

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

FINAL RESULTS FOR THE YEAR ENDED 28TH FEBRUARY 2021

The board (the “Board”) of directors (the “Directors”) of AEON Credit Service (Asia) Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 28th February 2021, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 28th February 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Revenue	5	1,089,858	1,297,686
Interest income	7	946,774	1,115,725
Interest expense	8	(42,151)	(68,300)
Net interest income		904,623	1,047,425
Fees and commissions		76,985	104,388
Handling and late charges		66,099	77,573
Other income	9	17,521	3,781
Other gains and losses	10	(2,140)	(8,001)
Operating income		1,063,088	1,225,166
Operating expenses	11	(535,900)	(565,933)
Operating profit before impairment losses and impairment allowances		527,188	659,233
Impairment losses and impairment allowances		(210,812)	(258,744)
Recoveries of advances and receivables written-off		38,660	43,536
Share of results of an associate		2,910	905
Profit before tax		357,946	444,930
Income tax expense	12	(56,371)	(74,847)
Profit for the year		301,575	370,083
Profit for the year attributable to: Owners of the Company		301,575	370,083
Earnings per share – Basic	14	72.02 HK cents	88.37 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28th February 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>301,575</u>	<u>370,083</u>
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income	(15,601)	(37,516)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	14,104	(11,738)
Net adjustment on cash flow hedges	<u>(7,334)</u>	<u>(13,678)</u>
Other comprehensive expense for the year	<u>(8,831)</u>	<u>(62,932)</u>
Total comprehensive income for the year	<u>292,744</u>	<u>307,151</u>
Total comprehensive income for the year attributable to: Owners of the Company	<u>292,744</u>	<u>307,151</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28th February 2021

	<i>Notes</i>	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>15</i>	107,214	105,173
Right-of-use assets	<i>15</i>	82,278	92,786
Interest in an associate		19,406	15,587
Equity instruments at fair value through other comprehensive income	<i>16</i>	65,470	81,071
Advances and receivables	<i>17</i>	589,136	719,765
Prepayments, deposits and other debtors	<i>19</i>	16,349	26,258
Derivative financial instruments	<i>23</i>	–	1,809
Deferred tax assets	<i>24</i>	2,509	8,769
		<hr/> 882,362	<hr/> 1,051,218
Current assets			
Advances and receivables	<i>17</i>	3,254,632	3,708,241
Prepayments, deposits and other debtors	<i>19</i>	51,446	70,425
Amount due from immediate holding company		–	250
Amount due from an associate		37	81
Derivative financial instruments	<i>23</i>	–	353
Restricted deposits		–	38,000
Time deposits		135,302	150,812
Bank balances and cash		759,587	710,338
		<hr/> 4,201,004	<hr/> 4,678,500
Current liabilities			
Creditors and accruals	<i>20(a)</i>	263,789	215,992
Contract liabilities	<i>20(b)</i>	16,301	10,562
Amounts due to fellow subsidiaries		63,741	38,775
Amount due to intermediate holding company		1,497	283
Amount due to ultimate holding company		14	50
Amount due to an associate		1,672	3,203
Bank borrowings	<i>21</i>	527,635	370,000
Collateralised debt obligation	<i>25</i>	–	548,400
Lease liabilities	<i>22</i>	42,002	37,869
Derivative financial instruments	<i>23</i>	4,384	839
Tax liabilities		20,726	16,514
		<hr/> 941,761	<hr/> 1,242,487
Net current assets		<hr/> 3,259,243	<hr/> 3,436,013
Total assets less current liabilities		<hr/> 4,141,605	<hr/> 4,487,231

	<i>Notes</i>	28.2.2021 HK\$'000	29.2.2020 <i>HK\$'000</i>
Capital and reserves			
Share capital		269,477	269,477
Reserves		3,152,553	3,044,065
Total equity		3,422,030	3,313,542
Non-current liabilities			
Bank borrowings	<i>21</i>	655,246	1,099,102
Lease liabilities	<i>22</i>	42,692	56,760
Derivative financial instruments	<i>23</i>	21,637	17,827
		719,575	1,173,689
		4,141,605	4,487,231

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28th February 2021

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Hedging reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2019	269,477	93,042	(3,738)	(13,213)	2,845,079	3,190,647
Profit for the year	-	-	-	-	370,083	370,083
Fair value loss on equity instruments at fair value through other comprehensive income	-	(37,516)	-	-	-	(37,516)
Exchange difference arising from translation of foreign operations	-	-	-	(11,738)	-	(11,738)
Net adjustment on cash flow hedges	-	-	(13,678)	-	-	(13,678)
Total comprehensive (expense) income for the year	-	(37,516)	(13,678)	(11,738)	370,083	307,151
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 2018/19	-	-	-	-	(92,128)	(92,128)
Interim dividend paid for 2019/20	-	-	-	-	(92,128)	(92,128)
	-	(35,793)	(13,678)	(11,738)	184,104	122,895
At 29th February 2020	269,477	57,249	(17,416)	(24,951)	3,029,183	3,313,542
Profit for the year	-	-	-	-	301,575	301,575
Fair value loss on equity instruments at fair value through other comprehensive income	-	(15,601)	-	-	-	(15,601)
Exchange difference arising from translation of foreign operations	-	-	-	14,104	-	14,104
Net adjustment on cash flow hedges	-	-	(7,334)	-	-	(7,334)
Total comprehensive (expense) income for the year	-	(15,601)	(7,334)	14,104	301,575	292,744
Final dividend paid for 2019/20	-	-	-	-	(92,128)	(92,128)
Interim dividend paid for 2020/21	-	-	-	-	(92,128)	(92,128)
	-	(15,601)	(7,334)	14,104	117,319	108,488
At 28th February 2021	269,477	41,648	(24,750)	(10,847)	3,146,502	3,422,030

