AEON Micro Finance (Shenzhen) Co., Ltd. ("AMF(SZ)") achieved positive growth in personal loan sales. Concurrently, AEON Information Service (Shenzhen) Co., Ltd. ("AIS") provided valuable telemarketing and business process outsourcing support, contributing to the Group's customer base expansion and increased personal loan and cash advance sales.

Financial Review

Profit before tax for the first nine months of FY2024/25 was HK\$328.7 million, a decrease of 3.2%, or HK\$10.7 million, when compared with the Previous Period. After deducting income tax expenses of HK\$53.4 million, the Group recorded a decrease in profit of 2.5%, and profit after tax decreased from HK\$282.3 million for the first nine months of FY2023/24 to HK\$275.3 million for the Reporting Period. Earnings per share decreased from 67.40 HK cents to 65.74 HK cents for the Reporting Period.

The net debt to equity ratio was 0.8 and 0.7 as at 30th November 2024 and 29th February 2024 respectively, while the total equity to total assets ratio was 52.3% and 53.8% as at 30th November 2024 and 29th February 2024, respectively.

Net asset value per share was HK\$9.9 as at 30th November 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 the first nine months of FY2024/25 was HK\$1,304.6 million, an increase of 9.4%, or HK\$111.7 million, compared with HK\$1,192.9 million recorded in the Previous Period.

Net interest income

Despite the slow recovery of domestic consumption, the Group targeted marketing programs, designed to address evolving consumer spending behavior, successfully drove continued growth in credit card receivables and personal loan receivables throughout the Reporting Period. Accordingly, the Group's interest income increased by 10.0%, or HK\$100.4 million, from HK\$1,005.1 million in the Previous Period to HK\$1,105.5 million in the Reporting Period.

The Group's interest expenses increased by HK\$20.8 million from HK\$76.4 million in the Previous Period to HK\$97.2 million in the Reporting Period due to increased borrowings to finance its receivable balances and the generally higher inter-bank lending rates. The Group's diversified borrowing portfolio, with a mix of borrowing rates with different maturities, allowed it to maintain a stable average cost of funds at 4.2% for both the first nine months of FY2024/25 and FY2023/24.

As a result, the Group's net interest income for the first nine months of FY2024/25 reached HK\$1,008.3 million, representing an 8.6% increase, or HK\$79.5 million, compared to the first nine months of FY2023/24.

Operating income

Although the number of credit card purchases increased 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 the credit card issuing business by HK\$8.3 million to HK\$36.9 million for the Reporting Period. For the credit card acquiring business, fees and commissions increased by HK\$8.4 million to HK\$40.4 million during the Reporting Period due to an increase in the number of card acquiring merchants and transaction volume. With the continued launch of new insurance products through the diversified distribution channels, fees and commissions from the insurance intermediary business increased from HK\$17.6 million in the Previous Period to HK\$22.0 million in the Reporting Period. Accordingly, the Group's fees and commissions increased by 4.7%, or HK\$4.4 million, from HK\$94.9 million in the Previous Period to HK\$99.3 million in the Reporting Period.

With the continued increase in demand for cash advances and the increase in the number of customers making minimum payments in the first nine months of FY2024/25, handling and late charges increased by HK\$6.8 million to HK\$99.7 million for the Reporting Period.

In terms of other income and other gains and losses, the Group recognized other income of HK\$8.4 million marketing support fund from business partners for the Reporting Period as compared with HK\$5.2 million for the Previous Period. Other gains amounted to HK\$0.01 million for the Reporting Period, while a loss on disposal of property, plant and equipment of HK\$9.3 million was recorded for the first nine months of FY2023/24 following the completion of major projects in the Previous Period.

Overall, the Group's operating income for the Reporting Period increased by 9.2%, or HK\$102.7 million, from HK\$1,115.1 million for the first nine months of FY2023/24 to HK\$1,217.8 million for the Reporting Period.

Operating expenses

The Group conducted more marketing and advertising campaigns during the Reporting Period through a strategic combination of traditional and digital marketing channels, which precisely targeted the intended customer segments. This approach effectively managed marketing and advertising expenses, with marketing and promotion expenses being reduced by HK\$5.6 million to HK\$77.5 million for the first nine months of FY2024/25 (HK\$83.1 million in the Previous Period). With the launch of the new operating systems and upgraded network facilities, depreciation of property, plant and equipment and amortization of intangible assets increased by HK\$3.5 million compared with the Previous Period (HK\$31.6 million for the first nine months of FY2023/24). Additional manpower was deployed to enhance branch operations and product

development, resulting in an increase in staff costs by HK\$17.9 million compared with the Previous Period (HK\$160.9 million for the first nine months of FY2023/24). In addition, general administrative expenses increased by HK\$17.4 million compared with the Previous Period as a result of the increase in card sales and the corresponding increase in card association fees (HK\$154.8 million for the first nine months of FY2023/24).

