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**AEON CREDIT SERVICE (ASIA) COMPANY LIMITED**  
**AEON 信貸財務（亞洲）有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 900)**

**UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30TH NOVEMBER 2019**

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 2019, together with comparative figures of the previous period as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the nine months ended 30th November 2019*

	<i>Notes</i>	<b>1.3.2019 to 30.11.2019 (Unaudited) HK\$'000</b>	1.3.2018 to 30.11.2018 (Unaudited) HK\$'000
Revenue	2	<b>974,565</b>	979,911
Interest income		<b>842,604</b>	850,060
Interest expense		<b>(53,451)</b>	(63,057)
Net interest income		<b>789,153</b>	787,003
Fees and commissions		<b>74,200</b>	68,145
Handling and late charges		<b>57,761</b>	61,706
Other income	4	<b>2,169</b>	2,868
Other gains and losses	5	<b>(7,988)</b>	(660)
Operating income		<b>915,295</b>	919,062
Operating expenses	6	<b>(424,147)</b>	(407,226)
Operating profit before impairment losses and impairment allowances		<b>491,148</b>	511,836
Impairment losses and impairment allowances		<b>(188,987)</b>	(152,158)
Recoveries of advances and receivables written-off		<b>34,015</b>	37,566
Share of results of an associate		<b>454</b>	1,488
Profit before tax		<b>336,630</b>	398,732
Income tax expense		<b>(57,766)</b>	(65,245)
Profit for the period		<b>278,864</b>	333,487
Profit for the period attributable to: Owners of the Company		<b>278,864</b>	333,487
Earnings per share – Basic		<b>66.59 HK cents</b>	79.64 HK cents

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

*For the nine months ended 30th November 2019*

	<b>1.3.2019 to 30.11.2019 (Unaudited) HK\$'000</b>	1.3.2018 to 30.11.2018 (Unaudited) HK\$'000
Profit for the period	<u>278,864</u>	<u>333,487</u>
<b>Other comprehensive income (expense)</b>		
Item that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income	(21,309)	(1,349)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	(12,534)	(25,338)
Net adjustment on cash flow hedges	<u>1,804</u>	<u>27,327</u>
Other comprehensive (expense) income for the period	<u>(32,039)</u>	640
Total comprehensive income for the period	<u>246,825</u>	<u>334,127</u>
Total comprehensive income for the period attributable to: Owners of the Company	<u>246,825</u>	<u>334,127</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th November 2019

		30.11.2019 (Unaudited) HK\$'000	28.2.2019 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		111,425	70,365
Right-of-use assets		101,135	–
Investment in an associate		15,081	15,449
Equity instruments at fair value through other comprehensive income		97,277	118,701
Advances and receivables	7	771,672	862,105
Prepayments, deposits and other debtors		22,935	60,040
Derivative financial instruments	11	8,228	15,469
Deferred tax assets		9,281	16,698
Restricted deposits		38,000	38,000
		<b>1,175,034</b>	1,196,827
<b>Current assets</b>			
Advances and receivables	7	3,825,879	4,021,782
Prepayments, deposits and other debtors		59,504	47,456
Amounts due from fellow subsidiaries		–	160
Amount due from immediate holding company		445	283
Amount due from an associate		38	39
Derivative financial instruments	11	539	17
Restricted deposits		–	381,466
Time deposits		157,561	152,536
Fiduciary bank balances		–	35
Bank balances and cash		707,913	380,083
		<b>4,751,879</b>	4,983,857
<b>Current liabilities</b>			
Creditors and accruals		214,715	255,943
Contract liabilities		15,187	9,486
Amounts due to fellow subsidiaries		30,360	42,920
Amount due to intermediate holding company		168	–
Amount due to ultimate holding company		45	28
Amount due to an associate		1,582	2,027
Bank borrowings	10	250,000	325,000
Collateralised debt obligation	12	805,400	701,600
Lease liabilities		38,511	–
Derivative financial instruments	11	756	11,069
Tax liabilities		64,532	33,515
		<b>1,421,256</b>	1,381,588
<b>Net current assets</b>		<b>3,330,623</b>	3,602,269
<b>Total assets less current liabilities</b>		<b>4,505,657</b>	4,799,096

