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

2023/24 ANNUAL REPORT

Planting Seeds of Growth

We are AEON

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Wei Aiguo *(Managing Director)*
Lai Yuk Kwong *(Deputy Managing Director)*
Tomoharu Fukayama

Non-executive Directors

Tomoyuki Mitsufuji *(Chairman)*
Jin Huashu

Independent Non-executive Directors

Lee Ching Ming Adrian
Shing Mo Han Yvonne
Junko Dochi
Choi Ping Chung

COMPANY SECRETARY

Hung Tun Shun Jason

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SHARE REGISTRAR

Tricor Secretaries Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
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

28th September 2023	Announcement of interim results for the six months ended 31st August 2023
25th October 2023	Despatch of interim report for the six months ended 31st August 2023
16th – 17th October 2023	Book closing dates for interim dividend
31st October 2023	Payment of interim dividend of 24.0 HK cents per share
5th April 2024	Announcement of final results for the year ended 29th February 2024
21st May 2024	Despatch of annual report for the year ended 29th February 2024
21st – 26th June 2024	Book closing dates for 2024 AGM
26th June 2024	2024 AGM
8th – 9th July 2024	Book closing dates for final dividend
26th July 2024	Payment of final dividend of 24.0 HK cents per share (subject to shareholders' approval at the 2024 AGM)

Key Highlights

FINANCIAL HIGHLIGHTS

Revenue
HK$1,623.3 million
▲ 31.8%

Profit for the year
HK$392.3 million
▲ 5.0%

Gross advances and receivables
HK$7.0 billion as at 29.2.2024
▲ 19.3%
(vs 28.2.2023)

Sales
HK$ 13.2 billion
▲ 12.4%

Interest income
HK$ 1,367.4 million
▲ 32.5%

Operating profit
HK$ 807.9 million
▲ 45.1%

Cost-to-income ratio
46.9%
▼ 6.9%

Final dividend
24.0
HK cents per share

Dividend payout ratio
51.2%

SEGMENT PERFORMANCE HIGHLIGHTS

REVENUE FROM CREDIT CARD

HK$
1,283.8 million
33.3% ▲

PROGRESSIVE INCREASE IN CREDIT CARD SALES AND CONTINUED TO ACCUMULATE REVOLVING CREDIT CARD BALANCES AS A RESULT OF

- Ongoing brand building efforts to generate greater market awareness
- Launch of well-received marketing programs

REVENUE FROM PERSONAL LOANS

HK$
313.3 million
29.6% ▲

PERSONAL LOAN RECEIVABLES BALANCE AS AT 29.2.2024

▲ 24.5% (VS 28.2.2023)

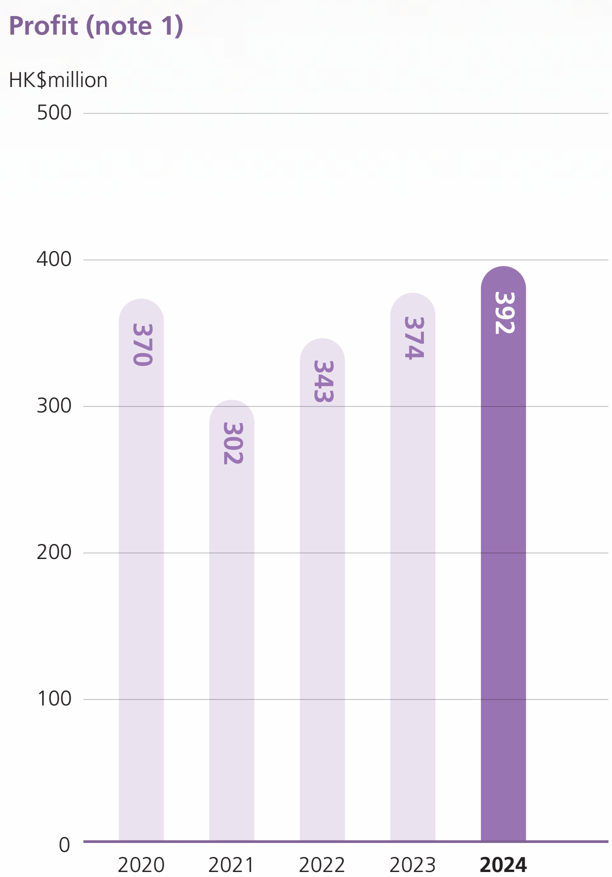
- Through personalized marketing activities on social media, the expansion of the branch network and the promotion of instant loans

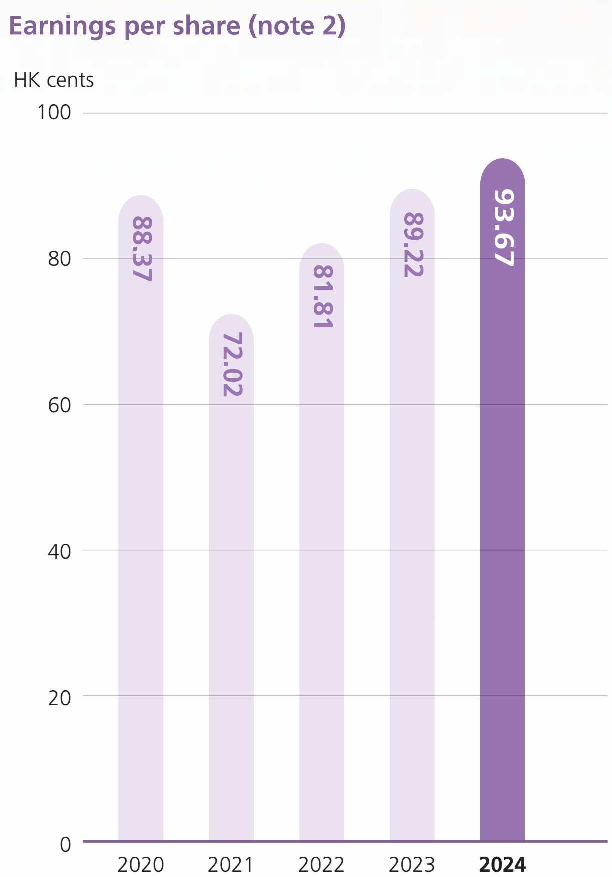
GROWTH STRATEGIES

- Development of New Contactless Mobile Payment Solutions
- Diversification of Personal Loan Products
- Intensification of Sales Channel Development in Peripheral Business
- Acceleration of Back-office Digitalization
- Strengthen Foundation for Business Growth in Greater Bay Area

Five Years Financial Summary

CONSOLIDATED RESULTS

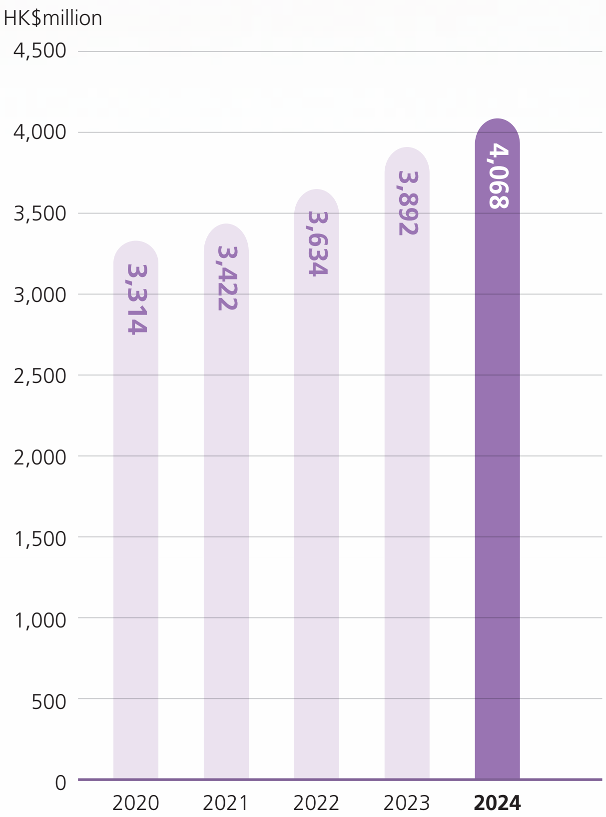




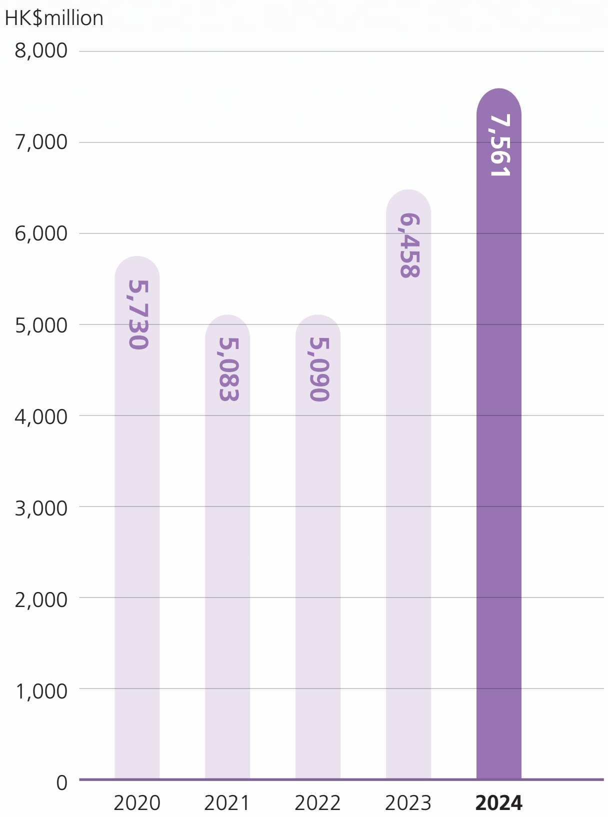
	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	**2024** ***HK$'000***
Revenue	1,297,686	1,089,858	1,049,589	1,231,631	**1,623,321**
Profit before tax	444,930	357,946	397,973	449,294	**472,528**
Income tax expense	(74,847)	(56,371)	(55,381)	(75,683)	**(80,258)**
Profit for the year	370,083	301,575	342,592	373,611	**392,270**
Earnings per share	88.37 HK cents	72.02 HK cents	81.81 HK cents	89.22 HK cents	**93.67 HK cents**
Dividend per share	44.00 HK cents	40.00 HK cents	44.00 HK cents	44.00 HK cents	**48.00 HK cents**

CONSOLIDATED ASSETS AND LIABILITIES

Total equity (note 3)



Total assets (note 4)



	At				
	29.2.2020 *HK$'000*	28.2.2021 *HK$'000*	28.2.2022 *HK$'000*	28.2.2023 *HK$'000*	**29.2.2024** ***HK$'000***
Total assets	5,729,718	5,083,366	5,089,556	6,457,680	**7,561,232**
Total liabilities	(2,416,176)	(1,661,336)	(1,456,014)	(2,565,220)	**(3,493,239)**
Total equity	3,313,542	3,422,030	3,633,542	3,892,460	**4,067,993**

Notes:

1. Represents the consolidated profit for the financial years ended 29th February 2020, 28th February 2021, 28th February 2022, 28th February 2023 and 29th February 2024.

2. Represents the consolidated earnings per share for the financial years ended 29th February 2020, 28th February 2021, 28th February 2022, 28th February 2023 and 29th February 2024.

3. Represents the consolidated total equity at 29th February 2020, at 28th February 2021, 2022, 2023 and 29th February 2024.

4. Represents the consolidated total assets at 29th February 2020, at 28th February 2021, 2022, 2023 and 29th February 2024.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 29th February 2024 ("FY2023" or the "Reporting Year"), with the COVID-19 pandemic (the "Pandemic") no longer a public health emergency and the border reopened after an extended period, economic and social activities in Hong Kong steadily resuming as much anticipated. However, in the aftermath of the Pandemic, the general operating environment remained uncertain and overall productivity remained low. Globally, macro challenges persisted amid rising interest rates, continued pressure on the real property market in Mainland China and heightened geopolitical tension. Locally, there was a sustained downward adjustment in property prices and the stock market, and real gross domestic product ("GDP") grew by only 3.2% after contracting 3.5% in the previous year. Consequently, complete turnaround in the local and wider economy was yet to take place.

Paying close heed to changing market momentum and headwinds, the Group took a number of timely initiatives during the Reporting Year to drive healthy growth in both sales and receivables for a quality portfolio that should provide income, growth and resilience, all at the same time. In addition, in order to propel digital transformation, the Group successfully launched the new card and loan system, and the revamped AEON Netmember website and "AEON HK" mobile application ("Mobile App") during the Reporting Year. This also provides a flexible and integrated platform for the creation and delivery of new payment solutions and product benefits. With the rollout of data lake, the Group has developed the ability to more effectively utilize data analytics for marketing activities.

The Group achieved another year of continued overall sales growth of 12.4% when compared with the year ended 28th February 2023 ("FY2022" or the "Previous Year"). The total advances and receivables balance continued the upward trend and, as at 29th February 2024, recorded an increase of 19.3% when compared with the balance as at 28th February 2023. The Group's credit risk management proved to be effective against the market's increasing default trend, largely due to a general downward adjustment of asset prices during the Reporting Year, with the percentage of the Group's higher credit risk or otherwise credit impaired advances and receivables (i.e. stage 2 and stage 3 receivables) to total advances and receivables decreasing from 4.3% as at 28th February 2023 to 4.0% as at 29th February 2024.

OPERATIONAL REVIEW

With regard to marketing, recognizing customer diversity, promotional programs with attractive incentive schemes were launched in the Reporting Year to meet the customers' different spending needs and patterns, which resulted in a continued increase in card credit purchase sales and revolving balances. The major promotions included the Winter Mass promotion, "Muk Muk Buy to Earn", "AEON Card X Ocean Park emoji® Summer Splash 2023" and local dining promotions. The popularity of the cashback loyalty scheme for AEON Card Wakuwaku, together with increasing brand awareness driven by outdoor advertising and social media, successfully fueled the sales growth momentum in FY2023. The Group also launched travel incentive programs such as the "AEON Card Japan Spending Rewards" and "AEON UnionPay Card — Mainland China & Macau Spending Rewards" to stimulate cross-border and overseas spending during festival and holiday periods.

With regard to customer experience, following the revamp of the new mobile application with biometric authentication and one-time password for online transactions in the first quarter, the Group further added "QR Pay" and "QR Cash" functions to the AEON UnionPay Card and introduced Apple Pay and Google Pay to bring its customers a safer and more secure and convenient way to make payments and withdraw cash. In addition, customers can now apply for an installment plan for credit purchase transactions online after-sales, with a range of tenors to suit particular customer needs. The number of Mobile App users reached a total of over 400,000 by the end of the financial year. In order to transform its branch physical support model and network into a one-stop financial center to deliver face-to-face financial and related advisory services, the Group continued to revamp branches with dedicated insurance consultation counters and expand its branch network.

With regard to credit control, continuous enhancement of the Group's credit assessment model, including better informed default trend analysis through regular review of customer portfolios and more specific credit exposure assignment for customers with different risk levels, has contributed to a better balance between customers' financial needs and the Company's own credit risk exposure, with customers benefiting from more affordable credit facilities. In addition, the analytical tools implemented for debt management facilitated to identify the credit risk distribution across the portfolio with a higher degree of precision, which enabled prompt recovery action to be taken on receivables with higher credit risk and thus increased operational efficiency. For transaction fraud, the adoption of an authorization monitoring model with card associations helped to detect and reject suspicious credit card transactions to prevent potential fraud loss.

With regard to peripheral business, the card acquiring business took a major step forward in FY2023, with more transactions processed for sizeable merchants through cooperation with payment gateways to expand the merchant acquiring channel, which also facilitated the growth of the credit purchase card installment plan business. For insurance intermediary business, the telemarketing channel achieved a satisfactory result through call monitoring and timely feedback on customers' needs. For online channels, various travel promotions and product plans were offered through the mobile application to boost insurance sales. By developing the Company's sales channels at its branches as well as on its website and mobile application, the Company's customers can now more conveniently access and purchase a wide range of insurance products.

Besides business growth, the Group also places great emphasis on integrating sustainability into its business operations. In the first quarter, new branch uniforms made from environmentally friendly materials were introduced. The use of recycled materials in the new uniforms will help reduce the Group's carbon footprint, while a more comfortable outfit for staff members is conducive to higher productivity, thus transforming their overall work experience. Since the third quarter, the Group has gradually removed traditional first-use PVC plastics from its credit cards in favor of post-consumer recycled polyvinyl chloride ("rPVC") plastics approved by the Global Recycled Standard. This move reinforces the Group's sustainability commitments and its engagement with more environmentally conscious consumers. During the Reporting Year, the Company renovated its head office, incorporating energy-efficient and environmentally friendly designs such as LED lighting, motion sensor controls and waste recycling facilities to create a more sustainable and healthy workplace.

As for the Mainland China business, the Company completed the capital injection of RMB50 million into AMF(SZ) in the second quarter to meet the capital requirements for further business growth in the personal loan business. AMF(SZ) achieved an upward sales trend throughout the Reporting Year, while AIS provided the Group with effective telemarketing and other business outsourcing activities to increase personal loan and cash advance sales.

DIVIDEND

The Group has adopted a stable dividend policy that aims to pay regular dividends with a target annual dividend payout ratio of not less than 30.0% of the Group's consolidated net profit for the financial year. When proposing a dividend, in addition to financial performance, the Board takes into consideration shareholder interests, payout history, the general business environment and cash flow requirements.

The Board has recommended a final dividend of 24.0 HK cents per share, bringing the total dividend for FY2023 to 48.0 HK cents per share, representing a dividend payout ratio of 51.2%.

FINANCIAL REVIEW

For FY2023, audited profit before tax was HK$472.5 million, an increase of HK$23.2 million when compared with FY2022. After deducting income tax expense of HK$80.3 million, the Group recorded an increase in profit of 5.0%, with profit after tax increasing from HK$373.6 million in FY2022 to HK$392.3 million in FY2023. Earnings per share increased from 89.22 HK cents to 93.67 HK cents for the Reporting Year.

Return on assets was 5.2% in FY2023 compared with 5.8% in FY2022, while return on equity in FY2023 remained at 9.6% as in FY2022.

The net debt to equity ratio was 0.7 as at 29th February 2024 compared with 0.4 as at 28th February 2023, while total equity to total assets ratio was 53.8% and 60.3% as at 29th February 2024 and 28th February 2023, respectively.

Net asset value per share (after final dividend) as at 29th February 2024 and as at 28th February 2023 was HK$9.5 and HK$9.1, respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ANALYSIS

Revenue

Revenue for the Reporting Year was HK$1,623.3 million, an increase of 31.8%, or HK$391.7 million, compared with HK$1,231.6 million for the Previous Year.

Net Interest Income

The Group implemented various marketing programs to capture the rising market demand after the Pandemic, which resulted in a steady increase in credit card receivables and personal loan receivables, with gross advances and receivables as at 29th February 2024 recording an increase of HK$1,124.6 million from the Previous Year. Together with the increase in the interest rate for card credit purchases, the Group recorded a significant increase in interest income of 32.5%, or HK$335.2 million, from HK$1,032.1 million in the Previous Year to HK$1,367.4 million in the Reporting Year.

The Group's interest expenses increased by HK$64.3 million from HK$44.1 million in the Previous Year to HK$108.5 million in the Reporting Year as a result of both the increase in the amount of bank borrowings to finance the higher receivable balances and the generally higher interest rates for such borrowings in line with the market. With a borrowing portfolio consisting of a mix of borrowing rates with different maturities, the Group managed to keep down the increase in its average cost of funds to only 0.6%, from 3.5% in the Previous Year to 4.1% in the Reporting Year.

As a result, the Group's net interest income for FY2023 was HK$1,258.9 million, representing an increase of 27.4%, or HK$270.9 million, compared with HK$988.0 million in FY2022.

Operating Income

Although the value of credit card purchases increased significantly during the Reporting Year, the increase in commission income was offset by the increase in the cost of running the attractive cashback incentive scheme and campaigns, resulting in an overall decrease in fees and commissions from the credit card issuing business of HK$13.9 million to HK$58.1 million for the Reporting Year. For the credit card acquiring business, fees and commissions increased by HK$11.6 million to HK$44.8 million during the Reporting Year due to an increase both in the number of card acquiring merchants and the transaction volume. Due to market repositioning and an adjustment period following the diversification of insurance distribution channels, fees and commissions from the insurance intermediary business decreased slightly from HK$26.5 million in the Previous Year to HK$26.3 million in the Reporting Year. Overall, the Group recorded a slight decline in fees and commissions of HK$2.5 million, from HK$131.7 million in the Previous Year to HK$129.2 million in the Reporting Year.

As a result of the higher demand for cash advances and the increase in the number of customers making minimum payments in the Reporting Year, handling and late charges increased by HK$59.0 million, from HK$67.8 million in the Previous Year to HK$126.8 million in the Reporting Year.

In terms of other income, the Group recognized an income of HK$11.1 million of marketing support fund from card associations and insurance partner during the Reporting Year, while in the Previous Year, in addition to card association sponsorships, the Group recognized income in the form of one-off marketing support fund of HK$7.8 million from an insurance partner upon the completion of the distribution agreement and government subsidies of HK$2.5 million, resulting in a decrease in other income by HK$10.9 million to HK$15.2 million for the Reporting Year as compared with the Previous Year.

Following the completion of the new card and loan system and Mobile App revamp projects, a loss on disposal of property, plant and equipment of HK$9.4 million was recognized in other gains and losses, resulting in a loss of HK$9.1 million for the Reporting Year, while in the Previous Year, the Group recorded a cumulative exchange loss of HK$8.8 million upon de-registration of a foreign subsidiary, resulting in a loss of HK$9.5 million.

In total, the Group's operating income for FY2023 was HK$1,521.0 million, representing an increase of 26.3%, or HK$316.8 million, compared with HK$1,204.2 million in FY2022.

Operating Expenses

Although the Group had conducted more marketing and advertising campaigns to capture the growing consumer demand after the Pandemic, the effective use of a combination of traditional and digital marketing channels successfully reduced marketing and promotional expenses by HK$3.2 million to HK$115.1 million for the Reporting Year. Following the launch of the new card and loan system and the upgraded Mobile App, depreciation of property, plant and equipment and amortisation of intangible asset increased by HK$14.1 million compared with the Previous Year. In order to capture the post-Pandemic business growth, additional manpower was deployed to enhance product development and branch operations, resulting in an increase in staff costs of HK$18.4 million compared with the Previous Year. In addition, general administrative expenses increased by HK$24.9 million compared with the Previous Year as a result of the increase in card sales and the corresponding increase in card association fees.

Cost-To-Income Ratio

Although total operating expenses increased by 10.1%, or HK$65.5 million, from HK$647.5 million in the Previous Year to HK$713.0 million in the Reporting Year, the cost-to-income ratio decreased from 53.8% in the Previous Year to 46.9% in the Reporting Year due to the increase in operating income.

On an operating level before impairment losses and impairment allowances, the Group recorded an operating profit of HK$807.9 million for the Reporting Year, representing an increase of 45.1%, or HK$251.3 million, from HK$556.7 million recorded in the Previous Year.

Impairment Losses and Impairment Allowances

The high interest rate environment during the Reporting Year, combined with a marked decline in transaction volumes in the capital and real estate markets and ongoing geopolitical conflicts, led to an increase in credit defaults and weakened economic indicators. Nevertheless, the Group made significant efforts to refine its credit assessment model to control the proportion of advances and receivables with higher credit risk, and utilized effective credit risk management and loan restructuring arrangements to relieve the temporary financial burden of overdue customers to reduce the likelihood of credit impairment. Despite the significant increase in gross advances and receivables, the Group was able to stabilize the increase in impairment losses and impairment allowances in the fourth quarter, resulting in an increase of HK$201.3 million, from HK$172.7 million in the Previous Year to HK$374.0 million in the Reporting Year.

Gain on Disposal of Distressed Assets

In order to devote more resources to the timely collection of receivables with higher credit risk, the Group disposed of its non-performing and written-off receivables accumulated over the past years and recorded a gain on their disposal of HK$12.1 million in the Reporting Year and HK$31.9 million in the Previous Year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS

The Group's total equity as at 29th February 2024 was HK$4,068.0 million, representing an increase of 4.5%, or HK$175.5 million, compared with the balance of HK$3,892.5 million as at 28th February 2023.

Total assets as at 29th February 2024 were HK$7,561.2 million, compared with total assets of HK$6,457.7 million as at 28th February 2023.

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

During the Reporting Year, the Group spent approximately HK$148.4 million on computer equipment and intangible assets, HK$19.8 million on leasehold improvements and HK$3.3 million on furniture and fixtures. As for right-of-use assets, the Group recorded an increase of HK$133.2 million as a lessee during the Reporting Year.

Goodwill

Goodwill of HK$15.8 million represented the amount by which the consideration for the acquisition of AIS exceeded the amounts of assets acquired and liabilities assumed. As at 29th February 2024, the management considered that no impairment charge of the goodwill was required as AIS generated positive cash flow in the Reporting Year as originally estimated.

Advances and Receivables

With the launch of successful marketing and advertising activities and the expansion of the service network to stimulate sales during the Reporting Year, cash advances and personal loans sales recorded an increase of 11.7% and 24.3%, respectively, compared with the Previous Year. Personal loan receivables increased from HK$1,263.9 million as at 28th February 2023 to HK$1,574.0 million as at 29th February 2024, while credit card receivables increased substantially from HK$4,481.0 million as at 28th February 2023 to HK$5,188.6 million as at 29th February 2024.

Gross advances and receivables increased by 19.3%, or HK$1,124.6 million, to HK$6,960.9 million as at 29th February 2024 from HK$5,836.2 million as at 28th February 2023. Gross advances and receivables exposed to higher credit risk or otherwise credit impaired amounted to HK$278.2 million and HK$254.0 million as at 29th February 2024 and 28th February 2023, respectively. Impairment allowances stood at HK$247.1 million as at 29th February 2024, representing 3.5% of gross advances and receivables, compared with HK$191.7 million as at 28th February 2023, representing 3.3% of gross advances and receivables.