Although total operating expenses increased by 6.9%, or HK\$36.7 million, from HK\$532.7 million in the Previous Period to HK\$569.4 million in the Reporting Period, the cost-to-income ratio decreased from 47.8% in the first nine months of FY2023/24 to 46.8% in the first nine months of FY2024/25 due to the increase in operating income.

On an operating level, before impairment losses and impairment allowances, the Group recorded an operating profit of HK\$648.4 million for the first nine months of FY2024/25, representing an increase of 11.3% or HK\$66.0 million from HK\$582.4 million recorded for the first nine months of FY2023/24.

Impairment losses and impairment allowances

The change in consumer spending behavior and the high interest rate environment, coupled with the downturn in the capital and real estate markets, resulted in credit defaults remaining at a high level, and the weakening of economic indicators continued during the Reporting Period. To address this, the Group made significant efforts to refine its credit assessment model to reduce the proportion of advances and receivables with higher credit risk and applied effective credit risk management to reduce the likelihood of the occurrence of credit-impaired assets. Despite the continued increase in gross advances and receivables during the Reporting Period, the Group was able to stabilize the increase in impairment losses in the third quarter and recorded a progressive increase in impairment losses and impairment allowances of HK\$76.1 million, or 28.8% from HK\$264.1 million in the Previous Period to HK\$340.2 million in the Reporting Period.

Consolidated Statement of Financial Position Analysis

The Group's total equity as at 30th November 2024 was HK\$4,134.6 million, representing an increase of 1.6%, or HK\$66.7 million, compared with a balance of HK\$4,068.0 million as at 29th February 2024.

Total assets as at 30th November 2024 amounted to HK\$7,905.2 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 activities and the expansion of the service network to stimulate sales during the Reporting Period, personal loan receivables increased from HK\$1,574.0 million as at 29th February 2024 to HK\$1,677.3 million as at 30th November 2024, while credit card receivables increased significantly from HK\$5,188.5 million as at 29th February 2024 to HK\$5,458.6 million as at 30th November 2024.

Gross advances and receivables increased by 5.7%, or HK\$393.5 million, from HK\$6,960.9 million as at 29th February 2024 to HK\$7,354.4 million as at 30th November 2024. Gross advances and receivables exposed to higher credit risk or otherwise impaired amounted to HK\$320.2 million and HK\$278.2 million as at 30th November 2024 and 29th February 2024, respectively. Impairment allowances amounted to HK\$268.2 million as at 30th November 2024, representing 3.6% 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 (“total borrowings”)

Due to the increase in gross advances and receivables, the Group raised additional bank borrowings and borrowings from the immediate holding company during the Reporting Period, with a total borrowing balance of HK\$3,226.5 million as at 30th November 2024, compared with HK\$2,978.3 million as at 29th February 2024. Of the total borrowings as at 30th November 2024, 58.5% will mature within one year, 20.4% between one and two years and 21.1% between two and five years. Of the long-term bank borrowings with a maturity of more than one year, 43.3% were at fixed interest rates and 56.7% were hedged against interest rate and/or currency exchange rate fluctuations through appropriate swap instruments.

The average maturity of total borrowings as at 30th November 2024 was 1.2 years, compared with 1.4 years as at 29th February 2024.

Segment Information

The Group’s business comprises three operating segments, credit cards, personal loans and insurance intermediary business. For the first nine months of FY2024/25, 78.1% of the Group’s revenue was derived from credit card operations, compared with 79.2% in the Previous Period, while personal loan operations accounted for 20.2% of the Group’s revenue, compared with 19.3% in the Previous Period. In terms of segment results, credit card operations accounted for 99.6% of the Group’s total business, compared with 86.7% in the Previous Period, while personal loan operations accounted for a loss of 2.1%, compared with a profit of 11.0% in the Previous Period.

For credit cards, the Group recorded a progressive increase in credit card sales and continued to accumulate revolving credit card balances during the Reporting Period as a result of successful targeted marketing activities and brand building efforts to generate greater market awareness and the launch of well-received marketing programs. As a result, revenue from credit card operations increased by 7.8%, or HK\$73.3 million, to HK\$1,018.6 million from HK\$945.3 million in the Previous Period. This remarkable surge in revenue was more than offset the increase in borrowing costs and impairment losses and allowances, resulting in the segment result for the Reporting Period increasing by HK\$34.0 million, or 11.5%, to HK\$329.4 million from HK\$295.4 million in the Previous Period.