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

At 30th November 2019

		<b>30.11.2019</b>	28.2.2019
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Capital and reserves</b>			
Share capital		269,477	269,477
Reserves		<u>2,983,737</u>	<u>2,921,170</u>
<b>Total equity</b>		<u><b>3,253,214</b></u>	<u>3,190,647</u>
<b>Non-current liabilities</b>			
Bank borrowings	<i>10</i>	1,110,512	1,056,483
Collateralised debt obligation	<i>12</i>	69,100	548,400
Lease liabilities		64,284	–
Derivative financial instruments	<i>11</i>	<u>8,547</u>	<u>3,566</u>
		<u><b>1,252,443</b></u>	<u>1,608,449</u>
		<u><b>4,505,657</b></u>	<u>4,799,096</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 30th November 2019*

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2018 (Audited)	269,477	63,175	(19,529)	2,296	2,592,081	2,907,500
Profit for the period	-	-	-	-	333,487	333,487
Fair value loss on equity instruments at fair value through other comprehensive income	-	(1,349)	-	-	-	(1,349)
Exchange difference arising from translation of foreign operations	-	-	-	(25,338)	-	(25,338)
Net adjustment on cash flow hedges	-	-	27,327	-	-	27,327
Total comprehensive (expense) income for the period	-	(1,349)	27,327	(25,338)	333,487	334,127
Final dividend paid for the year from 1.3.2017 to 28.2.2018	-	-	-	-	(92,128)	(92,128)
Interim dividend paid for the year from 1.3.2018 to 28.2.2019	-	-	-	-	(92,128)	(92,128)
	-	(1,349)	27,327	(25,338)	149,231	149,871
At 30th November 2018 (Unaudited)	269,477	61,826	7,798	(23,042)	2,741,312	3,057,371
At 1st March 2019 (Audited)	269,477	93,040	(3,738)	(13,213)	2,845,079	3,190,645
Profit for the period	-	-	-	-	278,864	278,864
Fair value loss on equity instruments at fair value through other comprehensive income	-	(21,309)	-	-	-	(21,309)
Exchange difference arising from translation of foreign operations	-	-	-	(12,534)	-	(12,534)
Net adjustment on cash flow hedges	-	-	1,804	-	-	1,804
Total comprehensive (expense) income for the period	-	(21,309)	1,804	(12,534)	278,864	246,825
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at fair value through other comprehensive income	-	1,723	-	-	(1,723)	-
Final dividend paid for the year from 1.3.2018 to 28.2.2019	-	-	-	-	(92,128)	(92,128)
Interim dividend paid for the year from 1.3.2019 to 29.2.2020	-	-	-	-	(92,128)	(92,128)
	-	(19,586)	1,804	(12,534)	92,885	62,569
At 30th November 2019 (Unaudited)	269,477	73,454	(1,934)	(25,747)	2,937,964	3,253,214

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30th November 2019

	1.3.2019 to 30.11.2019 (Unaudited) HK\$'000	1.3.2018 to 30.11.2018 (Unaudited) HK\$'000
<b>Net cash from operating activities</b>	<b>609,840</b>	495,904
Dividends received	929	781
Proceeds on disposal of equity instruments at fair value through other comprehensive income	114	–
Proceeds on disposal of property, plant and equipment	35	–
Purchase of property, plant and equipment	(10,277)	(3,210)
Deposits paid for acquisition of property, plant and equipment	(22,237)	(23,889)
Placement of time deposits with maturity of more than three months	(80,433)	(2,472)
Release of time deposits with maturity of more than three months	33,071	–
<b>Net cash used in investing activities</b>	<b>(78,798)</b>	(28,790)
Placement of restricted deposits	(727,929)	(1,654,725)
Withdrawal of restricted deposits	1,109,396	1,314,272
Repayment of lease liabilities	(42,856)	–
Dividends paid	(184,256)	(184,256)
New bank loans raised	309,601	–
Repayment of bank loans	(700,500)	(245,000)
<b>Net cash used in financing activities</b>	<b>(236,544)</b>	(769,709)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>294,498</b>	(302,595)
<b>Effect of changes in exchange rate</b>	<b>(5,829)</b>	(7,072)
<b>Cash and cash equivalents at beginning of the period</b>	<b>478,556</b>	721,762
<b>Cash and cash equivalents at end of the period</b>	<b>767,225</b>	412,095
Being:		
Time deposits with maturity of three months or less	59,312	88,552
Bank balances and cash	707,913	323,543
	<b>767,225</b>	412,095

