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

ANNUAL REPORT 2019/20

Planting Seeds of Growth

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Contents

ISO 9001 - QMS / FS 513193 ISO 14001 - EMS 538444 ISO 27001 - ISMS / IS 500955

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Hideo Tanaka *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Koh Yik Kung
Tony Fung

Non-executive Director

Masaaki Mangetsu *(Chairman)*

Independent Non-executive Directors

Lee Ching Ming, Adrian
Wong Hin Wing
Kenji Hayashi

COMPANY SECRETARY

Hung Tun Shun Jason (Appointed on 27th April 2020)
Koh Yik Kung (Resigned on 27th April 2020)

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SHARE REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

MAJOR BANKERS

Mizuho Bank, Ltd.
Hong Kong Branch
MUFG Bank, Ltd.
Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Hong Kong Branch

REGISTERED OFFICE

20/F, Mira Place Tower A
132 Nathan Road
Tsimshatsui
Kowloon
Hong Kong

INTERNET ADDRESS

Website address: http://www.aeon.com.hk
E-mail address: info@aeon.com.hk

STOCK CODE

900

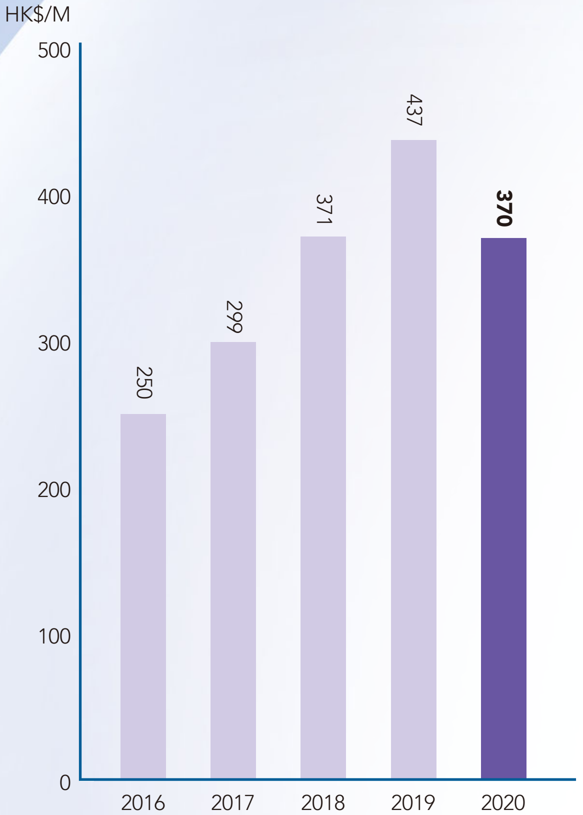
Shareholders' Calendar

30th September 2019	Announcement of interim results for the six months ended 31st August 2019
15th October 2019	Despatch of interim report for the six months ended 31st August 2019
17th – 18th October 2019	Book closing dates for interim dividend
31st October 2019	Payment of interim dividend of 22.0 HK cents per share
9th April 2020	Announcement of final results for the year ended 29th February 2020
15th May 2020	Despatch of annual report for the year ended 29th February 2020
18th – 23rd June 2020	Book closing dates for 2020 AGM
23rd June 2020	2020 AGM
2nd – 3rd July 2020	Book closing dates for final dividend
14th July 2020	Payment of final dividend of 22.0 HK cents per share (subject to shareholders' approval at the 2020 AGM)

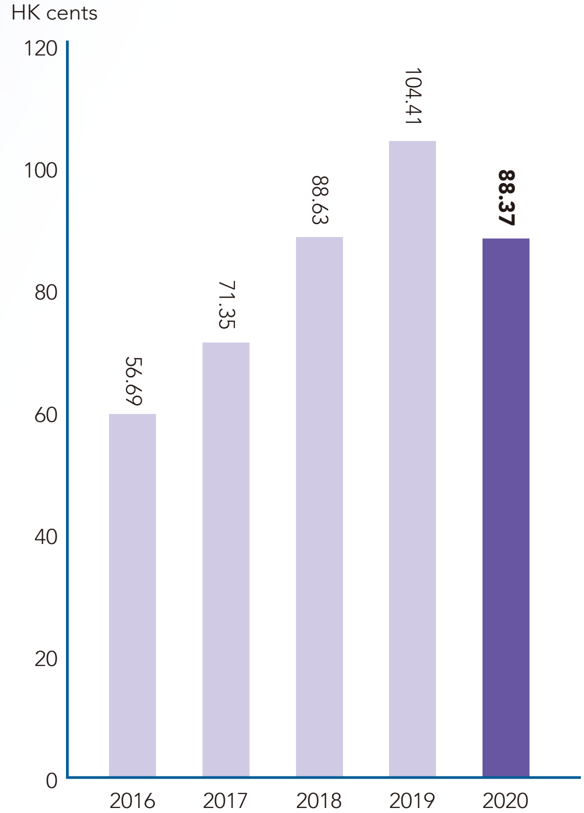
Financial Summary

CONSOLIDATED RESULTS

Profit (note 1)



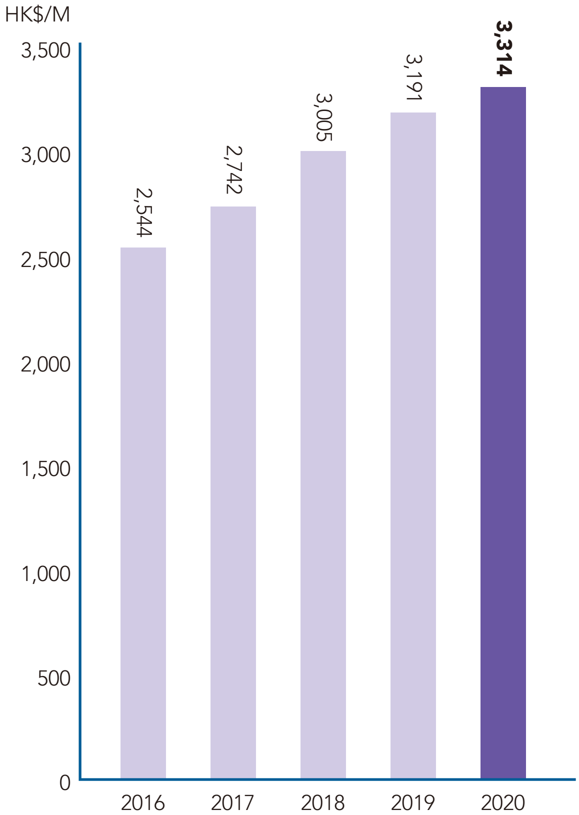
Earnings per share (note 2)



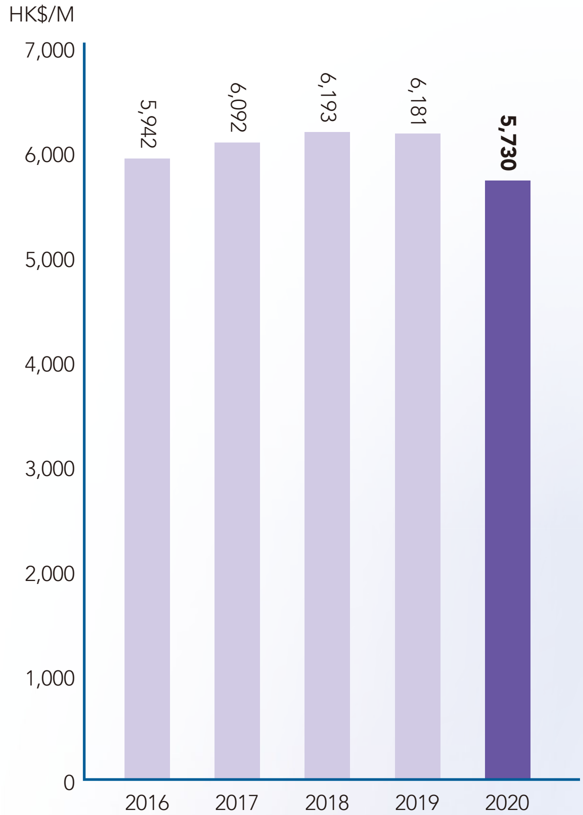
	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	**2020** ***HK$'000***
Revenue	1,258,854	1,228,100	1,282,867	1,322,678	**1,297,686**
Profit before tax	307,355	367,234	447,265	524,122	**444,930**
Income tax expense	(57,388)	(68,438)	(76,117)	(86,868)	**(74,847)**
Profit for the year	249,967	298,796	371,148	437,254	**370,083**
Earnings per share	59.69 HK cents	71.35 HK cents	88.63 HK cents	104.41 HK cents	**88.37 HK cents**
Dividend per share	36.00 HK cents	38.00 HK cents	42.00 HK cents	44.00 HK cents	**44.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

Total equity (note 3)



Total assets (note 4)



	At 29.2.2016 HK$'000	28.2.2017 HK$'000	28.2.2018 HK$'000	28.2.2019 HK$'000	**29.2.2020 HK$'000**
Total assets	5,941,584	6,091,800	6,192,976	6,180,684	**5,729,718**
Total liabilities	(3,398,012)	(3,349,729)	(3,187,935)	(2,990,037)	**(2,416,176)**
Total equity	2,543,572	2,742,071	3,005,041	3,190,647	**3,313,542**

Notes:

1. Represents the consolidated profit for the financial years ended 29th February 2016, 28th February 2017, 28th February 2018, 28th February 2019 and 29th February 2020.

2. Represents the consolidated earnings per share for the financial years ended 29th February 2016, 28th February 2017, 28th February 2018, 28th February 2019 and 29th February 2020.

3. Represents the consolidated total equity at 29th February 2016, at 28th February 2017, 2018, 2019 and at 29th February 2020.

4. Represents the consolidated total assets at 29th February 2016, at 28th February 2017, 2018, 2019 and at 29th February 2020.

Management Discussion and Analysis

BUSINESS REVIEW

The Group faced an uncertain and challenging external market environment in the year under review. While sales performance in the first quarter was largely unaffected by the ongoing US-China trade war because of the relatively low unemployment rate, social unrests in the second quarter had a negative impact on local sales. Even though an increase in overseas spending through our marketing programs had helped minimize the negative impact, escalating social unrests in the third quarter resulted in a sales slowdown and increasing concern over asset quality. Coupled with the outbreak of COVID-19 in January 2020, sales were adversely impacted in the fourth quarter, and asset quality started to show early signs of deterioration. Credit card and personal loan sales recorded an overall drop of 5.3% for the year ended 29th February 2020.

Despite this adverse economic environment, the Group continued to put high priority on investing in digitalization to improve productivity and on expanding customer base through more attractive marketing programs. At the same time, the Group has taken a cautious approach in extending credit to control asset quality and implemented default alert mechanism for more effective credit risk management.

OPERATIONAL REVIEW

During the year, the Group continued to deploy the dual strategies of enriching card member benefits and utilizing new technologies to deliver premium service to our customers in a more efficient and effective way. The Group launched different promotion programs during the year, including Weekend Special Promotion inside AEON Stores' outlets, Japan Spending Rewards Promotion and Ocean Park Promotion.

To improve customer convenience, several features were added to our mobile application, including online personal loan application and approval and fund transfer for card cash advance to customers' bank accounts through Faster Payment System.

To pursue the strategy of setting up branches in areas with a high concentration of shoppers, the Group opened two new flagship branches, Causeway Bay in May 2019 and Central in July 2019, in addition to the flagship branch in Mongkok that opened in 2018. Moreover, to realize cashless operation, all cash and cheque payment activities had been discontinued in branches.

Following the ATM skimming fraud in May 2019, the Group terminated the operations of its ATMs in convenience stores and MTR stations and maintained only 15 ATMs located within its branches as of 29th February 2020. Moreover, these ATMs had been enhanced for fraud prevention.

During the year, we continued with the development of the new card and loan system. The first phase acquiring system had been rolled out and put into use for selected merchants in the fourth quarter.

Meanwhile, the Mainland China businesses of the Group continued to be hindered by the small scale of their operations. We have therefore focused on cost and bad debt control. On 30th December 2019, the Group commenced voluntary liquidation of AEON Micro Finance (Shenyang) Co., Ltd., since the subsidiary had been continuously making losses since its establishment with no reasonable prospects of material improvement in the foreseeable future. The other two micro-finance companies in Shenzhen and Tianjin were streamlining their cost structures.

DIVIDEND POLICY

The Group has adopted a stable dividend policy, aiming to pay regular dividends with a target annual dividend payout ratio of not less than 30% of the consolidated net profits of the Group attributable to shareholders of the Company for the financial year. When proposing dividend, besides financial performance, the Board will take into consideration shareholders' interests, payout history, general business environment and cash flow requirements. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

FINAL DIVIDEND

The Board has recommended a final dividend of 22.0 HK cents per share, bringing the total dividend for the year ended 29th February 2020 to 44.0 HK cents per share, with total dividend amount same as that for the year ended 28th February 2019. This represents a dividend payout ratio of 49.8%.

FINANCIAL REVIEW

For the year ended 29th February 2020, on an audited basis, profit before tax was HK$444.9 million, a decrease of HK$79.2 million when compared with the financial year ended 28th February 2019. After deducting income tax expense of HK$74.8 million, the Group recorded a decrease in profit of 15.4%, with profit after tax decreasing from HK$437.3 million in the previous financial year to HK$370.1 million in 2019/20. Earnings per share decreased from 104.41 HK cents to 88.37 HK cents for the reporting year.

Return on assets was 6.5% in 2019/20, as compared with 7.1% in 2018/19, while return on equity was 11.2% in 2019/20, as compared with 13.7% in 2018/19.

Net debt to equity ratio was 0.4 at 29th February 2020 and 0.7 at 28th February 2019, while total equity to total assets ratio was 57.8% and 51.6% at 29th February 2020 and 28th February 2019 respectively.

Net asset value per share (after final dividend) at 29th February 2020 was HK$7.7, as compared with the net asset value per share (after final dividend) of HK$7.4 at 28th February 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ANALYSIS

Revenue

Revenue for the year was HK$1,297.7 million, a decrease of 1.9% or HK$25.0 million when compared with HK$1,322.7 million in the previous financial year.

Net Interest Income

Adverse impact from social unrest and the outbreak of COVID-19 ensued in card credit purchase sales in this financial year staying at similar level as last year. More stringent credit assessment and credit management led to a drop of card cash advance and personal loan sales by 22.1% when compared with last year. Despite an effort to increase the interest rates on loan product portfolio, the Group recorded a decrease in interest income of 1.9% or HK$21.2 million, from HK$1,136.9 million in the previous financial year to HK$1,115.7 million in the current year.

With respect to the collateralized debt obligation arrangement, scheduled repayments had begun in the second half. For the purpose of making these scheduled repayments and to coincide with the maturity of other bank borrowings, the Group had entered into several new long-term banking borrowings (including syndicated loan facilities) with lower interest rates, resulting in the Group's average funding cost dropping from 3.0% in last year to 2.8% in the current year. The Group's interest expense recorded a decrease of 16.8% or HK$13.8 million, from HK$82.1 million in the previous financial year to HK$68.3 million in the current year.

Consequently, net interest income of the Group for 2019/20 was HK$1,047.4 million, representing a decrease of 0.7% or HK$7.4 million when compared with HK$1,054.9 million in 2018/19.

Operating Income

The slowdown of card credit purchase sales in the second half resulted in a slight decrease in fees and commissions from the credit card business of HK$0.6 million to HK$75.4 million in the current year. New products and promotion campaigns for the insurance business had been launched in the reporting year, resulting in fees and commissions from the insurance business recording an increase of HK$2.4 million to HK$29.0 million in the current year. Following the drop in card cash advance sales, handling and late charges decreased by 6.7% or HK$5.6 million to HK$77.6 million in the current year.

With the early termination of lease/licence agreements for our ATMs in the first half, the Group incurred losses of HK$7.1 million on termination of lease contracts, with other losses for the reporting year being HK$8.0 million.

Operating income of the Group for 2019/20 was HK$1,225.2 million, representing a decrease of 1.6% or HK$19.6 million when compared with HK$1,244.7 million of 2018/19.

Operating Expenses

During the year under review, there was an increase in marketing and promotion expenses to stimulate card spending and for brand building, resulting in an increase of 5.0% or HK$3.9 million to HK$81.9 million in the reporting year. With the launch of different digitalization projects, there was an increase in system running costs, resulting in an increase in both general administrative expenses and other operating expenses by HK$1.4 million and HK$3.8 million respectively. 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. With the reduction of number of ATMs and the closure of branches of low profitability, expenses related to leases decreased by around HK$10.1 million when compared with the previous year.

Overall operating expenses recorded a slight decrease of HK$1.6 million from HK$567.6 million in 2018/19 to HK$565.9 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 45.6% in the previous year to 46.2% in the current year.

Impairment Losses and Impairment Allowances

Unemployment rate in Hong Kong started to increase in the third quarter. Despite the Group's effective asset quality management and the adoption of default alert mechanism, deterioration of market environment in the fourth quarter brought about further increase in impairment losses and impairment allowances. There was an overall increase of 27.0% or HK$55.0 million in impairment losses and impairment allowances from HK$203.7 million in FY2018/19 to HK$258.7 million for the year ended 29th February 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS

The Group's total equity at 29th February 2020 was HK$3,313.5 million, as compared with the balance of HK$3,190.6 million at 28th February 2019, while total assets at 29th February 2020 were HK$5,729.7 million, as compared with total assets of HK$6,180.7 million at 28th February 2019.

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

During the year, the Group spent approximately HK$70.1 million on computer equipment and HK$2.5 million on leasehold improvements. For right-of-use assets, the Group recorded an addition of HK$91.5 million in the year.

Advances and Receivables

Due to the Group's more prudent credit assessment approach and weakening credit demand in the market, personal loan receivables decreased by 14.3% from HK$1,197.2 million at 28th February 2019 to HK$1,025.9 million at 29th February 2020. Moreover, the temporary suspension of ATM network for six months and the recurring social incidents resulted in a decrease in credit card sales, with credit card receivables also recording a decrease of 6.9%, or HK$263.2 million, from HK$3,842.3 million at 28th February 2019 to HK$3,579.1 million at 29th February 2020.

With the asset quality beginning to deteriorate, impairment allowances increased by HK$19.0 million, from HK$243.5 million at 28th February 2019 to HK$262.5 million at 29th February 2020.

Indebtedness

At 29th February 2020, the Group had bank borrowings (including syndicated term loan denominated in foreign currency) amounting to HK$1,469.1 million, with 12.9% having fixed interest rates and 87.1% being hedged against interest rate fluctuation by means of interest rate swaps. Including the collateralised debt obligation, 45.5% of the indebtedness will mature within one year, 26.2% between one and two years, and 28.3% between two and five years.

The average duration of indebtedness was 1.6 years at 29th February 2020, as compared with 1.5 years at 28th February 2019.

SEGMENT INFORMATION

The Group's business comprises three principal operating segments, namely credit cards, personal loans and insurance intermediary. For the year ended 29th February 2020, credit card operations accounted for 76.8% of the Group's revenue, as compared to 74.8% in the previous financial year, while personal loan operations accounted for 21.0% of the Group's revenue, as compared to 23.0% in the previous financial year. For segment results, credit card operations in 2019/20 accounted for 81.8% of the Group's whole operations, as compared to 74.0% in the previous financial year, while personal loan operations accounted for 15.2% of the Group's results, as compared to 23.5% in the previous financial year.

During the year under review, despite the Group recording a decrease in credit card sales and receivables balance, with an effort to increase the portfolio of higher yield card cash advance products, revenue from credit card operations in 2019/20 recorded a slight increase of 0.5% or HK$5.1 million from HK$991.1 million in 2018/19 to HK$996.2 million in 2019/20. Although the Group had effectively controlled the operating expenses, the deterioration of asset quality had increased the impairment losses and impairment allowances by 13.4% or HK$19.9 million. Consequently, the results from credit card segment recorded an overall decrease of 6.2% or HK$23.9 million from HK$387.9 million in the previous financial year to HK$364.1 million in 2019/20.

For personal loans, the marketing strategy of shifting emphasis from personal loans to credit purchase products as well as the emergence of unfavourable market conditions resulted in both a slowdown in sales and an increase in impairment losses and allowances. Revenue from personal loans operations decreased by 10.6% or HK$32.4 million from HK$304.8 million in 2018/19 to HK$272.4 million in 2019/20. Impairment losses and impairment allowances recorded an increase of 63.8% or HK$35.1 million. As a result, the segment results for the year from personal loans operations recorded a decrease of HK$55.2 million from HK$123.0 million in 2018/19 to HK$67.8 million in the current financial year.

Insurance intermediary operations maintained a stable business growth, with revenue recording an increase of HK$2.3 million to reach HK$29.0 million in the current year, and the segment results being HK$12.9 million, as compared to HK$11.9 million in the previous financial year.

In relation to the financial information by geographical locations, Hong Kong operations accounted for 99.0% of the Group's revenue, as compared to 97.4% in the previous financial year, while China operations accounted for 1.0% of the Group's revenue, as compared to 2.6% in the previous financial year. For segment results, the losses from China operations impacted the Group's results by around 3.0% in both years.