Bank Borrowings and Borrowings from immediate holding company

Due to the increase in the gross advances and receivables balance, the Group raised additional bank borrowings and borrowings from the immediate holding company during the Reporting Year, with a balance of HK$2,978.3 million as at 29th February 2024, compared with HK$2,107.7 million as at 28th February 2023. Of the borrowings as at 29th February 2024, 42.6% will mature within one year, 24.2% between one and two years and 33.2% between two and five years. Of the borrowings that will mature over one year, 45.6% had fixed interest rates, while 54.4% were hedged against interest rate and/or currency exchange rate fluctuations by means of swap instruments.

The average duration of borrowings as at 29th February 2024 was 1.4 years, compared with 1.9 years as at 28th February 2023.

SEGMENT INFORMATION

The Group's business consists of three main operating segments, namely credit cards, personal loans and insurance intermediary business. For the year ended 29th February 2024, 79.1% of the Group's revenue was derived from credit card operations, compared with 78.2% in the Previous Year, while personal loan operations accounted for 19.3% of the Group's revenue, compared with 19.6% in the Previous Year. In terms of segment results, credit card operations accounted for 88.9% of the Group's consolidated results, compared with 73.7% in the Previous Year, while personal loan operations accounted for 8.6%, compared with 21.8% in the Previous Year.

For credit cards, the Group recorded a progressive increase in credit card sales and continued to accumulate revolving credit card balances during the Reporting Year, as a result of ongoing brand building efforts to generate greater market awareness and the launch of well-received marketing programs. As a result, revenue from credit card operations increased by 33.3%, or HK$320.4 million, to HK$1,283.8 million from HK$963.4 million in the Previous Year. This remarkable surge in revenue offset the increase in borrowing costs and impairment losses and allowances, resulting in an increase in the segment result for the Reporting Year of HK$83.3 million, or 24.7%, to HK$421.0 million from HK$337.6 million in the Previous Year.

For personal loans, personal loan receivables as at 29th February 2024 increased by 24.5% as compared with the balance as at 28th February 2023 due to personalized marketing activities on social media, the expansion of the branch network and the promotion of instant loans. Revenue from personal loan operations increased by 29.6%, or HK$71.6 million, from HK$241.7 million in the Previous Year to HK$313.3 million in the Reporting Year. However, due to the higher gain on disposal of distressed assets recorded in the Previous Year, together with the increase in funding costs and in impairment losses and impairment allowances during the Reporting Year, the segment result of the personal loan business decreased by HK$58.8 million to HK$40.9 million from HK$99.7 million in the Previous Year.

The insurance intermediary business underwent a period of tactical changes and new product launches due to the restructuring of distribution channels. As a result, the growth momentum of the insurance intermediary business was dampened slightly, and segment revenue for the Reporting Year amounted to HK$26.3 million, a decrease of 1.1%, or HK$0.3 million, compared with HK$26.5 million for the Previous Year. The segment result was HK$11.6 million for the Reporting Year, a decrease of 44.1%, or HK$9.1 million, compared with HK$20.7 million for the Previous Year, which included the recognition of one-off marketing support fund received under an insurance distribution agreement as income.

In terms of financial results by geographical location, with the gradual improvement in the economic climate and government activities to stimulate local spending, coupled with effective marketing promotions, sales of both credit cards and personal loans continued to increase, with revenue from Hong Kong operations achieving a remarkable increase of 32.0%, or HK$386.5 million, from HK$1,209.7 million in the Previous Year to HK$1,596.2 million in the Reporting Year due to higher revolving receivables balances. This outweighed the impact of the increase in borrowing costs and impairment losses and allowances, with the segment result from the Hong Kong operation recording an increase of 3.1%, or HK$13.9 million, from HK$454.5 million in the Previous Year to HK$468.4 million in the Reporting Year.

As for the Mainland China operation, the Group focused on enhancing the business performance and corporate governance of its microfinance subsidiary in Shenzhen. Revenue recorded an overall increase of HK$5.2 million, from HK$21.9 million in the Previous Year to HK$27.1 million in the Reporting Year. At the same time, the segment result increased to HK$5.0 million in the Reporting Year from HK$3.6 million in the Previous Year.

FUNDING AND CAPITAL MANAGEMENT

The Group relies primarily on its internally generated capital and direct borrowings to fund its operations. As at 29th February 2024, 57.7% of its funding was derived from the total equity, 11.4% from immediate holding company and 30.9% from direct borrowings from financial institutions. Taking into account the financial resources available to the Group, including available loan facilities, the Group has sufficient working capital to meet its current operating requirements.

The Group’s principal operations are transacted and recorded in HKD and therefore its core assets are not exposed to any exchange rate fluctuations. During the Reporting Year, the Group mainly used derivative financial instruments to hedge its exposure to interest rate and exchange rate fluctuations on its bank borrowings. As at 29th February 2024, the capital commitments entered into by the Group were mainly related to the purchase of property, plant and equipment.

PROSPECTS

Looking ahead, ongoing geopolitical tensions and economic uncertainty will continue to put pressure on Hong Kong's exports in the financial year ending 28th February 2025 ("FY2024"). This situation may ease later in the year if, among others, advanced economies cut interest rates. Tourism and other service-related industries will see a significant recovery as a result of increased visitor arrivals from Mainland China and other parts of the world. Hong Kong's unemployment rate is expected to remain stable. Overall, the local economy is likely to continue to positively move away from the Pandemic.

The challenges faced by the Group from global inflation and price pressures remain elevated, resulting in increased funding costs and default risk, which have persisted since the second quarter of the Reporting Year. The U.S. Federal Funds Rate and the Hong Kong Prime Rate are forecasted to remain high in the first half of FY2024, and economic growth is expected to further accelerate in the second half of the year. Given the expected continuation of the high interest rate environment, the Group will focus on operational efficiency and credit risk management in expanding business growth in order to mitigate the impact on the declining interest rate spread of the Group's interest-bearing products.

The Group will strive to accelerate the momentum of sales and receivables growth in the current market, while improving the credit assessment and monitoring technique to maintain stable asset quality. On the marketing side, the Group will continue to launch mass promotion initiatives for both its credit card and personal loan businesses, such as the "Day Day Spend & Rewards" promotion and others with exciting gamification and incentives, in order to accurately capture the surge in consumer spending in the market. As cross-border travel for shopping in the Greater Bay Area is expected to become the future trend in the coming years, the Group aims to launch new offers for Mainland China spending such as the "UPI China & Macau Spending Promotion" to capture the overwhelming demand. In addition, the Group will continue to refine its credit assessment policy with the aim of maximizing profitability by extending credit facilities to customers on a bespoke and sustainable basis. At the same time, the Group will strengthen its debt counseling service to suitably provide early remedial measures to alleviate the temporary or transitional financial burden of delinquent customers. The Group will also further enhance its customer relationship management and increase its customer engagement through different channels.

As the contactless mobile payment solution is maturing into mass-market deployment in Hong Kong, the Group will continue to invest additional resources to focus on the development of related products in the areas of virtual card and e-wallet. For acquisition of new customers, with the development of advanced technology in credit assessment and drawdown functions, the mobile application is expected to become the main channel for credit card and personal loan services. In order to improve online customer experience, the Mobile App operations and functions will be continuously updated to enhance cybersecurity and fraud prevention.

To further develop the peripheral business, the Group will continue to enhance the operating model of the acquiring and insurance intermediary businesses. For acquiring business, the Group expects to secure acquiring licenses from new payment gateways for further expansion of its payment services scope and merchant network. For insurance intermediary business, the Group will shift the business model to be more customer-centric, with the expansion of the contact center network and the addition of more varieties of insurance products to meet customer needs.

For the Mainland China operation, in addition to the continued business growth of its microfinance and business process center subsidiaries in Shenzhen, the Group will continue to enhance its internal business processes to achieve greater sustainability and create greater value for its shareholders.

As a responsible consumer finance service provider in Hong Kong, the Group embraces sustainability and believes that improving ESG performance is crucial to its long-term business development. Going forward, the Group will continue to address ESG concerns in its operations by promoting sustainable and digitalized products and services to help customers transition to a low-carbon world. Following the completion of major information technology projects, the Group will position itself to deploy even more paperless and virtual payment solutions to reduce its impact on the environment. In addition, as human resources are a key driver of the Group's sustainable growth, it will devote more resources to developing and training employees with the breadth and depth of skills and knowledge to build a stronger succession plan. Meanwhile, the Group will progressively enhance its ESG disclosure and refine business practices in order to deliver sustainable value to all stakeholders and fulfill its corporate social responsibility.

While the economies of Hong Kong and the Greater Bay Area have yet to fully recover, the Group remains committed to providing exceptional consumer finance services to meet the evolving needs of its customers and to expand its customer base with more innovative and tailored products. With the Group's responsiveness and strong business relationships with its partners, as well as its solid liquidity position and balance sheet and proven management capabilities in many respects, the Group is well positioned to capture the vast opportunities in the growing consumer finance market in these territories to achieve sustainable growth.

IT DEVELOPMENT

In FY2023, the Group successfully implemented a new core system to replace the legacy in-house built core system with a packaged one. At the same time, the Group also launched its revamped Mobile App, which is an initiative to enhance customers' digital experience by providing financial services to customers in the most convenient way. In addition, during the Reporting Year, the Group also upgraded its system and network security to strengthen the protection against cybersecurity threats and data loss, such as the implementation of an endpoint detection and response system, deeper system log monitoring and analysis by the security operation center, and upgraded web gateway to inspect internet traffic and identify security threats.

In FY2024, the Group aims to further advance its digitalization journey, including the application of generative artificial intelligence in credit operations. On top of this, the Group is redesigning the system infrastructure for its core system and data center with the primary aim of ensuring strong resilience to minimize business interruption in case of system failure.

HUMAN RESOURCES

The Group's total number of staff at 29th February 2024 and 28th February 2023 was 567 (Hong Kong: 383; PRC:184) and 545 (Hong Kong: 373; PRC:172), respectively. Employees are remunerated according to their job nature and market trends, with annual increments to reward and motivate individual employees based on their competency. In addition to medical and life insurance and provident funds, discretionary bonuses are paid to employees based on their individual performance and the Group's financial performance.

The Group also provides a variety of different in-house training programmes and external training sponsorships for its employees. Our training scope is not limited to Group's values and vision but also the selected topics on compliance including information and data security, anti-money laundering. Hybrid learning mode is also our key initiative in this year. We encourage our employees to take training anytime and anywhere. To further improve our employees' skill sets and expertise, we set up learning regime with staff recognition.

In order to further enrich the employees' well-being, engagement and productivity, we completed the head office renovation and upgrade the overall office environment and facilities with more social & collaboration areas. We promote the winning company culture that the team can find a good balance of creativity and collaboration. To enhance the working harmony, we also emphasize the diversity, equity, inclusive in workplace and zero harassment acceptance.

CREDIT BUSINESS MODEL AND KEY INTERNAL CONTROLS

The Group's mission is to achieve excellence in customer service in accordance with its "Customer First" philosophy, whilst maintaining long-term profitability and asset growth through the adoption of a flexible business model and strategy, a prudent risk and capital management framework, and appropriate internal control measures.

In order to meet the diverse and evolving credit needs of the Group's existing and potential customers, the Company continues to provide the Group's consumer credit finance services in Hong Kong through the provision of personal loans and the issuance of credit cards exclusively to individuals.

The Group's strategy is to attract new customers primarily through its credit card business and then cross-sell other consumer finance products and services to these new customers based on their needs. The Group continues to benefit from its strong connections with its affiliated and acquiring merchants. By using the merchants' networks as cardholder recruitment bases and cross-selling channels, the Group continues to explore business opportunities for fee and commission-based income through card acquiring and insurance agency business.

In Hong Kong, the Company conducts its personal loan business as a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), while credit cards are issued under the licenses granted by the relevant international card associations.

The Company generally offers personal loan products of fixed but larger loan amounts with longer repayment terms to meet customers' cash flow needs for specific personal purposes, and credit card products with revolving credit facilities for smaller retail transactions and for unanticipated short-term cash needs. Credit extended under both personal loan products and credit card products is provided entirely on an unsecured basis, requiring no guarantee or collateral from the borrower or cardholder. The Company competes primarily with other licensed money lenders, authorized banking institutions and non-bank credit card issuers.

As a licensed money lender, the Company is able to provide credit facilities through simpler and faster approval procedures that are more flexible, responsive and tailored to customers' specific circumstances. Regarding personal loan business, the Company provides installment loans to customers and earns interest income for their duration, with the loan amount mostly ranging from HK$5,000 to either 12 times the monthly salary or HK$1,000,000 (whichever is lower) for FY2022 and FY2023. Interest rates ranged from 2.3% to 50.7% for FY2022 and from 2.3% to 47.8% for FY2023, with reference to the nature of the loan, the credit score of the applicant, and the credit risks identified in relation to the loan type/nature of and the aspects taken into account in the relevant credit assessment as set out in the sub-paragraph "Credit Assessment" below. In general, without taking into account any specific circumstances or considerations, (i) interest rates range from 2% to 23% for applicants with credit scores assigned by credit rating agency TransUnion (TU) in the range of AA to CC, 24% to 30% for DD to GG, 31% or above for HH to II and applicants under debt restructuring; and (ii) tenors are up to 24 months for tax loans, up to 60 months for normal personal loans, and up to 10 years for debt restructuring loans.

For card issuing business, the Company issues credit cards of different brands to individuals with approved credit limits. Cardholders may be charged an annual fee to maintain the credit facility. For credit card purchase transactions, the Company receives interchange fees from the various card associations for 'off-us' transactions (i.e., transactions made through a card association's network) and commissions directly from certain merchants for 'on-us' transactions (i.e., transactions made only through the Company's own network but not a card association's) and card installment plans. Cardholders have an interest-free period of up to approximately 52 days, with interest charged on the unpaid balance and new transactions after the due date of the relevant payment (i.e., the 2nd, 12th and 22nd of each month). For card cash advance transactions, a one-time cash advance handling fee will be charged and interest will accrue on the unpaid balance from the date of cash advance drawdown. Each credit card account is subject to a minimum monthly payment. A late payment fee will be charged for any minimum payment not received by the payment due date. For FY2022 and FY2023, the Company provided credit limits under credit card facilities within the range of HK$5,000 to HK$400,000, with effective interest rates up to 35.9% (with reference to nature of credit card transactions).

For FY2022 and FY2023, all of the customers in the Group's consumer credit financing business resided either in Hong Kong or Mainland China.

Customer Acquisition

The Company has been reaching out to its personal loan customers through online and media advertising, telemarketing and the Company's extensive branch network. This helps to create a customer base with low customer concentration (e.g., less than 1% based on the aggregate outstanding balances of the top five customers in terms of the total outstanding balance of the entire personal loan portfolio as at 29th February 2024), which consists primarily of individuals with a stable source of income. In addition to the channels used for personal loan customers, the Company also reaches out to credit card customers through merchant referrals and roadshows. The Company organizes various promotional activities with co-branded retail partners to build brand loyalty among customers, which helps to maintain a steady stream of credit card customers, predominantly housewives and working women who enjoy shopping at retail merchants within the Group's network. In order to expand its customer base to the younger generations and the male customer segments, the Company launched the Wakuwaku Card, positioning the Company to attract customers in the 20 to 30 age group, who tend to use credit cards for online purchases and are generally more knowledgeable about spending rewards and incentives. Approximately 46.8% of the Company's customers are currently between the ages of 40 and 60, and this customer diversification initiative is expected to help mitigate the impact of possible structural changes in the economy and the emergence of technology-driven spending patterns. The Company has now revamped its Mobile App and Netmember functions. They are designed to deliver more convenient, better and faster services and premium experiences to customers.

The cardholder base is a key source for the cross-selling of personal loans and other financial services provided by the Company. In order to create additional cross-selling synergies, the Company continued the 'card-binding' offers with major payment solution providers in the market.

Credit Assessment

For the credit assessment of personal loans, the Company's credit control department, supported by the Group's outsourced business process center, conducts credit background checks on the applications received, taking into account aspects such as occupation, income, age, credit status and internal credit history, as well as credit reports issued by credit reference agencies, for approval and interest rate setting. Approvals for amounts below HK$400,000 are assessed by the credit officer and approved by the credit manager, and those exceeding HK$400,000 are escalated to senior management for approval. Given the skills and knowledge required to approve personal loan products, the approval process for personal loans is not yet fully automated. Any refinancing of a personal loan is treated as a new application, with supporting documentation showing the most recent sources of income and contact details to be submitted for the approval process.

For credit card assessment, cardholders are offered credit facilities with approved credit limits that are generally lower than the average personal loan amounts. Interest rates for both cash advances and credit purchases after the interest-free period are fixed for all cardholders for each type of card. Credit limits are granted largely on the same basis as stated above for the personal loan products. Lines of credit of up to HK$100,000 are automatically determined by the outsourced business process center's automated judgement system (with credit approval criteria pre-set in the system), lines of credit between HK$100,000 and HK$400,000 are approved by credit officers and credit managers, and lines of credit above HK$400,000 are escalated to senior management for approval. For credit purchases or cash advance installment plan loans drawn under credit card facilities with fixed repayment terms, the interest rate (no interest on credit purchase installment plan loans) and the duration of the loans are fixed for all card types. The Company reviews the credit limits under the credit card facilities on a quarterly basis to determine credit needs, which includes a review of the cardholder's repayment history and the latest reports issued by credit reference agencies.

In order to improve the reliability of its assessment model for both personal loans and credit cards, the Company uses advanced reports and credit scores from credit reference agencies to which it subscribes in the credit assessment process to more accurately predict the probability of customer default.

In order to prevent the Company's products and services from being illegitimately used for money laundering and terrorism financing, the Company conducts customer due diligence through AML and CTF checks to assess the level of risk associated with the customer. The Company has also been using an alarm system for credit card fraud effectuation to monitor authorization data in real time to detect and prevent fraudulent transactions and to minimize fraud-related losses.

Credit Management

In order to ensure a convenient and easy payment process for customers, the Company continues to maintain multiple settlement channels, including convenience store networks, phone banking, internet banking and JETCO ATMs in Hong Kong. Regarding credit management, the Company uses its outsourcing business process center in Shenzhen to make reminder calls, while the debt servicing team in Hong Kong and external debt servicing agencies arrange for reminder letters and legal demand letters to be sent, and conduct outdoor visits to follow up on the customer's payments. Reminder calls are made to contactable accounts that are within 60 days overdue, while reminder letters, legal demand letters, outdoor visits or assignment to external collection agencies are arranged if the customer cannot be contacted or if their repayment is overdue for more than 60 days. If a customer is experiencing financial difficulty in making the minimum monthly repayment, the Company may enter into a restructuring arrangement with the customer to reduce their debt burden, depending on the circumstances.

The credit control department regularly reviews its credit assessment guidelines to ensure the continued suitability of the assessment criteria. Monthly portfolio management meetings are held to coordinate and align the practices of the departments responsible for sales and marketing, credit assessment and debt servicing to achieve an up-to-date and optimal balance between revenue and credit costs. The Company holds monthly Risk Management Committee meetings to review the key risk indicators with respect to the whole enterprise to more effectively identify and mitigate the overall risk to its credit business, while monthly business review meetings are held to report the key performance indicators of the credit business to senior management.

Money Lending Business in Mainland China

In Mainland China, AMF (SZ), a microfinance subsidiary in Shenzhen, provides loans to the general public residing in Shenzhen under a microfinance license granted by the Shenzhen Local Financial Supervision and Administration Bureau. The microfinance subsidiary provides installment loans to individuals and earns interest income over their duration, with the loan amount mainly ranging from RMB1,700 to RMB200,000 for FY2022 and from RMB3,500 to RMB500,000 for FY2023. Interest rates ranged from 7.5% to 24.0% for FY2022 and 6.7% to 34.9% for FY2023, with reference to the nature of the loan, the credit score of the applicant, the amount and the tenor (generally between six months to three years for FY2022 and between six months to three years for FY2023), depending on the needs of the customer and the associated risks.

Approach to credit assessment, credit monitoring, risk management and internal controls are similar to those for personal loans in the Hong Kong operation.

MANAGEMENT OF RISKS

Market Risk

The Group's activities expose it primarily to financial risks from changes in foreign currency exchange rates and interest rates. The Group enters into various derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including:

- currency swaps that convert debts denominated in foreign currency into the functional currency of the relevant group entity; and
- interest rate swaps and interest rate caps to mitigate the cash flow/interest rate risk.

The use of financial derivatives is governed by the Group's policies, approved by the Board, which provides written guidelines on foreign exchange risk, interest rate risk, and the use of derivative financial instruments. There has been no change in the Group's exposure to market risk or in the way it manages and measures risk. The Group does not enter into or trade in derivative financial instruments for speculative purposes.

Foreign Currency Risk

Certain bank balances and bank borrowings of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risk arising from changes in foreign currency exchange rates.

In order to minimize the foreign currency risk, the Group has been using cross-currency swaps to convert debts denominated in foreign currency into the functional currency of the relevant Group entity. The key terms of these currency swaps are broadly based on those of hedged borrowings, to the effect that the Group's net exposure to foreign currency risk after taking into consideration of derivative financial instruments is not material.

Interest Rate Risk

The Group's exposure to fair value interest rate risk relates primarily to fixed-rate loans and borrowings, including variable/floating rate borrowings that change from variable rate to fixed rate under hedge accounting. All interest-bearing financial assets are exposed to fair value interest rate risk only.

The Group's cash flow interest rate risk relates primarily to financial liabilities with floating rates, except for those that change from variable rate to fixed rate under hedge accounting.

The Group monitors its exposure to interest rate risk by assessing the interest rate gap between its interest-bearing financial assets and financial liabilities. To minimize the cash flow interest rate gap, the Group has been using interest rate swaps to convert a portion of its variable rate debt to fixed rates. The key terms of these interest rate swaps are broadly based on those of hedged borrowings, as in the case of currency swaps.

Equity Price Risk

The Group is exposed to equity price risk through its equity instruments in FVTOCI. The management will monitor price movements and take appropriate action as and when required.

Credit Risk

The Group's exposure to credit risk arises mainly from advances and receivables (including unused credit limits), other debtors, amounts due from intermediate holding companies, time deposits, derivative financial instruments, and bank balances and cash.

In order to minimize risk, the Group has established policies and systems to monitor and control credit risk. The management has delegated responsibility to different departments for approving credit, and determining credit limits and monitoring procedures for appropriate follow-up action be 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 believes that the Group's credit risk has been significantly reduced through implementation of effective credit strategies during the Reporting Year. In addition, the Group performs impairment assessment under the Expected Credit Loss model.

The Group may be exposed to losses in an amount equal to the total unused credit card limit granted to credit card customers. The Group monitors the credit quality of its customers and has the contractual right to cancel the credit facilities granted, therefore management believes that the Group's credit risk is limited.

The Group has no other significant concentrations of credit risk, except for credit risk on liquidity funding and derivative financial instruments, which are deposited or entered into with several banks with high credit ratings, thereby spreading the risk over a number of counterparties and customers.

Liquidity Risk

The Group has an appropriate liquidity risk management framework in place for the management of 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 loan 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.

Capital Risk

It is the Group's policy to maintain a strong capital base to support the development of the Group's business. The Group relies primarily on internally generated capital and borrowings for working capital. The funding position is monitored and reviewed on a regular basis to ensure that it is within internally established limits and at a reasonable cost.

Operational Risk

The Group's operational risk includes process risk, systems risk, human risk, tangible asset risk and reputational risk. The Group's policy is to implement a Group-wide operational risk management framework. It provides a system of risk management and internal control for the timely identification, assessment, mitigation and prevention of risks. The primary responsibility of each division head, department head and branch manager is to manage inherent risks to an acceptable level. The Group's risk appetite, which reflects the level of risk that it is prepared to accept in pursuit of its business objectives, is regularly reviewed. In addition, all business units have established procedures, key risk indicators and key performance indicators to ensure continuity of operations capability, high quality customer service and effective risk control through proactive management, operational excellence and alignment with best market practices. Management manages significant risks and ensures that risk mitigation efforts are prioritized and adequately controlled.

Cybersecurity Risk

Cybersecurity risk is the risk of loss resulting from a cyber-attack or information security breach against the Group. The Group has invested resources in managing cybersecurity risks, improve cyber resilience and ensure adequate cybersecurity awareness across the Group. The Group also periodically engages qualified professional assessors to conduct assessments and simulated attacks to evaluate the robustness of the Group's cybersecurity controls.

Climate Risk

Climate risk is the risk of loss resulting from climate change or from the Group's transition to a lower-carbon and more environmentally sustainable economy. The Group has incorporated climate-related risks into operational, legal, reputational and strategic risks. The Group has identified severe typhoons, power outages, fire hazards and pandemics as physical climate-related risk drivers, and market sentiment and technology as transitional climate-related risk drivers. The Group has also established business continuity plans and has set up back-up operations and disaster recovery centers to maintain reasonable service levels to customers in various disaster situations. The business continuity plans are updated and reviewed on a regular basis to incorporate any changes in the operations and business environment.

Wei Aiguo
Managing Director
Hong Kong, 5th April 2024

Corporate Sustainability Report

ABOUT THE REPORT

This Corporate Sustainability ("CS") report presents an overview of the Environmental, Social, and Governance ("ESG") performance of AEON Credit Service (Asia) Company Limited (the "Company" or "ACSA") and its subsidiaries (the "Group"). It communicates the Group's sustainability strategies, initiatives, policies, and practices to various stakeholders, showcasing its dedication to promoting sustainability and long-term value creation.