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28th February 2021

	2021 HK\$'000	2020 HK\$'000
Operating activities		
Profit before tax	357,946	444,930
Adjustment for:		
Amortisation of upfront cost of borrowings	862	523
Depreciation on property, plant and equipment	31,813	36,773
Depreciation on right-of-use-assets	49,506	46,868
Dividends received from financial instruments	(178)	(929)
Impairment losses and impairment allowances recognised in respect of advances and receivables	210,812	258,744
Interest expense	41,289	67,777
Interest income	(946,774)	(1,115,725)
Losses on disposal of property, plant and equipment	1,527	697
Losses on termination of lease contracts	949	7,067
Share of results of an associate	(2,910)	(905)
Operating cash flows before movements in working capital	(255,158)	(254,180)
Decrease in advances and receivables	357,591	191,958
Decrease (increase) in prepayments, deposits and other debtors	18,732	(16,101)
Decrease in amounts due from fellow subsidiaries	–	160
Decrease in amount due from immediate holding company	254	20
Decrease (increase) in amount due from an associate	47	(44)
Decrease in fiduciary bank balances	–	35
Increase (decrease) in creditors and accruals	60,076	(43,626)
Increase in contract liabilities	5,739	1,076
Increase (decrease) in amounts due to fellow subsidiaries	24,998	(4,203)
Increase in amount due to intermediate holding company	1,214	283
(Decrease) increase in amount due to ultimate holding company	(36)	22
(Decrease) increase in amount due to an associate	(1,531)	1,176
Cash from (used in) operations	211,926	(123,424)
Tax paid	(45,898)	(83,919)
Interest paid	(43,968)	(68,326)
Interest received	966,050	1,118,449
Net cash from operating activities	1,088,110	842,780

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Investing activities		
Dividends received	178	929
Proceeds from disposal of equity instruments at fair value through other comprehensive income	–	114
Proceeds from disposal of property, plant and equipment	9	53
Purchase of property, plant and equipment	(17,220)	(15,421)
Deposits paid for acquisition of property, plant and equipment	(15,559)	(26,552)
Placement of time deposits with maturity of more than three months	(29,455)	(93,348)
Release of time deposits with maturity of more than three months	99,092	48,433
	<hr/>	<hr/>
Net cash from (used in) investing activities	37,045	(85,792)
	<hr/>	<hr/>
Financing activities		
Placement of restricted deposits	(1,358,808)	(841,930)
Withdrawal of restricted deposits	1,396,808	1,223,396
Repayment of lease liabilities	(49,084)	(52,091)
Dividends paid	(184,256)	(184,256)
New bank loans raised	83,038	415,565
Repayment of bank loans	(370,000)	(325,000)
Repayment of collateralised debt obligation	(548,400)	(701,600)
	<hr/>	<hr/>
Net cash used in financing activities	(1,030,702)	(465,916)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	94,453	291,072
Effect of changes in exchange rate	5,524	(4,641)
Cash and cash equivalents at beginning of the year	764,987	478,556
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	864,964	764,987
	<hr/>	<hr/>
Being:		
Time deposits with maturity of three months or less	105,377	54,649
Bank balances and cash	759,587	710,338
	<hr/>	<hr/>
	864,964	764,987
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 28th February 2021

1. STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the years ended 28th February 2021 and 29th February 2020 included in this preliminary announcement of annual results for the year ended 28th February 2021 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 29th February 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 28th February 2021 in due course.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1st January 2023

² Effective for annual periods beginning on or after 1st January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1st June 2020

⁵ Effective for annual periods beginning on or after 1st January 2021

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 28th February 2021, the Group has several United States Dollars London Interbank Offered Rate (“LIBOR”) and Japanese Yen LIBOR bank borrowings which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments. The Group is in the process of planning and managing the transition to new benchmark interest rate with lenders.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

The significant accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 29th February 2020, except for the adoption of the amendments to HKFRSs as disclosed in note 3 above.