Revenue from Hong Kong operations recorded a decrease of 0.2% or HK$3.0 million, from HK$1,287.9 million in 2018/19 to HK$1,284.9 million in 2019/20, attributable to the drop in sales in the second half. Contributing to the deterioration of asset quality from continued social unrest and coronavirus outbreak in the second half, the segment results of Hong Kong operations recorded a decrease of 14.6% or HK$78.4 million from HK$538.7 million in 2018/19 to HK$460.2 million in 2019/20.

For China operations, the microfinance subsidiaries postponed selected marketing activities and concentrated on cost and bad debt control to minimize losses. As a result, revenue from China operations recorded a decrease of HK$22.0 million, from HK$34.8 million in 2018/19 to HK$12.8 million in 2019/20. On the other hand, the effort to reduce costs and bad debts had resulted in overall segment results of our China operations recording a slight reduction of loss of HK$0.4 million, from a loss of HK$15.8 million in 2018/19 to a loss of HK$15.4 million in 2019/20.

FUNDING AND CAPITAL RISK MANAGEMENT

The Group relies principally on its internally generated capital, bank borrowings and structured finance to fund its business. At 29th February 2020, 62.2% of its funding was derived from total equity, 27.6% from direct borrowings from financial institutions and 10.2% from structured finance.

The net asset of the Group at 29th February 2020 was HK$3,313.5 million, as compared with HK$3,190.6 million at 28th February 2019. 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 29th February 2020, capital commitments entered into were mainly related to the purchase of property, plant and equipment.

PROSPECTS

The COVID-19 is getting more serious and widespread in the whole world at this time, resulting in a halt of business activities and international travel in different countries. At the same time, the trade war between China and the United States has yet to be fully settled, while the social unrests in Hong Kong are still simmering. If the pandemic cannot be stopped soon, economic activities in Hong Kong are expected to drastically contract, with a corresponding surge in unemployment rates and bankruptcy cases. This will inevitably create a more turbulent operating environment for the Group, and will adversely affect the Group's financial performance in FY2020. Such an adverse impact has in fact already been evident in form of reduced sales and increase in overdue advances and receivables in February 2020. In addition, competition will continue to intensify with new virtual banking players coming into the market and the increasing popularity and ease of use of e-money and mobile payment solutions.

Under this extremely challenging environment, the Group will focus on containing asset quality. Besides consistently exercising prudent credit assessment, the Group will temporarily suspend marketing activities on the loan business until the market situation shows signs of improving. In the meantime, the Group will implement cost control through prudent management of mass promotion campaigns and streamlining of its operations.

Notwithstanding the unfavourable environment, the Group will continue to commit significant resources to digitalization to strengthen operation efficiency and upgrade our ability to respond to changes in the market. That will enable us to enhance functions of our mobile applications and website usage. The Group will also continue to introduce new product benefits and to provide premium user experience to our customers. Furthermore, the Group has started to explore the feasibility and practical implications for adopting artificial intelligence in its data analysis methodologies to enhance the Group's marketing, credit assessment and credit management capabilities.

A key platform for this technology upgrade is the new card and loan system project. The phase one acquiring system had been successfully launched in September 2019. To ensure the quality of the phase two issuing system and other related systems, the estimated project completion date has been re-scheduled from early 2020 to 2023. The total estimated project cost has also been revised from HK$480 million to HK$630 million. That will include front-end capital expenditures of HK$180 million to be depreciated over a period of ten years, and on-going maintenance and support charges of HK$450 million to be expensed over a period of ten years from the completion of the project.

For the Mainland China businesses, the operating environment will be constrained by the expected slowdown of economic activities in China due to the trade war and COVID-19. As a result, the two continuing microfinance subsidiaries will mainly focus on improving asset quality and streamlining their operations to minimize losses.

It is difficult to predict the timeframe that the current grave uncertainties in economic situation will last for. There is little doubt that they will have a significant impact on the Group's sales and asset quality in the coming months. Inevitably there will be a deterioration in the profitability of the Group in FY20/21. With the precautionary measures being taken, and together with 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 normal market conditions return.

IT DEVELOPMENT

During the year under review, the Group had completed several major customers-related projects, including the system for acquiring business, personal loan application through mobile app, Faster Payment System (FPS) fund transfer for card cash advance, and enhanced credit assessment rules. On the infrastructure side, the Group had added more security enhancements on network and also upgraded the e-mail system.

In the coming year, the Group plans to adopt a 'Cloud First' direction and to build a cloud solution for new system development and testing to cater for different testing infrastructure environment. Moreover, the Group will extend the mobile app function to card applications and FPS fund transfer for personal loans. For the card and loan system project, following completion of the acquiring system, the Group will start to replace the card authorization front-end to enhance authorization capability. As IT security is critical to our operation, security account management functions will continue be enhanced. The Group is also exploring Robotic Process Automation (RPA) technology for automation of the business operation processes.

HUMAN RESOURCES

The total number of staff of the Group as at 29th February 2020 and 28th February 2019 was 391 (Hong Kong: 338; PRC: 53) and 455 (Hong Kong: 334; PRC: 121) respectively. Employees are remunerated according to the job nature and market trends, with annual increment to reward and motivate individual performance based on their competency. Apart from medical 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.

BUSINESS MODEL AND STRATEGY

The Group has a mission to excel in customer service with the concept of "Customer First" whilst maintaining long-term profitability and assets growth with the adoption of flexible business model and strategy and prudential risk and capital management framework.

It is the Group's strategy to ride on credit cards to recruit new members and cross-sell other consumer finance products and services to these new members. The Group continues to benefit from the strong connections with affiliated merchants. By using the merchants' networks as card acquisition base and cross-selling channels, the Group continues to explore fee based income business opportunities.

Customer Base

The customer base of the Group is widely diversified. Around 60% of the customers are in the age range of 40 to 60. And gender wise, female cardholders represent 70% of our card portfolio at 29th February 2020. The Group intends to expand its customer profile to young generation and male segment.

Convenient Service

The Group added several new functions to its mobile application this year. It is aiming to deliver more convenient, better and faster services and premium experience to our customers by utilizing the mobile application.

For ease of payment, the Group continues to maintain multiple settlement channels, including convenience stores networks, phone banking, internet banking, and JETCO ATMs in Hong Kong for customers to settle their payment.

Quality of Service

The Group obtained ISO 27001 certification for Information Security Management System, ISO 9001 certification for Quality Management System and ISO 14001 certification for Environmental Management System. These certifications help ensure that the highest level of quality service is being provided to customers.

Hideo Tanaka
Managing Director
Hong Kong, 9th April 2020

Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Objectives

As a subsidiary of AFS and a member of AEON Group, the Company recognizes the importance of transparency and integrity as a key factor of corporate sustainability. This fourth Environmental, Social and Governance ("ESG") report intends to give an updated insight on the Company's approach and actions taken in its operations that have implications for the Group and sustainability and should be of interest to stakeholders.

Reporting Scope, Period and Approach

The content of this report was defined after taking into account the materiality of sustainability issues arising from the Group's operations. As more than 90% of the total revenue of the Group comes from the Company's operations in Hong Kong, this report mainly highlights the ESG performance of the Hong Kong head office and branches for the period from 1st March 2019 to 29th February 2020. This reporting timeframe is consistent with the Company's financial year ended 29th February 2020.

Consistent methodologies have been adopted to allow for a fair comparison over time and to provide a balanced picture of our ESG performance.

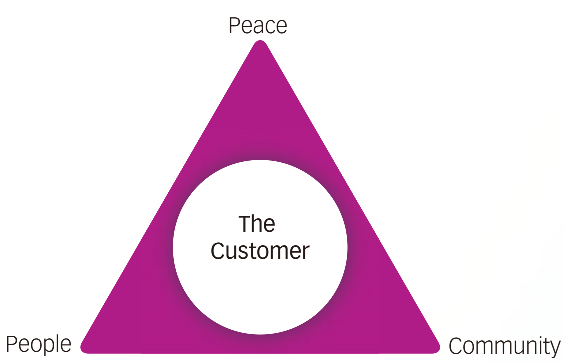
Reporting Principles

The Company expects to disclose its progress with regard to ESG issues annually, and this report has been prepared in accordance with the requirements as set out in the ESG Reporting Guide in Appendix 27 of the Listing Rules.

MANAGEMENT APPROACH TO CORPORATE SUSTAINABILITY

Committed to the belief that 'everything we do, we do for our customers', the Company has been continuously managing its business in line with the basic principles of "Peace, People and Community" as adopted by AEON Group ("AEON Principles"). Based on AEON Principles, the Company strives to provide best support to customers' lifestyles and enable them to maximize future opportunities through effective use of credit. Sustainability initiatives of the Company, broadly aligned with established international frameworks such as the United Nation's Sustainable Development Goals (SDGs), aspire to promote financial well-being of its customers and the wider community, to reduce negative impact to the environment from its operations, and to offer quality education opportunities, among others.

AEON Basic Principles



Peace — Our operations are dedicated to the pursuit of peace through prosperity.

People — We respect human dignity and value personal relationships.

Community — We are rooted in local community life and dedicated to making a continuing contribution to the community.

AEON Principles have illustrated our eternal mission to benefit our customers. Our operations are thus CUSTOMER-focused to the highest degree.

Corporate Governance from ESG Perspective

AEON Code of Conduct of AEON Japan reflects our determination to guide and direct the future course of the Group for the benefits of our stakeholders. It charts the course for our future, helps us interpret AEON Principles to know what actions have to be taken and how they should be done.

Determined to be a socially responsible entity, we endeavor to promote and apply AEON Code of Conduct into practice in daily operations. We hope all our stakeholders will join us in sharing this sense of purpose, thus strengthen the bonds of trust amongst us.

Stakeholder Engagement

We recognize the benefits of engaging those who are highly influential to our business, as well as those on whom our operations may significantly impact. Gaining a deeper understanding of stakeholder's opinion enables us to identify material sustainability issues, formulate business decisions, manage operations, enhance efficiency, identify new business opportunities and needs for community investment. Through various communications channels to keep stakeholders informed of our business activities, we seek to develop long-term relationships with stakeholders and engage with them through different channels (see table below). Stakeholder feedback will be reviewed and relayed to relevant departments for follow-up.

OUR KEY STAKEHOLDERS AND COMMUNICATION CHANNELS

Stakeholder	Major Concerns	Primary Communications Channels
Customers	• Business Procedures • Information Security • Product/Service Quality	• Surveys • Customer events • Service interaction at branch level • Newsletters and leaflets • Monthly statement inserts • Company website • Year-round publicity & donation campaigns • Customer service hotline • Social media: Facebook fan page • Short message service & multi-media messaging service • AEON HK Mobile App
Employees	• Salary and Welfare • Training and Development • Health and Safety	• Employee surveys • Newsletters and intranet communications • Meetings with employees • Orientation and exit interviews • Performance appraisal
Investors	• Corporate Operations • Economic Performance • Information Disclosure	• Annual general meetings and investors' briefings • Interim and annual reports • Announcements, circulars and other corporate communications
Suppliers and other Business Partners	• Brand Development • Integrity and Sustainability	• Ongoing audits and reviews • Best practice adoption • Corporate events • Mass communications
Community Partners	• Resolving Social Issues • Philanthropy	• Community programmes • Volunteer service programmes • Year-round green partnership programmes
Government & Regulators	• Legal and Regulatory Compliance • Employment Protection • Business Ethics	• Correspondence • On-site inspection • Compliance reporting • Enquiries and clarifications
Industry Associations	• Industry Development	• Regular meetings and correspondence

For this report, we have conducted an engagement exercise with selected employees through questionnaire survey. Essential feedback gathered is briefly summarized as follows:

- Stable work environment helps keep employees motivated and make progress in career and development. One can realize own potential and be comfortable to be oneself in the environment recognising diversity and inclusion;
- Reasonable working hours and leave policy facilitates better management of work and personal commitments for a better work-life balance;
- Comprehensive training programs (including in-house AEON Code of Conduct training and refresher trainings on compliance issues) help strengthen understanding of the Company's value and enhance knowledge of the money-lending practices as well as the regulatory requirements applicable to the Company; and
- Holistic coverage for employees under staff medical benefit schemes provide sufficient and flexible choices to meet most medical needs.

Rewards and other Recognitions

ISO 9001 - QMS / FS 513193

ISO 9001 standard for Quality Management System

This is awarded for implementing the best practices according to the ISO 9001 Standard for continuous improvement in customer service quality.

Scope of certification: Head Office and branches since 2007

ISO 14001 - EMS 538444

ISO 14001 certification for implementation of Environmental Management System

This is awarded for implementation of energy-efficient methods in operational processes such as reduction in paper and electricity.

Scope of certification: Head Office and branches since 2009

ISO 27001 - ISMS / IS 500955

ISO 27001 Certification for Information Security Management System

This is awarded to the IT Division of the Company for implementation of the most stringent computer security policies and procedures for

- protection of customers' personal data;
- maintenance of confidentiality and integrity of customer data;
- availability of service to the satisfaction of customers.

Scope of certification: IT Division since 2006

Named Caring Company for 13 consecutive years – Hong Kong Council of Social Services

Manpower Developers of Employees Retraining Board – Manpower Developer Award Scheme

COMMITMENT TO OUR CUSTOMERS

Being one of the Hong Kong's leading credit card issuers, we are committed to providing an exceptional customer experience and a consistently high standard of service to our customers to build a long-lasting relation. Customer focus is a core value. We believe that enhancement of customer satisfaction is our first priority for upholding our professional service quality. Not only do we always keep our promises to our customers and act with integrity, we also offer quality services at reasonable prices.

(Source: The AEON Code of Conduct)

Quality Services for Customers and Responsible Marketing and Business Practice

Since 2007, the Company has been certified to ISO 9001 standard for Quality Management System, which is conducive to the provision of efficient services and improvement of our customer satisfaction through establishment and continuous maintenance of a quality management system.

Responsible departments of the Company are from time to time updated on the latest legal and regulatory changes relevant to the Company's businesses and operations. Advertisements and business practices of the Company are internally reviewed from time to time to ensure that they are not in breach of applicable laws or regulations such as anti-money laundering and terrorist financing, trade descriptions and data protection.

To better comply with the requirements from the Registrar of Money Lenders concerning anti-money laundering and counter-terrorist financing, in addition to the Guide on Prevention of Money Laundering and Terrorist Financing and related training provided to our staff members, enhancements have been made to the due diligence and other operational procedures.

Listening to Our Customers

We serve our customers through our branch offices, customer service hotline, online enquiry forms and other channels. It is vital for us to manage and respond to customer feedback professionally and in a timely manner. We have developed Complaints Management and corresponding complaint handling flows have been constructed to further improve upon from then onwards for various settings (Branches or Customer Service Hotlines) and levels (from level 1 to level 5).

Types of Complaint	2018/19	2019/20
Service/product promotion	4	5
Service/product delivery	35	27

Protecting Customer Privacy

The Personal Data Protection Policy and Data Security Guidelines are put in place to ensure that, among others, personal data and privacy of our customers are protected. We have designated the Head of Operations Division to serve as our Data Protection Officer. Our staff members receive relevant personal data protection training each year.

In addition to the internal measures, we have implemented further preventive measures to protect the personal data of our customers. For example, we have been certified as compliant with the Payment Card Industry Data Security Standard (PCI DSS) for meeting certain security levels when storing, processing and/ or transmitting data of cardholders.

We have met the standard required for ISO 27001 Certification for Information Security Management System since 2006. In 2019/20, the Company did not receive any complaints related to loss of customer data.

For the year ended 29th February 2020, the Company is not aware of any breach of laws or regulations relating to its products, services, operations, sales and promotions or other business practices.

COMMITMENT TO OUR PEOPLE

Our staff are our most valuable asset and we place significant emphasis on human capital. The total number of staff of the Group as at 28th February 2019 and 29th February 2020 was 455 and 391 respectively, of which 73% and 86% of them are stationed in Hong Kong.

Year	2018/19	2019/20
No. of Staff	455	391
No. of Staff Stationed in HK	334 (73%)	338 (86%)
Sex Distribution in HK		
— Male (M)	168	176
— Female (F)	166	162
Term of Employment in HK		
— Full Time	333	338
— Part Time	1	0
	334	338
— Permanent	307	309
— Contract	27	29
	334	338
Categories of Staff in HK		
— Senior Management	11	17
— Middle Manager	113	120
— Junior/Frontline Staff	210	201

Year	2018/19	2019/20
Age Groups in HK		
— ≤17	–	–
— 18-25	46	31
— 26-35	97	106
— 36-45	109	103
— 46-55	53	69
— ≥56	29	29
Total Turnover Rate in HK	36%	24%
— by Gender		
— Male	11%	9%
— Female	25%	15%
— by Age Group		
— 18-25	12%	4%
— 26-35	13%	8%
— 36-45	6%	6%
— 46-55	3%	5%
— ≥56	2%	1%

Our Employee Handbook (with amendments for the latest version approved in February 2020 as the 22nd Edition) has been regularly reviewed to provide detailed information about our employment policy, welfare and benefits, leave and rest days, conduct and discipline, occupational health and safety policy, personal data (privacy) policy, equal opportunity policy and guidelines related to gifts, entertainment, prevention of bribery/anti-corruption as well as conflict of interests. A copy of the Employee Handbook is provided to all employees upon joining the Company, and they are regularly informed of any revisions and updates. They have been provided with relevant information on the measures to prevent and identify instances of bribery/corruption and money laundering activities. The whistleblowing channels are put in place for employees to report inappropriate conduct and other irregularities.

All aspects of the Company's human resource policies and practices are determined and implemented in a manner strictly in compliance with all applicable laws and regulations.

Staff Remuneration and Benefits

Competitive staff remuneration and benefits are keys to attract and retain talented individual of high caliber and motivate them to excel in their careers. Our employees are remunerated according to the job nature, market trends and individual performance. Apart from medical insurance and provident fund, discretionary bonuses are awarded to employees based on individual performance as well as our financial performance. Refined appraisal and self-assessment systems have been implemented to more accurately identify human resources need and to support our human resources development.

Training and Development

Summer Internship Programme

To ensure our employees deliver consistently high standard of service and to build and sustain a competent, professional, and ethical workforce that will contribute to the success of the Company, a diverse range of training programmes are offered to our employees to develop their full potential for contributing their own sets of skills and experiences. We have formulated our Staff Training and Development Policy in 2008, which had been revised to the current 6th version in 2020. This Policy is reviewed regularly to meet the changing training needs across frontline and backend departments and set out the approach to provide vital support to our executives along their career path.

Since 2016, the internship program has been launched to give tertiary students or recent graduates a chance to have a taste of the working life in the financial industry. In an attempt to bring in and develop talented graduates with exceptional technical skills and forward-thinking ideas for the future management of the Company, the graduate trainee program has been launched since July 2017. Throughout this two-year program, trainees undergo practical training through on-the-job rotation assignments. Both programs continued in 2019/20.

Year	2018/19	2019/20
Types of Employee Training		
— Major Categories	12	13
— No. of Training Programs	17	17
— No. of Training Sessions	153	166
— Total Training Hours	985	4,938
— Total Number of Attendees	1,501	1,887
Gender of Attendees		
— Male — Attendance/Percentage	773/51%	1,051/56%
— Female — Attendance/Percentage	728/49%	836/44%
Training Hours for Employee Categories/Percentage		
— Frontline and Junior Staff	1,341/47%	2,034/41%
— Middle Management	647/22%	2,067/42%
— Senior Management	310/11%	291/6%
— Directors	435/15%	139/3%
— Non-specific Target Groups	133/5%	407/8%

Note: Training above included internal and external training conducted in classroom or by e-learning

In order to meet the ever-changing financial market and external environment, we have strengthened our training programmes in 2019/20 in order to enhance our capacity for ongoing development, as well as to accommodate and better support the continuing business growth. Additional and tailor-made training programmes have been provided to support the operation of various departments and employees at different developmental stages.

For the year ended 29th February 2020, we organized workshops and launched online training to further familiarize our employees with AEON Code of Conduct, laws and regulations on anti-corruption and anti-money laundering/counter-terrorist financing and some other areas, so as to help internalize the guiding principles.

Occupational Health and Safety

The Company endeavors to provide a safe and healthy working environment. The Occupational Safety and Health Guidelines is put in place for the benefit of all employees. As most of the employees are office-based workers spending long hours at their workstations, we have offered training on health and safety awareness in an office setting. In addition to workstation risk assessment, we have also conducted spot checks on workstations arrangement to review the placement of monitor, keyboard and chair in further attempt to prevent work-related injuries.

Year	2018/19	2019/20
Occupational Health and Safety		
No. of work-related fatalities	0	0
Rate of work-related fatalities	0	0
Lost days due to work injury/cases	3 days/2 cases	5 days/1 case

Diversity, Inclusion and Equal Opportunities

AEON upholds the principles of diversity, inclusive work environment and equal employment opportunities to eliminate discrimination, harassment and vilification on the grounds of age, sex, sexual orientation, marital status, disability, family status, race, colour, descent, national or ethnic origins, or religion. We are committed to providing equal opportunities among all employees in adopting an open and fair attitude when evaluating employees' performance in connection with all employment matters such as promotion, transfer, salary adjustment, training, dismissal and redundancy.

We provide training and other awareness-raising activities to promote respectful behaviour and tolerant attitudes among staff, and have a formal complaint procedure for any employee who feels that they have been subject to discrimination, harassment and vilification.