Reporting Scope and Boundary

The report covers the period from 1st March 2023 to 29th February 2024 ("FY2023" or "Reporting Year"). To present a complete picture of the Group's ESG performance, the reporting boundary in this report has been expanded to include 2 subsidiaries operating in Mainland China as compared to our last report. The reporting boundary for FY2023 includes the Hong Kong head office, 16 branches in Hong Kong, and 2 subsidiaries in Mainland China.

Reporting Standard

This CS report is prepared in accordance with requirements of ESG Reporting Guide (the "ESG Guide") set out in Appendix C2 of the Listing Rules. It fulfils the mandatory disclosure requirements and "comply or explain" provisions of the ESG Guide.

Reporting Principles

Materiality	Quantitative	Balance	Consistency
• Materiality assessment is conducted to identify and prioritise material sustainability topics • The topics are reviewed and validated by the Board	• Performance Data Summary is prepared for our stakeholders to keep track of and evaluate the Group's ESG performance	• This report provides an unbiased disclosure of the Group's sustainability performance, facilitating an informed evaluation of the overall performance	• Consistent methodologies have been adopted to allow for a fair comparison over time

FY2023 HIGHLIGHTS

ESG Performance

Board Diversity

- The female representation of the Board was around **33%**

Customer Satisfaction

- Received 175 customer compliments, a **29.6%** year-on-year increase

Internal Policy

- **Amended internal policies** to maintain stringent standards on ESG related matters, including Guideline for Vendor Management, Environmental Instruction, etc.

Tree Planting

- Compensate for approximately **4.6 tonnes** of CO_2e by planting an estimated 200 trees

Paper Usage

- Recycled **7.09 tonnes** of paper
- **87.1%** electronic statement usage

Green Initiatives

- Started to issue credit cards made of recycled plastic, reducing approximately **40%** of CO_2e per card as compared to traditional PVC card
- Unveiled a **new eco-friendly uniform** made of renewable plant-based ingredients and recycled plastic

Employee Training

- **21.9 training hours** per employee on average

University Scholarships

- **90 beneficiaries** in Hong Kong
- **Scholarships** for Shenzhen University and Sun Yat-sen University in Mainland China

Community Investment

- Sponsored **4 environmental/social programmes** (excluding scholarship)

Industry Recognition

15 Years Plus Caring Company

Manpower Developer Award Scheme 'Super MD'

Happy Company

ESG Pledge

OUR SUSTAINABILITY APPROACH

AEON Foundational Ideals

The Group adheres to AEON Foundational Ideals of "Pursuing peace, respecting humans, and contributing to local communities, always with customers as our starting point" when managing its business to ensure its operations are customer centric to the highest degree. By embodying and practising these ideals, it will contribute to the maintenance and development of peace, humans, and local communities.

AEON Group Future Vision

AEON Group has a future vision to "Create a future lifestyle that leads to a smile for each and every person". AEON wishes to realise a future where our customers can feel a brighter society — a lifestyle with more new conveniences, comfort, and excitement, as well as to resolve anxieties about environmental issues, disparities, and other negative aspects caused by social development.

Create a future lifestyle
that leads to a smile
for each and every person

Read more about AEON Foundational Ideals and AEON Group Future Vision on our website.

Board Diversity

The Group values board diversity and has a policy in place to ensure a balanced mix of skills, experience, and diverse perspectives. When selecting board members, we consider factors such as gender, age, cultural background, professional experience, and skills. We believe that board diversity is essential for maintaining an effective and sustainable development strategy. For more information relating to board diversity, please refer to the Corporate Governance Report on pages 73 to 92 of this annual report.

Sustainability Governance

The Group's sustainability governance structure comprises the board-level committees to operational-level departments and branches.

Board of Directors	The Board of Directors has overall responsibility and ultimate accountability for the oversight of sustainable development of the Group and implementation of the Group's sustainable development strategy.
Sustainability Committee	The Sustainability Committee, led by the Executive Director overseeing sustainability development, assumes the responsibility of setting ESG targets and their regular assessments. The Sustainability Committee is responsible for assisting and advising the Board on overseeing the Group's sustainability development by identifying, measuring, and managing the related activities and their associated issues.
Corporate Affairs and Sustainability Development Department	The Corporate Affairs and Sustainability Development Department is responsible for coordinating responses from all departments and branches for the disclosure of sustainability-related performance, and closely monitoring the enforcement of sustainability-related targets and practices across the Group for regular reporting and reviewing policy updates.
Departments & Branches	The departments and branches play a crucial role in implementing ESG policies, procedures, and initiatives set by the Sustainability Committee. They are responsible for supporting sustainability reporting and facilitating effective stakeholder communication, ensuring the Group's commitment to sustainability is upheld.

Sustainability Management Approach

The Group has put in place a Sustainability Development Policy, which serves as a framework to articulate our unwavering dedication to sustainable development. It provides clear guidance to our employees on the development and implementation of sustainability initiatives that align with the core principles of the AEON Foundational Ideals and AEON Group's Future Vision.

Read more about the Sustainability Development Policy on our website.

During the Reporting Year, the Sustainability Committee held 4 meetings and reported at Board meetings regularly, which included evaluating, reporting, reviewing and discussing the Group's sustainability targets, sustainability-linked loans, and sustainability-related business operations issues.

Stakeholder Engagement

The Group recognises the crucial role of stakeholders in its success and sustainability. Through active and continuous engagement with stakeholders on economic, environmental, and social topics, including open communication and regular interaction through various channels, the Group obtains valuable insights into stakeholder needs, and how the Group's operations have an impact on them.

Stakeholders Groups and Communication Channels

Customers

- 'AEON Net-member' Service
- 'AEON HK' Mobile App
- Branch-level Operations and Interactions
- Customer Service Hotline & Customer Surveys
- Social Media Platforms
- Newsletters and Marketing Materials
- Monthly Statement Inserts
- Company Website
- Year-round Publicity and Donation Campaigns
- Short Message Service and Multimedia Messaging Service

Employees

- Internal Newsletters and Intranet Communications
- Meetings with Employees
- Orientation and Exit Interviews
- Employee Suggestion Box
- Employee Surveys
- Training and Workshops

Government & Regulatory Authorities

- Correspondence
- On-site Inspection
- Compliance Reporting
- Enquiries and Clarifications

Business Partners and Suppliers

- Ongoing Performance Audits and Reviews
- Best Practice Adoption
- Mass Communications

Investors

- Annual General Meetings and Investors Briefings
- Regular Reporting
- Announcements, Circulars and Other Corporate Communications

Industry Associations

- Regular Meetings and Correspondence

Community Partners

- Cultural Exchange, Education, Internship and Sponsorship programmes
- Yearly Environmental Protection Initiatives

Materiality Assessment

The Group conducts an annual materiality assessment exercise by engaging with both internal and external stakeholders through the above-mentioned channels. During the Reporting Year, we examined the significance of sustainability-related topics that concern our business and stakeholders and gauged the impacts of our business operations on the environment, society and economy. The following steps were taken to determine materiality:

1 Identification	Through collaborating with an external specialist, we identified 22 potential sustainability topics based on industry peers, other financial institutions, credit card processing network, AEON Group companies, regulatory bodies, and sustainability reporting standard.
2 Prioritisation	Conducted an online assessment survey to collect feedback from internal and external stakeholders to prioritise the identified sustainable topics according to their importance and impact on the Group.
3 Determination	The results of the assessment survey were consolidated and weighted, leading to the development of a materiality matrix based on these findings. The matrix was used to determine the focus areas for sustainability initiatives.
4 Validation	The focus areas were reported to and reviewed by the Board.

The assessment results are represented in the matrix below, where the potential impacts of our business operations on the external environment, society, and economy with regards to the identified sustainability topics are plotted on the y-axis, and the significance to the Group and stakeholders is plotted on the x-axis.

Tier 1	Tier 2	Tier 3	Tier 4
3 Addressing Climate Change	5 Employee Attraction and Development	1 Energy and Greenhouse Gas Emission	4 Occupational Health and Safety
8 Customer Satisfaction	9 Complaint Handling	2 Environmental Management	13 Supply Chain Management
10 Cybersecurity and Date Privacy	12 Product Responsibility and Intellectual Properties	6 Employee Practices	21 Sustainable Finance
11 Digital Transformation and Innovation	15 Responsible Business Practices	7 Diversity and Inclusivity	22 Community Investment
14 Business Ethics	17 Board and Executive Oversight	18 Brand Awareness	
16 Risk Management		19 Financial Inclusion	
		20 Economic Performance	

Based on the materiality assessment, the Group has identified a list of 6 material topics as follows in alphabetical order:

- Addressing Climate Change
- Business Ethics
- Customer Satisfaction
- Cybersecurity and Data Privacy
- Digital Transformation and Innovation
- Risk Management

Align with United Nations SDGs

The Group supports the United Nations Sustainable Development Goals ("SDGs") and strives to contribute to a more sustainable and equitable future.

Sustainability Pillars	SDGs
Our Operation	
• Promote financial inclusion and provide more financial products and services that support environmental and social sustainable projects • Engage suppliers and other value chain partners to embrace sustainability in operations and create a responsible value chain • Uphold high ethical standards and give priority to fulfilling stakeholders' interests	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS **Target 8.10:** Strengthen the capacity of the financial institutions to encourage and expand access to banking, insurance and financial services for all **Target 9.3:** Increase the access of small-scale industrial and other enterprises to financial services, including affordable credit, and their integration into value chains and markets **Target 9.5:** Enhance scientific research, upgrade the technological capabilities and encourage innovation **Target 16.5:** Substantially reduce corruption and bribery in all their forms **Target 16.6:** Develop effective, accountable and transparent institutions at all levels **Target 16.7:** Ensure responsive, inclusive, participatory and representative decision-making at all levels **Target 17.8:** Enhance the use of enabling technology, in particular information and communications technology

Sustainability Pillars	SDGs	
Our People and Community		
• Prioritise people by promoting workplace safety, career opportunities, diversity and inclusion, labour rights, and community engagement	4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	**Target 4.4:** Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship **Target 5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making **Target 8.8:** Protect labour rights and promote safe and secure working environments for all workers
Our Environment		
• Strive to reduce environmental impact in operations and integrate ESG considerations into overall business strategy	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	**Target 11.6:** Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management **Target 12.5:** Reduce waste generation through prevention, reduction, recycling and reuse **Target 12.8:** Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature **Target 13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

BUSINESS ETHICS

Anti-corruption

As a responsible provider of consumer finance and related services, the Group is committed to maintaining high standards of corporate governance and strictly prohibits any form of deception, bribery, corruption, breach of trust or abuse of power. Our business is built on a foundation of robust governance, independence, ethics, and compliance, guided by the core values that shape our corporate culture.

To uphold high standards of ethical behaviour and business integrity, the Group has implemented various employee-related policies, guidelines, and procedures.

The internal policies define corruption and conflicts of interest, offering guidance to employees at all levels, ensuring that all business activities are conducted with integrity, impartiality, and honesty.

Policies in place
■ Compliance Policy
■ AML/CTF Guidelines
■ Whistleblowing Policy
■ Guide on Prevention of Money Laundering and Terrorist Financing

To ensure that all employees are aware of the significance of compliance in conducting appropriate corporate activities and understand the potential impact of violations on the Group, the AFS Compliance Newsletter is distributed to all staff on a quarterly basis. This publication serves to enhance the employees' understanding, reminding them of the importance of adhering to acceptable behavior and utilizing appropriate reporting channels. The newsletter plays a vital role in cultivating a culture of compliance and transparency within the Group.

In FY2023, the Group conducted anti-corruption training — Independent Commission Against Corruption ("ICAC") Talk, involving 3 Directors and 333 general staff, and spanning a total of over 490 training hours. Furthermore, annual Compliance refresher training and Fraud Trend and Preventive Seminar was administered.

2023 Fraud Trend and Preventive Seminar

2023 ICAC Talk

Anti-Money Laundering and Counter-Terrorist Financing

As a responsible financial institution, the Group maintains an unwavering commitment to opposing any illicit financial activities. A risk-based strategy is employed to establish a robust Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CTF") system. We have established a transparent and thorough mechanism to identify and report instances related to money laundering and terrorist financing. All staff are required to identify, assess and take effective action to mitigate AML/CTF risks. The following procedure has been developed to ensure the Group complies with all relevant anti-money laundering legislation and regulations.

All staff members are obligated to report any suspicious transactions they encounter, with the Head of the Credit Control Department serving as the designated Money Laundering Reporting Officer. The Internal Audit Department conducts independent checks and evaluations at least annually to verify that the Group's methods and procedures remain suitable and effective.

To stay abreast of changes in the legal or regulatory landscape, the Operations Division and Credit Control Department are responsible for handling and reviewing the AML/CTF Guidelines. This practice ensures transparency and compliance with regulatory standards while keeping all stakeholders well-informed.

Whistleblowing Mechanism

The Whistleblowing Policy is in place and applies to all employees of the Group as well as the related third parties who deal with the Group (e.g. customers, suppliers, and business partner). Any whistleblower possessing reasonable evidence of actual or suspected misconduct, malpractice, or irregularities within the Group is strongly encouraged to report such concerns to the Group.

The Group has developed both internal and external channels through which whistleblowers can report concerns. These procedures undergo review by the Audit Committee at least every two years.

Whistleblowers have various options to report concerns, including written communication via letter or email, AEONHK999 Hotline, the AEONHK999 online complaint form, AEON Compliance Hotline and Legal Attorney Hotline. All reports submitted online are treated confidentially and are automatically directed to a secure mailbox accessible only to key individuals, such as the members of Audit Committee, the Managing Director, the Company Secretary, the Chairman of the Compliance Committee, and/or designated Monitoring Group members. The online complaint form is available 24/7, allowing employees to report concerns confidentially at any time. While the Legal Attorney Hotline is managed by an external legal attorney engaged by AEON Group, ensuring independence and confidentiality. In addition, we accept whistleblowers to report in a real or anonymous manner.

Reports received through all channels will be brought to the attention of the Audit Committee of the Group, who will assess whether a full or further investigation is necessary. The assessment will be based on the information or documentary evidence provided by the whistleblower or gathered from any preliminary inquiry. If the preliminary assessment reveals credible information, a full investigation will be launched and be conducted by the Company Secretary and/ or other internal or external parties appointed by the Audit Committee.

Anyone being a subject of a whistleblowing report shall not participate or be involved in any related investigation in any manner. In cases where there is sufficient evidence indicating a possible criminal offence or corruption, the matter is promptly reported to the relevant authorities, such as the Police, the ICAC, etc.

Protection of Whistleblowers

The Group makes every effort to treat all reports confidentially and sensitively and keeps the whistleblower's identity confidential. Whistleblowers making genuine and appropriate reports are guaranteed protection against unfair dismissal, victimisation, or unwarranted disciplinary action, even if their reported concerns are ultimately found to be unsubstantiated. The Group reserves the right to take necessary actions against any individual initiating or threatening retaliation against whistleblowers. In particular, employees engaging in such actions may face disciplinary measures, including summary dismissal.

COMMITMENT TO CUSTOMERS AND BUSINESS PARTNERS

Being one of Hong Kong's leading credit card issuers and consumer finance service providers since 1990s, the Group's commitment is to delivering outstanding customer service and embodying our values in every interaction has not only earned us the trust of our customers but also fostered enduring loyalty.

Always with Customers as our Starting Point

AEON Foundational Ideals

Service Quality and Customer Satisfaction

The Group has put in place a Customer Service Operation Manual and standard approval procedures to ensure excellence in services and providing a high quality customer experience. The Customer Service Sub-Committee convenes once a month to discuss and address customer-related matters, ensuring responsible product offerings are provided. In addition, the Customer Service Sub-Committee is responsible for reviewing the work plan for improvement of the following matters.

To improve customer satisfaction, regular training is provided to promoter and branch employees twice a year covering product knowledge, card features, promotions, and ethical selling practices.

The Group is committed to offering responsible products and services. Our products, services and advertising materials are developed to provide clear, transparent, and balanced information which complies with relevant requirements of regulatory authorities.

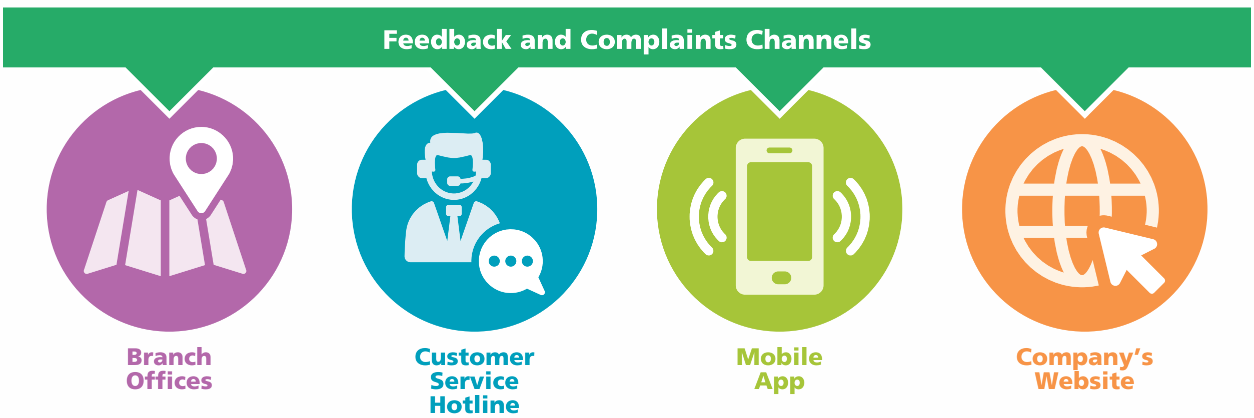
Sustainable Financial Services

The Group recognises that its customers have high expectations of convenient and reliable financial services. We are dedicated to offering inclusive financial services to the community. In response to the rapidly evolving market, we have developed comprehensive financial services that cater to diverse needs of our customers. During the Reporting Year, we launched two new services: 'AEON UnionPay QR Cash' for cash withdrawals and 'AEON UnionPay QR Pay' for payments. Furthermore, we have integrated widely used digital payment methods like Apple Pay and Google Pay, providing our customers with greater flexibility in creating and accessing more convenient and secure payment solutions. Concurrently, the Group is revamping and expanding its branch network to meet the growing customer demand for face-to-face advisory services.

'AEON Net-member' service and 'AEON HK' Mobile App have also been upgraded to enhance user experience and streamline operational processes. These upgrades include the implementation of newer authentication methods, and compatibility with mobile devices, which supports features for user identification. Users are informed about the security measures implemented when they check their credit card balance, ensuring transparency and reassurance regarding the protection of their personal information.

Customer Feedback and Complaint Handling Mechanism

The Group is committed to providing its customers with a wide range of premium products and services. We believe that managing and responding to customer feedback and complaints in a professional and timely manner is vital to maintaining our high standards of customer satisfaction.



The Group has developed a standard complaint handling procedure to ensure efficient resolution of complaints while maintaining customer satisfaction. Our priority remains on promptly resolving customer issues while delivering outstanding customer service. All complaints received are recorded and investigated promptly and followed by internal review and resolution steps, ensuring that each complaint is addressed effectively and professionally.

To maintain and continuously enhance the quality of our service, our Customer Relationship Management ("CRM") Department will prepare weekly complaint reports, which the CRM Manager will review and report to Management weekly. Moreover, the CRM Manager will review customer service standards with Management on monthly Customer Service Sub-Committee meeting. To ensure timely handling of complaints, we have set the following response times for each complaint. We have implemented rigorous procedures, supervision, and review processes to effectively handle the complaints we received. Our ultimate goal is to cultivate stronger relationships with our customers and showcase our unwavering dedication to delivering exceptional service.

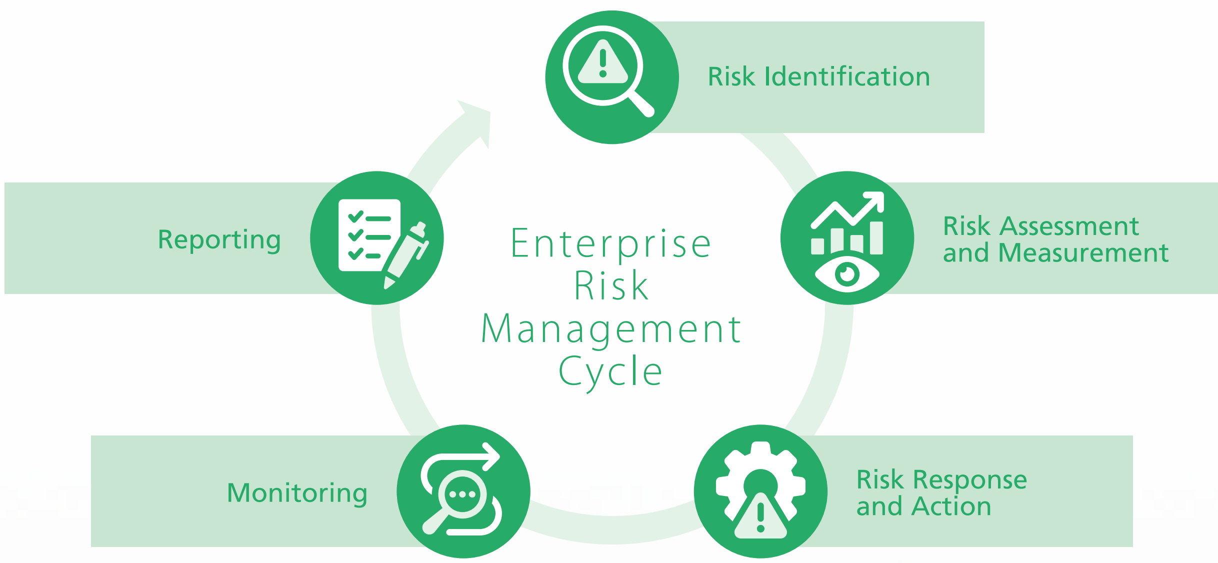
Verbal Complaint	**Written Complaint**
Complaints received in person or via telephone is replied to within 2 working days. If the investigation takes longer, a courtesy call is made to advise the progress every 5 working days.	For complaints received by letter, fax and email, a written reply is sent out within 10 working days.

Senior management regularly reviews customer suggestions, compliments, and complaints. Customer feedback is communicated to staff and the relevant business units, to enhance customer service and promote best practices. In FY2023, the Group received 97 customer complaints, mainly about system upgrades, promotion as well as other general issues. Besides, a total of 175 customer compliments were received, representing a 29.6% increase as compared to that of the preceding year, mainly attributed to the delivery of satisfactory branch service.

175
Customer Compliments

Product Service Risk Management

To uphold responsible product and service provision, the Group has an Enterprise Risk Management ("ERM") process to enhance the management and monitoring of risks associated with product development. The Risk Management Committee, Internal Audit, and the Audit Committee are responsible for monitoring and managing risks according to established indicators and levels. Regular risk reporting and monitoring are conducted in monthly risk management committee meetings.



Risk identification is an ongoing process for existing processes and is conducted on an ad-hoc basis for new product or service introductions, projects, or changes to existing products and processes. The likelihood of a risk occurrence and its potential impact within a specified timeframe are assessed. The magnitude or severity of a risk is determined by multiplying its likelihood and impact. For each identified risk, an appropriate response is established.

Data Privacy and Security

Data Protection Standard

As an organisation handling payment card data, the Group is committed to protecting payment card data in its care at all times. Our operations and networks comply with the Payment Card Industry Data Security Standard ("PCI DSS") and we confirm compliance by annual external certification and quarterly vulnerability scans. The Group promptly addresses any issues to achieve full compliance, supported by Reports on Compliance ("RoC") and Attestations of Compliance ("AoC") from external qualified security assessors.

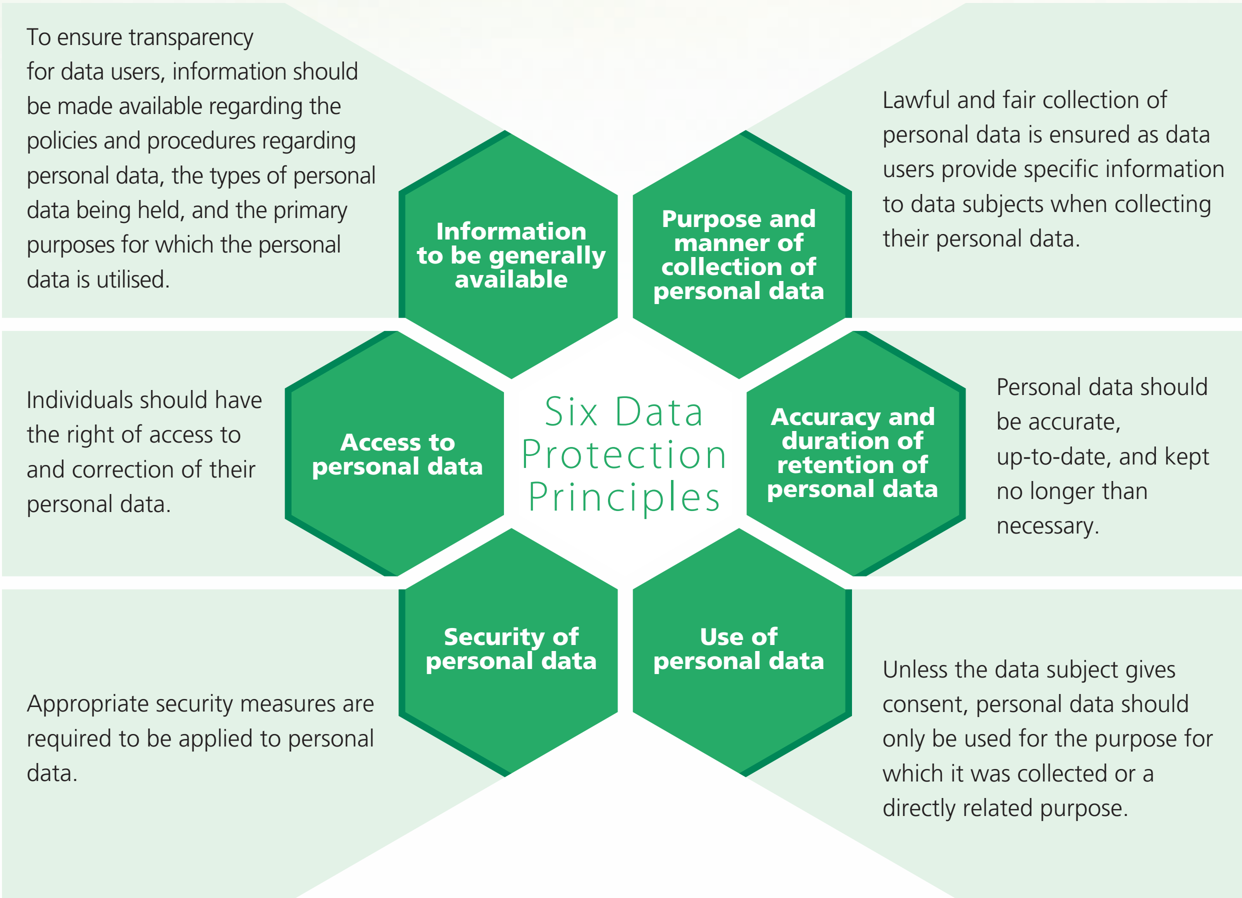
To ensure PCI DSS compliance, we comply strictly with physical and logical requirements, including encryption of stored payment card data and secure configuration of protection mechanisms, such as firewalls, antivirus and intrusion prevention devices. A two-factor authentication is mandated for computer login to ensure additional security. We adopt a continuous improvement approach, implementing compensating controls when justified. All controls and procedures are documented for accountability and recovery in case of a breach or outage. We accept our responsibility as custodians of payment card data and commit to upholding all applicable PCI DSS controls.