5. REVENUE

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Interest income (<i>Note 7</i>)	<u>946,774</u>	<u>1,115,725</u>
Fees and commissions		
– Credit cards	52,258	75,422
– Insurance	24,727	28,966
Handling and late charges	<u>66,099</u>	<u>77,573</u>
Revenue from contracts with customers	<u>143,084</u>	181,961
Total revenue	<u>1,089,858</u>	<u>1,297,686</u>

6. 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

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 head office expenses and share of results of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment revenue and results

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

For the year ended 28th February 2021

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	857,043	208,088	24,727	1,089,858
RESULT				
Segment results	295,986	49,053	11,987	357,026
Unallocated operating income				2,452
Unallocated expenses				(4,442)
Share of results of an associate				2,910
Profit before tax				357,946

For the year ended 29th February 2020

	Credit cards <i>HK\$'000</i>	Personal loans <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	996,223	272,444	29,019	1,297,686
RESULT				
Segment results	364,072	67,811	12,933	444,816
Unallocated operating income				4,110
Unallocated expenses				(4,901)
Share of results of an associate				905
Profit before tax				444,930

Geographical information

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

For the year ended 28th February 2021

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	1,076,813	13,045	1,089,858
RESULT			
Segment results	363,873	(6,847)	357,026
Unallocated operating income			2,452
Unallocated expenses			(4,442)
Share of results of an associate			2,910
Profit before tax			357,946

For the year ended 29th February 2020

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	1,284,903	12,783	1,297,686
RESULT			
Segment results	460,230	(15,414)	444,816
Unallocated operating income			4,110
Unallocated expenses			(4,901)
Share of results of an associate			905
Profit before tax			444,930

7. INTEREST INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-credit impaired advances	930,187	1,098,401
Credit impaired advances	10,184	10,223
Time deposits, restricted deposits and bank balances	6,403	7,101
	946,774	1,115,725

8. INTEREST EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	22,524	34,658
Interest on collateralised debt obligation	2,864	25,061
Interest on lease liabilities	2,394	2,971
Net interest expense on interest rate swap contracts – released from hedging reserve	14,369	5,610
	42,151	68,300

9. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends received from financial instruments		
– Listed equity securities	178	781
– Unlisted equity securities	–	148
Government grants	12,371	–
Others	4,972	2,852
	17,521	3,781

10. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exchange (loss) gain		
Exchange (loss) gain on hedging instrument released from hedging reserve	(567)	3,469
Exchange gain (loss) on a bank loan	567	(3,469)
Other exchange gains (losses), net	63	(262)
Hedge ineffectiveness on cash flow hedges, net	273	25
Losses on disposal of property, plant and equipment	(1,527)	(697)
Losses on termination of lease contracts	(949)	(7,067)
	(2,140)	(8,001)

11. OPERATING EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	3,086	3,248
Depreciation on property, plant and equipment	31,813	36,773
Depreciation on right-of-use assets	49,506	46,868
Expenses relating to short term leases and other leases with lease terms ending within 12 months from the date of initial application of HKFRS 16 <i>Leases</i>	5,592	14,321
	55,098	61,189
General administrative expenses	151,698	164,294
Marketing and promotion expenses	71,985	81,881
Other operating expenses	65,246	62,561
Staff costs including directors' emoluments	156,974	155,987
	<u>535,900</u>	<u>565,933</u>

12. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	50,700	67,868
– Overprovision in respect of prior years	(589)	(950)
	50,111	66,918
Deferred tax (<i>Note 24</i>)		
– Current year	6,260	7,929
	<u>56,371</u>	<u>74,847</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.

13. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend paid of 22.0 HK cents in respect of 2019/20 (2020: 22.0 HK cents in respect of 2018/19) per share	92,128	92,128
Interim dividend paid of 22.0 HK cents in respect of 2020/21 (2020: 22.0 HK cents in respect of 2019/20) per share	92,128	92,128
	184,256	184,256
Final dividend proposed of 18.0 HK cents in respect of 2020/21 (2020: 22.0 HK cents in respect of 2019/20) per share	75,378	92,128

The Directors have recommended a final dividend of **18.0 HK cents** per share. Subject to the approval of the shareholders at the annual general meeting of the Company to be held on 25th June 2021 (the “2021 AGM”), the final dividend will be paid on 16th July 2021 to shareholders whose names appear on the register of members of the Company on 6th July 2021. This dividend has not been included as a liability in the consolidated financial statements.

14. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of **HK\$301,575,000** (2020: HK\$370,083,000) and on the number of shares of **418,766,000** (2020: 418,766,000) in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the year, the Group recognised additional of approximately **HK\$34,681,000** (2020: HK\$70,133,000), **HK\$468,000** (2020: HK\$2,502,000) and **HK\$41,599,000** (2020: HK\$91,479,000) on computer equipment, leasehold improvements and right-of-use assets respectively.

16. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Equity instruments at fair value through other comprehensive income		
– Listed investment in Hong Kong	4,085	5,417
– Unlisted investments	61,385	75,654
	65,470	81,071

17. ADVANCES AND RECEIVABLES

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Credit card receivables	3,214,899	3,579,077
Personal loan receivables	<u>781,014</u>	<u>1,025,858</u>
	3,995,913	4,604,935
Accrued interest and other receivables	<u>66,359</u>	<u>85,579</u>
	4,062,272	4,690,514
Impairment allowances (<i>Note 18</i>)	<u>(218,504)</u>	<u>(262,508)</u>
	3,843,768	4,428,006
Current portion included under current assets	<u>(3,254,632)</u>	<u>(3,708,241)</u>
	589,136	719,765
Amount due after one year	<u>589,136</u>	<u>719,765</u>

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

18. IMPAIRMENT ALLOWANCES

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Analysis by products as:		
Credit card receivables	115,771	140,022
Personal loan receivables	99,518	115,923
Accrued interest and other receivables	<u>3,215</u>	<u>6,563</u>
	218,504	262,508
	<u>218,504</u>	<u>262,508</u>

An analysis of changes in impairment allowances including commitments on unused credit card limit are set out below:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2020	91,705	49,711	121,092	262,508
Net repayment in advances and receivables	(7,036)	(1,847)	(25,474)	(34,357)
Transfer to 12 months Expected Credit Loss (“ECL”) (Stage 1)	123,722	(110,317)	(13,405)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(10,160)	22,684	(12,524)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(112)	(101,101)	101,213	–
Total transfer between stages	113,450	(188,734)	75,284	–
Remeasurement of ECL during the year	(117,809)	171,743	191,235	245,169
Amounts written-off as uncollectable	–	–	(254,134)	(254,134)
Exchange realignment	(92)	(96)	(494)	(682)
	<u>80,218</u>	<u>30,777</u>	<u>107,509</u>	<u>218,504</u>
At 28th February 2021	80,218	30,777	107,509	218,504

	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 in advances and receivables	(3,082)	(6,360)	(17,651)	(27,093)
Transfer to 12 months ECL (Stage 1)	176,491	(167,313)	(9,178)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(19,061)	29,466	(10,405)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(686)	(93,143)	93,829	–
Total transfer between stages	156,744	(230,990)	74,246	–
Remeasurement of ECL during the year	(169,832)	238,421	217,248	285,837
Amounts written-off as uncollectable	–	–	(240,560)	(240,560)
Exchange realignment	64	65	702	831
	<u>91,705</u>	<u>49,711</u>	<u>121,092</u>	<u>262,508</u>
At 29th February 2020				

19. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Deposits for property, plant and equipment	4,342	14,814
Rental and other deposits	16,874	21,188
Prepaid operating expenses	35,072	49,030
Other debtors	11,507	11,651
	<u>67,795</u>	<u>96,683</u>
Current portion included under current assets	<u>(51,446)</u>	<u>(70,425)</u>
Amount due after one year	<u>16,349</u>	<u>26,258</u>

20. 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:

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Less than 1 month	78,219	57,372
Over 1 month but less than 3 months	1,964	3,070
Over 3 months	2,718	2,563
	<u>82,901</u>	<u>63,005</u>

- (b) At 28th February 2021, included in contract liabilities is deferred revenue in relation to customer loyalty programmes of **HK\$16,301,000** (29th February 2020: HK\$10,562,000).

Contract liabilities represent deferred revenue in relation to customer loyalty programmes.

Under the Group's customer loyalty programmes, the Group grants credits to customers for credit card transactions. The customers can redeem the awarded credits for goods or services in the future at their discretion and the awarded credits have expiration dates.

21. BANK BORROWINGS

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Carrying amount repayable (<i>Note</i>)		
Within one year	527,635	370,000
Within a period of more than one year but not more than two years	165,000	529,162
Within a period of more than two years but not more than five years	407,100	569,940
Within a period of more than five years	83,146	–
	1,182,881	1,469,102
Amount repayable within one year included under current liabilities	(527,635)	(370,000)
Amount repayable after one year	655,246	1,099,102

Note: The amounts due are based on schedule repayment dates set out in the loan agreements. At the end of the reporting periods, all bank borrowings are unsecured.

22. LEASE LIABILITIES

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	42,002	37,869
Within a period of more than one year but not more than two years	26,247	31,800
Within a period of more than two years but not more than five years	16,445	24,960
	84,694	94,629
Amount due for settlement within one year included under current liabilities	(42,002)	(37,869)
Amount due for settlement after one year	42,692	56,760

23. DERIVATIVE FINANCIAL INSTRUMENTS

	28.2.2021		29.2.2020	
	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Interest rate swaps	–	11,182	353	9,613
Cross-currency interest rate swaps	–	14,839	1,809	9,053
	–	26,021	2,162	18,666
Current portion	–	(4,384)	(353)	(839)
Non-current portion	–	21,637	1,809	17,827

All derivative financial instruments entered into by the Group that remain outstanding at 28th February 2021 and 29th February 2020 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 and collateralised debt obligation, the designated hedged items.