Employee Engagement

In order to build a harmonic workplace, we encourage regular communication between staff at all levels. Employees are regularly updated on the development of the Company and the wider AEON Group through diversified channels such as AFS group internal magazine 'As One' to boost office morale.

We conduct regular employee surveys on topics such as career aspiration and training needs to provide information for the Company to make better development plans.

All employees who resign are asked to participate in an exit interview for the Company to find out more about their reasons for leaving. The Company may take appropriate action in case of identification of any significant emerging trend.

For the year ended 29th February 2020, the Company is not aware of any breach of laws or regulations relating to employment, occupational health and safety, labour standard or anti-corruption.

COMMITMENT TO OUR COMMUNITY

(Source: The AEON Code of Conduct)

AEON aims to set an example as a good corporate citizen, working together with the community for its growth and the improvement of quality of life.

The Company not only strives to provide a satisfactory return to our shareholders, but also takes pride in making charitable contributions to the local community.

We recognize the importance of local communities to the continued success and growth of our business. We believe in working closely with local community partners to enhance the positive impacts we can make to the development of the Hong Kong community.

Volunteering

Tree Planting Day 2019

Under the AEON Principles, we have been organising and lining up our employees and their family members for volunteering opportunities. We have been contributing to the conservation of our environment through our 15th participation in Hong Kong Tree Planting Day to fulfill our mission of "Planting Seeds of Growth". As a main sponsor of this event, which aimed at reducing carbon emissions and raising public awareness of climate change, around 100 employees and their family members participated this year.

Giving

During the year, we have donated in total HK$630,000 to support educational projects through our AEON Scholarship. We believe our financial support to outstanding students can help nurture the future leaders for the community.

This year, we have supported a total of 85 students from the following universities:

Universities in Mainland China (in conjunction with AEON 1% Club Foundation, Japan)

Beijing International Studies University
Nankai University
Peking University
Shenzhen University
Sun Yat-Sen University
Tsinghua University

Universities in Hong Kong

Lingnan University
Hong Kong University of Science and Technology

Community Partnership

AEON believes that partnership with community organisations can create synergy and produce positive knock-on effects in creating a caring community. In recent years we have developed local partnership in Hong Kong to help people in need.

"UNICEF Young Envoys Programme" is one of the major partnership programmes. We have donated HK$800,000 to support the 2019 Programme. Through our continuous sole sponsorship, Hong Kong Committee for UNICEF continues to provide a valuable opportunity for local youngsters to explore global and local issues in relation to children's rights to survival, protection, development and participation. The participants can go through a comprehensive training and participatory journey including Leadership Training Camp, workshops, school project, social service project, community project and field trip visit. Through our sponsorship, we believe that the future leaders have a chance to widen the horizon and develop holistically.

UNICEF Young Envoys Programme 2019

In addition, the Company also encourages our customers to support community development through their credit card bonus point donation. 186 credit card holders have channeled their HK$25,300 worth of donation via this bonus point scheme to support the conservation work of the World Wide Fund-Hong Kong.

The Company's efforts and contributions to the local community have been recognized as one of the "Caring Companies" for the 13 consecutive years by the Hong Kong Council of Social Service. This endorsement reflects our unfailing contribution and supports to various community programmes on education, cultural exchange and environmental protection.

COMMITMENT TO OUR ENVIRONMENT

The Company is committed to support good environmental standards and to ensure implementation of environmentally friendly measures. Apart from the ISO 14001 Certification on Environmental Management System, Environmental Instruction, EMS Manual and Environmental Procedure Manual as incorporated into the internal rules and regulations are regularly reviewed and updated to facilitate regular environmental aspect evaluation at both head office and branch levels.

Save as disclosed in this report, the Company is not aware of any significant impact of its activities on the environment and natural resources. Due to the nature of our industry and operational practices, intensity pertaining to the consumption of energy or other resources or to emissions is not regarded as relevant or material performance indicator.

Energy Consumption

We are committed to reducing energy consumption across our head office and branches. Knowing that our operations at various premises consume a significant amount of energy, we have introduced a number of measures to reduce our energy consumption. In addition to replacing the old facilities with energy-efficient equipment, we have encouraged our employees to join us in building a greener office, such as turning off all of the electrical appliances after office hours or when not in use or setting them to energy-saving mode.

Electricity use on our premises is the single largest contributor to our greenhouse gas footprint. Our major electricity consumption for Hong Kong operations have been summarized in the following table.

Year	2018/19	2019/20
Office Areas	415,315	380,381
ATMs	158,299	61,620
Total Electricity Consumption/kWh	573,614	442,001

The drop of electricity consumption in 2019/20 by 131,613 kWh was mainly caused by the reduction in the number of ATMs and our continuing effective implementation of energy saving policies and concerted efforts from our employees. The approximately 22.94% decrease in electricity consumption in office and branches may help reduce any adverse impacts on climate change.

Greenhouse Gas Emissions

Other than electricity consumption, transportation contributed to the greenhouse emissions to the environment attributable to the Company. Our use of vehicles for local commutation and flight to overseas destinations for business trips had led to both direct and indirect greenhouse gas emissions through burning of fuels:

Major Sources of Greenhouse Gas Emissions/tonne CO_2-e*	2018/19	2019/20
Vehicle	5.81	4.88
Electricity consumption	314.984	298.033
Staff travel by air flights	23.812	28.936
Total greenhouse gas emissions from material sources	344.606	331.849
Less: tree planting	(5.686)	(10.30)
Net greenhouse gas emissions from material sources	338.92	321.549

* *Calculated in accordance with "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong" issued by The University of Hong Kong and City University of Hong Kong. Other reference: "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by EPD and EMSD of the Government of the HKSAR.*

Consumption of Other Resources

Paper consumption is inevitable in our daily operation, even though no packaging material is used for our finished products. Paper is used for preparing forms, customer communication, legal documents, internal documentation and record keeping. By making use of information technology, we are able to reduce paper consumption and safeguard documentation process. Our paper reduction approaches involve the analysis of our workflows for reducing or eliminating paper and opting for paper from alternative or sustainable sources where possible.

Since 2011, we have introduced green statement to all our customers and replaced printed documents with PDF files. 34.27% of our customers have opted for electronic statements. We shall continue to promote this greener practice with our customers in the years ahead.

Our office paper consumption for daily operation in 2019/20 was 0.202 tonnes, which was 19.84% lower than in 2018/19. We have been encouraging all employees to work together towards achieving a paperless office for protection of the environment.

Because of the nature of our industry, the volume of waste water is materially the same as the amount of water consumed. There is no issue in sourcing water or any significant potential to achieve tangible improvement in water efficiency in light of our current consumption solely for non-productive purposes. All waste water goes to the government sewage system. From our record, water consumed is approximately 6,450 litres for the year ended 29th February 2020, compared with approximately 6,640 litres for the year ended 28th February 2019.

Recycling

We endeavor to reduce pollution caused by landfills. We have recycling facilities in place to collect wastes and encourage separation of wastes at sources at our head office. No hazardous waste of any material amount is generated from our business operations. Total non-hazardous waste produced in 2019/20 was 9.79 tonnes. We have been recycling a total of 2.019 tonnes of plastic bottles and paper collected from employees in last year, compared with 1.622 tonnes for the year ended 28th February 2019.

For the year ended 29th February 2020, the Company is not aware of any breach of laws or regulations relating to environmental protection.

Board of Directors

Mr. Masaaki Mangetsu, aged 62, was appointed as a Non-executive Director and the Chairman on 23rd June 2017. He is the Managing Director in charge of overseas business strategy and innovation planning of AEON Financial Service Co., Ltd., a listed public company. He is also a director of AEON Credit Service (M) Berhad, a listed pubic company, AEON Credit Service (Philippines) Inc., and AEON Micro Finance (Shenzhen) Co., Ltd. He joined AEON Co., Ltd., a listed public company, in March 1981 after he graduated from Keio University with a Bachelor's degree in Law. He worked for AEON Co., Ltd. for 28 years before he joined AEON Retail Co., Ltd. in April 2009 and then AEON (China) Co., Ltd. in March 2012. He was the Chief Operating Officer in charge of the general merchandise stores business of AEON (China) Co., Ltd. prior to joining AEON Financial Service Co., Ltd. in April 2014 as the Head of the Marketing Department. He has over 30 years of experience in sales and marketing.

Mr. Hideo Tanaka, aged 49, was appointed as an Executive Director and the Managing Director on 26th June 2015. He is also a Director of AEON Insurance Brokers (HK) Ltd., a subsidiary of the Company. He was previously with the Company from April 1997 to March 1999 and rejoined the Company in June 2015. He joined AEON Financial Service Co., Ltd., a listed public company, in April 1995 and has worked for AEON financial group in Japan, Hong Kong, Malaysia and Vietnam. He was the General Director of ACS Trading Vietnam Co., Ltd. from May 2008 to May 2015. He has over 20 years of experience in the consumer finance industry. He holds a Bachelor's degree in Commerce from Waseda University.

Mr. Lai Yuk Kwong, aged 57, was appointed as an Executive Director and the Deputy Managing Director on 23rd June 2017. He is in charge of the Accounts and Finance Division of the Company. He is also the Managing Director of AEON Insurance Brokers (HK) Ltd., a subsidiary of the Company. He was a member of the Board from June 1999 to June 2016 and the Deputy Managing Director of AEON Financial Service (Hong Kong) Co., Ltd. from July 2012 to June 2015. After he retired from the Board in June 2016, he served as an advisor of the Company. He joined the Company in July 1996. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants.

Ms. Koh Yik Kung, aged 64, was appointed as an Executive Director on 21st June 2001. She is also the Company Secretary (resigned on 27th April 2020) and the General Counsel. She is in charge of the Corporate Management Division of the Company, which comprises the Legal, Compliance and Secretarial Department, and the Human Resources, General Affairs and Corporate Social Responsibility Department. She was formerly with the Company from August 1992 to June 1994 and rejoined the Company in November 1998. She holds a Bachelor's degree in Law from the London South Bank University and was called to the Bar of England and Wales in 1986.

Mr. Tony Fung, aged 60, was appointed as an Executive Director on 21st June 2019. He is in charge of the IT Division of the Company. He joined the Company in 2016 as the Chief Information Officer. He has over 31 years of IT industry and general management experience. He had worked for IBM China/Hong Kong Limited for 23 years and his last position was the Executive, Global Technology Services where he was in charge of all infrastructure service business in Hong Kong and Macau, including profit and loss responsibility. He had experience in IT strategy and planning consulting for major corporations in mainland China, including a major telecommunications equipment manufacturer and a major insurance group company. After leaving IBM, he joined a US-based procurement outsourcing company as the Asia Pacific Program Leader managing procurement projects for clients in Asia Pacific. He graduated from The University of Manchester Institute of Science and Technology in the United Kingdom with a Master of Science degree and a Bachelor of Science degree (1st Hons.), both in Computation.

Mr. Lee Ching Ming, Adrian, aged 69, was appointed as an Independent Non-executive Director on 1st October 2016. He was the Chief Executive Officer and an Executive Director of Eagle Asset Management (CP) Limited, the manager of Champion REIT from 2008 till he retired on 30th June 2016. Mr. Lee has acquired extensive property and banking industry experience over a career spanning over 43 years. Mr. Lee held senior management positions for more than 22 years in the Great Eagle Group of companies, a major listed real estate company in Hong Kong, where his responsibilities included the management of marketing, leasing and sale activities, banking relationships, corporate communications and investor relations, as well as the management of Champion REIT. Mr. Lee also had over two decades of corporate real estate lending and advisory experience with a multinational banking institution. Mr. Lee was a Non-executive Director of Cinderalla Media Group Limited, a listed public company, from June 2002 to September 2015. Mr. Lee graduated from the University of Hong Kong with a Bachelor of Social Sciences degree.

Mr. Wong Hin Wing, aged 57, was appointed as an Independent Non-executive Director on 13th October 2004. He holds a Master's degree in Executive Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is an Independent Non-executive Director of Dongjiang Environmental Company Limited (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange), CRCC High-Tech Equipment Corporation Limited (a public company with H shares listed on the Stock Exchange), Inner Mongolia Yitai Coal Co., Ltd. (a public company with B shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange), Wine's Link International Holdings Limited (a public company listed on the Stock Exchange) and Jiangxi Bank Co., Ltd (a public company with H shares listed on the Stock Exchange). Mr. Wong was an Independent Non-executive Director of China Agri-Products Exchange Limited (a public company listed on the Stock Exchange) from December 2016 to November 2018. He is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of the Securities and Futures Appeals Tribunal and the Public Interest Entities Auditors Review Tribunal, a member of the Nursing Council of Hong Kong and the Construction Industry Council as well as the Betting and Lotteries Commission. He is the Managing Director and has been a responsible officer of Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the SFO since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as Chief Financial Officer for seven years. He has 36 years of experience in accounting, finance, investment management and advisory.

Mr. Kenji Hayashi, aged 69, was appointed as an Independent Non-executive Director on 24 June 2016. He is an Outside Director of AEON Credit Service Co., Ltd. and XTIA Ltd. (formerly known as Optical Comb, Inc.) and an Independent Director of AEON Thana Sinsap (Thailand) Public Company Limited, a listed public company. He is a founder and member of Institute of Corporate Governance, Japan. He was formerly the President and Representative Director of Plusum Co., Ltd., the President of Fisco Financial College and the President and CEO of Sigma Base Capital Corporation. He had held senior positions in Nippon Credit Bank Ltd., Deutsche Bank, Deutsche Securities Inc. and Westdeutsche Landesbank. He holds a Bachelor's degree in German Language from Tokyo University of Foreign Studies.

Corporate Governance Report

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 CG Code throughout the year ended 29th February 2020, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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.

BOARD OF DIRECTORS

Role of the Board

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. The Board has a formal schedule of matters reserved for its approval. Matters reserved for the Board's consideration and decision include:

- long-term objectives and strategy;
- risk management and internal control systems;
- annual budgets and business plans;
- capital management;
- annual, interim and quarterly financial reporting;
- declaration of dividends;
- Board membership; and
- corporate governance matters.

Directors, as members of the Board, jointly share responsibility for the proper direction and management of the Company. Daily operations and administration are delegated to the management.

Composition

As at the date of this report, the Board comprises eight members, consisting of four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (including at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise) and that the number of independent non-executive directors must be at least one-third (1/3) of the board of directors. The name and biographical details of each Director are set out on pages 25 and 26 of this annual report.

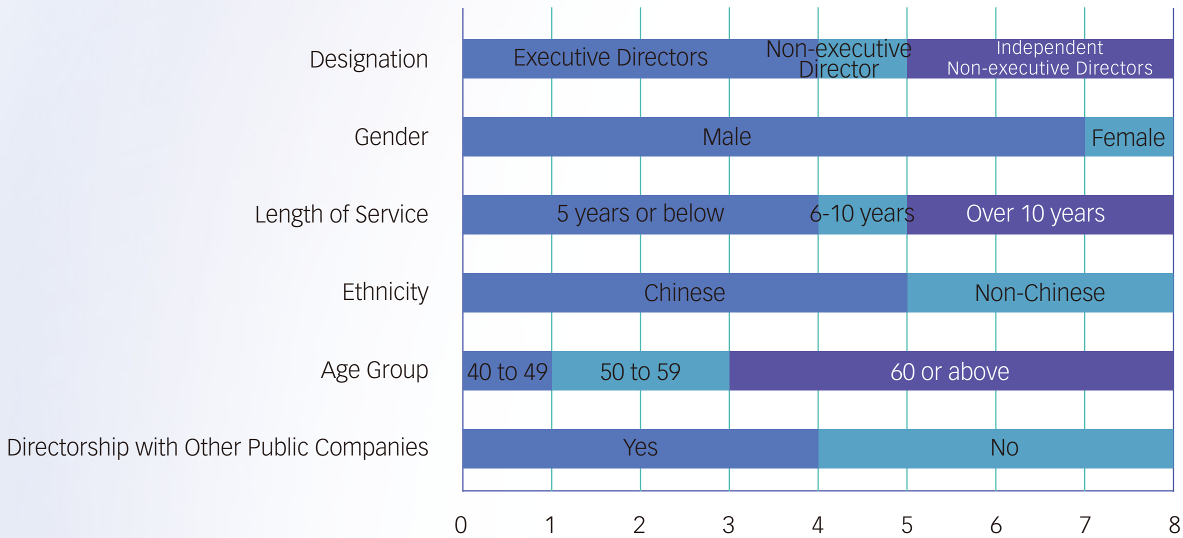
Independent Non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the role and function of the Directors is maintained on the Company's website and the Stock Exchange's website.

Members of the Board come from diverse backgrounds and have a diverse range of business, financial services, banking and professional expertise and experience. The Board possesses relevant experience, competencies and personal qualities to discharge its responsibilities adequately and effectively.

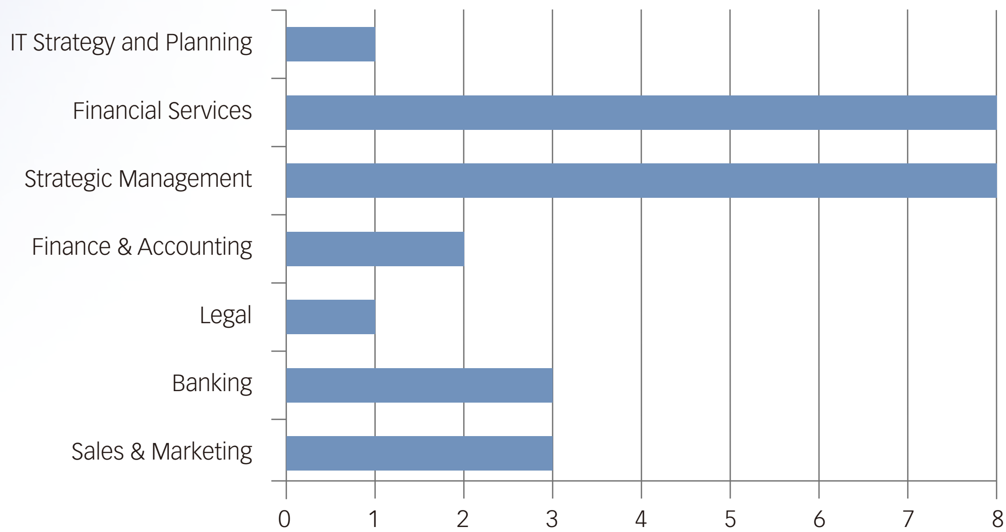
The Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognizes the benefits of having a diverse Board and believes that Board diversity is an essential element in maintaining an effective Board. The Company endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of its business. Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefit of diversity on the Board including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Nomination Committee will give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

The following charts show the diversity profile of the Board as of the date of this report:

Board Composition



Experience or Expertise



There is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Independence of Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee reviews and assesses the independence of the three Independent Non-executive Directors on an annual basis.

Board Process

Board meetings are held on a monthly basis and scheduled at least three months in advance. The date of the next Board meeting is fixed at the close of each Board meeting. At least 14 days' notice is given to all Directors before each Board meeting and all Directors are given an opportunity to include matters for discussion in the agenda. The agenda and accompanying Board papers are sent to all Directors at least three days in advance of every Board meeting to facilitate informed discussion and decision-making. Management provides appropriate and sufficient information to the Board and its committees in a timely manner to enable them to make informed decisions. Members of the senior management may be invited to attend Board meetings to make presentations or answer the Board's and individual Directors' enquiries.

Minutes of the Board and committee meetings record in sufficient detail of matters and concerns discussed are kept by the Company Secretary and open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of Board and committee meetings are sent to Directors for their comments and records within a reasonable time after each meeting.

Under the Articles, a Director shall not vote or be counted in the quorum in respect of any contract, arrangement or other proposal in which he/she or any of his/her associates is/are materially interested.

Appropriate liability insurance is in place to indemnify the Directors in respect of legal action against them.

Attendance at Board Meetings

During the year, the Board held 12 meetings and important matters discussed included:

- review of business strategies;
- review of financial and business performance;
- approval of the annual budget and business plan;
- approval of the quarterly, half-yearly and annual results;
- approval of the annual and interim reports;
- approval of proposals for final and interim dividends;
- approval of the sale of investments;
- approval of transferable term loan facility;
- approval of the liquidation of subsidiary;
- review of Risk Management Committee reports;
- review of Compliance Committee reports;
- review of Executive Committee reports;
- review of internal audit reports;
- approval of the reappointment of external auditor;
- approval of the appointment of director;
- recommendation on the re-election of Directors;
- approval of the Directors' fees of the Independent Non-executive Directors;
- approval of continuing connected transactions; and
- review of the methodology and approach for the implementation of HKFRS 16 and its financial impact.