Customer Data Privacy

As digitalisation of the financial industry is experiencing rapid growth, it is bringing along the elevated risk of cyberattacks, underscoring the importance of enhancing the protection of customer data privacy. Protecting the confidentiality of customer data remains fundamental in upholding our corporate reputation and retaining the trust of our customers. The Head of Operations Division and the Head of Risk Management Department are responsible for overseeing fulfilment of data protection requirements. The Group's commitment to safeguard customer data privacy is underscored by its accreditation for ISO 27001 Information Security Management System.

Policies in place
■ Information Security Policy
■ Data Security Guidelines
■ Personal Data Protection Regulation
■ Personal Data Protection Policy *These policies apply to all employees*

The Group is dedicated to offering customers an extensive range of credit facilities. With "Always with customers as our starting point" being our foundational ideals, we prioritise the confidentiality of the personal information provided by customers. The data protection principles are in place to ensure that the collection and processing of user data are restricted to the stated purpose. The Group acquire user data through lawful and transparent means and obtains explicit consent from the data subjects when required.



Third parties with whom data are shared are required to comply with the Group's policy on data privacy. In the event of policy changes or a data leak, the Risk Management Committee ("RMC") is responsible for examining any violation of the information security policy and associated procedures by individuals or entities. The RMC is also responsible for recommending disciplinary actions as necessary in time. All employees and other individuals handling the Group's information resources bear the responsibility of promptly reporting any suspected or actual threats or security breaches to the appropriate personnel.

Data privacy training in FY2023 included:

Orientation training for all new hires	• Basic Training on Information Security • PCI DSS Awareness Training • Introduction to ISO
Annual training for all staff	• AFS IT Security Training • Basic Training on Information Security (Refresher) • PCI DSS Awareness Training (Refresher)
Mandatory training for third parties	• Information Security Training • PCI DSS Awareness Training

Intellectual Property Protection

To safeguard intellectual properties, our Guidelines on Compliance with Copyright Ordinance stipulate that employees should comply with copyright laws. In addition, the Group has established the IT Security Standard to prohibit the installation of any unlicensed or unauthorised software on its any computers. All marketing collaterals are sourced from licensed materials, demonstrating our utmost concern for the right of use. We also communicate with our suppliers on such matters to ensure that they are fully aware of the intellectual property rights.

Supply Chain Management

Effective supply chain management is a critical component of the Group's commitment to delivering high-quality products and services to customers. The Group has established relevant policies to strengthen supply chain management. During the Reporting Year, we collaborated with a total of 933 suppliers and business partners. Among these, 534 were based in Hong Kong, 369 in Mainland China, 7 in Japan, and 23 in other regions.

Policies in place
■ Guidelines for Procurement Procedures
■ Guidelines for Vendor Management

Supplier Selection

When the Group commences business with a new supplier, the supplier must be assessed and be registered with the Corporate Affairs and Sustainability Development Department. We have introduced the ESG assessment for suppliers to evaluate their performance across multiple environmental and social dimensions, including environmental management, product quality, data and information security, occupational health and safety and labour practices.

Supplier Selection Procedures

Approval Process → Supplier Registration → Supplier Financial Check & Review → ESG Assessment

In our supplier selection process, we prioritise suppliers who uphold ethical and labour standards. This includes ensuring acceptable living conditions for workers, prohibiting forced labour, respecting freedom of association and collective bargaining rights, maintaining high health and safety standards, providing fair wages, and complying with regulations against child labour. These criteria reinforce our commitment to responsible and ethical business practices in partnership with our suppliers.

Supply Chain Management Approach

Engagement	• Engage with suppliers through various communication channels, including annual evaluations and assessments. • Proactively communicate with suppliers to enhance their understanding and recognition of the Group's commitment to regulatory requirements, its internal standards, and overall values.
Training	• The Group's designated business consultants and advisors are required to complete mandatory training on Information Security, PCI DSS Awareness, and Compliance to foster a cooperative relationship based on mutual trust and assistance.
Risk Management	• During the prequalification and supplier selection process, we perform several assessments for all new suppliers we engaged with, including due diligence in compliance with AML and CTF rules, reputation check, financial check, and conflict of interest check to minimise any risks along our supply chain. • ESG assessment
Reviews & Assessments	• Conduct continuous and regular reviews of supplier performance, with a particular emphasis on annual assessments of specific contractors and recurring suppliers, for evaluating their service delivery, completeness, quality, ESG performance, reputation, etc. • The Group has conducted annual evaluation for suppliers during the Reporting Year.

To ensure data security, business partners and suppliers are required to adhere to our data protection policy. We perform third-party supplier sub-audits to assess compliance, and when suppliers gain network access through account creation, they are required to sign a non-disclosure agreement binding them to adhere to security standards, preventing disclosure of sensitive information to external parties. In the event of an instance of non-compliance, an additional approval becomes necessary, as stipulated in the contractual agreement with the third party.

We proactively engage with our suppliers to explore environmentally friendly alternatives for plastic used in card production. When selecting consumable items, we strive to strike a balance between environmental sustainability, user-friendliness, and cost-effectiveness whenever feasible.

COMMITMENT TO OUR ENVIRONMENT

Addressing Climate Change

Management Approach

Recognising the significant role that human activities play in driving climate change, the Group has a steadfast commitment to address climate change. Internal policies including Sustainability Development Policy and Climate Risk Management Regulation are in place to identify and mitigate significant climate-related issues.

Governance

The Board is involved in developing and reviewing the climate change strategy, ensuring alignment with the Group's objectives and values, as well as overseeing climate-related risks and opportunities within the organisation. The Sustainability Committee ensures the development and implementation of policies that support climate change mitigation and adaptation efforts. Each division and department of the Group has the responsibility to stay aware of any climate-related risk that may affect their areas of responsibility. Once identified, the risk is to be reported to the Risk Management Committee and enter the scope of the Group's risk governance framework.

Strategy

Mitigation	• Monitor the Group's internal emissions and environmental aspects through ISO 14001 Environmental Management System certification since 2009 • Establish short-term, mid-term, and long-term sustainability targets to reduce carbon footprint • Encourage employees and suppliers to actively reduce carbon emissions in their daily activities
Adaptation	• Regularly assess climate-related risks and opportunities through regular meetings and reporting • Integrate climate-related risks into the Group's risk management framework • Establish a Climate Risk Management Regulation

Climate-related Risks and Opportunities Assessment

The Group has evaluated risks and opportunities associated with climate change, with the goal of managing risks efficiently, moving towards operations with reduced carbon emissions, and capitalizing on emerging opportunities. The table below outlines risks and opportunities, potential financial impacts, and our response related to climate change.

Climate-related Risks		Potential Financial Impacts	The Group's Response
Physical Risks	Acute		
	• Increase in frequency of extreme weather events, such as typhoons, rainstorms and floods	• Reduced revenue due to temporary closure of the head office, branches, and service centres	• Promote digitalisation of our financial services through 'AEON Net-member' service and the 'AEON HK' Mobile App
	Chronic		
	• Escalating average temperatures and sea levels	• Reduced revenue and higher costs from negative impacts on workforce	• Implement a hybrid working mode to minimise any potential disruptions • Establish Back-up data centres and service centres in areas with lower risks • Periodic maintenance on the Group's business continuity plans and performance of drill tests and rehearsals on a regular basis to reduce the residual risk and impact of climate change

Climate-related Risks		Potential Financial Impacts	The Group's Response
Transition Risks	Policy and Legal		
	• Tightening environmental rules and guidelines • Enhanced obligations on climate-related disclosure	• Increased compliance related costs	• Invest in sustainability initiatives and approaches • Improve reporting and compliance frameworks • Acquiring merchants and business partners will need to adapt to the new environmental rules
	Technology		
	• Failure to invest adequately in new technology • Costs to transition to lower emissions technology	• Write-offs and early retirement of existing assets • Additional cost of technology development investment, and new practices and processes adoption	• Prudent investments ensure cost-efficiency in technology development and adaptation
	Market		
	• Shifts in customer preferences • Increased cost of procurement	• Reduced revenue due to decreasing demand for products and services • Increased cost of materials due to changing input prices	• Secure Sustainability-linked Loan agreements with 3 banks for an aggregate of HK$320 million • Issue eco-friendly credit card which uses recycled materials
	Reputation		
	• Shifts in consumer preferences • Increased stakeholder concern	• Reduced revenue due to negative brand image • Reduced revenue due to decreased investor and customer confidence	• Invest more in climate-related issues • Promote sustainability in marketing efforts • Engage stakeholders and ensure transparency • Delegate staff members to be responsible for promoting sustainability to enhance the responsible corporate image and ensure proper disclosure to the public

	Climate-related Risks	Potential Financial Impacts	The Group's Response
Opportunities	Energy Source		
	• Use of new technologies • Use of lower-emission sources of energy	• Reduced operating costs through increased efficiency and lower costs • Lower GHG emissions, reducing the sensitivity to carbon costs	• Strengthen energy management • Increase the share of renewable energy use in the future
	Products and Services		
	• Shift in consumer preferences • Development of low-emission products and services	• Increased revenue through demand for lower emissions products and services • Enhanced competitiveness from changing consumer trends, boosting revenues	• Embrace new technology for lower emissions and higher efficiency • Provide a diverse range of products and services to meet changing customer preferences

Energy Consumption

The Group's energy consumption is primarily attributable to two sources: petrol and electricity. During the Reporting Year, the Group's total energy consumption amounted to 1,034,388.88 kWh, with an energy consumption intensity of 13.97 kWh/sq ft. Among these sources, electricity plays a significant role, accounting for approximately 93% of our total energy consumption.

Greenhouse Gas ("GHG") Emissions

During the Reporting Year, the Group's total GHG emissions were 510.10 tCO_2e, and the emission intensity was 0.0069 tCO_2e/sq ft. Direct emissions (Scope 1) were 19.76 tCO_2e. Electricity use on our premises (Scope 2) is the largest contributor to our carbon footprint, which amounted to 479.44 tCO_2e, accounting for approximately 94% of total emissions. Other indirect emissions (Scope 3) were 10.90 tCO_2e.

Aspect	Targets[1]
 **GHG Emissions**	• Reduce Scope 1 and Scope 2 GHG emissions intensity by 5% compared with the baseline of FY2023 by FY2025.
 **Energy Use Efficiency**	• Reduce electricity intensity at the head office by 5% compared with the baseline of FY2023 by FY2025.

1 The targets for GHG Emissions and Energy Use Efficiency are applicable to the Group's operations in Hong Kong only.

Energy Reduction

The Group is committed to reducing air emissions, minimising its carbon footprint, and conserving resources and energy. As part of our sustainability endeavours, we have implemented a range of measures to enhance resource and energy efficiency, optimise our processes, and transition towards renewable energy sources.

- Ensuring electrical appliances are turned off after office hours or when not in use, and using energy-saving mode when applicable.
- Setting office area air conditioners to a comfortable temperature to optimise energy efficiency.
- Posting reminders in prominent areas or using internal newsletters to advocate environmentally responsible use of lighting, air conditioning, and office equipment.
- During branch renovations, the installation of LED lighting was prioritised to reduce electricity consumption.
- Adhering to legal requirements, we use unleaded petrol for our company vehicle to minimise environmental impact and promote cleaner fuel alternatives.

During the Reporting Year, the Group has undergone a head office renovation, which incorporates energy-efficient and environmentally-friendly designs such as LED lighting, motion sensor control and waste recycling facilities, creating a more sustainable workplace.

Environmental Management

Recognising the urgent need to address environmental challenges, we have put in place Board-approved guidelines for actions that help minimise our environmental impact and promote sustainability in all aspects of our operations. The Group has obtained the ISO 14001 Environmental Management System Certification for the head office and branches since 2009, proving that efforts in environmental management are up to internationally recognised standards.

Policies in place
■ Environmental Guideline
■ Environmental Instruction
■ Sustainability Development Policy

The Sustainability Committee is responsible for reviewing the targets and developing relevant action plans for the head office and branches, and will continue its internal studies to identify the resources used to further mitigate our environmental impact. Additionally, we aim to extend our sustainability practices to our suppliers, fostering a mutually beneficial situation that supports the environment.

Aspect	Targets[2]	FY2023 Progress
Resources Usage	• Reduce printing paper usage by 8% with the baseline of FY2021 by FY2025.	• Reduced 2.7% printing paper usage as compared with the baseline of FY2021.
Waste Management	• Increase paper recycling intensity by 5% compared with the baseline of FY2021 by FY2025.	• Increased approximately 7 times of paper recycling intensity as compared with the baseline of FY2021.

Air Emissions

In FY2023, sulfur oxides ("SO_x"), nitrogen oxides ("NO_x"), and particulate matter ("PM") generated by the Group were 0.11 kg, 3.76 kg, and 0.28 kg, respectively. Air emissions of the Group are from company vehicles. To minimise the impacts of air pollutants, we ensure regular maintenance of vehicles to avoid exhaust smoke and ensure efficient combustion of fuel. A company vehicle has been replaced by a hybrid car to reduce related emissions since September 2022.

2 The targets for resources usage and waste management are applicable to the Group's operations in Hong Kong only. And the target for resources usage has been updated during the Reporting Year.

Paper

As a financial services provider, we recognise the importance of paper usage reduction in minimising waste and conserving valuable resources. We have implemented several initiatives to reduce unnecessary paper usage throughout our operations:

Digital Transformation

We embrace advanced technology and digital platforms to reduce paper usage and provide convenient online services to our customers. For credit card applications, we have streamlined the application process through a secure online application that enables a direct and speedy process. The 'AEON Net-member' service and 'AEON HK' Mobile App are also available to provide extensive online services to customers. Starting in June 2021, a monthly fee of HK$10 per paper statement is being charged to incentivise customers to opt for electronic statements. During the Reporting Year, we achieved a notable milestone as over 87.1% of our customer statements were delivered through electronic channels, representing a year-on-year increase of over 5 percentage point.

For the sake of protecting the environment through less paper consumption, from January 2024 onwards, the Group has started to disseminate Corporate Communications (e.g. financial reports, notices of meeting, listing documents, circulars and proxy forms, etc.) to shareholders electronically in place of printed version, unless requested by shareholders.

Paperless Operation

We aim to achieve paperless business operations. We strongly encourage our employees to prioritise digital communication and documentation, actively promoting the utilisation of email, intranet, and other online platforms to minimise the reliance on printing and paper-based workflows. To promote paper conservation and streamline our operations, we have launched an online Workflow System for internal payment and approval in two phases, and the second module was launched in February 2024. Besides, we regularly share monthly paper consumption data to promote awareness and encourage employees to be mindful of their paper usage.

We have also introduced other online systems, such as a Learning Management System and a new card and loan system. The Group's Employee self-service and iLeave portal enable our employees to handle administrative work including leave applications, access payslips, and tax return reviews online. Electronic signatures are adopted in our internal approval process to help reduce paper consumption. Moving forward, the Group maintains close collaboration with its suppliers to gain a comprehensive understanding of our environmental impact beyond our office premises.

During the Reporting Year, the total use of printing paper was recorded at 5.2 tonnes, with 7.09 tonnes of printing paper successfully recycled[3].

Waste Reduction

In alignment with its commitment to environmental stewardship, the Group has implemented various measures across its head office and branches to foster reuse and recycling practices.

3 In FY2023, the amount of printing paper recycled was greater than the amount of printing paper used due to the renovation of the Hong Kong head office, which involved the sorting and disposal of old documents.

Hazardous Waste

The Group's hazardous waste comprises mainly of ink cartridges, fluorescent tubes and outdated equipment. These items are collected and handled by suppliers and the management office of the office building. Electronic waste, including computers and servers, is either recycled internally or donated to certified recycling facilities. The IT Division ensures that all stored information is erased and proper disposal procedures are followed, as per internal regulations. During the Reporting Year, the Group generated a total of 1,743 hazardous waste items, with a hazardous waste intensity of 3.07 pieces per employee.

Non-hazardous Waste

We have established effective waste management practices, including proper handling of non-hazardous waste such as general office waste, recycling of paper through certified recyclers, and plastic bottle recycling facilitated by V Cycle, a local green enterprise, for upcycling to various useful end products. To promote waste reduction among our employees, the Group provides no personal rubbish bins in the office. Instead, general waste is collected centrally in designated common areas. To encourage recycling, we have also placed recycling bins for plastics and paper throughout the office. Furthermore, when a branch is closed down, we make efforts to recycle as much furniture and equipment as possible by repurposing them at other branches or offices.

During the Reporting Year, the Group generated 183.13 tonnes of non-hazardous waste, resulting in a non-hazardous waste intensity of 0.32 tonnes per employee. Additionally, we recycled 0.06 tonnes of plastics.

Case Sharing: Adopting Recycled Material for Eco-friendly New Uniform

Starting from early April 2023, all branches have rolled out new uniform made of eco-friendly materials, presenting a brand-new image. In terms of materials, the blazers and pants are made of Sorona® fabric, a certified eco-efficient performance fibre made in part from annually renewable plant-based ingredients; while the T-shirts are made of REPREVE, a man-made fabric produced from recycled plastic bottles. The recycled fabrics are not only eco-friendly but also comfortable with soft and flexible textures.

Case Sharing: Adopting Recycled Plastic for Eco-friendly Credit Card

From early September 2023, some branches have started issuing AEON Card WAKUWAKU made from sustainable plastic materials gradually. It is the Company's first batch of 100% recycled Poly Vinyl Chloride ("rPVC") credit cards approved through Global Recycled Standard ("GRS4.0") certification programme, reducing approximately 40% of CO_2e per card as compared to traditional PVC card. By the end of the Reporting Year, over 30,000 rPVC cards were issued. In the future, other AEON cards will also be converted to recycled materials by phases. The Company will support customers through the smooth transition from traditional PVC to rPVC credit card.

Water Efficiency

During the Reporting Year, the Group consumed 4,426.56 m^3 of water with the intensity of 0.07 m^3/sq ft. Our 2 subsidiaries in Mainland China is the major consumer of water in the Group, accounting for approximately 93% of the Group's total water consumption. We primarily rely on the local municipal water. Hong Kong and Mainland China has low water stress, and there is no issue in sourcing water fit for the purpose. The Group is dedicated to promoting responsible water usage practices across its operations. A water-saving reminder has been placed near the water tap to raise awareness among employees and ensure that the tap is properly turned off after use to prevent water leakage.

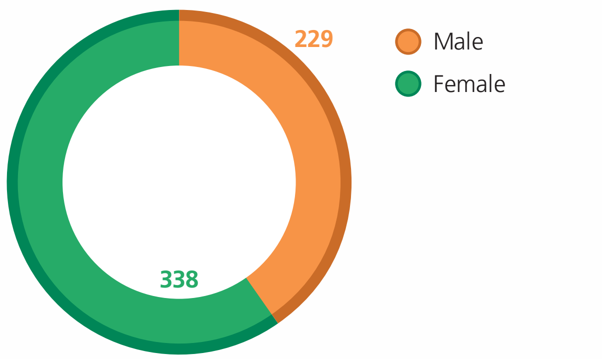
COMMITMENT TO OUR PEOPLE

As a responsible employer, the Group recognises that employees are its most valuable asset. We prioritise creating a positive and inclusive work environment that fosters personal and professional growth, employee well-being, health and safety.

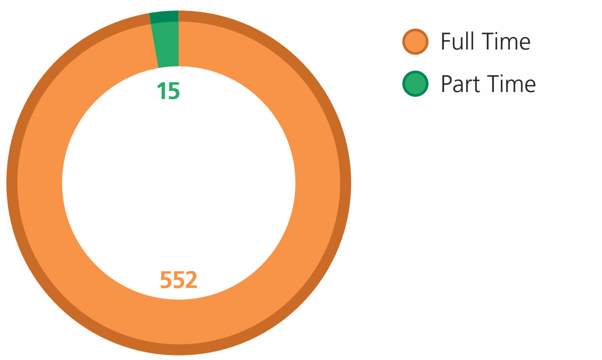
Diversity and Inclusive Workplace

During the Reporting Year, the total number of employees in the Group was 567. The Group is committed to fostering a diverse and inclusive workplace, as well as cultivating a fair and non-discriminatory working environment where every employee has the opportunity to thrive and reach his/her full potential.

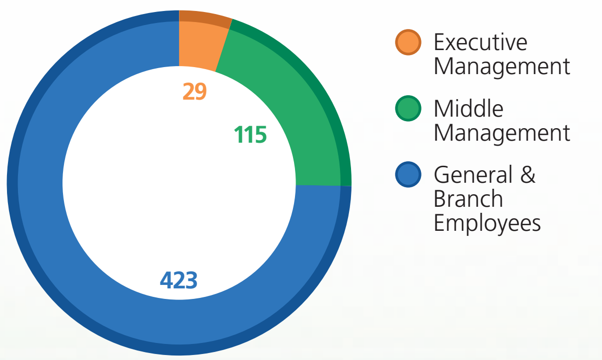
Gender



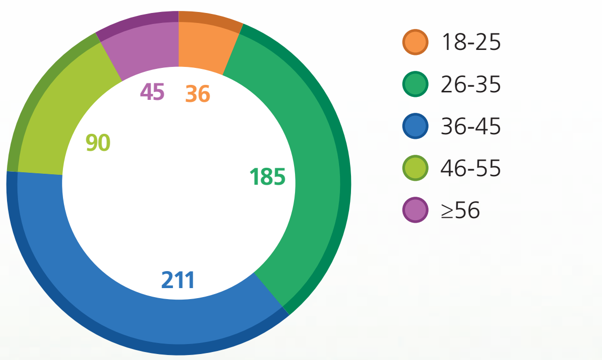
Employment Type



Employee Category



Age Group



To attract and retain talents, a New Joiner Bonus and Staff Referral Bonus Programmes have been introduced, while long-service and outstanding staff are recognised with Long-Service, Staff Recognition and Branch Staff Appreciation Awards. We will continue to review our remuneration packages to maintain our competitiveness in the market.

We believe in creating a diverse team comprising individuals with varied cultural backgrounds, skills, and knowledge. The Group's HR department adheres to the Staff Recruitment and Selection Procedure and uses various recruitment channels to find candidates. In accordance with our Staff Handbook, we promote equal opportunities for all applicants and employees, adopting an open and fair stance when evaluating employees' performance, based on qualifications, aptitude, skills, and other relevant factors.

Any employee who encounters discrimination, harassment, or victimisation is encouraged to report to the Division/Department Head and the Human Resources Department. Any employee found to have violated any relevant ordinances, or any code of practice issued under the ordinances, or who has made allegations that are false or not in good faith faces disciplinary action, including dismissal. We also provide training on diversity and inclusion to give employees a better understanding of diversity and thus create a more cohesive and harmonious workplace.

2023 Diversity and Inclusion Training

Employee Wellbeing

The Group offers its employees competitive compensation, promising career development opportunities, fostering a positive work culture. Relevant policies and procedures are in place and contain important information about welfare and benefits, working hours, holidays, termination of employment, recruitment and promotion, business ethics, equal opportunities, diversity, and anti-discrimination, etc.

Policies and procedures in place
■ Employee Handbook
■ Sustainability Development Policy
■ Staff Recruitment and Selection Procedure
■ Probation Performance Evaluation Procedure

We provide various insurance schemes, including medical insurance, life insurance, personal accident insurance, and travel insurance to all employees. In addition to statutory holidays, we provide paid annual leave, full pay sick leave, paid maternity and paternity leave, marriage leave, compassionate leave and jury leave for our employees.

We recognise the significance of achieving a healthy work-life balance and discourage overtime work and provide additional compensation to employees in specific grades for any overtime hours worked. If excessive overtime occurs persistently, we evaluate the workload and take necessary steps to address the issue. To further promote work-life balance among employees, we set up a staff event committee, dedicated to creating a positive and harmonious work environment.