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th November 2019

### 1. BASIS OF PREPARATION

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

The financial information relating to the year ended 28th February 2019 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 28th February 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

Other than changes in accounting policies resulting from the application of new and 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 28th February 2019.

### 2. REVENUE

	<b>1.3.2019 to 30.11.2019 (Unaudited) HK\$'000</b>	1.3.2018 to 30.11.2018 (Unaudited) HK\$'000
Interest income	<b>842,604</b>	850,060
Fees and commissions		
Credit cards	<b>51,225</b>	49,538
Insurance	<b>22,975</b>	18,607
Handling and late charges	<b>57,761</b>	61,706
	<b>974,565</b>	979,911

### 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 card payment processing services to merchants
- Personal loans – Provide personal loan financing to individuals
- Insurance – Provide insurance brokerage and agency services

#### Segment revenue and results

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

##### 1.3.2019 to 30.11.2019 (Unaudited)

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

##### 1.3.2018 to 30.11.2018 (Unaudited)

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>730,435</b>	<b>230,758</b>	<b>18,718</b>	<b>979,911</b>
<b>RESULT</b>				
Segment results	<b>300,011</b>	<b>89,730</b>	<b>8,267</b>	<b>398,008</b>
Unallocated operating income				<b>2,728</b>
Unallocated expenses				<b>(3,492)</b>
Share of results of an associate				<b>1,488</b>
Profit before tax				<b>398,732</b>



### 3. SEGMENT INFORMATION (Continued)

#### Geographical information

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

#### 1.3.2019 to 30.11.2019 (Unaudited)

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

#### 1.3.2018 to 30.11.2018 (Unaudited)

	Hong Kong <i>HK\$'000</i>	People's Republic of China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>	<b>950,608</b>	<b>29,303</b>	<b>979,911</b>
<b>RESULT</b>			
Segment results	<b>408,672</b>	<b>(10,664)</b>	<b>398,008</b>
Unallocated operating income			<b>2,728</b>
Unallocated expenses			<b>(3,492)</b>
Share of results of an associate			<b>1,488</b>
Profit before tax			<b>398,732</b>

#### 4. OTHER INCOME

	<b>1.3.2019 to 30.11.2019 (Unaudited) HK\$'000</b>	1.3.2018 to 30.11.2018 (Unaudited) HK\$'000
Dividends received from financial instruments		
Listed equity securities	781	781
Unlisted equity securities	148	–
Others	<u>1,240</u>	<u>2,087</u>
	<b><u>2,169</u></b>	<b><u>2,868</u></b>

#### 5. OTHER GAINS AND LOSSES

	<b>1.3.2019 to 30.11.2019 (Unaudited) HK\$'000</b>	1.3.2018 to 30.11.2018 (Unaudited) HK\$'000
Exchange gain (loss)		
Exchange gain on hedging instrument released from cash flow hedge reserve	3,426	300
Exchange loss on a bank loan	(3,426)	(300)
Other exchange losses, net	(176)	(198)
Hedge ineffectiveness on cash flow hedges	(48)	(98)
Losses on disposal of property, plant and equipment	(697)	(364)
Losses on lease modification	<u>(7,067)</u>	<u>–</u>
	<b><u>(7,988)</u></b>	<b><u>(660)</u></b>