The attendance record of each Director at the Board meetings is set out below:

Directors	Attendance/ No. of Meetings
Executive Directors:	
Hideo Tanaka *(Managing Director)*	12/12
Lai Yuk Kwong *(Deputy Managing Director)*	12/12
Koh Yik Kung	9/12
Tony Fung*	8/8
Tomoharu Fukayama#	3/3
Non-executive Director:	
Masaaki Mangetsu *(Chairman)*	12/12
Independent Non-executive Directors:	
Lee Ching Ming, Adrian	12/12
Wong Hin Wing	12/12
Kenji Hayashi	11/12

* Appointed on 21st June 2019
\# Retired on 21st June 2019

Directors' Training

Every newly appointed Director will receive an induction package including key legal requirements, the Articles and the Company's relevant policies and guidelines, as well as a briefing given by an external lawyer on the general and specific duties of director under legal and regulatory requirements. Executive Directors and senior management will meet with the new Directors to provide them with more detailed knowledge of the Company's business and operations. The Company Secretary continuously updates Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company continued to conduct the annual AEON Code of Conduct training by e-learning and all staff, including the Executive Directors, had to complete the training and pass the quiz. In addition, in-house compliance training covering the topics of anti-money laundering (AML) and counter-terrorist financing (CTF) and liabilities and bribery and corruption was also arranged for all staff, including the Executive Directors. All Directors participated in continuous professional development training by attending seminars/conferences/forums relevant to the Company's business or their duties. The Company Secretary also forwarded to all Directors a series of directors' training webcasts and e-training for listed companies' directors launched by the Stock Exchange. All Directors had provided the Company Secretary with their training records for the year under review.

During the year ended 29th February 2020, the Directors received training on the following key areas:

Directors	Corporate Governance	Legal/ Regulatory Updates	Business/ Financial/ Management
Executive Directors:			
Hideo Tanaka	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
Koh Yik Kung	✓	✓	✓
Tony Fung	✓	✓	✓
Non-executive Director:			
Masaaki Mangetsu	✓	✓	✓
Independent Non-executive Directors:			
Lee Ching Ming, Adrian	✓	✓	✓
Wong Hin Wing	✓	✓	✓
Kenji Hayashi	✓	✓	✓

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Masaaki Mangetsu and the Managing Director is Mr. Hideo Tanaka. The respective roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to ensure the power and authority are not concentrated in any one individual. The division of responsibilities between the Chairman and the Managing Director have been clearly established and set out in writing.

The Chairman is responsible for the leadership and effective running of the Board. The Managing Director is responsible for the day-to-day management of the Company.

During the year, the Chairman, who is a Non-executive Director, held a meeting with the Independent Non-executive Directors without the presence of other Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has a formal procedure for the appointment of new Directors. A proposal for the appointment of a new Director will be first reviewed by the Nomination Committee taking into consideration the Company's Nomination Policy and Board Diversity Policy. Upon recommendation by the Nomination Committee, the Board will make the final decision.

The Board may at any time appoint any person as a Director either to fill a vacancy or as an addition to the existing Board. All newly appointed Directors hold office until the next following annual general meeting of the Company and are eligible for re-election. All Directors retire at each annual general meeting of the Company and are eligible for re-election.

A letter of appointment setting out the terms and conditions of appointment is provided to each Director. None of the Directors has a service contract with the Group.

On 21st June 2019, the Board approved the appointment of Mr. Tony Fung as an Executive Director who will retire at the 2020 AGM and be eligible for re-election.

BOARD COMMITTEES

The Board has three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. All the Board committees are empowered by the Board under their own respective terms of reference, which have been posted on the Company's website and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Audit Committee is chaired by Mr. Lee Ching Ming, Adrian. The other members are Mr. Masaaki Mangetsu, Mr. Wong Hin Wing and Mr. Kenji Hayashi. Members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee meets at least twice a year.

The duties of the Audit Committee include:

- monitoring the effectiveness of external audit and overseeing the appointment, remuneration and terms of engagement of the Company's external auditor as well as its independence;
- reviewing and monitoring the integrity of the Company's financial information and overseeing the financial reporting system;
- overseeing the Company's internal audit, risk management and internal control systems as well as arrangements for concerns raised by staff on financial reporting, internal control and other matters; and
- undertaking corporate governance functions delegated by the Board.

The Audit Committee will also discuss matters raised by the external auditor to ensure that appropriate recommendations are implemented.

During the year, the external auditor held two meetings with the members of the Audit Committee in the absence of the Executive Directors.

The Audit Committee held four meetings for the year ended 29th February 2020, and three meetings were attended by the external auditor. The major work performed by the Audit Committee in 2019 was as follows:

- met with the external auditor to discuss the general scope of their audit work;
- reviewed the external auditor's management letter and management's response;
- reviewed the management representation letter;
- reviewed the effectiveness of risk management and internal control systems;
- reviewed the internal audit reports;
- reviewed and approved the annual internal audit plan;
- reviewed and approved the engagement and remuneration of external auditor for providing audit and non-audit services;
- reviewed the independence and objectivity of external auditor;
- met with the external auditor to discuss issues arising from the audit of annual accounts and review of interim accounts;
- reviewed the quarterly, half-yearly and annual results;
- reviewed the annual report and accounts and half-year interim report;
- recommended to the Board the reappointment of external auditor;
- reviewed the continuing connected transactions;
- reviewed the training and continuous professional development of the Directors; and
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The attendance record of each member at the Audit Committee meetings is set out below:

Members	Attendance/ No. of Meetings
Lee Ching Ming, Adrian *(Chairman)*	4/4
Masaaki Mangetsu	4/4
Wong Hin Wing	4/4
Kenji Hayashi	3/4

Nomination Committee

The Nomination Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Masaaki Mangetsu. The other members are Mr. Lee Ching Ming, Adrian, Mr. Wong Hin Wing and Mr. Kenji Hayashi.

The duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board;
- reviewing the Nomination Policy;
- identifying and nominating qualified individuals for appointment to the Board;
- reviewing the Board Diversity Policy;
- assessing the independence of Independent Non-executive Directors;
- making recommendations to the Board on the appointment and reappointment of Directors; and
- reviewing the time commitment required from Directors to perform their responsibilities.

The Nomination Committee has adopted a nomination policy (the "Nomination Policy") which sets out the procedures and criteria for the selection, appointment and reappointment of Directors. The selection criteria that the Nomination Committee has to consider in evaluating and selecting a candidate for directorship include the following:

- character and integrity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committees of the Company;
- diversity including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
- such other relevant factors that the Committee may consider appropriate.

The Nomination Committee has the discretion to nominate any person as it considers appropriate.

The procedures for the appointment and reappointment of a Director are summarized as follows:

- selection of potential new candidates from amongst the senior management or external candidates referred by any Director and external recruitment agent;
- evaluation of the candidate based on the selection criteria as set out in the Nomination Policy and a range of diversity perspectives as set out in the Board Diversity Policy;
- in the case of nomination of an Independent Non-executive Director, assessing the candidate's independence under the Listing Rules;
- making recommendation for the Board's consideration and approval;
- appointment as Director by the Board;
- in the case of reappointment of a retiring Director, reviewing the candidate's performance and making recommendation to the Board for consideration and recommendation to shareholders for re-election at general meeting; and
- reappointment as Director by shareholders.

The Nomination Committee held one meeting for the year ended 29th February 2020 and the major work performed by the Nomination Committee in 2019 was as follows:

- reviewed the structure, size and composition of the Board;
- assessed the independence of Independent Non-executive Directors;
- reviewed the time commitment of Directors for performing their responsibilities;
- made recommendation to the Board on the re-election of Directors at the 2019 AGM; and
- made recommendation to the Board on the appointment of Director.

The attendance record of each member at the Nomination Committee meeting is set out below:

Members	Attendance/ No. of Meetings
Masaaki Mangetsu *(Chairman)*	1/1
Lee Ching Ming, Adrian	1/1
Wong Hin Wing	1/1
Kenji Hayashi	1/1

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and three Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lee Ching Ming, Adrian. The other members are Mr. Masaaki Mangetsu, Mr. Wong Hin Wing and Mr. Kenji Hayashi.

The duties of the Remuneration Committee include determining the remuneration packages of individual Executive Directors and making recommendations to the Board on the fees of the Independent Non-executive Directors.

The Company's remuneration policy aims to provide a fair and competitive remuneration package to attract, retain and motivate high calibre executives. The level of remuneration and fees payable to members of the Board is determined with reference to the Group's operating results, individual performance and responsibilities and comparable market statistics. No Director is involved in deciding his own remuneration. Details of the Directors' emoluments are set out in note 12 to the financial statements.

The Remuneration Committee held one meeting for the year ended 29th February 2020, in which it approved the salaries and discretionary bonuses of the Executive Directors and made recommendation to the Board on the Directors' fees for the Independent Non-executive Directors.

The attendance record of each member at the Remuneration Committee meeting is set out below:

Members	Attendance/ No. of Meeting
Lee Ching Ming, Adrian *(Chairman)*	1/1
Masaaki Mangetsu	1/1
Wong Hin Wing	1/1
Kenji Hayashi	0/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, assesses the effectiveness of the Group's risk management and internal control systems, which covers all material controls, including financial, operational and compliance controls, on an annual basis, and also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. Significant issues in the management letters from both internal and external auditors will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time.

Each division across the Company embraces the Company's Enterprise Risk Management (the "ERM") framework for their process management in day-to-day business activities. The ERM framework includes credit, operational (administrative, system, human resources, tangible, reputation, personal data protection and business continuity), market, liquidity, compliance, legal and regulatory risks. There are risk management policies, regulations and guidelines issued for operating units to identify, access, manage, and control risks across the Company. Exposure to these risks is continuously monitored by the Board through the management-level Risk Management Committee comprising the Executive Directors and members of senior management on an on-going basis.

The internal control system of the Group includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The internal control system has been designed to safeguard the Group's assets against unauthorized use or disposition; to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standards.

The key processes that have been established under the risk management and internal control systems include the following:

- Three lines of defence model is set up as per the Enterprise Risk Management Policy:
  - 1st line of defence consists of all operating units;
  - 2nd line of defence consists of the Risk Management Department and the Risk Management Committee; and
  - 3rd line of defence consists of the Internal Audit Department and the Audit Committee.
- Each division has to follow the relevant policies, regulations and guidelines to conduct risk assessment in their areas and report any incidents to the Risk Management Committee.
- The Risk Management Department will monitor the key risk indicators and risk events occurred to ensure effective controls are in place in operating units.
- The Risk Management Committee has the responsibility to oversee enterprise risk management and internal control functions.
- The Internal Audit Department will provide independent assurance on the effectiveness of our risk management and internal control systems.
- The Audit Committee oversees the Group's risk management and internal control systems.
- Members of the Risk Management Committee consist of the Executive Directors, Heads of Divisions and Head of Risk Management Department. The Head of Internal Audit Department and other relevant Department Heads are regularly invited to attend the monthly meetings of the Risk Management Committee.
- Significant risk events, material losses and internal control weaknesses are reported at the Risk Management Committee meetings.
- Members of the Risk Management Committee are responsible for ensuring the effectiveness of implementations and adequacy of the ERM framework and ensuring significant risks are mitigated with preventive measures.
- Risk management reports and details of incidents are reported to the Board on a monthly basis and reviewed by the Audit Committee on a quarterly basis.
- On-going trainings on risk management and internal control are provided to the relevant employees.

During the year under review, no major internal control weaknesses were identified, but several areas for improvement were recommended by the internal and external auditors, as well as the Risk Management Committee, and appropriate improvement actions were taken. The Board considered that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining a high standard of probity, openness, and accountability. A Whistleblowing Policy is in place to create a system for the employees and other stakeholders of the Company to raise concerns, in confidence, about possible improprieties. A designated email account and a dedicated hotline have been set up for this purpose. The identity of each whistleblower and all information provided in connection with a whistleblowing report will be treated with the strictest confidence.

Continuous Disclosure Policy

A Continuous Disclosure Policy is in place to ensure potential inside information as defined in the SFO is identified and confidentiality of such information is maintained until timely and appropriate disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Roles and responsibilities of the divisions/departments of the Company in identifying and escalating any potential inside information within the Company;
- Procedures for determining the necessity, means and/or extent of disclosure of such information; and
- Designation of persons to act as spokespersons to speak on behalf of the Company and to respond to external enquiries.

Internal Audit

The Company's Internal Audit Department monitors the Group's internal governance and provides independent and objective assurance to the Board that adequate and effective risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards by performing periodic checking. The Head of the Internal Audit Department reports directly to the Managing Director and the Audit Committee. The annual internal audit plan, which is prepared based on risk assessment methodology, is approved by the Audit Committee.

The Internal Audit Department conducts audits on financial, operational and compliance controls of the Group on a regular basis. A summary of key audit findings (if any) and recommendations for improvement is reported monthly to the Board and reviewed quarterly by the Audit Committee. Management team is responsible for ensuring that any control deficiencies highlighted in internal audit reports are rectified within a reasonable time. In addition, J-SOX audit is performed yearly by the internal and external auditors where risk management and internal control systems and procedures for key operating areas are evaluated and tested for adequacy and effectiveness.

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Management provides the Board with sufficient explanation and information to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. Directors are also provided with monthly updates on the Group's performance to assist them to discharge their duties.

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 29th February 2020, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. A statement by the external auditor of the Company about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on pages 47 to 51 of this annual report.

The Group has announced its annual, interim and quarterly results within three months, two months and 45 days respectively after the end of the relevant year or period, as laid down in the Listing Rules.

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu has been reappointed as the Company's external auditor at the 2019 AGM until the conclusion of the 2020 AGM.

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process in accordance with applicable standards. Deloitte Touche Tohmatsu has confirmed its independence and objectivity and its compliance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. To ensure the external auditor's independence, all audit and permitted non-audit services to be undertaken by Deloitte Touche Tohmatsu have to be approved by the Audit Committee. The Company has a policy in place which sets out the permissible types of non-audit services that may be provided by the external auditor.

During the year under review, the fees paid or payable to Deloitte Touche Tohmatsu for the provision of audit services amounted to HK$3.2 million. In addition, the following fees were paid or payable to Deloitte Touche Tohmatsu for the provision of non-audit related services to the Group:

Services rendered	Fees *HK$'000*
Taxation compliance	117
Taxation consulting	570
Interim review	150
Agreed upon procedures	150
J-SOX annual compliance review	590
Total	1,577

COMPANY SECRETARY

The Company Secretary's role is to support the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on governance matters and facilitating induction and professional development of Directors. The Company Secretary is an employee of the Company and reports to the Chairman and the Managing Director. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is delegated with the responsibility for drawing up the agenda for each Board meeting and ensures that, where applicable, matters proposed by other Directors are included in the agenda and that all applicable rules and regulations are followed. All Directors may ask for matters to be included in the agenda for regular board meetings by request to the Company Secretary. For the year under review, the Company Secretary has taken over 15 hours of relevant professional training to update her skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the year ended 29th February 2020, there was no change in the Company's constitutional documents. A copy of the latest consolidated version of the Articles is posted on the Company's and the Stock Exchange's respective websites.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of good communications with shareholders and investors. The Company establishes various communication channels with its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, announcements, circulars, the Company's website and meetings with investors and analysts.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Board welcomes shareholders to express their opinions at the annual general meeting. Directors, senior management and external auditor attend the annual general meeting to address shareholders' queries. Separate resolutions are proposed at general meetings on each substantially separate issue, including the re-election of individual Directors. The notice of the meeting, the annual report and the circular containing information on the proposed resolutions are sent to shareholders at least 20 clear business days before the meeting. Voting at the annual general meeting is by way of a poll. Details of the poll voting procedures are explained to shareholders at the annual general meeting to ensure that shareholders are familiar with such procedures. The results of the poll are published on the Company's website and the Stock Exchange's website.

The Company's 2019 AGM was held on Friday, 21st June 2019. The notice of the 2019 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than 20 clear business days before the 2019 AGM. All Board members together with the key executives and the external auditor attended the 2019 AGM. The Company Secretary explained the poll voting procedures at the 2019 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2019 AGM. All the resolutions at the 2019 AGM were dealt with by poll. The poll results of the 2019 AGM are available on the Company's website and the Stock Exchange's website.

The attendance record of each Director at the 2019 AGM is set out below:

Directors	Attendance/ No. of Meeting
Executive Directors:	
Hideo Tanaka *(Managing Director)*	1/1
Lai Yuk Kwong *(Deputy Managing Director)*	1/1
Koh Yik Kung	1/1
Tomoharu Fukayama*	1/1
Tony Fung#	N/A
Non-executive Director:	
Masaaki Mangetsu *(Chairman)*	1/1
Independent Non-executive Directors:	
Lee Ching Ming, Adrian	1/1
Wong Hin Wing	1/1
Kenji Hayashi	0/1

* Retired on 21st June 2019

\# Appointed on 21st June 2019

The management personnel responsible for investor relations holds regular meetings with equity research analysts, fund managers and institutional shareholders and investors. In addition, press conferences and investors' and analysts' presentations might be held after the interim and final results announcements.

The market capitalization of the Company as at 29th February 2020 was HK$2,508 million (issued share capital: 418,766,000 shares at closing market price: HK$5.99 per share).

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float during the year and up to the date of this report as required by the Listing Rules.

SHAREHOLDERS' RIGHTS

Calling a general meeting of the Company

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having the right to vote at general meetings may request the Directors to call a general meeting of the Company. The requisition, duly signed by the shareholder(s) concerned, must clearly state the objects of the meeting and must be deposited at the registered office of the Company for the attention of the Company Secretary. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 566 to 568 of the Companies Ordinance once a valid requisition is received.

Putting forward proposals at a general meeting of the Company

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have the right to vote or at least 50 shareholders who have a relevant right to vote may by requisition in writing to the Company either put forward a proposal at a general meeting or circulate to other shareholders a written statement with respect to matter to be dealt with at a general meeting. The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 581 to 583 of the Companies Ordinance once valid documents are received.

Proposing a candidate for election as a Director at an annual general meeting of the Company ("AGM")

Pursuant to Article 88 of the Articles, if a shareholder of the Company intends to propose a person other than a Director for election as a Director at an AGM, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the despatch of the AGM notice and ending no later than seven days prior to the date of the AGM. Detailed procedures can be found in the document titled "Procedures for Election of Directors by Shareholders" which is available on the Company's website.

Enquiries to the Board

Enquiries may be put forward to the Board through the Company Secretary at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 29th February 2020.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing, card payment processing services, insurance agency and brokerage business and microfinance business.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, description of possible risks and uncertainties that the Group may be facing are provided in the Management Discussion and Analysis on pages 6 to 12 of the annual report. Also, the financial risk management objective and policies of the Group can be found in note 41 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group Financial Highlights on pages 4 to 5 of the annual report, in the Management Discussion and Analysis on pages 6 to 12 of the annual report and in note 6 to the consolidated financial statements.

Discussion on the Company's policies and practices on different aspects of corporate sustainability, its relationships with key stakeholders as well as compliance with relevant laws and regulations which are of material impact, are covered in the Environmental, Social and Governance Report on pages 13 to 24.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 29th February 2020.

NET DEBT TO EQUITY RATIO

At 29th February 2020, the net debt to equity ratio was 0.4 (28th February 2019: 0.7), with the basis on which it is computed as set out in note 40 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company amounted to HK$3,015,936,000 at 29th February 2020 (28th February 2019: HK$2,817,144,000).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 29th February 2020 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 52 to 130.

An interim dividend of 22.0 HK cents (2019: interim dividend of 22.0 HK cents) per share amounting to HK$92,128,000 (2019: HK$92,128,000) was paid to the shareholders during the year. The Directors have recommended the payment of a final dividend of 22.0 HK cents (2019: 22.0 HK cents) per share in respect of the current year to the shareholders on the register of members on 3rd July 2020 amounting to HK$92,128,000 (2019: HK$92,128,000).

MAJOR CUSTOMERS

During the year, the aggregate amount of revenue attributable to the Group's five largest customers accounted for less than 30% of the Group's total revenue.

DIRECTORS OF THE COMPANY

The Directors during the year ended 29th February 2020 and up to the date of this report were:

Executive Directors:

Hideo Tanaka *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Koh Yik Kung
Tony Fung (Appointed on 21st June 2019)
Tomoharu Fukayama (Retired on 21st June 2019)

Non-executive Director:

Masaaki Mangetsu *(Chairman)*

Independent Non-executive Directors:

Lee Ching Ming, Adrian
Wong Hin Wing
Kenji Hayashi

In accordance with Article 102 of the Articles, all Directors shall retire at the 2020 AGM and shall be eligible for re-election.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the board of directors of the subsidiaries of the Company during the year and up to the date of this report are as follows:

AEON Insurance Brokers (HK) Limited

Lai Yuk Kwong
Hideo Tanaka
Senichi Takemura

AEON Micro Finance (Shenyang) Co., Ltd. *(Note)*

Tomoyuki Kawahara	(Resigned on 31st December 2019)
Motoo Tamada	(Resigned on 31st December 2019)
Toru Narita	(Resigned on 31st December 2019)

AEON Micro Finance (Tianjin) Co., Ltd.

Tomoyuki Kawahara	(Appointed on 31st December 2019)
Motoo Tamada	(Resigned on 31st December 2019)
Hideki Nagashima	
Jin Hua Shu	(Appointed on 28th May 2019)
Koji Teramoto	(Resigned on 28th May 2019)

AEON Micro Finance (Shenzhen) Co., Ltd.