Employee Engagement

We communicate with employees at all levels regularly through several communication channels stated below:

Managerial staff participates in the annual Division Policy Announcement hosted by the Corporate Planning Department for the Group's long-term strategy	Regular distribution of internal newsletters and AFS Group internal magazine 'As One' to update all employees on Company and Group developments and boost staff morale	Conducting employee surveys on a regular basis to collect opinions and feedback from randomly selected employees	Providing an online suggestion box on the intranet for employees to share feedback and suggestions	Sharing company information and employee stories on public channels such as social media platforms, the company website, and mobile app to engage employees

During the Reporting Year, we organised various employees' activities, such as team building lunch programme, annual dinner, recruitment of staff events committee, etc. These not only aimed at building team cohesion but also at providing opportunities for employees to interact with each other and create a more energetic work environment.

Labour Practices

Our policies and procedures are designed to ensure compliance with minimum wage laws, working hour regulations, workplace safety standards, and anti-discrimination laws. We inform employees about relevant labour laws and regulations regarding legal rights of employees during orientation and conduct annual refresher compliance trainings. We have confidential complaint channels in place to address any employee relevant complaints.

The Human Resources Department is responsible for conducting age and integrity checks of selected candidates to avoid misuse of child labour. If any cases of child labour or forced labour are identified, prompt action will be taken to address the issue and prevent its reoccurrence. Additionally, we have implemented an ESG assessment to monitor the labour practices of our suppliers and business partners.

Training and Development

The Group is committed to fostering a talented and motivated workforce through its training and development strategy. Our Employee Training and Development Policy provides a framework and procedures for effectively training and developing employees across the organisation. We allocate resources and dedicate time to ensure that our employees acquire the necessary skills and knowledge to meet business goals and stay competitive in the market. During the Reporting Year, a total of 567 employees were trained, accumulating a collective total of over 12,000 training hours.

Percentage of Employees Trained
100%

Average Training Hours of Employees
21.9 Hours

The Group promotes continuous learning opportunities for employees to enhance their skills and knowledge and experience a sense of fulfillment. To ensure employees have the necessary knowledge and skills, we conduct an annual Training Needs Analysis ("TNA") to identify their training and development requirements. We also organise a focus group to address any training gaps and develop a comprehensive training plan. An online Learning Management System with a mobile app is providing a diverse selection of assigned and voluntary training courses to our employees, enabling them to learn at their convenience, providing flexibility and accessibility in their learning journey. And we have launched a new 'Learning & Development Scheme' to encourage employee training engagement and employee development.

The Group received 'Super MD' from the Employee Retraining Board ("ERB") in 2023 in recognition to achieving 'ERB Manpower Developer' for 10 consecutive years, as well as its outstanding contribution in manpower training and development in Hong Kong.

SUPER MD
MANPOWER DEVELOPER
An ERB Credit

Training Programmes

Under our diverse training framework, the training programmes for employees are categorised into external and internal training. External training refers to courses offered outside our company. Internal training refers to all training programmes organised by ACSA, AFS, AEON Group and its subsidiary companies. As stated in our Employee Training and Development Policy, all new joiners are required to attend the orientation training and all employees and directors are required to attend the following annual refresher training.

Mandatory Internal Training Programmes	Orientation Training	Once
	Compliance Refresher Training	Annual basis
	Basic Information Security Refresher Training	
	PCI DSS Awareness Refresher Training	
	Occupational Health and Safety Refresher Training	

In addition to our employees, it is mandatory for the business consultants, advisors, interns, and other relevant personnel of the Group to complete certain compulsory trainings including Basic Information Security, PCI DSS Awareness and Compliance trainings by the Group. During the Reporting Year, the specific target group had a total of 66 attendances, totaling 382 training hours.

Cultivating Leadership for Tomorrow

To support the Group's future business growth and nurture talented employees, individuals who meet the criteria and show potential for higher management roles will be selected to participate in a specialised management training programme. This programme, organised in collaboration with AEON Malaysia and AFS, aims to enhance leadership skills and cultivate the ability of the participants to navigate business transformation and adapt to changing market conditions.

Cultivating Young Talents

Management Trainee

The Group has introduced a Management Trainee Programme tailored for aspiring talents with leadership potential for the future development of the Group. Tied with corporate aspirations for middle/senior management successions, this comprehensive 1-year programme included all round trainings, work opportunities in specific functional assessments, job rotation, mentorship and coaching with various project assignments.

Summer Internship

The Group offers a summer internship programme that provides students with valuable working experience in the financial services industry. The programme allows interns to work in different departments and engage in specific tasks relevant to their field of interest. The hands-on experience enables interns to gain practical knowledge and skills while being exposed to the workings of the industry.

2023 Management Trainee Training

2023 Interns Training

Occupational Health and Safety

Safeguarding the health and safety of our employees is a paramount responsibility we uphold. The Group has in place Occupational Safety and Health Guidelines, which serve as a comprehensive framework for risk mitigation and protecting employees from occupational hazards. During the Reporting Year, our safety performance is as below:

Occupational Health and Safety	FY2023	FY2022	FY2021
No. of work-related fatalities	0	0	0
Rate of work-related fatalities	0	0	0
Work-related injury (case)	0	2	1
Lost days due to work-related injury	0	14	0

To foster a safe and well-prepared workplace, we organise fire drills and conduct annual Occupational Health and Safety refresher training. These initiatives promote a secure working environment, mitigate safety-related incidents, and ensure the welfare of our employees. Moreover, we actively engage with employees to participate in an annual workstation risk and safety assessment survey, enabling us to identify potential risks and improve the office environment.

During the Reporting Year, renovations were undertaken at our Hong Kong head office to enhance the overall work environment, prioritising employee comfort. For the second consecutive year, the Group has been honoured with the 'Happy Company' label by the 'Happiness-at-Work Promotional Scheme', a collaborative initiative by the Promoting Happiness Index Foundation and The Chinese Manufacturers' Association of Hong Kong. This accolade acknowledges our dedication to fostering a vibrant and harmonious work environment that promotes employee well-being and satisfaction.

COMMITMENT TO OUR COMMUNITY

The Group firmly believes in the importance of being a responsible corporate citizen and actively works towards betterment of the society, aiming to create sustainable impacts that benefit all stakeholders. During the Reporting Year, the Group donated a total of approximately HK$2,136,000. The volunteer hours were 180. Guided by AEON Foundational Ideals of "Pursuing peace, respecting humans, and contributing to local communities, always with customers as our starting point.", the Group's Sustainability Development Policy and Guideline on Corporate Social Responsibility Activities, we continue to engage with our community, focusing on environmental protection and youth education.

Environmental Protection

Tree Planting

Since 2006, the Group has been actively supporting local tree planting activities in line with AEON Group's mission of "Planting Seeds of Growth". During the Reporting Year, the Group collaborated with AEON Stores HK and Friends of the Earth (HK) to organise the 'Tree Planting Challenge 2023'. A total of 40 employees from the Group successfully planted 200 tree seedlings in Tai Lam Country Park, expecting to offset approximately 4.6 tonnes of CO_2 equivalent, contributing to greening of the Hong Kong environment.

Bonus Point Donation

The Group also encourages customers to support community development through 'Bonus Point Donation Scheme'. Under the scheme, our credit card holders can channel their donation to support the environmental conservation works of the World-Wide Fund for Nature Hong Kong ("WWF-Hong Kong").

WWF

Education

University Scholarships

The Company has set up scholarships in a number of universities in Hong Kong and Mainland China that are awarded annually. The purpose of these scholarships is to inspire young individuals to play a prominent part in society. During the Reporting Year, we have supported over 100 students from universities in both Hong Kong and Mainland China.

Universities in Hong Kong

- The University of Hong Kong
- The Hong Kong University of Science and Technology
- New Asia College, The Chinese University of Hong Kong
- City University of Hong Kong
- The Hong Kong Polytechnic University
- Hong Kong Baptist University

Universities in Mainland China

- Shenzhen University
- Sun Yat-Sen University

Financial Education

As a responsible financial service provider, the Group believes financial literacy and proper financial attitude are important to children especially at their early stage of development.

During the Reporting Year, we sponsored the 'FE-ON! — Financial Education On!' programme of the Hong Kong Family Welfare Society Financial Education Centre for the second consecutive year, aiming to instill financial attitude to young students and parents through social media promotion and counselling services.

Community Partnership

Charity Credit Card

To utilise our capacity as a financial service provider, we foster a philanthropic corporate culture by partnering with the Society for the Prevention of Cruelty to Animals ("SPCA") and issuing credit cards. Cardholders of these cards not only can benefit from the consumption rewards, but also having 0.1% of all credit purchase amount transacted with the cards will be donated by the Group to SPCA.

UNICEF Young Envoys Programme 2023

Since 2008, the Group has been working with Hong Kong Committee for UNICEF as a sole sponsor of the 'UNICEF Young Envoys Programme' to encourage more young people to become child rights advocates and effect positive changes for children and society. The UNICEF Young Envoys Programme 2023 has drawn to a fruitful close. A total of 38 Young Envoys were appointed after completing a 1-year training.

'SDG Actioner Challenge' for Ethnic Minority Youth Programme 2022–2023

The 'SDG Actioner Challenge' for Ethnic Minority Youth Programme was organised by UNICEF HK and sponsored by the Group. The programme aimed to equip local ethnic minority youths with an in-depth understanding of SDG 13 on climate action. Participants were also encouraged to bring positive changes to the society through raising awareness of climate change.

Healthy Children • Happy Family

During the Reporting Year, we have sponsored a new social programme 'Healthy Children • Happy Family' organised by Sowers Action to uplift underprivileged children and their families in the Sham Shui Po district by fostering personal development and promoting sustainable lifestyles.

APPENDIX

Laws and Regulations

Aspect	Applicable Laws and Regulations	Compliance Statement
Environment	• Air Pollution Control Ordinance • Ozone Layer Protection Ordinance • Road Traffic Ordinance • Noise Control Ordinance • Waste Disposal Ordinance • Water Pollution Control Ordinance • Sewage Services Ordinance • Environmental Protection Law of the People's Republic of China	We strictly comply with relevant laws and regulations regarding environmental protection. During the Reporting Year, the Group was not aware of any significant impact of its activities relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
Employment	• Employment Ordinance • Employees' Compensation Ordinance • Mandatory Provident Fund Schemes Ordinance • Sex Discrimination Ordinance • Disability Discrimination Ordinance • Family Status Discrimination Ordinance • Race Discrimination Ordinance • Labour Law of the People's Republic of China • The Provisions on the Prohibition of Using Child Labour of the People's Republic of China	We strictly comply with relevant laws and regulations regarding employment and labour practices. During the Reporting Year, the Group was not aware of any legal and regulatory matters relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, prevention of child labour and forced labour that have a material impact on the Group.
Health and Safety	• Occupational Safety and Health Ordinance • Fire Safety (Commercial Premises) Ordinance of Hong Kong	We strictly comply with relevant laws and regulations regarding occupational health and safety. During the Reporting Year, the Group was not aware of any instances of breach of laws or regulations relating to occupational health and safety standards.

Aspect	Applicable Laws and Regulations	Compliance Statement
Product Responsibility	• Personal Data (Privacy) Ordinance	We strictly comply with relevant laws and regulations regarding product responsibility. During the Reporting Year, the Group was not aware of any breach of laws and regulations relating to its products, services, operations, sales and promotions or other business practices that resulted in sanctions or had liabilities of material adverse effect onto the Group. The Group was also not aware of any breach of data security as it strictly complied with the relevant laws and regulations in all jurisdictions in which it operates.
Anti-corruption	• Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance • The Drug Trafficking (Recovery of Proceeds) Ordinance • The Organised and Serious Crimes Ordinance • The United Nations (Anti-Terrorism Measures) Ordinance ("UNATMO") • The United Nations Sanctions Ordinance	We strictly comply with relevant laws and regulations regarding anti-corruption. During the Reporting Year, the Group was not aware of any legal or regulatory activities relating to bribery, extortion, fraud and money laundering that had a significant impact on the Group.

Performance Data Summary

Environmental

Environmental KPIs	Unit	FY2023 Hong Kong	FY2023 Mainland China	FY2023 Group Total	FY2022 Group Total[4]
Air Emissions					
Nitrogen oxides (NO_X)	Kg	0.97	2.79	**3.76**	1.34
Sulphur oxides (SO_X)	Kg	0.02	0.09	**0.11**	0.04
Particulate matter (PM)	Kg	0.07	0.21	**0.28**	0.10
GHG Emissions[5]					
Scope 1 (Direct GHG emissions)[6]	tonnes CO_2e	3.33	16.43	**19.76**	6.77
Scope 2 (Energy indirect GHG emissions)[7]	tonnes CO_2e	371.64	107.80	**479.44**	363.87[8]
Scope 3 (Other indirect GHG emissions)[9]	tonnes CO_2e	7.91	2.99	**10.90**	0.42
Total GHG emissions (Scope 1, 2 and 3)	tonnes CO_2e	382.88	127.22	**510.10**	371.06
Total GHG emissions intensity	tonnes CO_2e/sq ft	0.0074	0.0057	**0.0069**	0.0072[10]
Energy Consumption					
Direct Energy					
Petrol	kWh	12,149.72 (1,253.66 Litres)	59,861.82 (6,176.82 Litres)	**72,011.54 (7,430.48 Litres)**	24,679.59 (2,546.55 Litres)
Indirect Energy					
Electricity	kWh	773,359.84	189,017.50	**962,377.34**	755,366.18[11]
Total energy consumption	kWh	785,509.56	248,879.32	**1,034,388.88**	780,045.77[12]
Energy consumption intensity	kWh/sq ft	15.16	11.20	**13.97**	15.05[13]

4 The scope of environmental key performance indicators for FY2022 covered the Group's operations in Hong Kong only.

5 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, "Guidance to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" by the Environmental Protection Department ("EPD") and the Electrical and Mechanical Services Department ("EMSD") of the Government of the HKSAR, and " Notice on Doing a Good Job in 2023-2025 Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises " published by the Ministry of Ecology and Environment of the People's Republic of China (《關於做好2023–2025年發電行業企業溫室氣體排放報告管理有關工作的通知》)

6 Scope 1 refers to direct GHG emissions. Its disclosures mainly include emissions from the consumption of liquid and gaseous fuels in motor vehicles.

7 Scope 2 refers to indirect GHG emissions from the consumption of purchased electricity and Towngas of our head office, all branches in Hong Kong, data centres in Hong Kong and two companies in Mainland China. Emission factors are obtained from local utility companies and updated yearly according to the annual report of CLP Power Hong Kong Limited ("CLP"), Hongkong Electric Company ("HKE"), and the public information from the Ministry of Ecology and Environment of the People's Republic of China.

8 Restated to include ACSA's electricity consumption in data centres in Hong Kong.

9 Scope 3 disclosure includes air freight business travel only.

10 Restated data.

11 Restated to include ACSA's electricity consumption in data centres in Hong Kong.

12 Restated data.

13 Restated data.

Environmental KPIs	Unit	FY2023 Hong Kong	FY2023 Mainland China	FY2023 Group Total	FY2022 Group Total[14]
Waste					
Hazardous Waste					
Miscellaneous electronic equipment (including computers and monitors)	pcs	1,146[15]	45	**1,191**	124
Fluorescent tubes/light bulb	pcs	552	0	**552**	242
Total hazardous waste	pcs	1,698	45	**1,743**	366
Hazardous waste intensity	pcs/employee	4.43	0.24	**3.07**	0.98
Non-hazardous Waste					
General waste	tonnes	163.95	19.18	**183.13**	144.14
Non-hazardous waste intensity	tonnes/employee	0.43	0.10	**0.32**	0.39
Waste Recycling					
Miscellaneous electronic equipment recycling	pcs	1,116	0	**1,116**	124
Plastic recycling	tonnes	0.06	0	**0.06**	0.12
Paper recycling	tonnes	7.09	0	**7.09**	1.10
Water					
Water consumption	m^3	328.00[16]	4,098.56	**4,426.56**	285.00[17]
Water consumption intensity	m^3/sq ft	0.01	0.18	**0.07**	0.01

14 The scope of environmental key performance indicators for FY2022 covered the Group's operations in Hong Kong only.

15 The number of miscellaneous electronic equipment in FY2023 was increased significantly as compared to FY2022 due to the renovation of the Hong Kong head office, which involved the retirement and replacement of electronic equipment.

16 The water consumption of Hong Kong in FY2023 is from head office in Hong Kong only.

17 The water consumption in FY2022 is from head office in Hong Kong only.

Social

Social KPIs	Unit	FY2023 Hong Kong	FY2023 Mainland China	FY2023 Group Total	FY2022 Group Total[18]
Workforce					
Total Workforce[19]	People	383	184	**567**	373
By Gender					
Male	People	189	40	**229**	187
Female	People	194	144	**338**	186
By Employment Type					
Full-time	People	368	184	**552**	356
Part-time	People	15	0	**15**	17
By Age Group					
18–25	People	32	4	**36**	29
26–35	People	117	68	**185**	118
36–45	People	115	96	**211**	119
46–55	People	75	15	**90**	67
Over 56	People	44	1	**45**	40
By Employee Category					
Executive management	People	18	11	**29**	18
Middle management	People	89	26	**115**	83
General & branch employees	People	276	147	**423**	272
By Geographical Region					
Hong Kong	People		**383**		373
Mainland China	People		**184**		172
Turnover Rate (Full-time Staff Only)					
Total Employee Turnover Rate	%	25.1	13.5	**21.3**	36.8
By Gender					
Male	%	12.1	7.3	**10.5**	20.3
Female	%	12.9	6.2	**10.7**	16.5
By Age Group					
18–25	%	2.8	1.7	**2.4**	4.6
26–35	%	10.2	5.6	**8.7**	14.5
36–45	%	5.5	5.1	**5.4**	9.7
46–55	%	4.1	1.1	**3.1**	5.7
Over 56	%	2.5	0.0	**1.7**	2.3

18 The scope of social key performance indicators for FY2022 covered the Group's operations in Hong Kong only.

19 Independent Non-executive Directors are not included in total number of employees.

Social KPIs	Unit	FY2023 Hong Kong	FY2023 Mainland China	FY2023 Group Total	FY2022 Group Total[20]
Employee Training and Development					
The Total Percentage of Employees Trained[21]	%	100	100	**100**	100
By Gender					
Male	%	100	100	**100**	100
Female	%	100	100	**100**	100
By Employee Category[22]					
Executive management	%	100	100	**100**	100
Middle management	%	100	100	**100**	100
General & branch employees	%	100	100	**100**	100
The Average Training Hours Completed Per Employee[23]	Hour	22.3	21.2	**21.9**	21.3
By Gender					
Male	Hour	21.4	20.7	**21.3**	21.4
Female	Hour	23.1	21.3	**22.3**	21.3
By Employee Category[24]					
Executive management	Hour	23.6	19.8	**22.2**	23.7
Middle management	Hour	23.2	20.6	**22.6**	24.2
General & branch employees	Hour	20.5	21.4	**20.8**	17.8
Supply Chain					
Total Suppliers	Number	573	360	**933**	511
By Geographical Region					
Hong Kong	Number	533	1	**534**	474
Mainland China	Number	10	359	**369**	10
Japan	Number	7	0	**7**	6
Other regions	Number	23	0	**23**	21

20 The scope of social key performance indicators for FY2022 covered the Group's operations in Hong Kong only.

21 The percentage of employees trained is calculated as "total number of employees trained during the financial year divided by total number of employees at the end of the financial year and then multiplied by 100%".

22 For meaningful comparison, the employee categories have been adjusted to 3 levels — Executive Management, Middle Management and General & Branch Employees, aligning with the disclosure in total workforce.

23 Average training hours completed per employee is calculated as "total hours of employees trained during the financial year divided by total number of employees at the end of the financial year".

24 For meaningful comparison, the employee categories have been adjusted to 3 levels — Executive Management, Middle Management and General & Branch Employees, aligning with the disclosure in total workforce.

Content Index

Material Aspects	Content	Page Index/Remarks
Mandatory Disclosure Requirements		
Governance Structure		
Board Statement	A disclosure of the board's oversight of ESG issues	27
	The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and	27–31
	How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses	27–31
Reporting Principles		
Description of the application of the Reporting Principles	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	24, 28–31
	Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	24
	Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	24
Reporting Boundary		
Description	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	24

Material Aspects	Content	Page Index/Remarks
Comply or Explain Provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	45–50, 59
A1.1	The types of emissions and respective emissions data.	47, 61
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	45, 61
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	48–49, 62 Since the Group does not produce hazardous waste in substantial quantities, we have not established a reduction target for hazardous waste.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	48–49, 62
A1.5	Description of emissions target(s) set and steps taken to achieve them.	45
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	47–49

Material Aspects	Content	Page Index/Remarks
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	45–50
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	45, 61
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	50, 62
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	45–46
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	50 Given that water resources do not constitute a significant material aspect of our operations, we have not set a reduction target for water consumption.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material is not material to the operations of the Group as a financial service provider.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	47–50
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	47–50
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	42
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	42–45

Material Aspects	Content	Page Index/Remarks
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	51, 59
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	50, 63
B1.2	Employee turnover rate by gender, age group and geographical region.	63
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	55
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	55
B2.2	Lost days due to work injury.	55
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	55
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	53–54
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	64
B3.2	The average training hours completed per employee by gender and employee category.	64

Material Aspects	Content	Page Index/Remarks
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	51–52, 59
B4.1	Description of measures to review employment practices to avoid child and forced labour.	52
B4.2	Description of steps taken to eliminate such practices when discovered.	52
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	40–42
B5.1	Number of suppliers by geographical region.	40, 64
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	40–41
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	40–41
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	40–42

Material Aspects	Content	Page Index/Remarks
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	35–40, 60
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product recalls for safety and health reasons are not material to the operations of the Group as a financial service provider.
B6.2	Number of products and service-related complaints received and how they are dealt with.	36–37
B6.3	Description of practices relating to observing and protecting intellectual property rights.	40
B6.4	Description of quality assurance process and recall procedures.	Refer to B6.1
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	38–40
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	33, 60
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	60
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	34–35
B7.3	Description of anti-corruption training provided to directors and staff.	33
Aspect B8: Community		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	56–58
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	56
B8.2	Resources contributed (e.g. money or time) to the focus area.	56

Board of Directors

Mr. Tomoyuki Mitsufuji, aged 59, was appointed as a Non-executive Director and the Chairman of the Board on 25th June 2021. He is currently a director and managing executive officer of AEON Financial Service Co., Ltd., a listed public company, in charge of Finance and Accounting Division. Prior to that, he was with a number of major international banks and financial institutions for about 19 years, before he joined AEON Bank, Ltd. (formerly known as AEON Financial Project Co., Ltd.) in June 2006. He graduated from Waseda University with a Bachelor of Arts degree in Political Science and holds a Master of Business Administration degree from Boston University.

Mr. Wei Aiguo, aged 55, was appointed as an Executive Director on 23rd June 2022 and the Managing Director on 1st March 2024. He is currently the director of AEON Information Service (Shenzhen) Co., Ltd., a subsidiary of the Company. He first joined the Company in January 2000, and rejoined AEON group in June 2006 as a general manager of AEON Information Service (Shenzhen) Co., Ltd. and AEON Credit Guarantee (China) Co., Ltd., a previous associate of the Company dissolved by means of members' voluntary liquidation. He subsequently became a Senior Manager of the Company with a focus on the Mainland China business in 2009. From October 2013 to May 2016, he was the managing director of AEON Micro Finance (Tianjin) Co., Ltd., a previous subsidiary of the Company dissolved by means of members' voluntary liquidation, before his later return to the Company to take charge of marketing, sales, branch management and operations. He graduated from the Ritsumeikan University in Kyoto, Japan, with a Bachelor of Arts degree in Economics.

Mr. Lai Yuk Kwong, aged 61, was appointed as an Executive Director and the Deputy Managing Director on 23rd June 2017. 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.

Mr. Tomoharu Fukayama, aged 50, was appointed as an Executive Director on 23rd June 2020. He is managing director of AEON Financial Service (Hong Kong) Co., Limited, an immediate holding company of the Company, the Chairman of AEON Micro Finance (Shenzhen) Co., Ltd., and AEON Information Service (Shenzhen) Co., Ltd., both of which are subsidiaries of the Company. He joined AEON Credit Service Co., Ltd. in March 1997 after he graduated from Waseda University with a Bachelor's degree in Literature. From March 2010 to April 2015, he was transferred to AEON Co., Ltd., a listed public company. He joined the Company in April 2015 as General Manager in charge of the Business Development, Sales and Marketing Division of the Company, and was first appointed as an Executive Director of the Company in June 2016. He left the Company in June 2019 to take up new management position in AEON Financial Service Co., Ltd., a listed public company. From June 2020 to February 2024, he was the Managing Director after his later return to the Company in June 2020. He has over 20 years of experience in the consumer finance industry.

Ms. Jin Huashu, aged 46, was appointed as a Non-executive Director on 25th June 2021. She is currently the managing director of AEON Micro Finance (Shenzhen) Co., Ltd., a subsidiary of the Company. She joined AEON Information Service (Shenzhen) Co., Ltd. in March 2008 as a department manager in charge of external business development. She was first appointed as a director of AEON Information Service (Shenzhen) Co., Ltd. and AEON Micro Finance (Shenzhen) Co., Ltd., in April 2010 and June 2015 respectively, and took up the position as a general manager of AEON Financial Service (Hong Kong) Co., Ltd. from June 2017 to June 2019. She graduated from Jilin University with a Bachelor's degree in Economic Trading Japanese and holds a Master of Business Administration degree from the University of Minnesota.

Mr. Lee Ching Ming Adrian, aged 72, 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.

Ms. Shing Mo Han Yvonne, BBS, JP, aged 68, was appointed as an Independent Non-executive Director on 23rd June 2020. She was appointed as a Justice of Peace of the HKSAR in 2013 and awarded Bronze Bauhinia Star in 2017. Ms. Shing is currently the chairman of Yinn Advisory Services Limited. She is also an independent non-executive director of China Resources Pharmaceutical Group Limited, CSSC (Hong Kong) Shipping Company Limited, Sirnaomics Limited and Analogue Holdings Limited, all of which are listed on the Stock Exchange of Hong Kong Limited and an independent director of China Merchants Energy Shipping Company Limited, a public company listed on the Shanghai Stock Exchange.