24. DEFERRED TAX

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the years ended 28th February 2021 and 29th February 2020:

	Accelerated tax depreciation <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st March 2019	7,902	(24,600)	–	(16,698)
Charge (credit) to profit or loss for the year	<u>6,626</u>	<u>1,606</u>	<u>(303)</u>	<u>7,929</u>
At 29th February 2020	14,528	(22,994)	(303)	(8,769)
Charge to profit or loss for the year	<u>882</u>	<u>5,075</u>	<u>303</u>	<u>6,260</u>
At 28th February 2021	<u>15,410</u>	<u>(17,919)</u>	<u>–</u>	<u>(2,509)</u>

25. COLLATERALISED DEBT OBLIGATION

	28.2.2021 <i>HK\$'000</i>	29.2.2020 <i>HK\$'000</i>
Tranche A	–	199,200
Tranche B	–	199,200
Tranche C	–	<u>150,000</u>
	–	548,400
Amount repayable within one year included under current liabilities	<u>–</u>	<u>(548,400)</u>
Amount repayable after one year	<u>–</u>	<u>–</u>

The Group transferred credit card receivables in Hong Kong to Horizon Master Trust (AEON 2006-1) (the “Trust”) pursuant to a collateralised debt obligation financing transaction (the “Transaction”). The Group holds the entire undivided interest in the credit card receivables transferred. In accordance with HKFRS 10 *Consolidated Financial Statements*, the Trust is controlled by the Group and the results thereof are consolidated by the Group in its condensed consolidated financial statements. According to HKFRS 9 *Financial Instruments*, both assets transferred and debt issued under the Transaction have not been derecognised and remained in the Group’s consolidated financial statements. The Transaction is backed by the credit card receivables transferred and with the carrying amount denominated in HKD. The Trust was terminated on 4th September 2020.

26. PLEDGE OF ASSETS

The Group has no pledged asset at 28th February 2021 as the related collateralised debt obligation was fully repaid on 4th August 2020. At 29th February 2020, the collateralised debt obligation was secured by credit card receivables and restricted deposits of HK\$1,482,338,000 and HK\$38,000,000 respectively.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 22nd June 2021 to Friday, 25th June 2021, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2021 AGM, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 21st June 2021.

For the purpose of determining the shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from Monday, 5th July 2021 to Tuesday, 6th July 2021, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of share accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 2nd July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group faced an exceptionally uncertain market environment in the year under review. With the COVID-19 pandemic (the "Pandemic") becoming more serious and widespread across the whole world, international travel almost came to a halt and social distancing measures were implemented to various degrees in different countries, resulting in a drastic decrease in group gatherings and travelling. The way consumers run their daily lives has seen a shift to online shopping and indoor activities, which has boosted digital and household-related purchase transactions. This change of customer behaviour has prompted the Group to accelerate its digital transformation, through the continued upgrade of mobile applications and dedicating more resources to online merchant marketing promotions. Moreover, people in Hong Kong have generally become more cautious about spending under the Pandemic other than on daily necessities, resulting in the slowdown in demand for cash advances and personal loans. This was also reflected in the maintenance of stable asset quality in the second half of the year even in the face of rising unemployment. Although sales in the fourth quarter started to pick up owing to the launch of personalized marketing promotions, credit card and personal loan sales still recorded an overall drop of 13.7% for the year ended 28th February 2021.

In view of the slowdown of marketing activities under the Pandemic, the Group has made investing in digitalization a high priority, in order to enhance its capabilities across various areas of its business and has also continued with the development of the new card and loan system to prepare for further technological upgrade in the payment industry.

Operational Review

During the year, the Group continued to enrich card member benefits and utilize new technologies to deliver premium services to our customers in a more efficient and effective way. The Group launched different promotional programs during the year, including the “AEON DAY” promotion and AEON Spending Reward promotion.

To improve customer convenience and accessibility, more features were added to the Company’s mobile application and the Company’s website was revamped, all in a bid to deliver a convenient service experience to our customers.

In view of the social unrest and social distancing measures under the Pandemic in the past two years, the Company completed the transformation of its branches to cashless operation with the cessation of all cash and cheque activities in branches and termination of its own ATM network operations in December 2020. Moreover, the Company decided to change its branch strategy to focus on branches inside department stores with a high concentration of shoppers and on mobile kiosks for card acquisition. The Company closed three branches during the year, including the flagship branch in Mongkok.

During the year, we continued with the development of the new card and loan system, with the front-end processor being successfully put in use in the third quarter as scheduled.

Meanwhile, the Group’s Mainland China businesses continued to be hindered by the small scale of their operations. So far, we have been focusing on cost and bad debt control. In December 2020, the Group approved the commencement of the voluntary liquidation of AEON Micro Finance (Tianjin) Co., Ltd., since this subsidiary was likely to remain unable to make any material improvement in its financial performance or operations in the foreseeable future. The Group will concentrate on exploring the consumer finance market in the Guangdong-Hong Kong-Macau Greater Bay Area.

Financial Review

For the year ended 28th February 2021, on an audited basis, profit before tax was HK\$357.9 million, a decrease of HK\$87.0 million when compared with the financial year ended 29th February 2020. After deducting income tax expense of HK\$56.4 million, the Group recorded a decrease in profit of 18.5%, with profit after tax decreasing from HK\$370.1 million in the previous financial year to HK\$301.6 million in 2020/21. Earnings per share decreased from 88.37 HK cents to 72.02 HK cents for the reporting year.

Return on assets was 5.9% in 2020/21, as compared with 6.5% in 2019/20, while return on equity was 8.8% in 2020/21, as compared with 11.2% in 2019/20.