#### 6. OPERATING EXPENSES

	<b>1.3.2019 to 30.11.2019 (Unaudited) HK\$'000</b>	1.3.2018 to 30.11.2018 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	26,980	28,875
Depreciation on right-of-use assets	35,262	–
Operating lease rentals in respect of rented premises, advertising space and equipment	12,501	53,349
General administrative expenses	123,473	123,594
Marketing and promotion expenses	57,563	41,163
Other operating expenses	50,024	43,156
Staff costs including Directors' emoluments	<u>118,344</u>	<u>117,089</u>
	<b><u>424,147</u></b>	<b><u>407,226</u></b>

## 7. ADVANCES AND RECEIVABLES

	<b>30.11.2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	28.2.2019 (Audited) <i>HK\$'000</i>
Credit card receivables	<b>3,690,633</b>	3,842,292
Personal loan receivables	<b>1,081,363</b>	1,197,248
	<b>4,771,996</b>	5,039,540
Accrued interest and other receivables	<b>85,263</b>	87,840
	<b>4,857,259</b>	5,127,380
Gross advances and receivables	<b>4,857,259</b>	5,127,380
Impairment allowances ( <i>Note 8</i> )	<b>(259,708)</b>	(243,493)
	<b>4,597,551</b>	4,883,887
Current portion included under current assets	<b>(3,825,879)</b>	(4,021,782)
	<b>771,672</b>	862,105
Amount due after one year	<b>771,672</b>	862,105

## 8. IMPAIRMENT ALLOWANCES

	<b>30.11.2019</b> <b>(Unaudited)</b> <i>HK\$'000</i>	28.2.2019 (Audited) <i>HK\$'000</i>
Analysis by products as:		
Credit card receivables	<b>146,160</b>	127,790
Personal loan receivables	<b>107,764</b>	110,058
Accrued interest and other receivables	<b>5,784</b>	5,645
	<b>259,708</b>	243,493

## 8. IMPAIRMENT ALLOWANCES (Continued)

An analysis of movements in impairment allowances during each of the two periods ended 30th November 2019 and 30th November 2018 are set out as below:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2019	107,811	48,575	87,107	243,493
Net (repayment) addition in advances and receivables	(1,579)	81	(13,029)	(14,527)
Transfer to 12 months Expected Credit Loss (Stage 1)	147,030	(140,693)	(6,337)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(14,171)	21,022	(6,851)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(698)	(69,826)	70,524	–
Total transfer between stages	132,161	(189,497)	57,336	–
Impact on period-end expected credit loss of expenses transferred between stages during the period	(132,133)	187,310	116,932	172,109
Movements due to changes in credit risk	–	–	32,577	32,577
Amounts written-off as uncollectable	–	–	(173,280)	(173,280)
Exchange realignment	(83)	(67)	(514)	(664)
At 30th November 2019	<b>106,177</b>	<b>46,402</b>	<b>107,129</b>	<b>259,708</b>
	<i>Stage 1 HK\$'000</i>	<i>Stage 2 HK\$'000</i>	<i>Stage 3 HK\$'000</i>	<i>Total HK\$'000</i>
At 1st March 2018	115,555	51,856	110,623	278,034
Net addition (repayment) in advances and receivables	1,482	(8,177)	(12,681)	(19,376)
Transfer to 12 months Expected Credit Loss (Stage 1)	145,928	(140,886)	(5,042)	–
Transfer to lifetime Expected Credit Loss not credit impaired (Stage 2)	(11,455)	17,773	(6,318)	–
Transfer to lifetime Expected Credit Loss credit impaired (Stage 3)	(887)	(67,770)	68,657	–
Total transfer between stages	133,586	(190,883)	57,297	–
Impact on period-end expected credit loss of expenses transferred between stages during the period	(140,762)	194,254	84,389	137,881
Movements due to changes in credit risk	–	–	33,653	33,653
Amounts written-off as uncollectable	–	–	(184,259)	(184,259)
Exchange realignment	(357)	(282)	(468)	(1,107)
At 30th November 2018	<b>109,504</b>	<b>46,768</b>	<b>88,554</b>	<b>244,826</b>