Ms. Shing was a partner of Deloitte China for over 26 years until her retirement in May 2016. She was also a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. She is a founding member and former president of the Association of Women Accountants (Hong Kong) Limited and the former chairman of the Hong Kong Institute of Certified Public Accountants Taxation Committee. Her professional qualifications include fellow member of the Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants and Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries).

Ms. Shing's current appointments include member of the Hong Kong Deposit Protection Board, court member of the Hong Kong Polytechnic University and member of the Board of Governors of Extension and Continuing Education for Life (EXCEL) of the Hong Kong Academy for Performing Arts. In 2006, Ms. Shing received the National Hundred Outstanding Women Entrepreneurs Award in the Great Hall of the People in Beijing. She also received the Outstanding Alumni Award of Hong Kong Polytechnic University in 2007 and has been its University Honorary Fellow since 2016/17. Ms. Shing has been consecutively named from 2001 to 2015 in International Tax Review as one of the World's Leading Tax Advisors in Hong Kong and Mainland.

Ms. Shing graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and obtained a Higher Diploma in Accountancy and was subsequently awarded Honorary Fellow.

Ms. Junko Dochi, aged 60, was appointed as an Independent Non-executive Director on 23rd June 2020. She is an attorney at law admitted in Japan and in the State of California in the USA. She was previously with a major US law firm, and is currently the representative lawyer of DOCHI Law Office in Tokyo, with her main areas of practice focusing on corporate matters and international business transactions. Before qualified as an attorney at law, Ms. Dochi had worked for a number of sizeable Japanese and international business enterprises. She graduated from Sophia University, Tokyo with the Bachelor of Arts degree and has the Master of Laws degree from Duke University School of Law, North Carolina, the USA.

She is an outside director of AEON Bank, Ltd., a fellow subsidiary of the Company, and COMTURE Corporation, a listed public company in Japan.

Mr. Choi Ping Chung, aged 65, was appointed as an Independent Non-executive Director on 29th June 2023. He is a seasoned professional in the financial service industry with over 40 years of regional and international experience. He is currently an independent non-executive director of PingAn OneConnect Credit Reference Services Agency (HK) Limited (a subsidiary of OneConnect Financial Technology Co., Ltd., which is listed on the Stock Exchange of Hong Kong Limited). For a total of over 10 years, he was first the managing director of TransUnion Limited and subsequently the chief executive officer of Joint Electronic Teller Services Limited (JETCO), a consortium of banks engaged in the provision of automated teller machine (ATM) switching network services. He has previously held various senior management positions in charge of consumer and corporate banking, card association and payment businesses, and information technology, in entities and organisations such as DBS Bank (Hong Kong) Limited, Citibank, N.A., Visa Inc. and American Express Limited.

Mr. Choi graduated from Hong Kong Chu Hai College with a Bachelor of Business Administration degree, and holds an Executive Master of Business Administration degree from Southern Illinois University Carbondale, Illinois, USA. He is an associate member of the Chartered Institute of Marketing.

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 continued to comply with the code provisions of the CG Code as applicable to the Company throughout the year ended 29th February 2024 and set out then in Appendix C1 to the Listing Rules, with the exceptions of code provision B.2.2 which is explained below.

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

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

CULTURE

Business Principles, Purpose and Values:

The Group is guided by the AEON Group's foundational ideals of "Pursuing peace, respecting humanity, and contributing to the local communities, always with customers as our starting point" ("AEON Foundational Ideals") and the AFS's basic management policies "to put customers first, provide financial services that are closely attuned to customers' lives, earn the trust of society and meet its expectations and maintain a corporate culture that encourages our people to excel".

The Group's purpose as an organisation is defined as "**To bring finance closer to everyone. By committing to each and every person, we brighten up everyday lives with peace of mind and smiles.**"

To bring finance closer to everyone.

As the financial services business of the AEON Group, we provide convenient and easy-to-understand financial services by adopting a consumer perspective. We also promote financial education for all generations and bring financial mechanisms closer to everyone through financial inclusion that responds to diverse financing needs.

By committing to each and every person,

We commit sincerely with each consumer to provide financial services tailored to changing life stages and living environments. We also generate new value by cooperating with various business partners in local communities, including participating merchants and local authorities. Acting empathetically from a customer perspective is one of our core values.

we brighten up everyday lives with peace of mind and smiles.

As a financial institution supporting customers' everyday lives, we enrich their lives and help them to experience happiness. We respect our colleagues' diversity and value the environment and corporate culture that allow us to work with pride and a spirit of freedom and open-mindedness. Through these, we provide value by filling everyday lives with peace of mind and smiles and by brightening up their minds with uplifting feelings and excitement.

The core values derived from AEON Foundational Ideals, as evident in the Group's action, are:

- customer orientation
- integrity
- diversity
- innovation

The Board has played a proactive role in the development of effective and sustainable business strategy and in aligning the Group's evolving culture with the Group's purpose, values and strategy. All Directors are expected to (i) act with integrity; (ii) lead by example in a consistent and desirable manner; (iii) promote the desired culture and behaviour which instils and continually reinforces across the Group the values of acting lawfully, ethically and responsibly; and (iv) bring to life the corporate values in everyday work.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for securities transactions by Directors pursuant to its own Securities Dealing Code. Having made specific enquiries of all Directors, they confirmed that they have complied with the required standard set out in the Model Code/the Company's own Securities Dealing 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. Matters reserved for the Board are reviewed periodically to ensure that they remain relevant and appropriate to the Board and the Company.

Composition and Diversity

Composition:

As at the date of this report, the Board comprises nine Directors, consisting of three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. With effect from 1st March 2024, Mr. Tomoharu Fukayama ceased to be the Managing Director and Mr. Wei Aiguo succeeded him as the Managing Director. 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 71 to 72 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.

The Board has a balanced mix of executive directors, non-executive directors and independent non-executive directors. Non-executive Directors are of sufficient calibre and number for their views to carry weight. There is thus a strong element of independence in the Board.

Diversity:

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 for the sustainable and balanced development of the Company. The Board Diversity Policy is subject to annual review to ensure its ongoing effectiveness and the last review was conducted in April 2023.

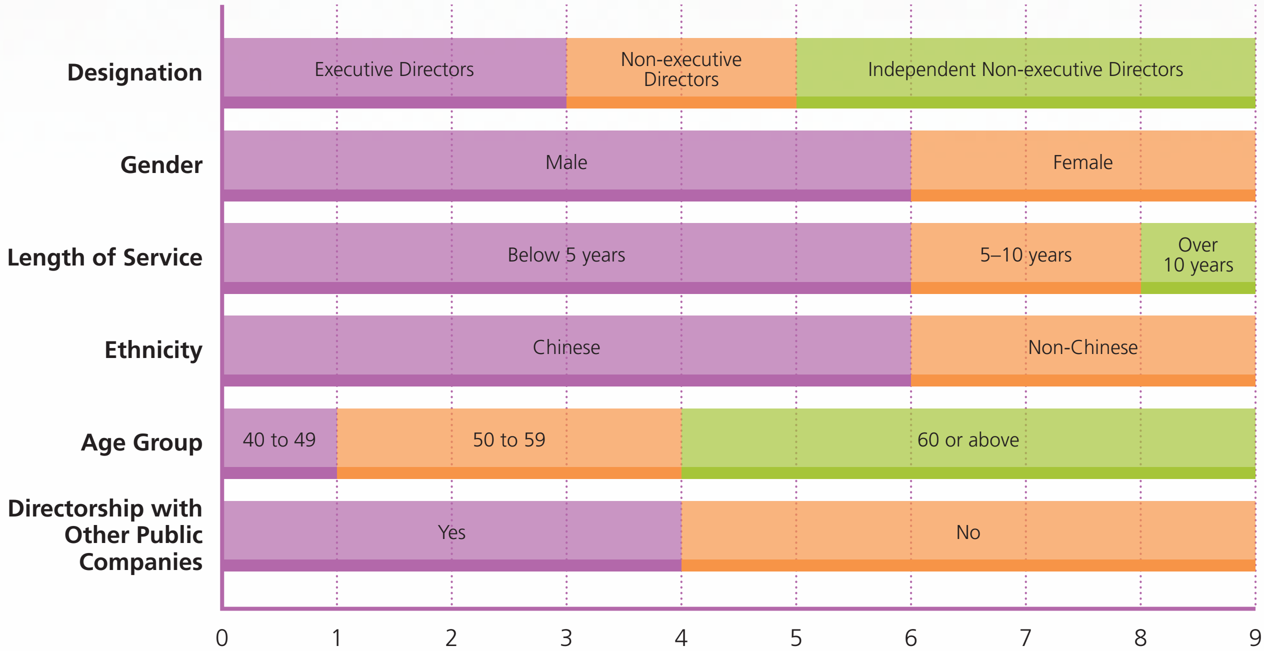
Pursuant to the Board Diversity Policy, (i) Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefit of diversity on the Board including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. (ii) Specifically with respect to gender diversity, both the Board and the Nomination Committee are committed to take opportunities that may arise to increase the ratio of female Board members towards greater gender parity (including without limitation building of a pool of potential successors to the Board that is adequately diverse), and seek to ensure that there is an appropriate level of gender diversity on the Board on an ongoing basis by reference to, among others, international and local recommended best practices. (iii) The Company currently targets to at least maintain the existing level of no less than 30% female representation on the Board.

During the year, the Nomination Committee has reviewed the structure, size, and diversity of the Board as well as the selection criteria for Non-executive Director candidate(s) and the Board Diversity Policy, to ensure that the Board's composition complies with the Main Board Listing Rules and reflects an appropriate mix of skills, experience, and diversity that are relevant to the Group's strategy, governance, and business and contribute to the Board's effectiveness and efficiency.

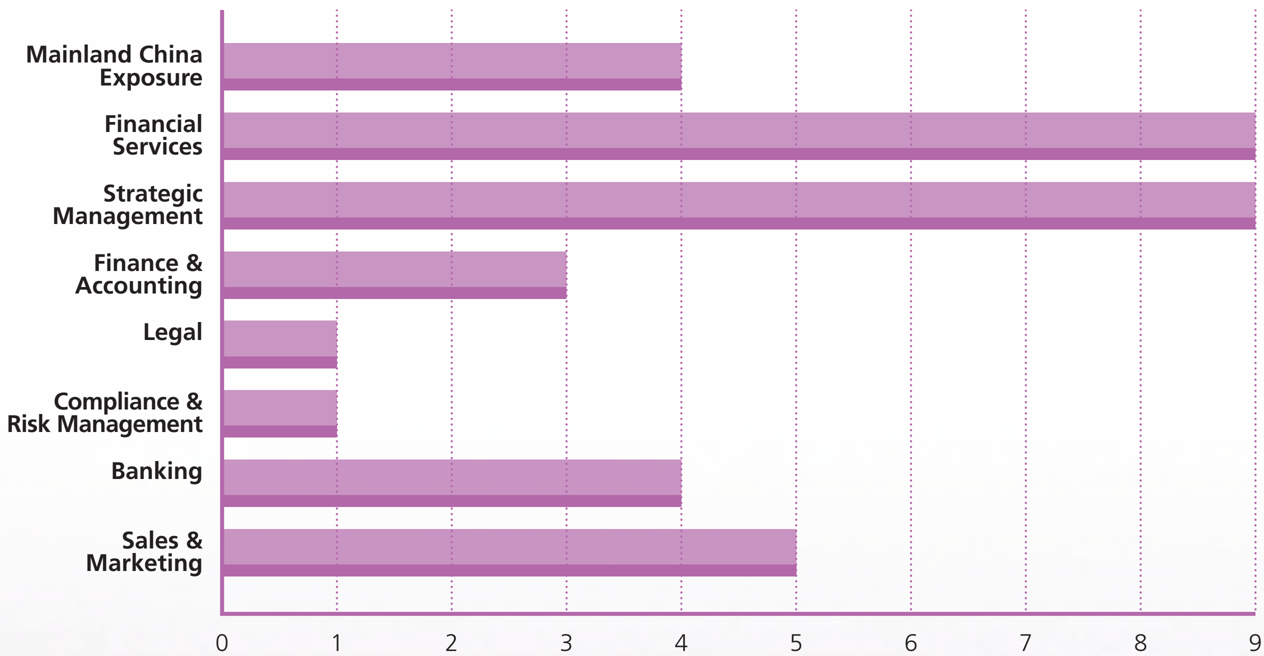
As at the date of this report, the Board consists of six male members and three female members, the female representation of the Board was around 33%, which is above the Board's current target of no less than 30% female representation on Board according to the Board Diversity Policy. Members of the Board come from diverse backgrounds and have a diverse range of business, financial services, banking and professional expertise and experience in such a way that (i) there is a balance of skills, experience and diversity of perspectives that is both adequate and appropriate to the requirements of the Company's business; and (ii) the mix facilitates the making of informed and critical decisions in providing leadership to the Company.

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.

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, including any dissenting views expressed, 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. All material matters or those involving a conflict of interest with a substantial shareholder or a director are dealt with by a physical board meeting with all disinterested Independent Non-executive Directors present, rather than a written resolution.

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

Independent Views and Input

The Company has established mechanisms to ensure independent views and input are available to the Board for enhancing an objective and effective decision making. The following mechanisms are subject to annual review by Board, including without limitation:

(a) Directors may, upon reasonable request to the Chairman or the Managing Director, seek independent professional advice in appropriate circumstances, at the Company's expense to assist them to perform their duties to the Company;

(b) each and every Director is given the opportunity to express his/her different views at Board meetings and to voice his/her concerns; and

(c) the Chairman holds meeting with the Independent Non-executive Directors without the presence of other directors at least annually.

During the year under review, there was a meeting between Mr. Tomoyuki Mitsufuji and all Independent Non-executive Directors held in November 2023 in the absence of the executive members of the Board.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her 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 all Independent Non-executive Directors on an annual basis. None of the Independent Non-executive Directors has served more than nine years during the year under review.

Attendance at Board Meetings

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

- approval of annual budgets and business plans;
- approval of the quarterly, half-yearly and annual results;
- approval of the annual and interim reports;
- approval of proposals for final and interim dividends;
- appointments to boards of subsidiaries;
- approval of the reappointment of external auditor;
- approval of the appointment of the Director;
- approval of the Directors' fees of the Independent Non-executive Directors;
- approval of the establishment of the Strategy Committee with its own written terms of reference;
- approval of significant capital investments;
- approval of the capital injection into a subsidiary;
- approval of continuing connected transactions;
- review of financial and business performance;
- review of Risk Management Committee reports;
- review of Compliance Committee reports;
- review of Executive Committee reports;
- review of internal audit reports; and
- recommendation on the re-election of Directors.

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

Directors	Attendance/ No. of Meetings
Executive Directors	
Wei Aiguo *(Managing Director)*[1]	12/12
Lai Yuk Kwong *(Deputy Managing Director)*	12/12
Tomoharu Fukayama[2]	12/12
Daisuke Takenaka[3]	3/3
Non-executive Directors	
Tomoyuki Mitsufuji *(Chairman)*	12/12
Jin Huashu	12/12
Independent Non-executive Directors	
Lee Ching Ming Adrian	12/12
Shing Mo Han Yvonne	12/12
Junko Dochi	12/12
Choi Ping Chung[4]	8/8

1 Appointed as the Managing Director on 1st March 2024
2 Ceased to be the Managing Director on 1st March 2024
3 Retired on 29th June 2023
4 Appointed on 29th June 2023

Directors' Training

Every newly appointed Director will receive a comprehensive, formal and tailored induction on appointment. Subsequently, they shall receive any briefing and professional development as necessary to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the statute and common law, the Listing Rules, other regulatory and supervisory 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. The Company Secretary continuously updates the 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, a training session was arranged for all Directors on the Hong Kong Stock Exchange's latest climate-related disclosure requirements. On the operations front, in-house compliance training covering the topics of information security, PCI DSS, AML and CTF, prevention of bribery and corruption and equal opportunities at workplace 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. All Directors had provided the Company Secretary with their training records for the year under review.

During the year ended 29th February 2024, the Directors received training on the following key areas:

Directors	Corporate Governance	Legal/ Regulatory Updates	Business/ Financial/ Management
Executive Directors			
Wei Aiguo	✓	✓	✓
Lai Yuk Kwong	✓	✓	✓
Tomoharu Fukayama	✓	✓	✓
Non-executive Directors			
Tomoyuki Mitsufuji	✓	✓	✓
Jin Huashu	✓	✓	✓
Independent Non-executive Directors			
Lee Ching Ming Adrian	✓	✓	✓
Shing Mo Han Yvonne	✓	✓	✓
Junko Dochi	✓	✓	✓
Choi Ping Chung	✓	✓	✓

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Tomoyuki Mitsufuji and the Managing Director is Mr. Wei Aiguo. 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 29th June 2023, the Board approved the appointment of Mr. Choi Ping Chung as an Independent Non-executive Director. Mr. Choi Ping Chung will retire at the 2024 AGM in accordance with the Articles and shall be eligible for re-election.

BOARD COMMITTEES

The Strategy Committee has been established on 29th June 2023. Currently, the Board has four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy 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, while the terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are also available on the Stock Exchange's website.

Audit Committee

The Audit Committee comprises one Non-executive Director and two Independent Non-executive Directors. The Audit Committee is chaired by Ms. Shing Mo Han Yvonne. The other members are Mr. Tomoyuki Mitsufuji and Ms. Junko Dochi. 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 2024, and three meetings were attended by the external auditor. The major work performed by the Audit Committee in 2023/24 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;
- approved the policy on engagement of external auditor for provision of non-audit services;
- reviewed and approved the engagement and remuneration of external auditors 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
Shing Mo Han Yvonne *(Chairman)*	4/4
Tomoyuki Mitsufuji	4/4
Junko Dochi	4/4
Lee Ching Ming Adrian*	2/2

* Ceased to be a member on 29th June 2023

Nomination Committee

The Nomination Committee comprises one Non-executive Director and two Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Tomoyuki Mitsufuji. The other members are Ms. Junko Dochi and Mr. Choi Ping Chung.

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 Board Diversity Policy and Nomination Policy;
- identifying and nominating qualified individuals for appointment to the Board;
- 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:

- reputation for integrity;
- accomplishment in terms of qualifications and experience in industries and/or professions relevant to the Company and its businesses;
- ability to meaningfully contribute to the Board and the Company's success;
- willingness and ability to devote adequate time to discharge his/her duties as a member of the Board and/or Board committees, notably the time for preparation and participation in meetings, training programmes and other associated activities;
- diversity including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- in the case of an independent non-executive director, fulfilment of the independence criteria as prescribed under the Listing Rules; 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 2024 and the major work performed by the Nomination Committee in 2023/24 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;
- reviewed the implementation and effectiveness of the Board Diversity Policy;
- made recommendation to the Board on the re-election of Directors at the 2023 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 Meeting**
Tomoyuki Mitsufuji *(Chairman)*	1/1
Lee Ching Ming Adrian[1]	1/1
Junko Dochi	1/1
Choi Ping Chung[2]	N/A

1 Ceased to be a member on 29th June 2023
2 Appointed on 29th June 2023

Remuneration Committee

The Remuneration Committee comprises one Non-executive Director and two Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lee Ching Ming Adrian. The other members are Mr. Tomoyuki Mitsufuji and Ms. Shing Mo Han Yvonne.

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, and none of the Independent Non-executive Directors are entitled to equity-based remuneration with performance-related elements. 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 2024, 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 Meetings
Lee Ching Ming Adrian *(Chairman)*	1/1
Tomoyuki Mitsufuji	1/1
Shing Mo Han Yvonne	1/1

Strategy Committee

Primarily to assist the Board in creating greater value to the stakeholders of the Group through (i) more informed medium and long-term strategic planning and development; and (ii) more systematic review, evaluation and supervision of the implementation of strategic plans, with effect from 29 June 2023, the Board has established the Strategy Committee as an additional Board committee with its own written terms of reference. The Strategy Committee meets at least twice a year.

The Strategy Committee comprises one Executive Director and two Independent Non-executive Directors. The Strategy Committee is chaired by Mr. Choi Ping Chung. The other members are Mr. Tomoharu Fukayama and Mr. Lee Ching Ming Adrian.

The duties of the Strategy Committee include:

- reviewing and making recommendations on the medium and long-term strategic planning and development of the Group, taking into account a range of viable alternatives and their respective limitations, downsides and risks involved;
- making recommendations on plans and matters to be approved by the Board that have significant strategic implications, including without limitation:
  - market entry and exit, in terms such as geographical locations, sectors and/or industries;
  - introduction of lines of business, as well as their major expansion or withdrawal;
  - changes relating to control and capital structure;
  - major acquisition and disposal of equity stakes and/or assets; and
  - major investment projects and financing arrangements; and
- overseeing the formulation of the Group's strategic plans and to review, evaluate and supervise their implementation.

The Strategy Committee held one meeting for the year ended 29th February 2024, in which it reviewed and evaluated the Group's medium-term business plan and sustainability strategy, and assessed the feasibility of the new products.

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

Members	Attendance/ No. of Meeting
Choi Ping Chung *(Chairman)*	1/1
Tomoharu Fukayama	1/1
Lee Ching Ming Adrian	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of significant risks (including ESG risks) it is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviews 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 fraud of failure in operating systems or in the 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 Group's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting. 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, market, liquidity, insurance underwriting, operational (process, system, human, tangible asset, reputational), legal and compliance risks. There are risk management policies, regulations and guidelines issued for operating units to identify, assess, 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:
  - First line of defence consists of all operating units;
  - Second line of defence consists of the Risk Management Department and the Risk Management Committee; and
  - Third 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 predict potential risks and negative impact to the business and to ensure effective controls are in place in the operating units.
- Significant risk events, material losses and internal control weaknesses are reported at the Risk Management Committee meetings.
- The Risk Management Committee has the responsibility to oversee the enterprise risk management framework which included internal controls as a key element to access and monitor risks.
- 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, Department Heads and Head of Risk Management Department. The Head of Internal Audit Department and other relevant management are regularly invited to attend the monthly meetings of the Risk Management Committee.
- Members of the Risk Management Committee are responsible for ensuring the effectiveness of implementations and adequacy of the enterprise risk management framework and ensuring that 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.

A review of the effectiveness of the Group's internal control system covering all material controls, including financial, operational, compliance, and risk management controls, is conducted annually against elements such as control environment, risk assessment, control activities, information and communication, and monitoring. 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 considers that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy and Anti-Corruption 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 those who deal with the Company (e.g. customers, business partners and suppliers) to raise concerns, in confidence and anonymity at their election, about possible improprieties. Designated email accounts, hotlines and other channels 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. All whistleblowing cases will be reported to the chairman and members of Audit Committee.

To uphold the Group's zero tolerance towards all forms of corruption, bribery and extortion and to provide guidance to employees on how to avoid corruption, bribery and extortion in the course of their work, the Company also adopts the Code of Business Ethics which reflects the Company's stance and policies against corruption, and sets out the basic standard of conduct expected of all employees, the Company's policies on acceptance of advantages and entertainment, and declaration of conflict of interest by employees in connection with their positions or official duties.

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 processes and operations 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 functionally to the Audit Committee and administratively to the senior management. 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.

DIVERSITY AT WORKFORCE LEVEL

The gender ratio in the workforce of the Group in Hong Kong, including senior management as of 29th February 2024 is set out below:

	As of 29th February 2024	
	Number of employees	Percentage of total number of employees
Overall (including senior management)		
— Male	189	49%
— Female	194	51%
Back office staff/branch staff		
— Male	132/57	52%/45%
— Female	123/71	48%/55%

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of both male and female candidates are given equal opportunities to be considered for employment. Opportunities for training, promotion and other career development are equally opened to all eligible employees without discrimination on gender or other unlawful grounds. Currently, the male to female ratio in the workforce of the Group including senior management (both overall and back office/branch) is very close to 50%. The Company considers that the gender diversity in workforce is currently achieved.

During the year under review, the Board was not aware of any factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

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 preparing the 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 2024, 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 101 to 104 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 2023 AGM until the conclusion of the 2024 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$3.89 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	55
Interim review	165
Connected party transaction	100
Preliminary results announcement	20
J-SOX annual compliance review	640
Annual compliance review-insurance brokerage	22
Tax retainer service	38
Assessment reports for the Multiple Credit Reference Agencies (MCRA) member on boarding	120
Total	1,160

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 his skills and knowledge.

CONSTITUTIONAL DOCUMENTS

During the year ended 29th February 2024, 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 has established various communication channels with its shareholders and investors which set out in the Shareholder Communication Policy of the Company. These include the annual general meeting, the annual and interim reports, notices, announcements, circulars, the Company's website and meetings with investors and analysts.

During the year under review, the Company has reviewed the implementation and effectiveness of the Shareholder Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholder Communication Policy has been properly implemented and is effective.

Engagement with Shareholders and Investors

Annual General Meeting:

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, Company Secretary 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 2023 AGM was held on Thursday, 29th June 2023 in the form of a hybrid meeting, which gave the shareholders the option to participate and vote physically on-site or virtually in real time. The notice of the 2023 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 2023 AGM. All Board members, including the Chairman of the Board, together with the Company Secretary and the external auditor attended the 2023 AGM. The Company Secretary explained the poll voting procedures at the 2023 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2023 AGM. All the resolutions at the 2023 AGM were dealt with by poll and were verified by an independent scrutineer. The poll results of the 2023 AGM are available on the Company's website and the Stock Exchange's website.