Net debt to equity ratio was 0.1 at 28th February 2021 and 0.4 at 29th February 2020, while total equity to total assets ratio was 67.3% and 57.8% at 28th February 2021 and 29th February 2020 respectively.

Net asset value per share (after final dividend) at 28th February 2021 was HK\$8.0, as compared with the net asset value per share (after final dividend) of HK\$7.7 at 29th February 2020.

Consolidated Statement of Profit or Loss Analysis

Revenue

Revenue for the year was HK\$1,089.9 million, a decrease of 16.0% or HK\$207.8 million when compared with HK\$1,297.7 million in the previous financial year.

Net Interest Income

The adverse impacts of the Pandemic resulted in a drop in credit card and personal loan sales in the first half of the financial year. Although the brief partial uplift of social distancing measures in the third quarter brought about slight recovery in sales in the second half, gross advances and receivables at 28th February 2021 still recorded a drop of HK\$628.2 million when compared with the balance at 29th February 2020. As a result, the Group recorded a decrease in interest income of 15.1% or HK\$169.0 million, from HK\$1,115.7 million in the previous financial year to HK\$946.8 million in the current year.

The collateralized debt obligation arrangement was fully repaid in August 2020. In addition, the Group had also repaid other long-term banking borrowings upon maturity, with outstanding balance of indebtedness at 28th February 2021 reduced by HK\$834.6 million when compared with the balance at 29th February 2020. The Group's average funding cost dropped from 2.8% in the previous year to 2.6% in the current year. Coupled with the reduction in outstanding indebtedness, the Group's interest expense recorded a decrease of 38.3% or HK\$26.1 million, from HK\$68.3 million in the previous financial year to HK\$42.2 million in the current year.

Consequently, the Group's net interest income for 2020/21 was HK\$904.6 million, representing a decrease of 13.6% or HK\$142.8 million when compared with HK\$1,047.4 million in 2019/20.

Operating Income

Fees and commissions from the credit card business recorded a drop of 30.7%, or HK\$23.2 million, from HK\$75.4 million in the previous financial year to HK\$52.3 million in the current year. This was due to both the drop in credit card sales and the increase in the usage of award credits for credit card payments. There was a drop in fees and commissions from the insurance business of HK\$4.2 million to HK\$24.7 million in the current year due to the working arrangements implemented under the Pandemic. The Group recorded an overall decrease in fees and commissions of HK\$27.4 million from HK\$104.4 million in 2019/20 to HK\$77.0 million in 2020/21.

Following a drop in demand for cash advances, handling and late charges recorded a decrease of 14.8% or HK\$11.5 million to HK\$66.1 million in the current year. The Group applied and recognized government subsidies of HK\$12.4 million under the Employment Support Scheme, resulting in other income being HK\$17.5 million in the current year, compared to HK\$3.8 million in the previous year.

The Group's operating income for 2020/21 was HK\$1,063.1 million, representing a decrease of 13.2% or HK\$162.1 million when compared with HK\$1,225.2 million of 2019/20.

Operating Expenses

Due to social distancing measures under the Pandemic, mass marketing activities were reduced during the year under review, resulting in a decrease of 12.1% or HK\$9.9 million in marketing and promotion expenses to HK\$72.0 million in the reporting year. With the closure of three branches and the termination of the whole ATM network, expenses related to leases decreased by around HK\$6.1 million when compared with the previous year. There was also a reduction in expenses related to ATM operations, resulting in a drop of HK\$12.6 million in general administrative expenses when compared with the previous year. The Group continued to realign its manpower by streamlining back-office operations while increasing manpower for new system implementation, with staff costs maintaining at a level similar to that of last year.

Overall operating expenses recorded a drop of HK\$30.0 million from HK\$565.9 million in 2019/20 to HK\$535.9 million in the current year.

Cost-To-Income Ratio

Despite an effective control of operating expenses, with a drop in operating income, the Group recorded an increase in its cost-to-income ratio from 46.2% in the previous year to 50.4% in the current year.

Impairment Losses and Impairment Allowances

The continued adverse impacts of the Pandemic on businesses of all sizes caused the unemployment rate in Hong Kong to reach a record high in the year, with the latest figure being 7.2% (close to a 17-year high). Despite this, the continued decrease in advances and receivables, together with the early default detection action taken by the Group, had successfully reduced the overdue advances and receivables from HK\$308.6 million at 29th February 2020 to HK\$168.6 million at 28th February 2021. With the asset quality remaining at a stable level, there was an overall decrease of 18.5% or HK\$47.9 million in impairment losses and impairment allowances from HK\$258.7 million in FY2019/20 to HK\$210.8 million for the year ended 28th February 2021.

Consolidated Statement of Financial Position Analysis

The Group's total equity at 28th February 2021 was HK\$3,422.0 million, as compared with the balance of HK\$3,313.5 million at 29th February 2020, while total assets at 28th February 2021 were HK\$5,083.4 million, as compared with total assets of HK\$5,729.7 million at 29th February 2020.