## 9. OVERDUE ADVANCES AND RECEIVABLES

Set out below is an analysis of gross balance of advances and receivables (excluding impairment allowances) which is overdue for more than 1 month:

	30.11.2019 (Unaudited)		28.2.2019 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Overdue 1 month but less than 2 months	109,654	2.3	93,505	1.8
Overdue 2 months but less than 3 months	56,477	1.2	51,409	1.0
Overdue 3 months but less than 4 months	25,989	0.5	25,744	0.5
Overdue 4 months or above	66,367	1.4	50,290	1.0
	<u>258,487</u>	<u>5.4</u>	<u>220,948</u>	<u>4.3</u>

\* Percentage of gross advances and receivables

## 10. BANK BORROWINGS

	30.11.2019 (Unaudited) HK\$'000	28.2.2019 (Audited) HK\$'000
Bank loans, unsecured	<u>1,360,512</u>	<u>1,381,483</u>
Carrying amount repayable ( <i>Note</i> )		
Within one year	250,000	325,000
Within a period of more than one year but not exceeding two years	650,700	370,000
Within a period of more than two years but not exceeding five years	459,812	656,483
Within a period of more than five years	–	30,000
	<u>1,360,512</u>	<u>1,381,483</u>
Amount repayable within one year included under current liabilities	<u>(250,000)</u>	<u>(325,000)</u>
Amount repayable after one year	<u>1,110,512</u>	<u>1,056,483</u>

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

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	30.11.2019 (Unaudited)		28.2.2019 (Audited)	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	1,225	5,152	2,164	14,635
Cross-currency interest rate swap	7,542	4,151	13,322	–
	<u>8,767</u>	<u>9,303</u>	<u>15,486</u>	<u>14,635</u>
Current portion	(539)	(756)	(17)	(11,069)
	<u>8,228</u>	<u>8,547</u>	<u>15,469</u>	<u>3,566</u>
Non-current portion				

All derivative financial instruments entered into by the Group that remain outstanding at 30th November 2019 and 28th February 2019 are for hedging purposes. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings and collateralised debt obligation, the designated hedged items.

## 12. COLLATERALISED DEBT OBLIGATION

	30.11.2019 (Unaudited) <i>HK\$'000</i>	28.2.2019 (Audited) <i>HK\$'000</i>
Tranche A	362,250	550,000
Tranche B	362,250	550,000
Tranche C	150,000	150,000
	<u>874,500</u>	<u>1,250,000</u>
Amount repayable within one year included under current liabilities	(805,400)	(701,600)
	<u>69,100</u>	<u>548,400</u>
Amount repayable after one year		

## 13. PLEDGE OF ASSETS

At 30th November 2019, the collateralised debt obligation was secured by credit card receivables and restricted deposits of HK\$1,547,227,000 and HK\$38,000,000 respectively (28th February 2019: HK\$1,675,261,000 and HK\$419,466,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The ongoing US-China trade war, protracted social unrest in Hong Kong and related economic uncertainties had adversely affected inbound tourism and domestic consumption. Credit environment was noticeably affected in the third quarter.

Against this backdrop, the Group's credit purchase sales in the first nine months still managed to achieve a growth of 1.4% against the same period in its previous financial year. Throughout this current period, the Group continued to deploy the strategies of enhancing card benefits and utilizing new technologies to deliver premium customer service experience, including the introduction of new mobile app functions such as online personal loans and more convenient cash advance transfer through the Faster Payment System.

The acquiring phase of the new card and loan system project was completed with new terminals being installed for selected merchants to provide flexible payment solution to their customers.