The attendance record of each Director at the 2023 AGM is set out below:

Directors	Attendance/ No. of Meeting
Executive Directors	
Wei Aiguo *(Managing Director)*[1]	1/1
Lai Yuk Kwong *(Deputy Managing Director)*	1/1
Tomoharu Fukayama[2]	1/1
Daisuke Takenaka[3]	1/1
Non-executive Directors	
Tomoyuki Mitsufuji *(Chairman)*	1/1
Jin Huashu	1/1
Independent Non-executive Directors	
Lee Ching Ming Adrian	1/1
Shing Mo Han Yvonne	1/1
Junko Dochi	1/1
Choi Ping Chung[4]	N/A

1 Appointed as the Managing Director on 1st March 2024
2 Ceased to be the Managing Director on 1st March 2024
3 Retired on 29th June 2023
4 Appointed on 29th June 2023

Media and Investor and Analyst Briefings

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. Media, investors and analysts will be briefed and given an opportunity to ask questions of the Executive Directors. During the year under review, two virtual media and investor conferences were held in April and September 2023. Summaries of the questions and feedback from press, investors and analysts were communicated to Board.

Reports and Announcements

The Annual Report and Interim Report which contain key financial information about the Company are available on the Company's website under the section 'Investor Relations'. For the sake of transparency and to provide investors and shareholders with more up-to-date information on the Company's financial performance, the Group has also been announcing its quarterly results in addition to its annual and interim results within the prescribed deadline, as laid down in the Listing Rules. All information (including financial statements, results announcements, circulars, notices of general meetings, proxy forms and related explanatory documents etc.) submitted by the Company to the Stock Exchange for publication on the Stock Exchange's website will also be posted on the Company's website immediately thereafter in accordance with the requirements of the Listing Rules.

Shareholding Enquiries
Shareholders may direct their questions about their shareholdings to the Company's Share Registrar, Tricor Secretaries Limited.

The market capitalization of the Company as at 29th February 2024 was HK$2,282 million (issued share capital: 418,766,000 shares at closing market price: HK$5.45 per share).

The 2024 AGM will be held at 20/F, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 26th June 2024 at 10:00 a.m.

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 92 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 the annual report and the audited consolidated financial statements for the year ended 29th February 2024.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of consumer credit finance services, which include the issuance of credit cards and the provision of personal loan financing, 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 8 to 23 of the annual report. Additionally, financial risk management objectives and policies of the Group can be found in note 39 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 is Key Highlights and Five Years Financial Summary on pages 4 to 7 of the annual report, in the Management Discussion and Analysis on pages 8 to 23 of the annual report and in notes 5 and 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 significant impact, are covered in the Corporate Sustainability Report on pages 24 to 70.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year ended 29th February 2024.

NET DEBT TO EQUITY RATIO

At 29th February 2024, the net debt to equity ratio was 0.7 (28th February 2023: 0.4), with the basis on which it is computed as set out in note 38 to the consolidated financial statements.

RESERVES

Distributable reserves of the Company amounted to HK$3,698,976,000 at 29th February 2024 (28th February 2023: HK$3,491,388,000).

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 29th February 2024 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 105 to 186.

An interim dividend of 24.0 HK cents per share (2023: interim dividend of 22.0 HK cents per share) amounting to HK$100,504,000 (2023: HK$92,128,000) was paid to the shareholders during the year. The Directors have recommended the payment of a final dividend of 24.0 HK cents per share (2023: 22.0 HK cents per share) in respect of the current year to the shareholders on the register of members on 9th July 2024 amounting to HK$100,504,000 (2023: 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 2024 and up to the date of this report were:

Executive Directors:

Wei Aiguo *(Managing Director)*	*(appointed as the Managing Director on 1st March 2024)*
Lai Yuk Kwong *(Deputy Managing Director)*	
Tomoharu Fukayama	*(ceased to be the Managing Director on 1st March 2024)*
Daisuke Takenaka	*(retired on 29th June 2023)*

Non-executive Directors:

Tomoyuki Mitsufuji *(Chairman)*
Jin Huashu

Independent Non-executive Directors:

Lee Ching Ming Adrian	
Shing Mo Han Yvonne	
Junko Dochi	
Choi Ping Chung	*(appointed on 29th June 2023)*

In accordance with Article 106 of the Articles, all Directors shall retire at the 2024 AGM and shall be eligible for re-election. All nine retiring Directors will offer themselves for re-election at the 2024 AGM. With the exception of Mr. Tomoyuki Mitsufuji and Mr. Tomoharu Fukayama who will not stand for re-election, the other seven retiring Directors will offer themselves for re-election at the 2024 AGM.

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

Tomoyuki Kawahara
Hiroko Takahashi
Yasushi Ogusu *(resigned on 27th June 2023)*

AEON Micro Finance (Shenzhen) Co., Ltd.

Tomoharu Fukayama
Jin Huashu
Shinnosuke Aragane

AEON Information Service (Shenzhen) Co., Ltd.

Tomoharu Fukayama
Hiroko Takahashi
Wei Aiguo

DIRECTORS' SERVICE CONTRACTS

No Director eligible for re-election at the 2024 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 2024, 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
Tomoharu Fukayama	100,000	0.02
Lai Yuk Kwong	20,000	0.01

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

Director	Number of shares held under personal interests	Percentage of the issued share capital of AFS
Tomoyuki Mitsufuji	4,642	0.01
Tomoharu Fukayama	8,112	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 2024.

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 that 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 2024, 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	286,088,000	68.32
AFS *(Note 2)*	Interest of a controlled corporation	226,314,000	54.04
AFS (HK) *(Note 3)*	Beneficial owner	226,314,000	54.04
FMR LLC	Interests of controlled corporations	37,630,568	8.99

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 48.20% 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 226,314,000 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 226,314,000 shares owned by AFS (HK).

3. Out of 226,314,000 shares, 213,114,000 shares were held by AFS (HK) and 8,250,000 shares and 4,950,000 shares were held by the Hongkong and Shanghai Banking Corporation Limited and Everbright Securities Investment Services (HK) Limited respectively, both 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 2024.

CONTINUING CONNECTED TRANSACTIONS

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

(a) (i) Pursuant to master agreements dated 3rd April 2020 and 1st February 2023 entered into between the Company and AEON Stores, the Company would receive commission from AEON Stores in respect of purchases made by customers using credit purchase facilities, card instalment facilities, and payment solutions provided by the Company ("On-us Commission Transactions").

The total amount received and receivable by the Company from AEON Stores for On-us Commission Transactions for the year ended 29th February 2024 was HK$10,787,000, of which HK$3,466,000 is classified as interest income under HKFRS 9.

(ii) Pursuant to a card acquiring merchant agreement dated 30th June 2021 entered into between the Company and AEON Stores, the Company would receive commission from AEON Stores in respect of purchases made by customers using credit or debit cards of brands issued by financial institutions other than the Company ("Off-us Acquiring Transactions").

The total amount received and receivable by the Company from AEON Stores for Off-us Acquiring Transactions for the year ended 29th February 2024 amounted to HK$14,495,000.

The aggregate amount received and receivable by the Company from AEON Stores for both On-us Commission Transactions and Off-us Acquiring Transactions for the year ended 29th February 2024 were HK$25,282,000, which did not exceed the aggregated caps of HK$36,900,000 as disclosed in the Company's announcement dated 1st February 2023.

(b) Pursuant to a master agreement-gift certificate dated 22nd February 2022 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 2024 amounted to HK$15,644,000, which did not exceed the cap of HK$16,500,000 as disclosed in the Company's announcement dated 22nd February 2022.

(c) Pursuant to a master service agreement dated 25th February 2022 entered into between the Company and AFS, the Company would pay service fees to AFS for the provision of IT-related services.

The total amount of service fees paid by the Company to AFS for the year ended 29th February 2024 amounted to HK$6,538,000 which did not exceed the cap of HK$9,000,000 as disclosed in the Company's announcement dated 25th February 2022.

(d) Pursuant to a business advisory service agreement dated 28th February 2023 entered into between the Company and AFS, the Company would pay an advisory fee to AFS for the provision of consultation and advisory services.

The total amount of advisory fee paid and payable by the Company to AFS for the year ended 29th February 2024 amounted to HK$9,671,000, which did not exceed the cap of HK$13,700,000 as disclosed in the Company's announcement dated 28th February 2023.

(e) Pursuant to a licence agreement dated 25th March 2022 ("KH Licence Agreement") entered into between the Company and AEON Stores, the Company would pay a fixed monthly licence fee, rates, management fees and utility charges to AEON Stores for the lease of premises insides AEON Stores as a branch office of the Company for a further term of one year from 1st April 2022.

The total amount of rates, management fees and utility charges paid by the Company to AEON Stores for the period from 1st March 2023 to 31st March 2023 amounted to HK$25,000, which did not exceed the cap of HK$28,000 as disclosed in the Company's announcement dated 25th March 2022.

(f) Pursuant to a licence agreement dated 28th February 2024 ("TM Licence Agreement") entered into between the Company and AEON Stores, the Company would pay a fixed monthly licence fee, rates, management fees and utility charges to AEON Stores for the lease of premises insides AEON Stores as a branch office of the Company for a further term of one year from 28th February 2024. The cost of the right-of-use asset recognised by the Company for the lease of the premises under TM Licence Agreement amounted to HK$3,300,000 at 28th February 2024.

The total amount of rates, management fees and utility charges paid by the Company to AEON Stores for the year ended 29th February 2024 amounted to HK$393,000 and HK$2,000, which did not exceed the respective caps of HK500,000 and HK$10,000 as disclosed in the Company's announcements dated 28th February 2023 and 28th February 2024.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the transactions in (a) to (f) 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 44 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 and any other requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

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. Directors and officers liability insurance has been arranged to indemnify the Directors.

EQUITY-LINKED AGREEMENTS

For the year ended 29th February 2024, 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$2,136,000.

SUFFICIENCY OF PUBLIC FLOAT

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 under the Listing Rules as at 29th February 2024 and the date of this report.

AUDITOR

The financial statements for the year ended 29th February 2024 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the 2024 AGM to reappoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wei Aiguo
Managing Director

Hong Kong, 5th April 2024

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 105 to 186, which comprise the consolidated statement of financial position as at 29th February 2024, 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 material accounting policy information and other explanatory information.

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 2024, 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 22 to the consolidated financial statements, advances and receivables are unsecured and the carrying amount of advances and receivables was approximately HK$6,713,768,000 as at 29th February 2024, representing approximately 89% of the Group's total assets. As explained in note 23 to the consolidated financial statements, the balance of impairment allowances is approximately HK$247,091,000 as at 29th February 2024, of which approximately HK$373,972,000 has been charged to the consolidated statement of profit or loss during the year ended 29th February 2024. 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; and (iii) 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 or collectively using a provision matrix based on internal credit rating.	Our procedures in relation to impairment assessment of 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 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 on a sampling basis.

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.

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

- 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.

- 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, actions taken to eliminate threats or safeguards applied.

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 Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5th April 2024

Consolidated Statement of Profit or Loss

For the year ended 29th February 2024

	NOTES	2024 HK$'000	2023 HK$'000
Revenue	5	**1,623,321**	1,231,631
Interest income	7	**1,367,362**	1,032,133
Interest expense	8	**(108,463)**	(44,128)
Net interest income		**1,258,899**	988,005
Fees and commissions		**129,168**	131,714
Handling and late charges		**126,791**	67,784
Other income	9	**15,205**	26,120
Other gains and losses	10	**(9,097)**	(9,463)
Operating income		**1,520,966**	1,204,160
Operating expenses	11	**(713,024)**	(647,484)
Operating profit before impairment losses and impairment allowances		**807,942**	556,676
Impairment losses and impairment allowances		**(373,972)**	(172,649)
Recoveries of advances and receivables written-off		**26,491**	33,334
Gain on disposal of distressed assets	13	**12,067**	31,933
Profit before tax		**472,528**	449,294
Income tax expense	14	**(80,258)**	(75,683)
Profit for the year		**392,270**	373,611
Profit for the year attributable to:			
Owners of the Company		**392,270**	373,611
Earnings per share – Basic	16	**93.67 HK cents**	89.22 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 29th February 2024

	2024 **HK$'000**	2023 HK$'000
Profit for the year	**392,270**	373,611
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Fair value (loss) gain on equity instruments at FVTOCI	**(4,490)**	26,056
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**(4,855)**	(17,787)
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	8,772
Fair value adjustment on cash flow hedges, net of tax	**(22,994)**	12,052
Reclassification of fair value adjustments on cash flow hedges to profit or loss	**8,234**	40,470
Other comprehensive (expense) income for the year	**(24,105)**	69,563
Total comprehensive income for the year	**368,165**	443,174
Total comprehensive income for the year attributable to:		
Owners of the Company	**368,165**	443,174

Consolidated Statement of Financial Position

At 29th February 2024

	NOTES	29.2.2024 HK$'000	28.2.2023 HK$'000
Non-current assets			
Property, plant and equipment	17	**172,341**	84,584
Intangible assets	18	**31,133**	–
Right-of-use assets	19	**118,631**	43,077
Goodwill	20	**15,820**	15,820
Equity instruments at fair value through other comprehensive income	21	**92,644**	97,133
Advances and receivables	22	**1,512,414**	1,239,940
Prepayments, deposits and other debtors	24	**35,782**	64,282
Derivative financial instruments	34	**23,628**	34,768
Deferred tax assets	35	**5,454**	10,183
		2,007,847	1,589,787
Current assets			
Advances and receivables	22	**5,201,354**	4,404,568
Prepayments, deposits and other debtors	24	**78,691**	67,009
Amount due from immediate holding company	31	**1**	1
Amount due from an intermediate holding company	31	**31**	32
Amount due from ultimate holding company	31	**–**	9
Derivative financial instruments	34	**–**	878
Time deposits	25	**15,319**	13,073
Bank balances and cash	27	**257,989**	382,323
		5,553,385	4,867,893
Current liabilities			
Creditors and accruals	28	**261,832**	202,983
Contract liabilities	29	**21,554**	23,897
Amounts due to fellow subsidiaries	30	**17,872**	44,485
Amount due to an intermediate holding company	31	**4,722**	1,591
Borrowings from immediate holding company	32	**800,000**	–
Bank borrowings	32	**468,685**	789,977
Lease liabilities	33	**38,243**	34,392
Derivative financial instruments	34	**59,109**	–
Tax liabilities		**5,526**	93,507
		1,677,543	1,190,832
Net current assets		**3,875,842**	3,677,061
Total assets less current liabilities		**5,883,689**	5,266,848

Consolidated Statement of Financial Position

	NOTES	29.2.2024 HK$'000	28.2.2023 HK$'000
Capital and reserves			
Share capital	36	**269,477**	269,477
Reserves	37	**3,798,516**	3,622,983
Total equity		**4,067,993**	3,892,460
Non-current liabilities			
Bank borrowings	32	**1,709,571**	1,317,698
Deferred tax liabilities	35	**88**	–
Lease liabilities	33	**84,097**	8,307
Derivative financial instruments	34	**21,940**	48,383
		1,815,696	1,374,388
		5,883,689	5,266,848

The consolidated financial statements on pages 105 to 186 were approved and authorised for issue by the Board on 5th April 2024 and are signed on its behalf by:

WEI AIGUO
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 29th February 2024

	Share capital HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1st March 2022	269,477	47,255	(2,180)	(2,598)	3,321,588	3,633,542
Profit for the year	–	–	–	–	373,611	373,611
Fair value gain on equity instruments at FVTOCI	–	26,056	–	–	–	26,056
Exchange difference arising from translation of foreign operations	–	–	–	(17,787)	–	(17,787)
Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	–	–	–	8,772	–	8,772
Fair value adjustment on cash flow hedges, net of tax	–	–	12,052	–	–	12,052
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	–	40,470	–	–	40,470
Total comprehensive income (expense) for the year	–	26,056	52,522	(9,015)	373,611	443,174
Final dividend paid for 2021/22	–	–	–	–	(92,128)	(92,128)
Interim dividend paid for 2022/23	–	–	–	–	(92,128)	(92,128)
	–	26,056	52,522	(9,015)	189,355	258,918
At 28th February 2023	**269,477**	**73,311**	**50,342**	**(11,613)**	**3,510,943**	**3,892,460**
Profit for the year	**–**	**–**	**–**	**–**	**392,270**	**392,270**
Fair value loss on equity instruments at FVTOCI	**–**	**(4,490)**	**–**	**–**	**–**	**(4,490)**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**(4,855)**	**–**	**(4,855)**
Fair value adjustment on cash flow hedges, net of tax	**–**	**–**	**(22,994)**	**–**	**–**	**(22,994)**
Reclassification of fair value adjustments on cash flow hedges to profit or loss	**–**	**–**	**8,234**	**–**	**–**	**8,234**
Total comprehensive (expense) income for the year	**–**	**(4,490)**	**(14,760)**	**(4,855)**	**392,270**	**368,165**
Final dividend paid for 2022/23	**–**	**–**	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2023/24	**–**	**–**	**–**	**–**	**(100,504)**	**(100,504)**
	–	**(4,490)**	**(14,760)**	**(4,855)**	**199,638**	**175,533**
At 29th February 2024	**269,477**	**68,821**	**35,582**	**(16,468)**	**3,710,581**	**4,067,993**

Consolidated Statement of Cash Flows

For the year ended 29th February 2024

	2024 ***HK$'000***	2023 *HK$'000*
Operating activities		
Profit before tax	**472,528**	449,294
Adjustments for:		
Exchange loss on reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	8,772
Amortisation of upfront cost of bank borrowings	**474**	474
Depreciation on property, plant and equipment	**37,491**	28,918
Amortisation on intangible assets	**5,537**	–
Depreciation on right-of-use assets	**57,419**	53,921
Dividends received from financial instruments	**(641)**	(902)
Impairment losses and impairment allowances recognised in respect of advances and receivables	**373,972**	172,649
Interest expense	**108,463**	44,128
Interest income	**(1,367,362)**	(1,032,133)
Losses on disposal of property, plant and equipment	**9,441**	1,085
Gain on termination of lease contracts	**(9)**	–
Operating cash flows before movements in working capital	**(302,687)**	(273,794)
Increase in advances and receivables	**(1,347,823)**	(1,704,662)
(Increase) decrease in prepayments, deposits and other debtors	**(15,791)**	2,257
Decrease (increase) in amount due from ultimate holding company	**9**	(9)
Decrease in amount due from immediate holding company	**–**	1
Decrease in amount due from an intermediate holding company	**–**	12
Increase in creditors and accruals	**43,121**	18,780
(Decrease) increase in contract liabilities	**(2,343)**	5,287
Decrease in amounts due to fellow subsidiaries	**(26,609)**	(13,085)
Increase in amount due to an intermediate holding company	**3,131**	316
Cash used in operations	**(1,648,992)**	(1,964,897)
Tax paid	**(156,050)**	(14,321)
Interest paid	**(99,617)**	(42,032)
Interest received	**1,267,262**	1,005,465
Net cash used in operating activities	**(637,397)**	(1,015,785)

	2024 HK$'000	2023 HK$'000
Investing activities		
Dividends received	**641**	902
Proceeds from disposal of property, plant and equipment	**11**	2
Purchase of property, plant and equipment	**(69,063)**	(13,916)
Purchase of intangible assets	**(36,670)**	–
Deposits paid for acquisition of property, plant and equipment	**(21,476)**	(43,011)
Deposits paid for acquisition of intangible assets	**(850)**	–
Placement of time deposits with maturity of more than three months	**(1,650)**	(70,986)
Release of time deposits with maturity of more than three months	**7,858**	117,864
Net cash used in investing activities	**(121,199)**	(9,145)
Financing activities		
Repayment of lease liabilities	**(53,033)**	(51,993)
Interest paid of lease liabilities	**(4,255)**	(1,435)
Dividends paid	**(192,632)**	(184,256)
New borrowings from immediate holding company raised	**1,650,000**	–
Repayment of borrowings from immediate holding company	**(850,000)**	–
New bank loans raised	**7,748,556**	10,182,119
Repayment of bank loans	**(7,654,151)**	(9,117,017)
Net cash from financing activities	**644,485**	827,418
Net decrease in cash and cash equivalents	**(114,111)**	(197,512)
Effect of changes in exchange rate	**(1,738)**	(3,944)
Cash and cash equivalents at beginning of the year	**387,507**	588,963
Cash and cash equivalents at end of the year	**271,658**	387,507
Being:		
Time deposits with maturity of three months or less	**13,669**	5,184
Bank balances and cash	**257,989**	382,323
	271,658	387,507

Notes to the Consolidated Financial Statements

For the year ended 29th February 2024

1. GENERAL INFORMATION

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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1st March 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implication of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in note 43, the Group has two operating entities in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1st May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (Cont'd)

New and amendments to HKFRSs that are mandatorily effective for the current year (Cont'd)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implication of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong (Cont'd)

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefit arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The application of the HKICPA guidance has had no material impact on the Group's consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined
[2] Effective for annual periods beginning on or after 1st January 2024
[3] Effective for annual periods beginning on or after 1st January 2025

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

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (Cont'd)

Amendments to HKFRSs in issue but not yet effective (Cont'd)

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

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*; and

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1st January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1st January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 29th February 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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.

3.2 Material accounting policies information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in notes 5 and 29.

Leases

Definition of a lease

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 on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Leases (Cont'd)

The Group as a lessee

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 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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* 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; or
- 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Leases (Cont'd)

The Group as a lessee (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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

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.

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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Employee benefits (Cont'd)

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the current and defend income tax expense.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Taxation (Cont'd)

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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.

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 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

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.

Intangible assets

Intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated allowance for impairment losses.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets 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, intangible assets 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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Impairment on property, plant and equipment, intangible assets and right-of-use assets (Cont'd)

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.

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 *Revenue from Contracts with Customers*. 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

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 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*.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

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 and unused credit card limit

The Group performs impairment assessment under ECL model on financial assets (including advances and receivables, other debtors, amounts due from immediate holding company, an intermediate holding company and ultimate holding company, time deposits and bank balances) and unused credit card limit which are subject to impairment assessment under HKFRS 9. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and unused credit card limit (Cont'd)

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 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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and unused credit card limit (Cont'd)

(i) Significant increase in credit risk (Cont'd)

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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets and unused credit card limit (Cont'd)

(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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on advances and receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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 to 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (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 investment 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, borrowings from immediate holding company, creditors, amounts due to fellow subsidiaries and an intermediate holding company, are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

Hedge accounting (Cont'd)

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.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES INFORMATION (Cont'd)

3.2 Material accounting policies information (Cont'd)

Financial instruments (Cont'd)

Hedge accounting (Cont'd)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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.

Insurance broking debtors and creditors

As an insurance broker, the Group act as an intermediary for various insurers in placing the insurable risks of their clients with such insurers. Under these terms of business the Group is generally not liable as principal for the amounts that its clients owe to the insurer as they enter in an insurance contract with the insurer and become its policyholders. Accordingly, receivables arising from policyholders are not included as assets of the Group. The receivable from the insurer for fees and commissions earned on the transaction continues to be recognised within insurance broking debtors. In the event that the insurer has delegated to the Group the collection of premiums or the payment of claims to the policyholders, the Group recognises the cash received in segregated bank balances with a corresponding liability for amounts due to the insurer or the policyholder when cash is received in deposit from the policyholder or the insurer respectively. These financial liabilities are classified in the consolidated statement of financial position as insurance broking creditors.

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 22 to 23.

Fair value measurement of unlisted equity instruments

As at 29th February 2024, the Group's unlisted equity instruments amounting to HK$91,525,000 (2023: HK$95,464,000) are measured at fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 39(c) for further disclosures.