For personal loan operations, personal loan receivables as at 30th November 2024 increased by 9.0% as compared with the balance as at 30th November 2023 due to personalized marketing activities on social media, the expansion of the branch network and the promotion of instant loans. Revenue from personal loan operations increased by 14.7%, or HK\$33.9 million, from HK\$230.0 million in the Previous Period to HK\$263.9 million in the Reporting Period. However, this increase in revenue could not offset the persistently high funding cost and the increase in impairment losses and allowances during the Reporting Period, resulting in the segment result of the personal loan business recording a loss of HK\$7.1 million as compared with a profit of HK\$37.5 million in the Previous Period.

The insurance intermediary business has smoothly progressed through a period of tactical changes and new product launches and resumed progressive growth during the Reporting Period, with segment revenue and result for the Reporting Period amounting to HK\$22.0 million and HK\$8.6 million respectively, compared with HK\$17.6 million and HK\$7.7 million for the Previous Period. During the Reporting Period, an impairment allowance of HK\$1.0 million was provided on contract assets recorded under AIB upon the submission of application of revocation of its insurance broker licence.

In terms of financial results by geographical location, with the gradual improvement in the economic climate and government measures to stimulate local spending, sales of both credit cards and personal loans continued to increase, with revenue from Hong Kong operations increasing by 8.6%, or HK\$100.4 million, from HK\$1,172.4 million in the first nine months of FY2023/24 to HK\$1,272.8 million in the first nine months of FY2024/25 due to higher revolving receivables balances, while the segment result from the Hong Kong operation recorded a decrease of 3.4%, or HK\$11.5 million, from HK\$335.5 million in the Previous Period to HK\$324.0 million in the Reporting Period due to high funding cost and depressed consumer sentiment.

As for the Mainland China operation, the Group continued to focus on improving the business performance and corporate governance of its microfinance subsidiary in Shenzhen. Revenue recorded an overall increase of HK\$11.3 million, from HK\$20.5 million in the Previous Period to HK\$31.8 million in the Reporting Period. At the same time, the segment result increased from HK\$5.1 million in the Previous Period to HK\$6.9 million in the Reporting Period.

Prospects

With the United States interest rate cuts underway and stimulus measures implemented in Mainland China, the overall business environment in Hong Kong is gradually improving. Continued global economic growth and supportive local government policies are expected to further stimulate inbound tourism and private consumption, driving growth in local and overseas spending. However, outbound travel and cross-border shopping are anticipated to continue impacting Hong Kong's retail sector in the fourth quarter of FY2024/25, potentially affecting asset investment and consumer sentiments. Looking ahead, the local economy should be able to maintain growth, with boosts to consumer spending from government initiatives designed to attract capital and talent.

Nevertheless, anticipating a continued slow recovery in the domestic consumer market, the Group will prioritise sales and receivables growth through overseas and online spending, while refining credit assessment and control methods to maintain a sustainable asset quality portfolio and expedite decision making processes. Marketing efforts will leverage mass promotions and targeted broadcast channels to increase market penetration and expand market share, particularly within the young demographic. These efforts will include gamification and incentive programs to stimulate consumer spending. The launch of new and advanced mobile payment products and a self-service branch concept will further enhance the customer experience and maintain a competitive edge.

The Group remains committed to minimizing its environmental impact by focusing on carbon footprint and energy consumption reduction through digital payment solutions and energy-saving initiatives. The upcoming launch of an online personal loan confirmation process, enabling customers to complete agreement signing within the mobile application along with the new functions in the Mobile App that support AEON Stores' digital gift certificates and conditional e-coupons, will enhance the customer convenience and reduce paper consumption, and at the same time speed up the time-frame for loan drawdown, and the frequent use of Mobile App.

For the Mainland China operation, the Group will focus on continued business growth and further strengthen its microfinance and business process center subsidiaries in Shenzhen. Leveraging the significant potential and business opportunities within the Greater Bay Area, the Group aims to expand its customer base. This will be supported by enhanced corporate governance to improve management oversight, strengthen sustainability practices, and increase shareholder value.

The Group remains committed to providing exceptional credit card services that meet evolving customer needs and plans to expand its customer base by offering innovative and customised products. The Group's strong liquidity position and robust balance sheet will enable it to capitalise on significant opportunities within the growing consumer finance market and sustain its growth trajectory.

Please note that the Group's quarterly results 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 Company's shares.

By order of the Board
WEI AIGUO
Managing Director

Hong Kong, 19th December 2024

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.