Masaaki Mangetsu	(Appointed on 28th May 2019)
Jin Hua Shu	(Appointed on 28th May 2019)
Shinnosuke Aragane	(Appointed on 28th May 2019)
Yoji Sowa	(Appointed on 28th May 2019)
Motoo Tamada	(Resigned on 28th May 2019)
Koji Teramoto	(Resigned on 28th May 2019)
Terunori Yamamoto	(Resigned on 28th May 2019)
Daisuke Takenaka	(Resigned on 28th May 2019)

Note: AEON Micro Finance (Shenyang) Co., Ltd. has commenced voluntary liquidation and liquidation committee was formed on 1st January 2020.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2020 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 29th February 2020, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in the shares of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of the Company
Hideo Tanaka	28,600	0.01

(b) Long positions in the shares of AFS – intermediate holding company of the Company

Directors	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Masaaki Mangetsu	5,125	0.01
Hideo Tanaka	914	0.01

(c) Long positions in the shares of AEON Japan – ultimate holding company of Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of AEON Japan
Masaaki Mangetsu	1,591	0.01

(d) Long positions in the shares of ACS Malaysia – a fellow subsidiary of the Company

Director	Number of shares held under personal interests	Percentage of the issued share capital of ACS Malaysia
Hideo Tanaka	14,400	0.01

Other than the holdings disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 29th February 2020.

STATUS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 29th February 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions in the shares of the Company

Name	Nature of interest	Number of shares held	Percentage of the issued share capital of the Company
AEON Japan *(Note 1)*	Beneficial owner/Interest of a controlled corporation	281,138,000	67.13
AFS *(Note 2)*	Interest of a controlled corporation	221,364,000	52.86
AFS (HK) *(Note 3)*	Beneficial owner	221,364,000	52.86
FMR LLC	Interests of controlled corporations	33,508,000	8.00
Fidelity Puritan Trust	Beneficial owner	21,810,000	5.21

Notes:

1. AEON Japan was the direct beneficial owner of 55,990,000 shares in the capital of the Company and, by virtue of its ownership of approximately 47.34% of the issued share capital of AFS, the holding company of AFS (HK) and 60.59% of the issued share capital of AEON Stores respectively, was deemed to be interested in the 221,364,000 shares and 3,784,000 shares owned by AFS (HK) and AEON Stores respectively.

2. AFS owned 100% of the issued share capital of AFS (HK) and was deemed to be interested in the 221,364,000 shares owned by AFS (HK).

3. Out of 221,364,000 shares, 213,114,000 shares were held by AFS (HK), 7,700,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited and 550,000 shares were held by Tokai Tokyo Securities (Asia) Limited respectively, as nominees on behalf of AFS (HK).

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the share capital of the Company at 29th February 2020.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions which were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(a) Pursuant to a renewal master agreement dated 13th April 2017 entered into between the Company and AEON Stores, the Company would receive commission from this fellow subsidiary in respect of purchases made by customers using credit purchase facilities, card instalment facilities, and payment solutions provided by the Company.

The total amount of commission received and receivable by the Company from AEON Stores for the year ended 29th February 2020 amounted to HK$12,572,000 of which HK$4,851,000 is classified as interest income under HKFRS 9. The commission amount did not exceed the cap of HK$22,000,000 as disclosed in the Company's announcement dated 13th April 2017.

(b) Pursuant to a master agreement-gift certificate dated 26th February 2019 entered into between the Company and AEON Stores, the Company may from time to time place purchase orders with AEON Stores for cash certificates issued by AEON Stores.

The total amount of consideration paid by the Company to AEON Stores for the year ended 29th February 2020 amounted to HK$10,994,000, which did not exceed the cap of HK$14,000,000 as disclosed in the Company's announcement dated 26th February 2019.

(c) Pursuant to a master service agreement dated 1st March 2019 entered into between the Company and AIS, the Group would pay service fees to AIS for the provision of business process outsourcing services.

The total amount of service fees paid and payable by the Group to AIS for the year ended 29th February 2020 was HK$20,690,000, which did not exceed the cap of HK$39,000,000 as disclosed in the Company's announcement dated 1st March 2019.

(d) Pursuant to a master service agreement dated 1st March 2019 entered into between the Company and ACSS, the Company would pay service fees to ACSS for the provision of IT-related services.

The total amount of service fees paid by the Company to ACSS for the year ended 29th February 2020 amounted to HK$11,078,000, which did not exceed the cap of HK$14,000,000 as disclosed in the Company's announcement dated 1st March 2019.

(e) Pursuant to a business advisory service agreement dated 1st March 2019 entered into between the Company and AFS (HK), the Company would pay an advisory fee to AFS (HK) for the provision of consultation and advisory services.

The total amount of advisory fee paid and payable by the Company to AFS (HK) for the year ended 29th February 2020 amounted to HK$13,267,000, which did not exceed the cap of HK$14,900,000 as disclosed in the Company's announcement dated 1st March 2019.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a) to (e) above and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The related party transactions as disclosed in note 47 to the consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

LOAN FACILITY WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the Directors reported below the loan facility which exists during the year and includes a condition relating to specific performance of the controlling shareholder of the Company.

On 9th September 2016, the Company obtained a term loan of USD50,000,000 (the "Facility") from a syndicate of banks, with the repayment date on 20th September 2021.

Under the Facility, the Company has given an undertaking to the lenders that the Company would continue to be a consolidated subsidiary of AFS, which is a controlling shareholder of the Company currently holding approximately 52.86% of the issued share capital of the Company. A breach of the above undertaking will constitute an event of default. If the event occurs, the Facility may become due and payable on demand.

During the year of review, no repayment was made under the Facility.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in the execution of his duties or otherwise in relation thereto. A directors and officers liability insurance has been arranged to indemnify the Directors.

EQUITY-LINKED AGREEMENTS

For the year ended 29th February 2020, the Company has not entered into any equity-linked agreements.

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.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$1,593,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The financial statements for the year ended 29th February 2020 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the 2020 AGM to reappoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Hideo Tanaka
Managing Director

Hong Kong, 9th April 2020

Independent Auditor's Report

Deloitte. 德勤

To the Members of AEON Credit Service (Asia) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of AEON Credit Service (Asia) Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 52 to 130, which comprise the consolidated statement of financial position as at 29th February 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 29th February 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of advances and receivables	
We identified impairment assessment of advances and receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with management's estimation in measuring the expected credit loss ("ECL") under ECL model as stipulated in HKFRS 9 "Financial Instruments" ("HKFRS 9"). As explained in note 20 to the consolidated financial statements, advances and receivables are unsecured and amounted to approximately HK$4,428,006,000 as at 29th February 2020, representing approximately 77% of the Group's total assets. As explained in note 21 to the consolidated financial statements, the balance of impairment allowances is approximately HK$262,508,000 as at 29th February 2020, of which approximately HK$258,744,000 has been charged to the consolidated statement of profit or loss during the year ended 29th February 2020. As set out in note 4 to the consolidated financial statements, the measurement of ECL requires estimation of the amount and timing of future cash flows and the assessment of whether have been a significant increase in credit risk. The estimations and assumptions applied in the ECL model include (i) the selection of inputs which the entity used in the ECL model including loss given default and probability of default; (ii) the portfolio segmentation of financial assets based on risk characteristics of the customers; (iii) and the selection of forward-looking information. The Group applies the general impairment approach of HKFRS 9 for advances and receivables based on a three-stage process to recognise impairment. The ECL on advances and receivables is assessed individually and/ or collectively using a provision matrix based on internal credit rating.	Our procedures in relation to impairment assessment of the advances and receivables included: – Obtaining an understanding of the Group's credit loss policy and methodology for impairment assessment in relation to the application of ECL model under HKFRS 9 including the formulation of the model and inputs used in the ECL model; – Understanding and evaluating the management's judgement in determining significant increase in credit risk and the staging criteria based on the internal credit rating which reflect the shared credit risk characteristics; – Engaging our internal modelling specialist to assess the reasonableness and appropriateness of the Group's methodology of ECL model, including the model design and calculation and model inputs in compliance with HKFRS 9; – Engaging our internal information technology specialist to test relevant automated controls related to delinquency system used in the ECL calculation; and – Testing the completeness and accuracy of a selection of input data used in the ECL model.

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group. In addition, due to the significant volume of transactions and heavy reliance on the information technology systems, minor errors could, in aggregate, have a material impact to the consolidated financial statements that could be subject to manipulation. An analysis of the Group's revenue for the year is set out in note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: – Understanding the revenue business process of the Group; – Evaluating and testing the operating effectiveness of key controls on the recognition of interest income; – Testing automated controls related to the calculation of interest income and the completeness and accuracy of information capture; and – Using regression analysis techniques based on historical data on advances and receivables and interest income to test interest income.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9th April 2020

Consolidated Statement of Profit or Loss

For the year ended 29th February 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
Revenue	5	**1,297,686**	1,322,678
Interest income	7	**1,115,725**	1,136,919
Interest expense	8	**(68,300)**	(82,067)
Net interest income		**1,047,425**	1,054,852
Fees and commissions		**104,388**	102,614
Handling and late charges		**77,573**	83,145
Other income	9	**3,781**	4,940
Other gains and losses	10	**(8,001)**	(813)
Operating income		**1,225,166**	1,244,738
Operating expenses	11	**(565,933)**	(567,569)
Operating profit before impairment losses and impairment allowances		**659,233**	677,169
Impairment losses and impairment allowances		**(258,744)**	(203,717)
Recoveries of advances and receivables written-off		**43,536**	48,133
Share of results of an associate	18	**905**	2,537
Profit before tax		**444,930**	524,122
Income tax expense	13	**(74,847)**	(86,868)
Profit for the year		**370,083**	437,254
Profit for the year attributable to:			
Owners of the Company		**370,083**	437,254
Earnings per share – Basic	15	**88.37 HK cents**	104.41 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 29th February 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	**370,083**	437,254
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on equity instruments at FVTOCI	**(37,516)**	29,867
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**(11,738)**	(15,509)
Net adjustment on cash flow hedges	**(13,678)**	15,791
Other comprehensive (expense) income for the year	**(62,932)**	30,149
Total comprehensive income for the year	**307,151**	467,403
Total comprehensive income for the year attributable to:		
Owners of the Company	**307,151**	467,403

Consolidated Statement of Financial Position

At 29th February 2020

	NOTES	29.02.2020 HK$'000	28.02.2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**105,173**	70,365
Right-of-use assets	17	**92,786**	–
Investment in an associate	18	**15,587**	15,449
Equity instruments at fair value through other comprehensive income	19	**81,071**	118,701
Advances and receivables	20	**719,765**	862,105
Prepayments, deposits and other debtors	23	**26,258**	60,040
Derivative financial instruments	35	**1,809**	15,469
Deferred tax assets	36	**8,769**	16,698
Restricted deposits	24	**–**	38,000
		1,051,218	1,196,827
Current assets			
Advances and receivables	20	**3,708,241**	4,021,782
Prepayments, deposits and other debtors	23	**70,425**	47,456
Amounts due from fellow subsidiaries	30	**–**	160
Amount due from immediate holding company	31	**250**	283
Amount due from an associate	32	**81**	39
Derivative financial instruments	35	**353**	17
Restricted deposits	24	**38,000**	381,466
Time deposits	25	**150,812**	152,536
Fiduciary bank balances	26	**–**	35
Bank balances and cash	27	**710,338**	380,083
		4,678,500	4,983,857
Current liabilities			
Creditors and accruals	28	**215,992**	255,943
Contract liabilities	29	**10,562**	9,486
Amounts due to fellow subsidiaries	30	**38,775**	42,920
Amount due to intermediate holding company	31	**283**	–
Amount due to ultimate holding company	31	**50**	28
Amount due to an associate	32	**3,203**	2,027
Bank borrowings	33	**370,000**	325,000
Collateralised debt obligation	39	**548,400**	701,600
Lease liabilities	34	**37,869**	–
Derivative financial instruments	35	**839**	11,069
Tax liabilities		**16,514**	33,515
		1,242,487	1,381,588
Net current assets		**3,436,013**	3,602,269
Total assets less current liabilities		**4,487,231**	4,799,096

Consolidated Statement of Financial Position

	NOTES	**29.02.2020 HK$'000**	28.02.2019 HK$'000
Capital and reserves			
Share capital	37	**269,477**	269,477
Reserves	38	**3,044,065**	2,921,170
Total equity		**3,313,542**	3,190,647
Non-current liabilities			
Bank borrowings	33	**1,099,102**	1,056,483
Collateralised debt obligation	39	**–**	548,400
Lease liabilities	34	**56,760**	–
Derivative financial instruments	35	**17,827**	3,566
		1,173,689	1,608,449
		4,487,231	4,799,096

The consolidated financial statements on pages 52 to 130 were approved and authorised for issue by the Board on 9th April 2020 and are signed on its behalf by:

HIDEO TANAKA
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 29th February 2020

	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 2018	269,477	63,175	(19,529)	2,296	2,592,081	2,907,500
Profit for the year	–	–	–	–	437,254	437,254
Fair value gain on equity instruments at FVTOCI	–	29,867	–	–	–	29,867
Exchange difference arising from translation of foreign operations	–	–	–	(15,509)	–	(15,509)
Net adjustment on cash flow hedges	–	–	15,791	–	–	15,791
Total comprehensive income (expense) for the year	–	29,867	15,791	(15,509)	437,254	467,403
Final dividend paid for 2017/18	–	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2018/19	–	–	–	–	(92,128)	(92,128)
	–	29,867	15,791	(15,509)	252,998	283,147
At 28th February 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 FVTOCI	**–**	**(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 FVTOCI	**–**	**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**

Consolidated Statement of Cash Flows

For the year ended 29th February 2020

	2020 **HK$'000**	2019 HK$'000
Operating activities		
Profit before tax	**444,930**	524,122
Adjustments for:		
Amortisation of upfront cost of borrowings	**523**	388
Depreciation on property, plant and equipment	**36,773**	37,569
Depreciation on right-of-use-assets	**46,868**	–
Dividends received from financial instruments	**(929)**	(894)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**258,744**	203,717
Interest expense	**67,777**	81,679
Interest income	**(1,115,725)**	(1,136,919)
Losses on disposal of property, plant and equipment	**697**	512
Losses on termination of lease contracts	**7,067**	–
Share of results of an associate	**(905)**	(2,537)
Operating cash flows before movements in working capital	**(254,180)**	(292,363)
Decrease (increase) in advances and receivables	**191,958**	(102,171)
Increase in prepayments, deposits and other debtors	**(16,101)**	(3,679)
Decrease (increase) in amounts due from fellow subsidiaries	**160**	(14)
Decrease (increase) in amount due from immediate holding company	**20**	(283)
(Increase) decrease in amount due from an associate	**(44)**	311
Decrease in fiduciary bank balances	**35**	213
(Decrease) increase in creditors and accruals	**(43,626)**	33,948
Increase in contract liabilities	**1,076**	425
Decrease in amounts due to fellow subsidiaries	**(4,203)**	(13,785)
Increase (decrease) in amount due to intermediate holding company	**283**	(154)
Increase (decrease) in amount due to ultimate holding company	**22**	(5)
Increase (decrease) in amount due to an associate	**1,176**	(877)
Cash used in operations	**(123,424)**	(378,434)
Tax paid	**(83,919)**	(82,023)
Interest paid	**(68,326)**	(83,118)
Interest received	**1,118,449**	1,137,860
Net cash from operating activities	**842,780**	594,285

Consolidated Statement of Cash Flows

	2020 HK$'000	2019 HK$'000
Investing activities		
Dividends received	929	894
Proceeds from disposal of equity instruments at FVTOCI	114	–
Proceeds from disposal of property, plant and equipment	53	4
Purchase of property, plant and equipment	(15,421)	(14,564)
Deposits paid for acquisition of property, plant and equipment	(26,552)	(45,303)
Placement of time deposits with maturity of more than three months	(93,348)	(56,323)
Release of time deposits with maturity of more than three months	48,433	42,259
Net cash used in investing activities	(85,792)	(73,033)
Financing activities		
Placement of restricted deposits	(841,930)	(2,378,616)
Withdrawal of restricted deposits	1,223,396	1,997,150
Repayment of lease liabilities	(52,091)	–
Dividends paid	(184,256)	(184,256)
New bank loans raised	415,565	150,000
Repayment of bank loans	(325,000)	(345,000)
Repayment of collateralised debt obligation	(701,600)	–
Net cash used in financing activities	(465,916)	(760,722)
Net increase (decrease) in cash and cash equivalents	291,072	(239,470)
Effect of changes in exchange rate	(4,641)	(3,736)
Cash and cash equivalents at beginning of the year	478,556	721,762
Cash and cash equivalents at end of the year	764,987	478,556
Being:		
Time deposits with maturity of three months or less	54,649	98,473
Bank balances and cash	710,338	380,083
	764,987	478,556

Notes to the Consolidated Financial Statements

For the year ended 29th February 2020

1. GENERAL

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on the Stock Exchange. Its immediate holding company is AFS (HK), incorporated in Hong Kong and its ultimate holding company is AEON Japan, incorporated in Japan and listed on the Tokyo Stock Exchange. The address of the registered office and principal place of business of the Company is 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.

The Group is engaged in the consumer finance business, which includes the issuance of credit cards and the provision of personal loan financing, card payment processing services, insurance agency and brokerage business and microfinance business.

The consolidated financial statements are presented in HKD, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

In addition, the Group has early applied Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*, details of which are set out in note 2.2 below.

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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.

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 *Leases* ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st March 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.1 HKFRS 16 Leases (Cont'd)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st March 2019.

At 1st March 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.0%.

	At 1st March 2019 *HK$'000*
Operating lease commitments disclosure at 28th February 2019	69,580
Lease liabilities discounted at relevant incremental borrowing rate	67,602
Less: Recognition exemption – short-term leases	(5,543)
Practical expedient – leases with lease term ending within 12 months from the date of initial application	(6,825)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1st March 2019	55,234
Analysed as:	
Current	34,416
Non-current	20,818
	55,234

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.1 HKFRS 16 Leases (Cont'd)

As a lessee (Cont'd)

Note:

(a) The carrying amount of right-of-use assets at 1st March 2019 is relating to operating leases of land and buildings recognised upon application of HKFRS 16.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid, included in other debtors, as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, the adjustments to present value are immaterial and not recognised at the date of initial application, 1st March 2019.

Upon application of HKFRS 16, on transition, the Group recognised lease liabilities of HK$55,234,000 and right-of-use assets of HK$55,234,000 in the consolidated statement of financial position at 1st March 2019.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 29th February 2020, movements in working capital have been computed based on the opening consolidated statement of financial position at 1st March 2019 after taking into account of the adjustments to lease liabilities and right-of-use assets above.

The application of HKFRS 16 has no material impact on the accumulated profits at 1st March 2019.

2.2 Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*

In November 2019, HKICPA issued Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The Group has chosen to early apply these amendments for the reporting period ended 29th February 2020, which are mandatory for annual reporting periods beginning on or after 1st March 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

The amendments are relevant to the Group as it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has floating rate debt, linked to USD LIBOR (bank borrowing) and JPY LIBOR (bank borrowing) (collectively "IBORs"), which it cash flow hedges using cross-currency interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Cont'd)

2.2 Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform* (Cont'd)

The Group will continue to apply the amendments to HKFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. The Group is in the process of planning and managing the transition to new benchmark interest rate with lenders.

The application of amendments to HKFRS 9 has no impact on the Group's financial positions and performance for the prior years.

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[1]
Amendments to HKFRS 3	Definition of a Business[2]
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 and HKAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1st January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1st March 2020.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance.

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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 (since 1st March 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the investment in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised is not allocated to any asset including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in an associate (Cont'd)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments* ("HKFRS 9"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue from contracts with customers (Cont'd)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (award credits for customers under customer loyalty programmes), the Group allocates the transaction price to each performance obligation on a relative stand – alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Variable consideration

For contracts that contain variable consideration (award credits for customers under customer loyalty programmes), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group is a principal except where the Group acts as an agent in placing the insurable risks of their clients with insurers.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies the practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Cont'd)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Cont'd)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1st March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's investment in an associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individually group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes.

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporate assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generated unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generated unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generated unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generated unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value, except for debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including advances and receivables, other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances) which are subject to impairment under HKFRS 9 and unused credit card limit. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for debtors and amounts due from related parties which are trade-related arising from contracts with customers which are initially measured in accordance with HKFRS 15. The ECL on these assets are assessed individually based on past due analysis.

The Group applies the general impairment approach of HKFRS 9 for other financial assets and unused credit card limit to recognise impairment based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument. The ECL on these assets is assessed individually and/or collectively using a provision matrix with appropriate groupings.