Property, Plant and Equipment/Right-of-use Assets

During the year, the Group spent approximately HK\$34.7 million on computer equipment and HK\$0.5 million on leasehold improvements. For right-of-use assets, the Group as lessee recorded an addition of HK\$41.6 million in the year.

Advances and Receivables

Due to the weakening credit demand in the market, personal loan receivables decreased by 23.9% from HK\$1,025.9 million at 29th February 2020 to HK\$781.0 million at 28th February 2021. Moreover, the social distancing and other preventive and control measures under the Pandemic resulted in a decrease in credit card sales, with credit card receivables also recording a decrease of 10.2%, or HK\$364.2 million, from HK\$3,579.1 million at 29th February 2020 to HK\$3,214.9 million at 28th February 2021.

Coupled with a stable asset quality, impairment allowances decreased by HK\$44.0 million, from HK\$262.5 million at 29th February 2020 to HK\$218.5 million at 28th February 2021.

Indebtedness

At 28th February 2021, the Group had bank borrowings (including syndicated term loan denominated in foreign currency) amounting to HK\$1,182.9 million, with 7.6% having fixed interest rates and 92.4% being hedged against interest rate fluctuation by means of interest rate swaps. 44.6% of the indebtedness will mature within one year, 14.0% between one and two years, 34.4% between two and five years, and 7.0% over five years.

The average duration of indebtedness was 1.9 years at 28th February 2021, as compared with 1.6 years at 29th February 2020.

Segment Information

The Group's business comprises three principal operating segments, namely credit cards, personal loans and insurance intermediary business. For the year ended 28th February 2021, credit card operations accounted for 78.6% of the Group's revenue, as compared with 76.8% in the previous financial year, while personal loan operations accounted for 19.1% of the Group's revenue, as compared with 21.0% in the previous financial year. For segment results, credit card operations in 2020/21 accounted for 82.9% of the Group's results, as compared with 81.8% in the previous financial year, while personal loan operations accounted for 13.7%, as compared with 15.2% in the previous financial year.

During the year under review, as the Group had recorded a decrease in credit card sales and receivables balance, revenue from credit card operations in 2020/21 recorded a decrease of 14.0% or HK\$139.2 million from HK\$996.2 million in 2019/20 to HK\$857.0 million in 2020/21. Although the Group had effectively controlled operating expenses and contained the credit risk to reduce the impairment losses and impairment allowances by 12.3% or HK\$20.7 million, the results from the credit card segment still recorded a decrease of 18.7% or HK\$68.1 million from HK\$364.1 million in the previous financial year to HK\$296.0 million in 2020/21.

Given that the market demand for personal loan products remained weak under the Pandemic, there was a slowdown in sales throughout the financial year. Revenue from personal loan operations decreased by 23.6% or HK\$64.4 million from HK\$272.4 million in 2019/20 to HK\$208.1 million in 2020/21. With effective credit management measures to reduce the impairment losses and impairment allowances by 30.3% or HK\$27.3 million, the segment results from personal loan operations recorded a decrease of HK\$18.8 million from HK\$67.8 million in 2019/20 to HK\$49.1 million in the current financial year.

Following the special working arrangements under the Pandemic, revenue from insurance intermediary operations recorded a decrease of HK\$4.3 million from HK\$29.0 million in 2019/20 to HK\$24.7 million in 2020/21, and the segment results was HK\$12.0 million, as compared with HK\$12.9 million in the previous financial year.

In terms of the financial results by geographical locations, Hong Kong operations accounted for 98.8% of the Group's revenue, as compared with 99.0% in the previous financial year, while China operations accounted for 1.2% of the Group's revenue, as compared with 1.0% in the previous financial year. For segment results, the losses from China operations impacted the Group's results by around 1.9% and 3.5% in 2020/21 and 2019/20 respectively.

Revenue from the Hong Kong operations recorded a decrease of 16.2% or HK\$208.1 million, from HK\$1,284.9 million in 2019/20 to HK\$1,076.8 million in 2020/21, attributable to the drop in sales. Although there was a decrease in impairment losses and impairment allowances due to a drop in advances and receivables, the segment results of the Hong Kong operations still recorded a decrease of 20.9% or HK\$96.4 million from HK\$460.2 million in 2019/20 to HK\$363.9 million in 2020/21.

For Mainland China operations, the microfinance subsidiary in Shenzhen re-started marketing activities on selected merchants, resulting in a slight increase in revenue from China operations of HK\$0.3 million, from HK\$12.8 million in 2019/20 to HK\$13.0 million in 2020/21. Through continued cost and bad debt control measures, overall segment results of our China operations recorded a reduction in loss of HK\$8.6 million, from a loss of HK\$15.4 million in 2019/20 to a loss of HK\$6.8 million in 2020/21.

Funding and Capital Risk Management

The Group relies principally on its internally generated capital and bank borrowings to fund its business. At 28th February 2021, 74.3% of its funding was derived from total equity, and 25.7% from direct borrowings from financial institutions.

The net asset of the Group at 28th February 2021 was HK\$3,422.0 million, as compared with HK\$3,313.5 million at 29th February 2020. 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 therefore its core assets are not subject to any exposure on exchange rate fluctuation. During the year 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 28th February 2021, capital commitments entered into were mainly related to the purchase of property, plant and equipment.