### Financial Review

For the nine months ended 30th November 2019, profit before tax was HK\$336.6 million, a decrease of HK\$62.1 million when compared with the previous period, due to increase in marketing and promotion expenses, and increase in impairment losses and impairment allowances. After deducting income tax expense of HK\$57.8 million, the Group recorded a decrease in profit of 16.4%, with profit after tax reducing from HK\$333.5 million in the previous period to HK\$278.9 million in the current period. Earnings per share decreased from 79.64 HK cents to 66.59 HK cents for the reporting period.

Net debt to equity ratio was 0.5 and 0.7 at 30th November 2019 and 28th February 2019 respectively, while total equity to total assets ratio was 54.9% and 51.6% at 30th November 2019 and 28th February 2019 respectively.

Net asset value per share at 30th November 2019 was HK\$7.8, as compared with the net asset value per share (after final dividend) of HK\$7.4 at 28th February 2019.

### Profit or Loss Analysis

#### *Revenue*

Revenue for the period was HK\$974.6 million, a slight decrease of 0.5% or HK\$5.3 million when compared with HK\$979.9 million in the previous period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Profit or Loss Analysis (Continued)

#### *Net interest income*

Through the launch of different card promotion programs, card credit purchase sales for the period recorded an increase when compared with the previous period. However, with the suspension of our ATM service for five months due to ATM skimming fraud, card cash advance sales for the period recorded a decrease of 16.4% when compared with the previous period. Notwithstanding the resizing of the portfolio with greater emphasis on higher yield products, the Group recorded a slight decrease in interest income of 0.9% or HK\$7.5 million, from HK\$850.1 million in the previous financial period to HK\$842.6 million in the reporting period.

The Group's average funding cost was 2.8% in the reporting period. With a reduction in bank borrowings, the Group's interest expense recorded a decrease of 15.2% or HK\$9.6 million, from HK\$63.1 million in the previous period to HK\$53.5 million in the reporting period.

Consequently, net interest income of the Group in the current period was HK\$789.2 million, representing an increase of HK\$2.2 million when compared with the corresponding period in 2018/19.

#### *Operating income*

Following the increase in credit card sales, there was an increase in fees and commissions from the credit card business of 3.4% or HK\$1.7 million to HK\$51.2 million in the current period. With the launch of new insurance products, fees and commissions from the insurance business recorded an increase of HK\$4.4 million to HK\$23.0 million in the current period. The Group recorded an overall increase of HK\$6.1 million in fees and commissions from HK\$68.1 million in the first nine months of 2018/19 to HK\$74.2 million in the current period. Following the drop in card cash advance sales, there was a decrease in handling and late charges of HK\$3.9 million in the reporting period.

With the early termination of lease/licence agreements for our ATMs, the Group incurred losses of HK\$7.1 million on lease modification, resulting in the increase in other losses to HK\$8.0 million in the reporting period.

Operating income of the Group for the first nine months of 2019/20 recorded a decrease of HK\$3.8 million from HK\$919.1 million in 2018/19 to HK\$915.3 million in the reporting period.



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

### **Profit or Loss Analysis (Continued)**

#### *Operating expenses*

During the period under review, the Group had incurred more marketing and promotion expenses to stimulate customers' spending using our credit cards and for brand building, resulting in an increase of HK\$16.4 million when compared with the previous period.

With the launch of different digitalization projects and the discontinuance service of certain ATMs, there was an increase in system running costs and related removal costs, resulting in an increase in other operating expenses in the first nine months by HK\$6.9 million when compared with the previous reporting period.

Overall operating expenses recorded an increase of HK\$16.9 million from HK\$407.2 million in the previous period to HK\$424.1 million in the current period. Cost-to-income ratio increased from 44.3% in the previous period to 46.3% in the current period.

At the operating level before impairment losses and impairment allowances, the Group recorded an operating profit of HK\$491.1 million for the nine months ended 30th November 2019, representing a decrease of 4.0% from HK\$511.8 million in the previous period.