Stage 1 covers instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk. Stage 2 covers financial instruments that have deteriorated significantly in credit quality since initial recognition. Stage 3 covers financial assets for which credit loss events occur and become credit-impaired. 12m ECL is recognised in Stage 1, while lifetime expected credit losses are recognised in Stages 2 and 3.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; or

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For unused credit card limit, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of an unused credit card limit, the Group considers changes in the risk of a default occurring on the advance to which an unused credit card limit relates.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event; or

(c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of advances and receivables, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For unused credit card limit, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the unused credit card limit utilises the limit, and the cash flows that the Group expects to receive if the limit is utilised. The estimate is consistent with the Group's expectations of drawdowns of the unused credit card limit, i.e. the expected portions of the unused credit card limit that will be drawn down within 12 months of the reporting date when estimating 12m ECL, and the expected portion of unused credit card limit that will be drawn down over the expected life of the unused credit card limit when estimating lifetime ECL. The ECL is measured over the period the Group is exposed to the credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments; and
- Past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of advances and receivables and unused credit card limit where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL, except for derivative financial instruments under cash flow hedges.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, collateralised debt obligation, creditors, amounts due to fellow subsidiaries, intermediate holding company, ultimate holding company and an associate, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship). Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Insurance intermediary assets and liabilities

The Group acts as an agent in placing the insurable risks of their clients with insurers and, as such, generally is not liable as principal for amounts arising from such transactions. Other than the receivable for commissions earned on the transaction which is recognised within commission receivables, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time the amount is recognised in fiduciary bank balances and a corresponding deposit liability is established in favour of the insurer or the policyholder and recognised on the consolidated statement of financial position as a financial liability. Fiduciary cash arising from insurance broking deposits is settled over a short term and do not yield any interest for the insurer or the policyholder. Discounting is omitted given the effect of discounting is immaterial. The Group is entitled to retain the interest income on any cash balances arising from these transactions.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit scheme in China are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment assessment of advances and receivables

The Group establishes, through charges against the consolidated statement of profit or loss, impairment allowances in respect of estimated loss on advances and receivables. The measurement of impairment losses under HKFRS 9 requires management's estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

In determining impairment allowances, management applied the ECL model with a number of estimations and assumptions including:

- The selection of inputs which the entity used in the ECL model including loss given default and probability of default;
- The portfolio segmentation of financial assets based on risk characteristics of the customers; and
- The selection of forward-looking information.

The management regularly review the estimation and assumptions used in the ECL calculation to reduce any differences between loss estimates and actual loss experience.

The impairment allowance is sensitive to changes in estimates. Details of advances and receivables and the impairment allowances are disclosed in notes 20 to 22.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Interest income *(Note 7)*	**1,115,725**	1,136,919
Fees and commissions		
– Credit cards	**75,422**	76,036
– Insurance	**28,966**	26,578
Handling and late charges	**77,573**	83,145
Revenue from contracts with customers	**181,961**	185,759
Total revenue	**1,297,686**	1,322,678

For the year ended 29th February 2020

	Credit cards *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Total** *HK$'000*
Interest income	**849,833**	**265,839**	**53**	**1,115,725**
Fees and commissions	**75,422**	**–**	**28,966**	**104,388**
Handling and late charges	**70,968**	**6,605**	**–**	**77,573**
Segment revenue	**996,223**	**272,444**	**29,019**	**1,297,686**

For the year ended 28th February 2019

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Total *HK$'000*
Interest income	844,740	292,000	179	1,136,919
Fees and commissions	76,036	–	26,578	102,614
Handling and late charges	70,322	12,823	–	83,145
Segment revenue	991,098	304,823	26,757	1,322,678

5. REVENUE (Cont'd)

(ii) Performance obligations for contracts with customers

Fees and commissions

The Group receives fees and commissions from credit card transactions. Revenue is recognised at a point in time when the Group has satisfied its performance obligation in providing the promised services to the customer (i.e. completion of the transactions), and are recognised based on contractual rates agreed with customers.

The Group also grants award credits for cardholders under the Group's customer loyalty scheme. Revenue is recognised when control of the goods has been transferred, being at the point the cardholders purchases the goods using the award credits or expiry of the points.

The Group acts as an agent in placing the insurable risks of their clients with insurers and receives the commission income from these transactions. Revenue is recognised at a point in time when the Group has an unconditional right to receive the commission income from the insurance company (i.e. execution of insurance contracts).

Handling and late charges

The Group receives handling and late charges from credit card and personal loan transactions. Revenue is recognised at a point in time when the Group has unconditional right to receive the income from the customers based on the contractual rates agreed with customers (i.e. completion of transactions).

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 29th February 2020 and 28th February 2019 and the expected timing of recognising revenue are as follows:

Customer loyalty programmes	**2020** ***HK$'000***	2019 *HK$'000*
Within one year	**8,975**	2,031
More than one year but not more than two years	**1,587**	7,455
	10,562	9,486

The customer loyalty programmes have expiration ranged from 1 to 2 years and can be redeemed anytime at cardholders' discretion. The amounts disclosed above represent the Group's expectation on the timing of redemption made by the cardholders.

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

6. SEGMENT INFORMATION (Cont'd)

Services from which operating and reportable segments derive their revenues (Cont'd)

The accounting policies of operating and reportable segments are the same as the Group's accounting policies described in note 3. 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. In addition, during the year, for the purpose of better assessment of individual segment performance, marketing support fund for insurance agency business and its related staff costs previously recorded under credit cards segment is now presented under insurance segment. Therefore, certain comparative figures of the segment information have been re-presented. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources amongst segments:

- all assets are allocated to operating and reportable segments other than investment in an associate, equity instruments at FVTOCI and deferred tax assets.
- all liabilities are allocated to operating and reportable segments other than tax liabilities.

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

For the year ended 29th February 2020

	Credit cards HK$'000	Personal loans HK$'000	Insurance HK$'000	Consolidated HK$'000
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**

For the year ended 28th February 2019

	Credit cards HK$'000	Personal loans HK$'000	Insurance HK$'000	Consolidated HK$'000
REVENUE	991,098	304,823	26,757	1,322,678
RESULT Segment results	387,949	123,005	11,920	522,874
Unallocated operating income				3,606
Unallocated expenses				(4,895)
Share of results of an associate				2,537
Profit before tax				524,122

6. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

At 29th February 2020

	Credit cards *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
ASSETS				
Segment assets	**4,284,769**	**1,333,704**	**5,818**	**5,624,291**
Unallocated assets				**105,427**
Consolidated total assets				**5,729,718**
LIABILITIES				
Segment liabilities	**2,032,922**	**364,696**	**2,044**	**2,399,662**
Unallocated liabilities				**16,514**
Consolidated total liabilities				**2,416,176**

At 28th February 2019

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	4,631,874	1,377,220	20,742	6,029,836
Unallocated assets				150,848
Consolidated total assets				6,180,684
LIABILITIES				
Segment liabilities	2,578,148	376,416	1,958	2,956,522
Unallocated liabilities				33,515
Consolidated total liabilities				2,990,037

6. SEGMENT INFORMATION (Cont'd)

Other segment information

Amounts included in the measure of segment results or segment assets:

For the year ended 29th February 2020

	Credit cards *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
Additions to non-current assets *(Note)*	**148,977**	**41,689**	**–**	**190,666**
Depreciation	**63,048**	**20,469**	**124**	**83,641**
Impairment losses and impairment allowances	**168,629**	**90,115**	**–**	**258,744**
Recoveries of advances and receivables written-off	**(28,301)**	**(15,235)**	**–**	**(43,536)**

For the year ended 28th February 2019

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
Additions to non-current assets *(Note)*	49,608	4,370	–	53,978
Depreciation	26,385	11,051	133	37,569
Impairment losses and impairment allowances	148,713	55,004	–	203,717
Recoveries of advances and receivables written-off	(30,668)	(17,465)	–	(48,133)

Note: Non-current assets exclude investment in an associate, financial assets, derivative financial instruments and deferred tax assets.

6. SEGMENT INFORMATION (Cont'd)

Geographical information

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

For the year ended 29th February 2020

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
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**

For the year ended 28th February 2019

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	1,287,927	34,751	1,322,678
RESULT			
Segment results	538,671	(15,797)	522,874
Unallocated operating income			3,606
Unallocated expenses			(4,895)
Share of results of an associate			2,537
Profit before tax			524,122

Most of the Group's non-current assets (excluding financial assets and deferred tax assets) are located in Hong Kong. Accordingly, no geographical analysis is presented.

Information about major customers

During the years ended 29th February 2020 and 28th February 2019, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

	2020 HK$'000	2019 HK$'000
Non-credit impaired advances	**1,098,401**	1,126,783
Credit impaired advances	**10,223**	5,282
Time deposits, restricted deposits and bank balances	**7,101**	4,854
	1,115,725	1,136,919

8. INTEREST EXPENSE

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	**34,658**	35,291
Interest on collateralised debt obligation	**25,061**	21,327
Interest on lease liabilities	**2,971**	–
Net interest expense on interest rate swap contracts	**5,610**	25,449
	68,300	82,067

Amortisation of upfront cost of HK$523,000 (2019: HK$388,000) is included in the interest expense on bank borrowings.

9. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Dividends received from financial instruments		
– Listed equity securities	**781**	781
– Unlisted equity securities	**148**	113
Others	**2,852**	4,046
	3,781	4,940

10. OTHER GAINS AND LOSSES

	2020 **HK$'000**	2019 HK$'000
Exchange gain (loss)		
– Exchange gain on hedging instrument released from cash flow hedge reserve	**3,469**	1,075
– Exchange loss on a bank loan	**(3,469)**	(1,075)
Other exchange losses, net	**(262)**	(170)
Hedge ineffectiveness on cash flow hedges, net	**25**	(131)
Losses on disposal of property, plant and equipment	**(697)**	(512)
Losses on termination of lease contracts	**(7,067)**	–
	(8,001)	(813)

11. OPERATING EXPENSES

	2020 **HK$'000**	2019 HK$'000
Auditor's remuneration	**3,248**	3,201
Depreciation on property, plant and equipment	**36,773**	37,569
Depreciation on right-of-use assets	**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	**14,321**	–
Minimum operating lease rentals in respect of rented premises, advertising space and equipment	**–**	71,255
	61,189	71,255
General administrative expenses	**164,294**	162,834
Marketing and promotion expenses	**81,881**	77,949
Other operating expenses	**62,561**	58,807
Staff costs including directors' emoluments	**155,987**	155,954
	565,933	567,569

Lease expenses in respect of directors' and staff quarters of HK$1,060,000 (2019: HK$1,854,000) are included under staff costs.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2019: nine) Directors were as follows:

For the year ended 29th February 2020

Name of Directors	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *(Note a)* *HK$'000*	Retirement benefits *HK$'000*	Total *HK$'000*
Executive Directors					
Hideo Tanaka *(Note b)*	–	2,268	425	60	2,753
Lai Yuk Kwong	–	1,661	379	18	2,058
Koh Yik Kung	–	1,871	156	18	2,045
Tony Fung (21.6.2019–29.2.2020)	–	1,321	–	12	1,333
Tomoharu Fukayama *(Note b)* (1.3.2019–21.6.2019)	–	570	285	26	881
Sub-total	–	7,691	1,245	134	9,070
The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.					
Non-executive Director					
Masaaki Mangetsu	–	–	–	–	–
The non-executive director's emoluments shown above were for his services as director of the Company and the Group.					
Independent Non-executive Directors					
Lee Ching Ming, Adrian	326	–	–	–	326
Wong Hin Wing	326	–	–	–	326
Kenji Hayashi	326	–	–	–	326
Sub-total	978	–	–	–	978
The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.					
Total					10,048

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

For the year ended 28th February 2019

Name of Directors	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Discretionary bonus *(Note a)* *HK$'000*	Retirement benefits *HK$'000*	Total *HK$'000*
Executive Directors					
Hideo Tanaka *(Note b)*	–	1,832	503	–	2,335
Lai Yuk Kwong	–	1,657	374	18	2,049
Koh Yik Kung	–	1,801	138	18	1,957
Tomoharu Fukayama *(Note b)*	–	1,465	370	–	1,835
Toru Hosokawa *(Note b)* (1.3.2018–31.1.2019)	–	1,527	459	–	1,986
Sub-total	–	8,282	1,844	36	10,162
The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.					
Non-executive Director					
Masaaki Mangetsu	–	–	–	–	–
The non-executive director's emoluments shown above were for his services as director of the Company and the Group.					
Independent Non-executive Directors					
Lee Ching Ming, Adrian	316	–	–	–	316
Wong Hin Wing	316	–	–	–	316
Kenji Hayashi	316	–	–	–	316
Sub-total	948	–	–	–	948
The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.					
Total					11,110

Notes:

(a) The discretionary bonus is determined by the Remuneration Committee of the Company with reference to the financial performance of the Group and the performance of the individual Director.

(b) Non-monetary benefits in respect of directors' accommodation of HK$710,000 (2019: HK$1,452,000) are included under salaries and other benefits.

(c) There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2019: four) were Directors, details of their emoluments were set out as above. The emoluments of the remaining one (2019: one) individual were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and other benefits	**1,803**	1,668
Discretionary bonus	**–**	270
Retirement benefits	**13**	18
	1,816	1,956

Their emoluments were within the following bands:

	No. of employees	
	2020	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	1	1

13. INCOME TAX EXPENSE

	2020 **HK$'000**	2019 HK$'000
Current tax		
— Current year	**67,868**	91,513
— Overprovision in respect of prior years	**(950)**	(1,747)
	66,918	89,766
Deferred tax *(note 36)*		
— Current year	**7,929**	(2,898)
	74,847	86,868

On 21st March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China 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 years.

13. INCOME TAX EXPENSE (Cont'd)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2020 HK$'000	2019 HK$'000
Profit before tax	**444,930**	524,122
Tax at the applicable rate of 16.5% (2019: 16.5%)	**73,413**	86,480
Tax effect of share of results of an associate	**(149)**	(419)
Tax effect of expenses not deductible for tax purpose	**2,100**	106
Tax effect of income not taxable for tax purpose	**(750)**	(315)
Overprovision in respect of prior years	**(950)**	(1,747)
Tax effect of tax losses in current year not recognised	**1,996**	4,346
Utilisation of tax losses previously not recognised	**(60)**	(240)
Others	**(753)**	(1,343)
Income tax expense for the year	**74,847**	86,868

14. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid of 22.0 HK cents in respect of 2019 (2019: 22.0 HK cents in respect of 2018) per share	**92,128**	92,128
Interim dividend paid of 22.0 HK cents in respect of 2020 (2019: 22.0 HK cents in respect of 2019) per share	**92,128**	92,128
	184,256	184,256
Final dividend proposed of 22.0 HK cents in respect of 2020 (2019: 22.0 HK cents in respect of 2019) per share	**92,128**	92,128

The Directors have recommended a final dividend of 22.0 HK cents per share. Subject to the approval of the shareholders at the 2020 AGM, the final dividend will be paid on 14th July 2020 to shareholders whose names appear on the register of members of the Company on 3rd July 2020. This dividend has not been included as a liability in the consolidated financial statements.

15. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of HK$370,083,000 (2019: HK$437,254,000) and on the number of shares of 418,766,000 (2019: 418,766,000) in issue during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1st March 2018	31,278	12,160	396,581	226	440,245
Additions	768	7	20,892	–	21,667
Disposals	–	(316)	(3,506)	–	(3,822)
Exchange realignment	(288)	(64)	(632)	–	(984)
At 28th February 2019	**31,758**	**11,787**	**413,335**	**226**	**457,106**
Additions	**2,502**	**–**	**70,133**	**–**	**72,635**
Disposals	**(8,389)**	**(9,564)**	**(49,683)**	**–**	**(67,636)**
Exchange realignment	**(268)**	**(35)**	**(561)**	**–**	**(864)**
At 29th February 2020	**25,603**	**2,188**	**433,224**	**226**	**461,241**
DEPRECIATION					
At 1st March 2018	27,186	11,339	314,271	226	353,022
Provided for the year	2,565	646	34,358	–	37,569
Eliminated on disposals	–	(285)	(3,021)	–	(3,306)
Exchange realignment	(226)	(54)	(264)	–	(544)
At 28th February 2019	**29,525**	**11,646**	**345,344**	**226**	**386,741**
Provided for the year	**2,500**	**94**	**34,179**	**–**	**36,773**
Eliminated on disposals	**(8,389)**	**(9,559)**	**(48,938)**	**–**	**(66,886)**
Exchange realignment	**(234)**	**(32)**	**(294)**	**–**	**(560)**
At 29th February 2020	**23,402**	**2,149**	**330,291**	**226**	**356,068**
CARRYING VALUES					
At 29th February 2020	**2,201**	**39**	**102,933**	**–**	**105,173**
At 28th February 2019	2,233	141	67,991	–	70,365

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$% or over the lease term, if shorter
Furniture and fixtures	20%
Computer equipment	10%–$33^1/_3$%
Motor vehicles	20%–$33^1/_3$%

17. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
Cost	
At 1st March 2019	55,234
Additions	91,479
Termination of lease contracts	(8,995)
Exchange realignment	8
At 29th February 2020	**137,726**
DEPRECIATION	
At 1st March 2019	–
Provided for the year	46,868
Eliminated on termination of lease contracts	(1,928)
At 29th February 2020	**44,940**
CARRYING VALVES	
At 29th February 2020	**92,786**
At 1st March 2019	55,234
For the year ended 29th February 2020	
Expense relating to short-term leases and other leases with lease terms ending within 12 months of the date of initial application of HKFRS 16	**14,321**
Total cash outflow for leases	**69,383**

For both years, the Group leases various offices, branches, ATM locations, director and staff quarters for its operations. Lease contracts are entered into for fixed term of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. INVESTMENT IN AN ASSOCIATE

	29.2.2020 ***HK$'000***	28.2.2019 *HK$'000*
Cost of unlisted investment in an associate	**1,000**	1,000
Share of post-acquisition results	**15,051**	14,146
Exchange difference arising from translation	**(464)**	303
	15,587	15,449

At 29th February 2020 and 28th February 2019, the Group had interests in the following associate:

Name of associate	Place of incorporation and operation	Proportion of ownership interest deemed to be held by the Company		Proportion of board member representative		Principal activities
		29.2.2020	28.2.2019	**29.2.2020**	28.2.2019	
AEON Information Service (Shenzhen) Co., Ltd.	China	**50%**	50%	**33.3%**	33.3%	Provision of business process outsourcing services

The Group is able to exercise significant influence over AIS because it has the power to appoint one out of the three directors of that company.

The above associate is a subsidiary of the Group's intermediate holding company.

This associate's financial statements are prepared in accordance with HKFRSs and are accounted for using the equity method in these consolidated financial statements.

Aggregate information of associate that is not individually material

The summarised financial information below represents the aggregate amount of the Group's share of its interests in an associate which is not individually material:

	2020 ***HK$'000***	2019 *HK$'000*
Profit and total comprehensive income for the year	**905**	2,537

19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	29.2.2020 ***HK$'000***	28.2.2019 *HK$'000*
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	**5,417**	7,530
— Unlisted investments	**75,654**	111,171
	81,071	118,701

The investments included above represent investments in both listed and unlisted equity investments that offer the Group the opportunity for return through dividend income and fair value gains.

The fair value of listed equity investments is determined with reference to quoted market bid price from Stock Exchange.

The fair values of unlisted equity investments have been arrived at on the basis of valuations which were principally arrived at using the market approach for business enterprises valuation with reference to the market capitalisation of listed entities in similar industries with consideration of marketability discount.

The above unlisted equity investments represent equity interest in two (28th February 2019: three) private entities incorporated overseas engaged in consumer finance services and related business for long-term investment strategic purposes and the Directors have elected to designate these investments in equity instruments as at FVTOCI.

20. ADVANCES AND RECEIVABLES

	29.2.2020 *HK$'000*	28.2.2019 *HK$'000*
Credit card receivables	**3,579,077**	3,842,292
Personal loan receivables	**1,025,858**	1,197,248
	4,604,935	5,039,540
Accrued interest and other receivables	**85,579**	87,840
Gross advances and receivables	**4,690,514**	5,127,380
Impairment allowances *(note 21)*	**(262,508)**	(243,493)
	4,428,006	4,883,887
Current portion included under current assets	**(3,708,241)**	(4,021,782)
Amount due after one year	**719,765**	862,105

An analysis of changes in the gross amount of advances and receivables are set out below:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
At 1st March 2019	**4,816,267**	**128,325**	**182,788**	**5,127,380**
Net repayment in advances and receivables	**(141,036)**	**(19,811)**	**(32,172)**	**(193,019)**
Transfer to 12m ECL (Stage 1)	**537,987**	**(521,261)**	**(16,726)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(872,815)**	**891,777**	**(18,962)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(31,446)**	**(290,184)**	**321,630**	**–**
Total transfer between stages	**(366,274)**	**80,332**	**285,942**	**–**
Amounts written-off as uncollectable	**–**	**–**	**(240,560)**	**(240,560)**
Exchange realignment	**(2,186)**	**(127)**	**(974)**	**(3,287)**
At 29th February 2020	**4,306,771**	**188,719**	**195,024**	**4,690,514**

20. ADVANCES AND RECEIVABLES (Cont'd)

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2018	4,933,959	118,601	219,888	5,272,448
Net (repayment) addition in advances and receivables	(23,590)	131,834	(6,071)	102,173
Transfer to 12m ECL (Stage 1)	648,994	(611,229)	(37,765)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(683,438)	696,656	(13,218)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(52,027)	(206,946)	258,973	–
Total transfer between stages	(86,471)	(121,519)	207,990	–
Amounts written-off as uncollectable	–	–	(237,584)	(237,584)
Exchange realignment	(7,631)	(591)	(1,435)	(9,657)
At 28th February 2019	4,816,267	128,325	182,788	5,127,380

At the end of the reporting periods, all advances and receivables are unsecured and the credit risk exposures are disclosed in note 41(b).

(a) Credit card receivables

The term of credit card instalment plans entered with customers ranges from 6 months to 4 years.

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 26.8% to 43.5% (2019: 26.8% to 43.5%) per annum.