Prospects

The Pandemic and its effects have been lingering since 2020/21. Even though the Pandemic was expected from the outset to take some time to be contained, it has been more than one year and is still not showing significant signs of easing, notably in the emergence of new variants in different countries. With the rollout of vaccines around the globe, some hope for the end of the Pandemic is on the horizon. On the one hand, the market has started preparing to capture the resuming demand for overseas travel, dining out, and entertainment. On the other hand, we cannot expect our daily life to return to normal. Changing consumer spending behaviours under the new normal as a result of the Pandemic are expected to remain. People now spend more time at home, resulting in an increase in demand for household appliances to create a more comfortable living environment. Instead of shopping in physical stores, consumers are getting used to shopping online. The Group will adjust its business model to adapt to this changing consumer behaviour and ensure it is prepared to meet new customer needs. However, with the unemployment rate expected to remain at a high level for a while, an abrupt adverse impact on asset quality may occur.

If the Pandemic can be brought under control soon, economic activities in Hong Kong are expected to rebound in the second half of 2021/22. It is inevitable that the Group will face a competitive operating environment, and this will have a challenging impact on the traditional marketing channels. In particular, competition is expected to intensify as a result of new virtual banking players commencing operations and the launch of new e-money and mobile payment solutions. To ensure the effectiveness of marketing channels and to stay competitive in the market, the Group will put more emphasis on using social media and mobile applications to promote its products and marketing programs. Moreover, with the development of acquiring business merchant network, more promotions will be lined up with online merchants to stimulate customer spendings. In addition, the Group will work closely with AEON Stores to maximize the card payments of customers inside AEON Stores. To cater for any possible adverse change in the credit environment, the Group will enhance its credit policy to maximize the profitability in extending credit facilities to customers.

In order to strengthen operational efficiency, the Group will continue to commit significant resources to complete the digital transformation and upgrade its ability to respond to changes in the market. The Group will introduce new product benefits and provide premium user experiences to our customers. Furthermore, the Group will enhance its data analysis methodologies to raise the Group's marketing, credit assessment and credit management effectiveness.

To widen the business scope and market coverage, the Group will start to explore the development of new payment solutions and establish a strong management base for the Group to enter into the Greater Bay Area in the future.

A key element of the technology upgrade is the new card and loan system project. With the completion of phase one for acquiring system and phase two on front end processor, the Group will start the second part of phase two for issuing system in the first quarter of this year, with the estimated project completion date to be in early 2023. With a total estimated project cost of HK\$630 million, around 30.8% has been committed or expensed at 28th February 2021.

The operating environment in Mainland China is likely to remain challenging under the Pandemic. Following the voluntary liquidation of two microfinance subsidiaries in the northern part of Mainland China, the Group will concentrate on consolidating its operations in the Greater Bay Area and strengthening the local management team. Besides improving the asset quality and streamlining the operations of the microfinance subsidiary in Shenzhen to achieve break-even status, the Group will also seek new business opportunities.

It is difficult to predict the timeframe for the economy's recovery. With the precautionary measures being taken and the Group's strong business partner relationships, as well as the Group's strong liquidity position and balance sheet, the Group is well prepared to face the challenges ahead and to move forward to capture new business opportunities that may arise as and when the right market conditions return.

HUMAN RESOURCES

The total number of staff of the Group as at 28th February 2021 and 29th February 2020 was 379 (Hong Kong: 334; PRC: 45) and 391 (Hong Kong: 338; PRC: 53) respectively. Employees are remunerated according to the job nature and market trends, with annual increment to reward and motivate individual employees based on their competency. Apart from medical and life insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance and the financial performance of the Group.

The Group also provides a wide range of different in-house training programs and external training sponsorships for its employees. The in-house training programs include the yearly general training on AEON Code of Conduct and selected topics on compliance, which reconfirms the necessity of corporate ethics to create a shared set of values among employees. The training programs aim to enhance employees' professional knowledge and skills for providing customers with quality service.

CORPORATE GOVERNANCE

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 complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 28th February 2021, with the exceptions of code provisions A.4.1 and A.4.2 which are explained below.

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The second limb of code provision A.4.2 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 Non-executive Directors are not appointed for a specific term and 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.

MODEL 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 10 to the Listing Rules as its own code for securities transactions by Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 28th February 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2020/21 annual report of the Group, containing the relevant information required by the Listing Rules, will be published on the 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. Tomoharu Fukayama (Managing Director), Mr. Lai Yuk Kwong (Deputy Managing Director), Mr. Tony Fung and Mr. Daisuke Takenaka as Executive Directors; Mr. Masaaki Mangetsu (Chairman) as Non-executive Director; and Mr. Lee Ching Ming Adrian, Mr. Kenji Hayashi, Ms. Shing Mo Han Yvonne and Ms. Junko Dochi as Independent Non-executive Directors.

By order of the Board
Tomoharu Fukayama
Managing Director

Hong Kong, 8th April 2021