#### *Impairment losses and impairment allowance*

The unstable economic outlook and social unrest affected the quality of the Group's credit portfolio since the beginning of second quarter this year. There was an increase of HK\$36.8 million in impairment losses and impairment allowances from HK\$152.2 million in the first nine months of 2018/19 to HK\$189.0 million in the first nine months of 2019/20. Precautionary measures had been taken in the third quarter to prevent the potential deterioration in asset quality.

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

The Group's total equity at 30th November 2019 was HK\$3,253.2 million, representing a growth of 2.0% or HK\$62.6 million when compared with the balance of HK\$3,190.6 million at 28th February 2019.

Total assets at 30th November 2019 were HK\$5,926.9 million, representing a decrease of 4.1% or HK\$253.8 million when compared with total assets of HK\$6,180.7 million at 28th February 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Segment Information

In the first nine months of 2019/20, with an increase in credit purchase sales and increase in the yield on card cash advance portfolio, revenue from credit card operations in 2019/20 increased by 1.5% or HK\$11.0 million from HK\$730.4 million in 2018/19 to HK\$741.5 million in 2019/20. However, due to the increase in marketing and promotion expenses to increase sales and deteriorating credit quality, the segment results for the period recorded a decrease of HK\$36.1 million from HK\$300.0 million in 2018/19 to HK\$264.0 million in 2019/20.

For personal loans, in view of market situation, the Group had tightened up on credit assessment, resulting in the slowdown in sales and reduction in the personal loan receivables balance. Consequently, revenue from personal loan operations in 2019/20 decreased by 9.0% or HK\$20.7 million from HK\$230.8 million in 2018/19 to HK\$210.1 million in the reporting period. The segment results for the period recorded a decrease of HK\$27.8 million from HK\$89.7 million in 2018/19 to HK\$61.9 million in 2019/20.

In relation to financial information by geographical locations, revenue from Hong Kong operations recorded an increase of 1.4% or HK\$13.8 million, from HK\$950.6 million in 2018/19 to HK\$964.4 million in 2019/20, attributable to the increase in credit card sales and revolving credit card balance. However, due to the increase in spending on advertising and deterioration of credit quality, the segment results recorded a drop of 14.5% or HK\$59.1 million, from HK\$408.7 million in 2018/19 to HK\$349.6 million in 2019/20.

For China operations, the three microfinance subsidiaries continued to underperform. Sales in these subsidiaries continued to decrease in the reporting period, resulting in the decrease in revenue of HK\$19.1 million, from HK\$29.3 million in 2018/19 to HK\$10.2 million in 2019/20. Despite their efforts to control costs and improve the quality of their assets, the loss in the period increased by HK\$2.0 million to HK\$12.6 million from HK\$10.7 million in 2018/19.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Prospects

Unemployment rate revealed an increasing trend in the third quarter. As the tensions stemming from the US-China trade war and the current social unrest in Hong Kong has not yet been fully resolved, the economy will inevitably deteriorate. The Group will closely monitor the development and take additional precautionary measures against higher credit risk as may be considered necessary, especially on the continued increase in unemployment rate, which may accelerate the deterioration of credit quality in the fourth quarter.

As AEON Micro Finance (Shenyang) Co., Ltd. had been suffering losses since its incorporation, upon considering its small scale of operations, the Group could not foresee any prospect of its business sustainability. The Board therefore decided to commence voluntary liquidation on this micro-finance subsidiary. The Group will continue to monitor and assess the business prospects of the other two micro-finance subsidiaries, and seek new business opportunities in the consumer finance area.

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

By order of the Board  
**HIDEO TANAKA**  
*Managing Director*

Hong Kong, 30th December 2019

*As at the date of this announcement, the Board comprises Mr. Hideo Tanaka (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Ms. Koh Yik Kung and Mr. Tony Fung as Executive Directors; Mr. Masaaki Mangetsu (Chairman) as Non-executive Director; and Mr. Lee Ching Ming, Adrian, Mr. Wong Hin Wing and Mr. Kenji Hayashi as Independent Non-executive Directors.*