Asset backed financing transaction

The Group entered into asset backed financing transaction, which is collateralised by the Group's revolving credit card receivables portfolio and related deposits. Under the revolving structure, as the excess cash flows collected in respect of the transferred credit card receivables are to be reinvested, the transaction does not meet the "transfer of asset" tests under HKFRS 9 for the derecognition of financial assets. Accordingly, the Group continues to recognise the full amount of the transferred credit card receivables and related deposits and recognised the cash receipt as collateralised debt obligation.

In respect of the collateralised debt obligation, the Trust (see notes 39 and 50) is set up and controlled by the Group and therefore, the Trust is consolidated by the Group. The transaction is accounted for as a collateralised borrowing arrangement in the Group's consolidated financial statements.

The Group is restricted from selling, pledging, assigning or transferring any of the transferred receivables and related deposits to any person other than the bank.

20. ADVANCES AND RECEIVABLES (Cont'd)

(a) Credit card receivables (Cont'd)

Asset backed financing transaction (Cont'd)

The financial assets and associated liabilities being transferred but not derecognised are carried at amortised cost in the Group's consolidated statement of financial position and the amounts are set out below.

	29.2.2020 *HK$'000*	28.2.2019 *HK$'000*
Carrying amount and fair value		
Credit card receivables	**1,482,338**	1,675,261
Restricted deposits	**38,000**	419,466
Collateralised debt obligation	**(548,400)**	(1,250,000)
	971,938	844,727

(b) Personal loan receivables

Most of the personal loan receivables entered with customers ranges from 6 months to 4 years and are denominated in HKD. The personal loan receivables carry effective interest ranging from 3.6% to 56.5% (2019: 3.5% to 56.5%) per annum.

21. IMPAIRMENT ALLOWANCES

	29.2.2020 *HK$'000*	28.2.2019 *HK$'000*
Analysis by products as:		
Credit card receivables	**140,022**	127,790
Personal loan receivables	**115,923**	110,058
Accrued interest and other receivables	**6,563**	5,645
	262,508	243,493

21. IMPAIRMENT ALLOWANCES (Cont'd)

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

ECL model under HKFRS 9	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
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 12m 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
At 29th February 2020	91,705	49,711	121,092	262,508

21. IMPAIRMENT ALLOWANCES (Cont'd)

ECL model under HKFRS 9	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2018	115,556	51,855	110,623	278,034
Net (repayment) addition in advances and receivables	(540)	53,772	(2,974)	50,258
Transfer to 12m ECL (Stage 1)	267,804	(249,306)	(18,498)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(15,653)	22,127	(6,474)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(1,193)	(84,409)	85,602	–
Total transfer between stages	250,958	(311,588)	60,630	–
Remeasurement of ECL during the year	(258,009)	254,663	156,805	153,459
Amounts written-off as uncollectable	–	–	(237,584)	(237,584)
Exchange realignment	(154)	(127)	(393)	(674)
At 28th February 2019	107,811	48,575	87,107	243,493

22. 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:

	29.2.2020		28.2.2019	
	HK$'000	***%****	*HK$'000*	*%**
Overdue 1 month but less than 2 months	**143,457**	**3.1**	93,505	1.8
Overdue 2 months but less than 3 months	**59,422**	**1.3**	51,409	1.0
Overdue 3 months but less than 4 months	**35,930**	**0.8**	25,744	0.5
Overdue 4 months or above	**69,820**	**1.5**	50,290	1.0
	308,629	**6.7**	220,948	4.3

* Percentage of gross advances and receivables

23. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	29.2.2020 HK$'000	28.2.2019 HK$'000
Deposits for property, plant and equipment	**14,814**	41,278
Rental and other deposits	**21,188**	20,490
Prepaid operating expenses	**49,030**	36,123
Other debtors	**11,651**	9,605
	96,683	107,496
Current portion included under current assets	**(70,425)**	(47,456)
Amount due after one year	**26,258**	60,040

24. RESTRICTED DEPOSITS

The restricted deposits are in relation to the arrangement under collateralised debt obligation. This represents time deposits carrying fixed-rates ranging from 0.80% to 2.60% (28th February 2019: 0.69% to 1.85%) per annum during the year. At 29th February 2020, restricted deposits of HK$38,000,000 (28th February 2019: HK$381,466,000) was matured within one year from the end of the reporting period.

25. TIME DEPOSITS

Time deposits are denominated in RMB and carry fixed-rates ranging from 1.76% to 2.25% (28th February 2019: 1.27% to 2.25%) per annum during the year.

	29.2.2020 HK$'000	28.2.2019 HK$'000
Time deposits with maturity of three months or less	**54,649**	98,473
Time deposits with maturity of more than three months	**96,163**	54,063
	150,812	152,536

26. FIDUCIARY BANK BALANCES

The fiduciary bank balances are in relation to the money deposited by clients in the course of the conduct of the regulated activities under insurance brokerage business. These clients' monies are maintained in one segregated bank account. The Group has recognised the corresponding payables to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

27. BANK BALANCES AND CASH

Bank balances carry prevailing market interest rate.

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	HKD *HK$'000*	RMB *HK$'000*	USD *HK$'000*	Total *HK$'000*
At 29th February 2020				
Bank balances and cash	**696,309**	**13,175**	**854**	**710,338**
At 28th February 2019				
Bank balances and cash	355,880	23,261	942	380,083

28. CREDITORS AND ACCRUALS

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

	29.2.2020 ***HK$'000***	28.2.2019 *HK$'000*
Less than 1 month	**57,372**	43,623
Over 1 month but less than 3 months	**3,070**	6,303
Over 3 months	**2,563**	3,814
	63,005	53,740

29. CONTRACT LIABILITIES

	29.2.2020 **HK$'000**	28.2.2019 HK$'000
Contract liabilities		
— Deferred revenue in relation to customer loyalty programmes	**10,562**	9,486

As 1st March 2018, contract liabilities amounted to HK$9,061,000.

Revenue recognised during the year ended 29th February 2020 amounted to HK$7,745,000 (2019: HK$7,030,000) was included in the contract liabilities at the beginning of the year.

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.

30. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand, except for HK$35,982,000 (28th February 2019: HK$39,244,000) which is trade-related.

The aged analysis of amounts due to fellow subsidiaries that are trade-related based on the invoice date at the end of the reporting period is as follows:

	29.2.2020 HK$'000	28.2.2019 HK$'000
Less than 1 month	**35,982**	39,244

31. AMOUNTS DUE FROM/TO IMMEDIATE/INTERMEDIATE/ULTIMATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

32. AMOUNTS DUE FROM/TO AN ASSOCIATE

The amounts are unsecured, non-interest bearing and repayable on demand.

33. BANK BORROWINGS

	29.2.2020 *HK$'000*	28.2.2019 *HK$'000*
Carrying amount repayable *(Note)*		
Within one year	**370,000**	325,000
Within a period of more than one year but not more than two years	**529,162**	370,000
Within a period of more than two years but not more than five years	**569,940**	656,483
Within a period of more than five years	**–**	30,000
	1,469,102	1,381,483
Amount repayable within one year included under current liabilities	**(370,000)**	(325,000)
Amount repayable after one year	**1,099,102**	1,056,483

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

33. BANK BORROWINGS (Cont'd)

At the end of the reporting periods, all bank loans are unsecured. The carrying amounts of the bank borrowings are denominated in the following currencies:

	HKD *HK$'000*	USD *HK$'000*	JPY *HK$'000*	Total *HK$'000*
At 29th February 2020				
Bank loans	**865,000**	**389,162**	**214,940**	**1,469,102**
At 28th February 2019				
Bank loans	990,000	391,483	–	1,381,483

HKD bank loans of HK$190,000,000 (28th February 2019: HK$340,000,000) are arranged at fixed interest rates ranging from 2.06% to 2.64% (28th February 2019: 1.38% to 2.64%) per annum and expose the Group to fair value interest rate risk. Other HKD bank loans are arranged at floating interest rates at 0.55% to 0.60% plus HIBOR (28th February 2019: 0.60% plus HIBOR) per annum, the USD bank loan is arranged at floating interest rate at 0.95% plus LIBOR (28th February 2019: 0.95% plus LIBOR) per annum and the JPY bank loans are arranged at floating interest rates at 0.40% plus LIBOR (28th February 2019: Nil), thus exposing the Group to cash flow interest rate risk.

At 29th February 2020, the Group has available unutilised overdrafts and non-committed bank loan facilities of HK$792,750,000 (28th February 2019: HK$730,900,000) and HK$383,038,000 (28th February 2019: HK$1,342,050,000) respectively.

34. LEASE LIABILITIES

	29.2.2020 *HK$'000*
Lease liabilities payable:	
Within one year	**37,869**
Within a period of more than one year but not more than two years	**31,800**
Within a period of more than two years but not more than five years	**24,960**
	94,629
Amount due for settlement within one year included under current liabilities	**(37,869)**
Amount due for settlement after one year	**56,760**

Lease liabilities of HK$94,629,000 are recognised with related right-of-use assets of HK$92,789,000 as at 29th February 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	29.2.2020		28.2.2019	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swaps	**353**	**9,613**	2,164	14,635
Cross-currency interest rate swaps	**1,809**	**9,053**	13,322	–
	2,162	**18,666**	15,486	14,635
Current portion	**(353)**	**(839)**	(17)	(11,069)
Non-current portion	**1,809**	**17,827**	15,469	3,566

All derivative financial instruments entered into by the Group that remain outstanding at 29th February 2020 and 28th February 2019 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.

Details of major derivative financial instruments for hedging purposes are as follows:

Cash flow hedges:

Interest rate swaps

The Group uses interest rate swaps to minimise its exposures to cash flow changes of its floating-rate bank borrowings by swapping certain HKD floating-rate bank borrowings with aggregate principal of HK$675,000,000 (28th February 2019: HK$650,000,000) from floating-rates to fixed-rates. The interest rate swaps with aggregate notional amount of HK$675,000,000 (28th February 2019: HK$650,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 2.3% to 3.3% (28th February 2019: 2.3% to 3.3%) per annum and floating interest receipts quarterly from 0.55% to 0.60% plus HIBOR (28th February 2019: 0.60% plus HIBOR) per annum for periods up until July 2023 (28th February 2019: until March 2022).

Besides bank borrowings, the Group also entered into interest rate swaps to minimise its exposures to cash flow changes of its collateralised debt obligation transaction. One interest rate swap with notional amount of HK$150,000,000 (28th February 2019: two interest rate swaps for HK$550,000,000 each and one interest rate swap for HK$150,000,000) was entered by the Group to swap its HK$150,000,000 (28th February 2019: HK$1,250,000,000) floating-rate financing facility from floating-rate to fixed-rate. The interest rate swap has fixed interest payments monthly at fixed interest rate of 3.2% (28th February 2019: 3.2% to 3.8%) per annum and floating interest receipts monthly at 0.55% plus HIBOR (28th February 2019: from 0.40% to 0.55% plus HIBOR) per annum for periods up until July 2020 (28th February 2019: until August 2019 and July 2020 respectively).

35. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges: (Cont'd)

Interest rate swaps (Cont'd)

The interest rate swaps, the corresponding bank borrowings and the collateralised debt obligation have similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the interest rate swaps are highly effective hedging instruments. Interest rate swaps are designated as cash flow hedging instruments from floating interest rates to fixed interest rates.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to HK$3,362,000 (2019: HK$19,320,000) and is included in other comprehensive income.

The fair values of the interest rate swaps are determined by using the discounted cash flow method based on HIBOR yield curves at the end of the reporting period.

Cross-currency interest rate swaps

The Group uses cross-currency interest rate swaps designated as highly effective hedging instrument to minimise its exposures to foreign currency and cash flow interest rate risk of its USD bank borrowing and JPY bank borrowings by swapping the floating-rate USD bank borrowing and JPY bank borrowings to fixed-rate HKD bank borrowings.

The USD cross-currency interest rate swaps with notional amount of USD50,000,000 (28th February 2019: USD50,000,000) (equivalent to HK$387,795,000 at the date of inception of the bank borrowings (28th February 2019: HK$387,795,000)) have fixed currency payments in HKD at exchange rates of USD to HKD at 7.76 (28th February 2019: USD to HKD at 7.76), fixed interest payments quarterly in HKD at 2.27% (28th February 2019: 2.27%) per annum and floating interest receipts quarterly in USD at 0.95% plus LIBOR (28th February 2019: 0.95% plus LIBOR) per annum for periods up until September 2021 (28th February 2019: until September 2021).

The JPY cross-currency interest rate swaps with notional amount of JPY3,000,000,000 (28th February 2019: Nil) (equivalent to HK$217,360,000 at the date of inception of the bank borrowings (28th February 2019: Nil)) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07, fixed interest payments quarterly in HKD at 2.72% per annum and floating interest receipts quarterly in JPY at 0.40% plus LIBOR per annum for periods up until October 2022.

The cross-currency interest rate swaps and the corresponding bank borrowings have the same terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, and the Directors consider that the cross-currency interest rate swaps are highly effective hedging instruments.

During the year, net adjustment on the above-mentioned cash flow hedges amounted to HK$17,040,000 (2019: HK$3,523,000) and is included in other comprehensive income.

The fair value of the cross-currency interest rate swaps are determined by using the discounted cash flow method based on LIBOR yield curves and the forward exchange rates between USD or JPY and HKD (28th February 2018: USD and HKD) estimated at the end of the reporting period.

36. DEFERRED TAX

The followings are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the years ended 29th February 2020 and 28th February 2019:

	Accelerated tax depreciation HK$'000	Impairment allowances HK$'000	Others HK$'000	Total HK$'000
At 1st March 2018	10,909	(24,709)	–	(13,800)
(Credit) charge to profit or loss for the year	(3,007)	109	–	(2,898)
At 28th February 2019	**7,902**	**(24,600)**	**–**	**(16,698)**
Charge (credit) to profit or loss for the year	**6,626**	**1,606**	**(303)**	**7,929**
At 29th February 2020	**14,528**	**(22,994)**	**(303)**	**(8,769)**

At the end of the reporting period, the Group had unused tax losses of HK$54,470,000 (28th February 2019: HK$63,609,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of HK$46,229,000 (28th February 2019: HK$55,013,000) will expire in 2020 to 2024 (28th February 2019: 2019 to 2023) and the remaining tax losses may be carried forward indefinitely.

37. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Issued and fully paid		
At 1st March 2018, 28th February 2019 and 29th February 2020		
— Ordinary shares with no par value	418,766,000	269,477

38. RESERVES

The Company's reserves available for distribution to shareholders at 29th February 2020 amounted to HK$3,015,936,000 (28th February 2019: HK$2,817,144,000), representing the Company's accumulated profits as shown in note 48.

39. COLLATERALISED DEBT OBLIGATION

	29.2.2020 **HK$'000**	28.2.2019 HK$'000
Tranche A	**199,200**	550,000
Tranche B	**199,200**	550,000
Tranche C	**150,000**	150,000
	548,400	1,250,000
Amount repayable within one year included under current liabilities	**(548,400)**	(701,600)
Amount repayable after one year	**–**	548,400

a) The Group entered into a HK$1,250,000,000 collateralised debt obligation financing transaction (the "Transaction"). The Transaction consists of three tranches – Tranche A, Tranche B and Tranche C. Starting from September 2019, Tranche A and Tranche B have entered into scheduled repayment period. The three tranches were arranged at floating interest rates from 0.40% plus HIBOR per annum to 0.55% plus HIBOR per annum, thus exposing the Group to cash flow interest rate risk. Three corresponding interest rate swaps with similar terms, such as principal amounts, interest rate spread, start dates, maturity dates and counterparties, were arranged to swap these three tranches from floating-rates to fixed-rates from 3.2% to 3.8% per annum before the commencement of scheduled repayment. The effective interest rate after taking into account the executed interest rate swaps was 3.1% (2019: 3.6%) per annum during the year.

b) Pursuant to the Transaction, the Group transferred credit card receivables to Horizon Master Trust (AEON 2006-1) (the "Trust") established and operated in Hong Kong solely for this financing purpose of which the lender, an independent third party, is also the trustee. 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 consolidated financial statements. According to HKFRS 9, 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.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that:

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

The capital structure of the Group consists of debt (which includes bank borrowings and collateralised debt obligation) and equity attributable to owners of the Group (comprising share capital and reserves).

Net debt to equity ratio

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

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

	29.2.2020 **HK$'000**	28.2.2019 HK$'000
Debt *(Note a)*	**2,017,502**	2,631,483
Cash and cash equivalents	**(764,987)**	(478,556)
Net debt	**1,252,515**	2,152,927
Equity *(Note b)*	**3,313,542**	3,190,647
Net debt to equity ratio	**0.4**	0.7

Notes:

(a) Debt comprises bank borrowings and collateralised debt obligation as detailed in notes 33 and 39 respectively.

(b) Equity includes all capital and reserves of the Group.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	29.2.2020 HK$'000	28.2.2019 HK$'000
Financial assets		
Equity instruments at FVTOCI	**81,071**	118,701
Financial assets at amortised cost	**5,339,138**	5,846,093
Derivative instruments in designated hedge accounting relationships	**2,162**	15,486
Financial liabilities		
Financial liabilities at amortised cost	**2,129,200**	2,745,222
Derivative instruments in designated hedge accounting relationships	**18,666**	14,635

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, advances and receivables, other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, bank balances and cash, bank borrowings, collateralised debt obligation, creditors, lease liabilities, amounts due to fellow subsidiaries, intermediate holding company, ultimate holding company and an associate, and derivative instruments in designated hedge accounting relationships. Details of the Group's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and impairment assessment, and liquidity risk.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group seeks to minimise the effects of cash flow risk by using derivative financial instruments to hedge the cash flow risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, and the use of derivative financial instruments. Compliance with policies on effectiveness of hedging activities is reviewed by internal auditors on a regular basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including:

- currency swaps to convert the foreign currency debts to the functional currency of the relevant group entity; and
- interest rate swaps to mitigate the cash flow interest rate risk.

Market risk exposures are measured using sensitivity analysis.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

There has been no change to the Group's exposures to market risks or the manner in which it manages and measures the risk.

(i) *Currency risk*

Currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's position as a result of a change in foreign currency exchange rates. Certain bank deposits and balances and bank borrowings of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group's currency risk exposure primarily relates to its USD and JPY denominated bank borrowings. To minimise the currency risk, the Group has been using cross-currency interest rate swaps designed to hedge against the debts which are highly effective to convert the foreign currency debts to the functional currency of the relevant group entity. The critical terms of these currency swaps are similar to those of hedged borrowings. Hence, the net foreign currency risk is not material to the Group. In this regard, no sensitivity analysis is presented.

(ii) *Interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposures to fair value interest rate risk relates primarily to fixed-rate lendings and borrowings including variable rate borrowings under hedge accounting to change from variable rate to fixed-rate and lease liabilities (see note 34). All interest-bearing financial assets are exposed to fair value interest rate risk only. The interest rates and terms of repayment of financial assets and bank borrowings of the Group are disclosed in notes 20, 33 and 39.

The Group's cash flow interest rate risk relates primarily to floating-rate financial liabilities except those under hedge accounting to change from variable rate to fixed-rate (see notes 33, 35 and 39).

The Group monitors the interest rate exposure, through assessing the interest rate gap of its interest bearing financial assets and financial liabilities. To minimise the cash flow interest rate gap, the Group has been using interest rate swaps to convert a proportion of its variable rate debts to fixed-rate. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable rate financial instruments (excluding variable rate borrowings which are hedged by interest rate swaps) and derivative financial instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole period. A 100 basis points increase in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

If interest rates had been 100 basis points (2019: 100 basis points) higher and all other variables were held constant:

- post-tax profit would decrease by HK$4,579,000 (2019: Ni) mainly as a result of the changes in interest rates on its variable rate collateralised debt obligation; and

- other comprehensive income would decrease by HK$18,994,000 (2019: HK$18,308,000) mainly as a result of the changes in the fair value of derivative financial instruments, excluding the impact of foreign exchange component for the cross-currency interest rate swap.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial liabilities as the period end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity price risk through its equity instruments at FVTOCI. In addition, the Group also invested in certain unquoted equity securities for long term strategic purposes which had been designed as FVTOCI. The management will monitor the price movements and take appropriate actions when it is required.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties' default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to advances and receivables (including unused credit card limit), other debtors, amounts due from fellow subsidiaries, immediate holding company and an associate, restricted deposits, time deposits, fiduciary bank balances, and bank balances.

In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different departments responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's asset portfolio. In this regard, management considers that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model.

The Group is potentially exposed to loss in an amount equal to the total unused credit card limit granted to credit card customers. However, the likely amount of loss is less than the total unused credit card limit, as the credit facilities are contingent upon customers maintaining specific credit standards. The Group monitors the credit quality of the customers and has contractual right to cancel the credit facilities granted, therefore management considers that the Group's credit risk is limited. At 29th February 2020, unused credit card limit of HK$25,712,437,000 (28th February 2019: HK$27,733,823,000) was unrecorded in the consolidated statement of financial position.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit rating, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The management is responsible in developing and maintaining the processes for measuring ECL of the Group's asset portfolio and unused credit card limit. The ECL are assessed by the management regularly. The Group applies simplified approach to measure ECL on trade-related receivables (including other debtors and amounts due from related parties) arising from contracts with customers which are initially measured in accordance with HKFRS 15 and general approach to measure ECL on other financial assets at amortised cost and commitments on unused credit card limits. In addition, forward-looking information is required in estimating the ECL, with the Directors considering expectation of certain macroeconomic indicators such as unemployment rate and gross domestic product growth rate.

Under the simplified approach, the Group measures the loss allowance of trade-related receivables (including other debtors and amounts due from related parties) arising from contracts with customers which are initially measured in accordance with HKFRS 15 at an amount equal to lifetime ECL. Under the general approach, financial assets are classified into three stage to reflect the deterioration in credit quality. Impairment allowance of each stage is calculated based on the product of probability of default, loss given default and exposure at default. Stage 1 covers financial assets that have not deteriorated significantly in credit quality since initial recognition including those that considered to be low credit risk investments. Stage 2 covers financial assets that have deteriorated significantly in credit quality since initial recognition. Stage 3 covers financial assets for which credit loss events occur and become credit-impaired. 12m ECL is recognised in Stage 1, while lifetime ECL are recognised in Stages 2 and 3.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit ratings	Description	Advances and receivables
D0	Less than 30 days past due	12m ECL
D1	More than 30 days but less than 60 days past due	Lifetime ECL – not credit-impaired
D2	More than 60 days but less than 90 days past due	Lifetime ECL – not credit-impaired
D3	More than 90 days but less than 120 days past due	Lifetime ECL – credit-impaired
D4 or above	More than 120 days past due	Lifetime ECL – credit-impaired

Internal credit ratings	Description	Trade-related receivables under HKFRS 15	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The decision rules for stage allocation under general approach are as follows:

Stage	Decision rules (based on internal credit rating)
Stage 1	– "Low risk and watch list" or "D0"
Stage 2	– "Doubtful" or "D1 and D2", unless reasonable and supportable information demonstrates otherwise
Stage 3	– "Loss" or "D3 and D4 or above", unless reasonable and supportable information demonstrates otherwise

Advances and receivables (including commitments on unused credit card limit)

Movements of amounts of advances and receivables, impairment allowances during the years ended 29th February 2020 and 28th February 2019 and analysis of credit quality at the end of the reporting period are set out in notes 20 to 22.

Other debtors and amounts due from related parties (trade-related)

The management regularly review and assess the credit quality of the counterparties. The Group uses lifetime ECL to assess the loss allowance of other debtors and amounts due from related parties (trade-related). Since these receivables are not past due, and there has been no material historical default record, the Directors consider that the Group's credit risk is not significant after considering the financial background and condition of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of other debtors and amounts due from related parties (trade-related) is not material.

Other debtors and amounts due from related parties (non trade-related)

The management regularly review and assess the credit quality of the counterparties. Since other debtors and amounts due from related parties (non trade-related) are not past due, there has not been a significant increase in credit risk since initial recognition and the Group uses 12m ECL to assess these receivables. In this regard, the Directors also consider Group's credit risk is not significant after considering the financial background of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of other debtors and amounts due from related parties (non trade-related) is not material.

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Bank balances/derivative financial instruments

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Accordingly, no loss allowance was provided as the ECL in respect of bank balances/derivative financial instruments is not material.

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and maintaining a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities and lease liabilities including interest that will accrue to those liabilities except where the Group is entitled and intends to repay the liabilities before their maturities. To the extent that interest flows are floating-rate, the undiscounted amount is derived from interest yield curve at the end of the reporting period.

	29.2.2020					
	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3–12 months *HK$'000*	1–4 years *HK$'000*	Over 4 years *HK$'000*	Total *HK$'000*
Collateralised debt obligation	87,293	145,864	321,141	–	–	554,298
Bank borrowings						
— fixed-rate	679	472	102,513	65,868	30,397	199,929
— variable rate	45,238	57,837	196,092	823,578	217,242	1,339,987
Lease liabilities	4,124	7,782	28,282	58,525	–	98,713
Other financial liabilities	110,874	824	–	–	–	111,698
Total undiscounted financial liabilities	248,208	212,779	648,028	947,971	247,639	2,304,625

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	28.2.2019					
	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3–12 months *HK$'000*	1–4 years *HK$'000*	Over 4 years *HK$'000*	Total *HK$'000*
Collateralised debt obligation	3,720	7,439	741,867	560,236	–	1,313,262
Bank borrowings						
— fixed-rate	150,415	773	3,459	107,565	91,880	354,092
— variable rate	82,214	4,035	111,896	894,338	–	1,092,483
Other financial liabilities	113,297	442	–	–	–	113,739
Total undiscounted financial liabilities	349,646	12,689	857,222	1,562,139	91,880	2,873,576

The amounts included above with respect to the variable interest rate for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

The following tables detail the Group's contractual maturity for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	29.2.2020				
	Up to 3 months ***HK$'000***	**3–12 months** ***HK$'000***	**1–4 years** ***HK$'000***	**Over 4 years** ***HK$'000***	**Total** ***HK$'000***
Derivative financial instruments Net cash outflow	**(206)**	**(1,321)**	**(13,666)**	**(4,502)**	**(19,695)**

41. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	28.2.2019				
	Up to 3 months *HK$'000*	3–12 months *HK$'000*	1–4 years *HK$'000*	Over 4 years *HK$'000*	Total *HK$'000*
Derivative financial instruments					
Net cash (outflow) inflow	(4,971)	(760)	7,935	–	2,204

(c) Fair value measurements of financial instruments

Fair value measurements recognised in the statements of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	29.2.2020			
	Level 1 ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
Financial assets at FVTPL				
Derivative financial assets	**–**	**2,162**	**–**	**2,162**
Equity instruments at FVTOCI				
Listed equity investment	**5,417**	**–**	**–**	**5,417**
Unlisted equity investments	**–**	**–**	**75,654**	**75,654**
Total	**5,417**	**2,162**	**75,654**	**83,233**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**18,666**	**–**	**18,666**

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value measurements recognised in the statements of financial position (Cont'd)

	28.2.2019			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets at FVTPL				
Derivative financial assets	–	15,486	–	15,486
Equity instruments at FVTOCI				
Listed equity investment	7,530	–	–	7,530
Unlisted equity investments	–	–	111,171	111,171
Total	7,530	15,486	111,171	134,187
Financial liabilities at FVTPL				
Derivative financial liabilities	–	14,635	–	14,635

There were no transfers between Level 1, 2 and 3 in the current year.

The fair value of listed equity investments is determined with reference to quoted market bid price from Stock Exchange.

The fair values of unlisted equity investments have been arrived at on the basis of valuations which were principally arrived at using the market approach for business enterprises valuation with reference to the market capitalisation of listed entities in similar industries with consideration of marketability discount.

The fair value of interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and foreign exchange rates between USD/JPY and HKD (for cross-currency interest rate swap), which is observable at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value measurements recognised in the statements of financial position (Cont'd)

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
At 1st March 2018	80,239
Fair value gain recognised in other comprehensive income	30,932
At 28th February 2019	**111,171**
Disposal of financial assets	**(114)**
Fair value loss recognised in other comprehensive income	**(35,403)**
At 29th February 2020	**75,654**

At 29th February 2020, a small percentage, 1.3% (28th February 2019: 1.8%), of total assets of the Group, is based on estimates and recorded as financial assets with Level 3 fair value measurements. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a big impact on the Group's financial positions.

Included in other comprehensive income is an amount of HK$35,403,000 loss (2019: HK$30,932,000 gain) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "investment revaluation reserve".

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's financial statements approximate to their fair values, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis:

	29.2.2020		28.2.2019	
	Carrying amount ***HK$'000***	**Fair value** ***HK$'000***	Carrying amount *HK$'000*	Fair value *HK$'000*
Bank borrowings	**1,469,102**	**1,518,941**	1,381,483	1,386,925

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements

The Group has entered certain derivative transactions that are covered by the ISDA Agreements signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group's consolidated statements of financial position or are subject to similar netting arrangements.

(a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial assets *HK$'000*	Gross amounts of recognised financial liabilities set off in the statements of financial position *HK$'000*	Net amounts of financial assets presented in the statements of financial position *HK$'000*
At 29th February 2020			
Derivative financial instruments	**2,162**	**–**	**2,162**
At 28th February 2019			
Derivative financial instruments	15,486	–	15,486

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the statements of financial position *HK$'000*	Financial liabilities not set off in the statements of financial position *HK$'000*	Net amount *HK$'000*
At 29th February 2020			
Counterparty A	**2,063**	**(2,063)**	**–**
Counterparty B	**99**	**(99)**	**–**
Counterparty C	**–**	**–**	**–**
Total	**2,162**	**(2,162)**	**–**
At 28th February 2019			
Counterparty A	14,366	(29)	14,337
Counterparty B	490	(490)	–
Counterparty C	630	(396)	234
Total	15,486	(915)	14,571

(c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial liabilities *HK$'000*	Gross amounts of recognised financial assets set off in the statements of financial position *HK$'000*	Net amounts of financial liabilities presented in the statements of financial position *HK$'000*
At 29th February 2020			
Derivative financial instruments	**(18,666)**	**–**	**(18,666)**
At 28th February 2019			
Derivative financial instruments	(14,635)	–	(14,635)

41. FINANCIAL INSTRUMENTS (Cont'd)

(d) Financial assets and financial liabilities subject to offsetting, enforceable master netting agreements or similar agreements (Cont'd)

(d) Net financial liabilities subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial liabilities presented in the statements of financial position *HK$'000*	Financial assets not set off in the statements of financial position *HK$'000*	Net amount *HK$'000*
At 29th February 2020			
Counterparty A	**(6,019)**	**2,063**	**(3,956)**
Counterparty B	**(2,332)**	**99**	**(2,233)**
Counterparty C	**(10,315)**	**–**	**(10,315)**
Total	**(18,666)**	**2,162**	**(16,504)**
At 28th February 2019			
Counterparty A	(29)	29	–
Counterparty B	(14,210)	490	(13,720)
Counterparty C	(396)	396	–
Total	(14,635)	915	(13,720)

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Collateral debt obligation *HK$'000*	Bank borrowings *HK$'000*	Lease liabilities *HK$'000*	Dividend payable *HK$'000*	Total *HK$'000*
At 1st March 2018	1,250,000	1,575,020	–	–	2,825,020
Financing cash flows	–	(195,000)	–	(184,256)	(379,256)
Amortisation of upfront cost	–	388	–	–	388
Dividends recognised as distribution	–	–	–	184,256	184,256
Exchange realignment	–	1,075	–	–	1,075
At 28th February 2019	**1,250,000**	**1,381,483**	**–**	**–**	**2,631,483**
Adjustment on HKFRS 16	**–**	**–**	**55,234**	**–**	**55,234**
At 1st March 2019 (restated)	**1,250,000**	**1,381,483**	**55,234**	**–**	**2,686,717**
Financing cash flows *(Note)*	**(701,600)**	**90,565**	**(52,091)**	**(184,256)**	**(847,382)**
Interest paid	**–**	**–**	**(2,971)**	**–**	**(2,971)**
Interest expense	**–**	**–**	**2,971**	**–**	**2,971**
Amortisation of upfront cost	**–**	**523**	**–**	**–**	**523**
New leases entered	**–**	**–**	**91,479**	**–**	**91,479**
Dividends recognised as distribution	**–**	**–**	**–**	**184,256**	**184,256**
Exchange realignment	**–**	**(3,469)**	**7**	**–**	**(3,462)**
At 29th February 2020	**548,400**	**1,469,102**	**94,629**	**–**	**2,112,131**

Note: Final payment in relation to the termination of lease contracts of HK$7,067,000 was included in the financing cash flows of lease liabilities.

43. OPERATING LEASES

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	28.2.2019 *HK$'000*
Within one year	47,717
In the second to fifth year inclusive	21,863
	69,580

Leases for rented premises and equipment are negotiated for an average term of two to three years and rentals are fixed for an average of one year.

44. CAPITAL COMMITMENTS

	29.2.2020 ***HK$'000***	28.2.2019 *HK$'000*
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**27,210**	31,615

45. PLEDGE OF ASSETS

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 (28th February 2019: HK$1,675,261,000 and HK$419,466,000) (see notes 20 and 24).

46. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$18,000 (2019: HK$18,000) per annum of each individual employee) to the MPF Scheme, which contribution is matched by employees. The total cost charged to profit or loss of HK$4,894,000 (2019: HK$4,657,000) represents contribution payable to MPF Scheme by the Group in respect of the current accounting year. At 29th February 2020, contributions of the Group amounting to HK$736,000 (28th February 2019: HK$693,000) due in respect of the reporting year had not been paid over to the MPF Scheme.

The employees employed in China subsidiaries are members of the state-managed retirement benefits schemes operated by the China government. The China subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes.

47. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Fellow subsidiaries		Immediate holding company		Ultimate holding company		Associate	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Interest income received	**4,851**	5,181	**–**	–	**–**	–	**–**	–
Commission received	**7,721**	7,300	**–**	–	**–**	–	**–**	–
Dividends received	**781**	781	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**1,142**	984	**–**	–	**–**	–
Licence fees paid	**12,886**	11,193	**–**	–	**50**	30	**–**	–
Service fees paid	**11,078**	6,377	**13,267**	14,299	**–**	–	**20,690**	29,944
Gift certificate purchased	**10,994**	8,847	**–**	–	**–**	–	**–**	–

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2020 HK$'000	2019 HK$'000
Short-term benefits	**10,705**	13,012
Retirement benefits	**140**	54
	10,845	13,066

The remuneration of Directors and key executives is determined by having regard to the Group's operating results, performance of individuals and market trends.

48. FINANCIAL POSITION OF THE COMPANY

Below is the financial position of the Company at the end of the reporting period:

	29.2.2020 **HK$'000**	28.2.2019 HK$'000
Non-current assets		
Property, plant and equipment	**100,395**	63,379
Right-of-use assets *(Note a)*	**91,268**	–
Investments in subsidiaries	**211,165**	227,258
Investment in an associate	**15,587**	15,449
Equity instruments at fair value through other comprehensive income	**81,071**	118,701
Advances and receivables	**706,477**	844,476
Prepayments, deposits and other debtors	**26,258**	55,729
Derivative financial instruments	**1,809**	15,469
Deferred tax assets	**8,825**	16,775
Restricted deposits	**–**	38,000
	1,242,855	1,395,236
Current assets		
Advances and receivables	**3,695,739**	3,984,443
Prepayments, deposits and other debtors	**65,297**	44,277
Amount due from a subsidiary	**101**	137
Amounts due from fellow subsidiaries	**–**	147
Derivative financial instruments	**353**	17
Restricted deposits	**38,000**	381,466
Bank balances and cash	**692,507**	352,924
	4,491,997	4,763,411
Current liabilities		
Creditors and accruals	**212,253**	249,680
Contract liabilities	**10,562**	9,486
Amounts due to fellow subsidiaries	**38,010**	41,644
Amount due to intermediate holding company	**283**	–
Amount due to ultimate holding company	**50**	28
Amount due to an associate	**3,203**	2,027
Bank borrowings	**370,000**	325,000
Collateralised debt obligation	**548,400**	701,600
Lease liabilities *(Note a)*	**37,233**	–
Derivative financial instruments	**839**	11,069
Tax liabilities	**16,514**	33,515
	1,237,347	1,374,049
Net current assets	**3,254,650**	3,389,362
Total assets less current liabilities	**4,497,505**	4,784,598

48. FINANCIAL POSITION OF THE COMPANY (Cont'd)

	29.2.2020 **HK$'000**	28.2.2019 HK$'000
Capital and reserves		
Share capital	**269,477**	269,477
Reserves *(Note b)*	**3,055,227**	2,906,672
Total equity	**3,324,704**	3,176,149
Non-current liabilities		
Bank borrowings	**1,099,102**	1,056,483
Collateralised debt obligation	**–**	548,400
Lease liabilities *(Note a)*	**55,872**	–
Derivative financial instruments	**17,827**	3,566
	1,172,801	1,608,449
	4,497,505	4,784,598

Note a: The Company has applied HKFRS 16 since 1st March 2019 in accordance with transitional provision stated in note 2. Lease liabilities amounted to HK$55,234,000 were recognised on initial application of HKFRS 16, and right-of-use assets for own use amounting to HK$55,234,000 were recognised.

The financial statements of the Company were approved and authorised for issue by the Board on 9th April 2020 and are signed on its behalf by:

HIDEO TANAKA
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

Notes to the Consolidated Financial Statements

48. FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note b: The movements in reserve are present below:

	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st March 2018	63,175	(19,529)	992	2,753,841	2,798,479
Profit for the year	–	–	–	247,559	247,559
Fair value gain on equity instruments at FVTOCI	29,867	–	–	–	29,867
Exchange difference arising from translation of foreign operations	–	–	(768)	–	(768)
Net adjustment on cash flow hedges	–	15,791	–	–	15,791
Total comprehensive income (expense) for the year	29,867	15,791	(768)	247,559	292,449
Final dividend paid for 2017/18	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2018/19	–	–	–	(92,128)	(92,128)
	29,867	15,791	(768)	63,303	108,193
At 28th February 2019	**93,042**	**(3,738)**	**224**	**2,817,144**	**2,906,672**
Profit for the year	**–**	**–**	**–**	**384,771**	**384,771**
Fair value loss on equity instruments at FVTOCI	**(37,516)**	**–**	**–**	**–**	**(37,516)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**(766)**	**–**	**(766)**
Net adjustment on cash flow hedges	**–**	**(13,678)**	**–**	**–**	**(13,678)**
Total comprehensive (expense) income for the year	**(37,516)**	**(13,678)**	**(766)**	**384,771**	**332,811**
Investment revaluation reserve reclassified to accumulated profits upon disposal of equity instruments at FVTOCI	**1,723**	**–**	**–**	**(1,723)**	**–**
Final dividend paid for the 2018/19	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2019/20	**–**	**–**	**–**	**(92,128)**	**(92,128)**
	(35,793)	**(13,678)**	**(766)**	**198,792**	**148,555**
At 29th February 2020	**57,249**	**(17,416)**	**(542)**	**3,015,936**	**3,055,227**

49. PARTICULARS OF THE SUBSIDIARIES

At 29th February 2020 and 28th February 2019, the Company had interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration and operation	Share capital/paid-up capital		Proportion of ownership interest directly held by the Company		Principal activities
		29.2.2020	28.2.2019	**29.2.2020**	28.2.2019	
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage service
AEON Micro Finance (Shenyang) Co., Ltd	China	**HK$124,221,000**	HK$124,221,000	**100%**	100%	Microfinance business under voluntary liquidation
AEON Micro Finance (Tianjin) Co., Ltd	China	**RMB100,000,000**	RMB100,000,000	**100%**	100%	Microfinance business
AEON Micro Finance (Shenzhen) Co., Ltd	China	**RMB150,000,000**	RMB150,000,000	**100%**	100%	Microfinance business

50. PARTICULARS OF A MASTER TRUST OF THE COMPANY

Horizon Master Trust (AEON 2006-1) is a special purpose entity set up for a collateralised debt obligation financing transaction. At 29th February 2020 and 28th February 2019, assets in this special purpose entity mainly consist of credit card receivables, restricted deposits and time deposits.

In respect to the collateralised debt obligation financing transaction, the Group is committed to maintain a minimum level of collaterals in the form of credit card receivables and restricted deposits. At 29th February 2020 and 28th February 2019, the Group has no contractual arrangements that would require it to provide financial or other support to the Trust; the Group has no intention to provide such support.

51. EVENTS AFTER THE REPORTING PERIOD

Arising from the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of the COVID-19 outbreak and evaluating its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak and unpredictability of future development, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results for the first half and full year of 2020, at the date on which these consolidated financial statements are authorised for issue.

Glossary

12m ECL	12-month expected credit loss
2019 AGM	the annual general meeting of the Company held on 21st June 2019
2020 AGM	the annual general meeting of the Company to be held on 23rd June 2020
ACS Malaysia	AEON Credit Service (M) Berhad
ACS Thailand	AEON Thana Sinsap (Thailand) Public Company Limited
ACSS	AEON Credit Service Systems (Philippines) Inc.
AEON Japan	AEON Co., Ltd.
AEON Stores	AEON Stores (Hong Kong) Co., Limited
AFS	AEON Financial Service Co., Ltd.
AFS (HK)	AEON Financial Service (Hong Kong) Co., Limited
AIS	AEON Information Service (Shenzhen) Co., Ltd.
Articles	the articles of association of the Company
Board	the board of Directors of the Company
CG Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
China or Mainland or PRC	the People's Republic of China
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong) as amended from time to time
Company	AEON Credit Service (Asia) Company Limited
COVID-19	Novel coronavirus
Director(s)	the director(s) of the Company
ECL	Expected credit loss
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
Group	the Company and its subsidiaries

Glossary

HIBOR	Hong Kong Interbank Offered Rate
HKAS	Hong Kong Accounting Standards
HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
ISDA Agreements	International Swaps and Derivatives Association Master Agreements
JPY	Japanese Yen, the lawful currency of Japan
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
OCI	Other comprehensive income
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended from time to time
Stock Exchange	The Stock Exchange of Hong Kong Limited
USD	United States Dollars, the lawful currency of the United States of America