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:

	2024 ***HK$'000***	2023 *HK$'000*
Interest income *(note 7)*	**1,367,362**	1,032,133
Fees and commissions		
Credit cards — issuing	**58,112**	71,988
Credit cards — acquiring	**44,798**	33,187
Insurance	**26,258**	26,539
Handling and late charges	**126,791**	67,784
Revenue from contracts with customers	**255,959**	199,498
Total revenue	**1,623,321**	1,231,631

For the year ended 29th February 2024

	Credit cards ***HK$'000***	**Personal loans** ***HK$'000***	**Insurance** ***HK$'000***	**Total** ***HK$'000***
Interest income	**1,064,857**	**302,505**	**–**	**1,367,362**
Fees and commissions	**102,910**	**–**	**26,258**	**129,168**
Handling and late charges	**115,994**	**10,797**	**–**	**126,791**
Segment revenue	**1,283,761**	**313,302**	**26,258**	**1,623,321**

For the year ended 28th February 2023

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Total *HK$'000*
Interest income	793,663	238,470	–	1,032,133
Fees and commissions	105,175	–	26,539	131,714
Handling and late charges	64,544	3,240	–	67,784
Segment revenue	963,382	241,710	26,539	1,231,631

5. REVENUE (Cont'd)

(ii) Performance obligations for contracts with customers and revenue recognition policies

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. The promise to provide the award credit to the customer is therefore a separate performance obligation. The transaction price is allocated between the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

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 2024 and 28th February 2023 and the expected timing of recognising revenue are as follows:

Customer loyalty programmes	**2024** ***HK$'000***	2023 *HK$'000*
Within one year	**19,086**	18,523
More than one year but not more than two years	**2,468**	5,374
	21,554	23,897

The customer loyalty programmes have expiration of 2 years (2023: 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

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 dividend income, head office expenses and exchange loss on reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary. 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 goodwill, 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:

6. SEGMENT INFORMATION (Cont'd)

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

For the year ended 29th February 2024

	Credit cards *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**1,283,761**	**313,302**	**26,258**	**1,623,321**
RESULT				
Segment results	**420,953**	**40,922**	**11,594**	**473,469**
Unallocated operating income				**4,140**
Unallocated expenses				**(5,081)**
Profit before tax				**472,528**

For the year ended 28th February 2023

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
REVENUE	963,382	241,710	26,539	1,231,631
RESULT				
Segment results	337,636	99,712	20,737	458,085
Unallocated operating income				5,739
Unallocated expenses				(14,530)
Profit before tax				449,294

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 2024

	Credit cards *HK$'000*	**Personal loans** *HK$'000*	**Insurance** *HK$'000*	**Consolidated** *HK$'000*
ASSETS				
Segment assets	**5,713,037**	**1,721,406**	**12,871**	**7,447,314**
Unallocated assets				**113,918**
Consolidated total assets				**7,561,232**
LIABILITIES				
Segment liabilities	**2,844,840**	**642,437**	**348**	**3,487,625**
Unallocated liabilities				**5,614**
Consolidated total liabilities				**3,493,239**

At 28th February 2023

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	4,945,080	1,380,004	9,460	6,334,544
Unallocated assets				123,136
Consolidated total assets				6,457,680
LIABILITIES				
Segment liabilities	2,004,965	466,400	348	2,471,713
Unallocated liabilities				93,507
Consolidated total liabilities				2,565,220

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 2024

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
Additions to non-current assets *(Note)*	**208,683**	**52,618**	**–**	**261,301**
Depreciation and amortisation	**81,485**	**18,952**	**10**	**100,447**
Impairment losses and impairment allowances	**233,256**	**140,716**	**–**	**373,972**
Recoveries of advances and receivables written-off	**(15,669)**	**(10,822)**	**–**	**(26,491)**
Gain on disposal of distressed assets	**(9,315)**	**(2,752)**	**–**	**(12,067)**

For the year ended 28th February 2023

	Credit cards *HK$'000*	Personal loans *HK$'000*	Insurance *HK$'000*	Consolidated *HK$'000*
Additions to non-current assets *(Note)*	71,708	21,285	–	92,993
Depreciation	67,368	15,368	103	82,839
Impairment losses and impairment allowances	125,332	47,317	–	172,649
Recoveries of advances and receivables written-off	(22,506)	(10,828)	–	(33,334)
Gain on disposal of distressed assets	(19,334)	(12,599)	–	(31,933)

Note: Non-current assets exclude goodwill, 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 2024

	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Consolidated** *HK$'000*
REVENUE	**1,596,203**	**27,118**	**1,623,321**
RESULT			
Segment results	**468,433**	**5,036**	**473,469**
Unallocated operating income			**4,140**
Unallocated expenses			**(5,081)**
Profit before tax			**472,528**

For the year ended 28th February 2023

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated *HK$'000*
REVENUE	1,209,684	21,947	1,231,631
RESULT			
Segment results	454,533	3,552	458,085
Unallocated operating income			5,739
Unallocated expenses			(14,530)
Profit before tax			449,294

Most of the Group's non-current assets (excluding goodwill, 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 2024 and 28th February 2023, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. INTEREST INCOME

	2024 **HK$'000**	2023 HK$'000
Non-credit impaired advances	**1,349,612**	1,023,395
Credit impaired advances	**17,108**	7,426
Time deposits and bank balances	**642**	1,312
	1,367,362	1,032,133

8. INTEREST EXPENSE

	2024 **HK$'000**	2023 HK$'000
Interest on borrowings from immediate holding company	**25,221**	–
Interest on bank borrowings	**93,578**	44,138
Interest on lease liabilities	**4,255**	1,435
Net interest income on interest rate swap contracts		
— released from hedging reserve	**(14,591)**	(1,445)
	108,463	44,128

Amortisation of upfront cost of HK$474,000 (2023: HK$474,000) is included in the interest expense on bank borrowings.

9. OTHER INCOME

	2024 **HK$'000**	2023 HK$'000
Dividends received from financial instruments		
— Listed equity securities	**71**	89
— Unlisted equity securities	**570**	813
Government grants	**–**	2,496
Marketing support fund	**11,066**	20,481
Others	**3,498**	2,241
	15,205	26,120

10. OTHER GAINS AND LOSSES

	2024 **HK$'000**	2023 HK$'000
Exchange (loss) gain		
— Exchange loss on hedging instrument released from hedging reserve	**(22,825)**	(41,915)
— Exchange gain on a bank borrowings	**22,825**	41,915
— Reclassification adjustment for the cumulative exchange differences upon de-registration of a foreign subsidiary	**–**	(8,772)
— Other exchange losses, net	**(69)**	(10)
Hedge ineffectiveness on cash flow hedges, net	**404**	404
Losses on disposal of property, plant and equipment	**(9,441)**	(1,085)
Gain on termination of lease contracts	**9**	–
	(9,097)	(9,463)

11. OPERATING EXPENSES

	2024 **HK$'000**	2023 HK$'000
Auditor's remuneration		
— audit fee	**3,885**	3,766
— non-audit fee	**1,160**	1,452
Depreciation on property, plant and equipment	**37,491**	28,918
Amortisation on intangible assets	**5,537**	–
Depreciation on right-of-use assets	**57,419**	53,921
Expense relating to short-term leases	**3,728**	4,237
	61,147	58,158
General administrative expenses	**199,365**	174,533
Marketing and promotion expenses	**115,120**	118,293
Other operating expenses	**71,711**	63,117
Staff costs including directors' emoluments	**217,608**	199,247
	713,024	647,484

Non-monetary benefits in respect of directors' and staff accommodation of HK$2,821,000 (2023: HK$2,459,000) are included under operating expenses.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2023: nine) Directors are as follows:

For the year ended 29th February 2024

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					
Wei Aiguo	–	1,456	530	18	2,004
Tomoharu Fukayama *(Note b)*	–	2,808	567	40	3,415
Lai Yuk Kwong	–	1,673	400	18	2,091
Daisuke Takenaka *(Note b)* (1.3.2023-28.6.2023)	–	719	80	25	824
Sub-total	–	6,656	1,577	101	8,334

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 Directors					
Tomoyuki Mitsufuji	–	–	–	–	–
Jin Hua Shu Ellen *(Note b)*	–	829	474	115	1,418
Sub-total	–	829	474	115	1,418

The non-executive directors' emoluments shown above were for their services as director of the Company and the Group.

Independent Non-executive Directors					
Lee Ching Ming, Adrian	367	–	–	–	367
Shing Mo Han Yvonne	380	–	–	–	380
Junko Dochi	353	–	–	–	353
Choi Ping Chung (29.6.2023-29.2.2024)	267	–	–	–	267
Sub-total	1,367	–	–	–	1,367

The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.

Total	11,119

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

(a) Directors' emoluments (Cont'd)

For the year ended 28th February 2023

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					
Wei Aiguo (23.6.2022-28.2.2023)	–	992	–	12	1,004
Tomoharu Fukayama *(Note b)*	–	2,636	456	59	3,151
Lai Yuk Kwong	–	1,660	400	18	2,078
Daisuke Takenaka *(Note b)*	–	2,408	181	87	2,676
Sub-total	–	7,696	1,037	176	8,909

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 Directors					
Tomoyuki Mitsufuji	–	–	–	–	–
Jin Hua Shu Ellen *(Note b)*	–	912	–	117	1,029
Sub-total	–	912	–	117	1,029

The non-executive directors' emoluments shown above were for their services as director of the Company and the Group.

Independent Non-executive Directors					
Lee Ching Ming, Adrian	340	–	–	–	340
Shing Mo Han Yvonne	335	–	–	–	335
Junko Dochi	335	–	–	–	335
Sub-total	1,010	–	–	–	1,010

The independent non-executive directors' emoluments shown above were for their services as directors of the Company and of the Group.

Total	10,948

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$1,312,000 (2023: HK$1,732,000) 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, three (2023: three) were Directors, details of their emoluments were set out as above. The emoluments of the remaining two (2023: two) individual are as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Salaries and other benefits	**3,011**	3,720
Discretionary bonus	**459**	181
Retirement benefits	**36**	116
	3,506	4,017

Their emoluments were within the following bands:

	No. of employees	
	2024	2023
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,000,001 to HK$2,500,000	**–**	1
	2	2

13. GAIN ON DISPOSAL OF DISTRESSED ASSETS

During the year ended 29th February 2024, impaired advances and receivables were disposed to an independent third party at a consideration of approximately HK$22,616,000 (2023: HK$31,933,000), resulting in a gain on disposal of HK$12,067,000 (2023: HK$31,933,000) recognised in profit or loss.

14. INCOME TAX EXPENSE

	2024 **HK$'000**	2023 *HK$'000*
Hong Kong Profits Tax		
— Current year	**66,680**	80,270
— Underprovision in respect of prior years	**1,293**	509
	67,973	80,779
PRC Enterprise Income Tax		
— Current year	**96**	1,735
Deferred tax *(note 35)*		
— Current year	**12,189**	(6,831)
	80,258	75,683

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 applicable income tax rates are 25% for general enterprises in PRC. A Company's PRC subsidiary is qualified as small and thin-profit enterprise, which annual taxable income up to RMB3 million is subject to an effective tax rate of 5% from 1st January 2023 to 31st December 2027.

14. 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:

	2024 HK$'000	2023 HK$'000
Profit before tax	**472,528**	449,294
Tax at the applicable rate of 16.5% (2023: 16.5%)	**77,967**	74,133
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(114)**	408
Tax effect of expenses not deductible for tax purpose	**1,521**	1,803
Tax effect of income not taxable for tax purpose	**(166)**	(611)
Underprovision in respect of prior years	**1,293**	509
Tax effect of tax losses in current year not recognised	**329**	45
Utilisation of tax losses previously not recognised	**(572)**	(604)
Income tax expense for the year	**80,258**	75,683

15. DIVIDENDS

	2024 HK$'000	2023 HK$'000
Dividends recognised as distribution during the year:		
Final dividend paid of 22.0 HK cents in respect of 2022/23 (2023: 22.0 HK cents in respect of 2021/22) per share	**92,128**	92,128
Interim dividend paid of 24.0 HK cents in respect of 2023/24 (2023: 22.0 HK cents in respect of 2022/23) per share	**100,504**	92,128
	192,632	184,256
Final dividend proposed of 24.0 HK cents in respect of 2023/24 (2023: 22.0 HK cents in respect of 2022/23) per share	**100,504**	92,128

The Directors have recommended a final dividend of 24.0 HK cents per share. Subject to the approval of the shareholders at the 2024 AGM, the final dividend will be paid on 26th July 2024 to shareholders whose names appear on the register of members of the Company on 9th July 2024. This dividend has not been included as a liability in the consolidated financial statements.

16. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share is based on the profit for the year of HK$392,270,000 (2023: HK$373,611,000) and on the number of shares of 418,766,000 (2023: 418,766,000) in issue during the year.

17. 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 2022	22,986	618	444,443	226	468,273
Additions	5,839	287	7,591	966	14,683
Disposals	(290)	(86)	(37,365)	(226)	(37,967)
Exchange realignment	(403)	(17)	(1,100)	–	(1,520)
At 28th February 2023	**28,132**	**802**	**413,569**	**966**	**443,469**
Additions	**19,782**	**3,332**	**111,728**	**–**	**134,842**
Disposals	**(23,298)**	**(430)**	**(31,921)**	**–**	**(55,649)**
Exchange realignment	**(167)**	**(7)**	**(487)**	**–**	**(661)**
At 29th February 2024	**24,449**	**3,697**	**492,889**	**966**	**522,001**
DEPRECIATION					
At 1st March 2022	22,362	569	344,833	226	367,990
Provided for the year	2,535	64	26,222	97	28,918
Eliminated on disposals	(290)	(86)	(36,280)	(226)	(36,882)
Exchange realignment	(398)	(17)	(726)	–	(1,141)
At 28th February 2023	**24,209**	**530**	**334,049**	**97**	**358,885**
Provided for the year	**5,197**	**123**	**31,978**	**193**	**37,491**
Eliminated on disposals	**(23,298)**	**(423)**	**(22,476)**	**–**	**(46,197)**
Exchange realignment	**(190)**	**(7)**	**(322)**	**–**	**(519)**
At 29th February 2024	**5,918**	**223**	**343,229**	**290**	**349,660**
CARRYING VALUES					
At 29th February 2024	**18,531**	**3,474**	**149,660**	**676**	**172,341**
At 28th February 2023	3,923	272	79,520	869	84,584

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	$6^2/_3$%–$33^1/_3$%
Motor vehicles	20%–$33^1/_3$%

18. INTANGIBLE ASSETS

	Software HK$'000
COST	
At 1st March 2022 and 1st March 2023	–
Additions	**36,670**
At 29th February 2024	**36,670**
AMORTISATION	
At 1st March 2022 and 1st March 2023	–
Additions	**5,537**
At 29th February 2024	**5,537**
CARRYING VALUES	
At 29th February 2024	**31,133**
At 28th February 2023	–

Intangible assets represent the Group's software that were acquired from third parties and hosted in cloud environment.

The above intangible assets have finite useful lives and are amortised on a straight-line basis at the following rates per annum:

Software $6^{2}/_{3}\%–33^{1}/_{3}\%$

19. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
COST			
At 1st March 2022	192,088	208	192,296
Addition	38,053	286	38,339
Expiry of lease contracts	(18,749)	(198)	(18,947)
Exchange difference	(374)	(20)	(394)
At 28th February 2023	**211,018**	**276**	**211,294**
Addition	**133,242**	**–**	**133,242**
Expiry of lease contracts	**(12,757)**	**(272)**	**(13,029)**
Exchange difference	**(48)**	**(4)**	**(52)**
At 29th February 2024	**331,455**	**–**	**331,455**
DEPRECIATION			
At 1st March 2022	133,281	124	133,405
Provided for the year	53,640	281	53,921
Eliminated on expiry of lease contracts	(18,749)	(198)	(18,947)
Exchange difference	(155)	(7)	(162)
At 28th February 2023	**168,017**	**200**	**168,217**
Provided for the year	**57,343**	**76**	**57,419**
Eliminated on expiry of lease contracts	**(12,509)**	**(272)**	**(12,781)**
Exchange difference	**(27)**	**(4)**	**(31)**
At 29th February 2024	**212,824**	**–**	**212,824**
CARRYING VALUES			
At 29th February 2024	**118,631**	**–**	**118,631**
At 28th February 2023	43,001	76	43,077

	2024 HK$'000	2023 HK$'000
Expense relating to short-term leases	**3,728**	4,237
Total cash outflow for leases	**61,016**	57,665

For the year ended 29th February 2024, the Group leases various offices, office equipment, branches, director and staff quarters and motor vehicles (2023: offices, office equipment, branches, director and staff quarters and motor vehicles) for its operations. Lease contracts are entered into for fixed term of one to six years (2023: one to five 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.

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.

20. GOODWILL

	HK$'000
As at 28th February 2023 and 29th February 2024	**15,820**

For the purposes of impairment testing, goodwill has been allocated to a cash generating unit ("CGU") which is a subsidiary engaging in the business of provision of business process outsourcing services in PRC.

As at 29th February 2024 and 28th February 2023, the management determined that there is no impairment of the CGU containing goodwill. The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined based on the value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 10% (2023: 10%). The cash flows beyond the 5 years period are extrapolated using 0% growth rate (2023: 0%). Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development, the management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Equity instruments at FVTOCI		
— Listed investment in Hong Kong	**1,119**	1,669
— Unlisted investments	**91,525**	95,464
	92,644	97,133

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 above unlisted equity investments represent equity interest in two (28th February 2023: two) private entities incorporated overseas engaged in consumer finance services and related business held for long-term investment strategic purposes and the Directors have elected to designate these investments in equity instruments as at FVTOCI.

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.

22. ADVANCES AND RECEIVABLES

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Credit card receivables	**5,188,549**	4,481,038
Personal loan receivables	**1,573,989**	1,263,929
	6,762,538	5,744,967
Accrued interest and other receivables	**198,321**	91,250
Gross advances and receivables	**6,960,859**	5,836,217
Impairment allowances *(note 23)*	**(247,091)**	(191,709)
	6,713,768	5,644,508
Current portion included under current assets	**(5,201,354)**	(4,404,568)
Amount due after one year	**1,512,414**	1,239,940

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 2023	**5,582,236**	**84,229**	**169,752**	**5,836,217**
Net advance (repayment) in advances and receivables	**1,431,578**	**(3,998)**	**27,827**	**1,455,407**
Transfer to 12m ECL (Stage 1)	**149,310**	**(109,235)**	**(40,075)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(368,509)**	**375,707**	**(7,198)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(108,231)**	**(271,279)**	**379,510**	**–**
Total transfer between stages	**(327,430)**	**(4,807)**	**332,237**	**–**
Disposal of distressed assets	**–**	**–**	**(50,461)**	**(50,461)**
Amounts written-off as uncollectable	**–**	**–**	**(276,500)**	**(276,500)**
Exchange realignment	**(3,682)**	**(35)**	**(87)**	**(3,804)**
At 29th February 2024	**6,682,702**	**75,389**	**202,768**	**6,960,859**

22. ADVANCES AND RECEIVABLES (Cont'd)

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
At 1st March 2022	4,058,094	63,425	153,031	4,274,550
Net advance (repayment) in advances and receivables	1,779,111	(38,652)	(9,226)	1,731,233
Transfer to 12m ECL (Stage 1)	223,622	(218,786)	(4,836)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(459,952)	470,201	(10,249)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(10,942)	(191,884)	202,826	–
Total transfer between stages	(247,272)	59,531	187,741	–
Amounts written-off as uncollectable	–	–	(161,461)	(161,461)
Exchange realignment	(7,697)	(75)	(333)	(8,105)
At 28th February 2023	5,582,236	84,229	169,752	5,836,217

At the end of the reporting periods, all advances and receivables are unsecured and the credit risk exposures are disclosed in note 39(b).

(a) Credit card receivables

The term of credit card instalment plans entered with customers ranges from 6 months to 5 years (28th February 2023: 3 months to 4 years).

All credit card receivables are denominated in HKD. The credit card receivables carry effective interest ranging from 8.5% to 35.9% (28th February 2023: 35.0% to 35.9%) per annum.

(b) Personal loan receivables

Most of the personal loan receivables entered with customers ranges from 6 months to 5 years (28th February 2023: 6 months to 5 years) and are denominated in HKD. The personal loan receivables carry effective interest mostly ranging from 2.3% to 48.0% (28th February 2023: 2.3% to 48.0%) per annum.

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

	29.2.2024 ***HK$'000***	 **%***	28.2.2023 *HK$'000*	 %*
Stage 1	**6,682,702**	**96.0**	5,582,236	95.7
Stage 2	**75,389**	**1.1**	84,229	1.4
Stage 3	**202,768**	**2.9**	169,752	2.9
	6,960,859	**100.0**	5,836,217	100.0

* Percentage of gross advances and receivables

23. IMPAIRMENT ALLOWANCES

	29.2.2024 HK$'000	28.2.2023 HK$'000
Analysis by products as:		
Credit card receivables	**146,731**	120,502
Unused credit card limit	**1,880**	2,408
Personal loan receivables	**93,147**	66,229
Accrued interest and other receivables	**5,333**	2,570
	247,091	191,709

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 2023	**97,642**	**18,878**	**75,189**	**191,709**
Net effect of advance (repayment) in advances and receivables	**25,680**	**(1,302)**	**12,407**	**36,785**
Transfer to 12m ECL (Stage 1)	**53,443**	**(35,575)**	**(17,868)**	**–**
Transfer to lifetime ECL not credit impaired (Stage 2)	**(6,642)**	**9,851**	**(3,209)**	**–**
Transfer to lifetime ECL credit impaired (Stage 3)	**(1,951)**	**(88,349)**	**90,300**	**–**
Total transfer between stages	**44,850**	**(114,073)**	**69,223**	**–**
Remeasurement of ECL during the year	**(44,236)**	**128,732**	**252,691**	**337,187**
Disposal of distressed assets	**–**	**–**	**(41,913)**	**(41,913)**
Amounts written-off as uncollectable	**–**	**–**	**(276,500)**	**(276,500)**
Exchange realignment	**(53)**	**(27)**	**(97)**	**(177)**
At 29th February 2024	**123,883**	**32,208**	**91,000**	**247,091**

23. 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 2022	72,719	22,067	86,357	181,143
Net effect of advance (repayment) in advances and receivables	31,500	(11,055)	(4,648)	15,797
Transfer to 12m ECL (Stage 1)	65,014	(62,580)	(2,434)	–
Transfer to lifetime ECL not credit impaired (Stage 2)	(8,144)	13,305	(5,161)	–
Transfer to lifetime ECL credit impaired (Stage 3)	(194)	(54,884)	55,078	–
Total transfer between stages	56,676	(104,159)	47,483	–
Remeasurement of ECL during the year	(63,141)	112,095	107,898	156,852
Amounts written-off as uncollectable	–	–	(161,461)	(161,461)
Exchange realignment	(112)	(70)	(440)	(622)
At 28th February 2023	97,642	18,878	75,189	191,709

24. PREPAYMENTS, DEPOSITS AND OTHER DEBTORS

	29.2.2024 ***HK$'000***	28.2.2023 *HK$'000*
Deposits for property, plant and equipment	**22,071**	55,407
Deposits for intangible assets	**850**	–
Rental and other deposits	**16,463**	16,268
Prepaid operating expenses	**43,108**	40,987
Other debtors	**31,981**	18,629
	114,473	131,291
Current portion included under current assets	**(78,691)**	(67,009)
Amount due after one year	**35,782**	64,282

25. TIME DEPOSITS

Time deposits are denominated in HKD and RMB (28th February 2023: RMB) and carry fixed-rates ranging from 1.20% to 4.83% (2023: 1.90% to 2.00%) per annum during the year.

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Time deposits with maturity of three months or less	**13,669**	5,184
Time deposits with maturity of more than three months	**1,650**	7,889
	15,319	13,073

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 2024				
Bank balances and cash	**228,128**	**26,117**	**3,744**	**257,989**
At 28th February 2023				
Bank balances and cash	358,906	22,541	876	382,323

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:

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Less than 1 month	**110,010**	78,609
Over 1 month but less than 3 months	**3,134**	5,325
Over 3 months	**315**	842
	113,459	84,776

29. CONTRACT LIABILITIES

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Contract liabilities		
— Deferred revenue in relation to customer loyalty programmes	**21,554**	23,897

As at 1st March 2022, contract liabilities from deferred revenue in relation to customer loyalty programmes amounted to HK$18,610,000.

Revenue recognised during the year ended 29th February 2024 amounted to HK$17,332,000 (2023: HK$13,980,000) 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 and settlement of outstanding balances 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$14,207,000 (28th February 2023: HK$42,862,000) 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:

	29.2.2024	28.2.2023
	HK$'000	*HK$'000*
Less than 1 month	**14,207**	42,862

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

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

32. BANK BORROWINGS AND BORROWINGS FROM IMMEDIATE HOLDING COMPANY

	29.02.2024		28.2.2023	
	Bank borrowings	**Borrowings from immediate holding company**	Bank borrowings	Borrowings from immediate holding company
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Carrying amount repayable *(Note)*				
Within one year	**468,685**	**800,000**	789,977	–
Within a period of more than one year but not more than two years	**720,000**	**–**	201,917	–
Within a period of more than two years but not more than five years	**989,571**	**–**	1,115,781	–
	2,178,256	**800,000**	2,107,675	–
Amount repayable within one year included under current liabilities	**(468,685)**	**(800,000)**	(789,977)	–
Amount repayable after one year	**1,709,571**	**–**	1,317,698	–

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

32. BANK BORROWINGS AND BORROWINGS FROM IMMEDIATE HOLDING COMPANY (Cont'd)

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

	HKD *HK$'000*	**RMB** *HK$'000*	**JPY** *HK$'000*	**Total** *HK$'000*
At 29th February 2024				
Bank borrowings	**1,945,000**	**17,909**	**215,347**	**2,178,256**
Borrowings from immediate holding company	**800,000**	**–**	**–**	**800,000**
At 28th February 2023				
Bank borrowings	1,848,000	21,977	237,698	2,107,675

HKD bank loans of HK$1,075,000,000 (28th February 2023: HK$1,178,000,000) are arranged at fixed interest rates ranging from 2.17% to 5.78% (28th February 2023: 2.08% to 5.78%) per annum of which the interest rate of sustainability linked loans of HK$200,000,000 (28th February 2023: HK$200,000,000) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met. Other HKD bank loans are arranged at floating interest rates at 0.56% to 0.75% plus HIBOR (28th February 2023: 0.56% to 0.70% plus HIBOR) per annum of which the interest margin of sustainability linked loans of HK$120,000,000 (28th February 2023: HK$120,000,000) is linked to the sustainability performance of the Company, which may be reduced depending on the extent of pre-determined key performance indicators being met. The RMB loan is arranged at fixed interest rate at 2.95% to 3.10% (28th February 2023: 3.20%). JPY bank loan is arranged at floating interest rate at 0.40% plus TONA (28th February 2023: 0.40% plus TONA) per annum. Thus, the Group is exposing to cash flow interest rate risk.

All borrowings from immediate holding company are denominated in HKD, which are arranged at fixed interest rate of 4.37% per annum (28th February 2023: Nil).

At 29th February 2024, the Group has available unutilised overdrafts and non-committed bank loan facilities of HK$271,900,000 (28th February 2023: HK$106,900,000) and HK$606,000,000 (28th February 2023: HK$1,122,933,500) respectively, while the Group had no (28th February 2023: HK$600,000,000) unutilised loan facility with its immediate holding company.

33. LEASE LIABILITIES

	29.2.2024 HK$'000	28.2.2023 HK$'000
Lease liabilities payable:		
Within one year	**38,243**	34,392
Within a period of more than one year but not more than two years	**19,787**	7,215
Within a period of more than two years but not more than five years	**57,992**	1,092
More than five years	**6,318**	–
	122,340	42,699
Amount due for settlement within one year included under current liabilities	**(38,243)**	(34,392)
Amount due for settlement after one year	**84,097**	8,307

The weighted average incremental borrowing rates applied to lease liabilities range from 3.5% to 4.7% (2023: from 2.5% to 4.8%).

34. DERIVATIVE FINANCIAL INSTRUMENTS

	29.2.2024		28.2.2023	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Interest rate swaps	**23,628**	**2,471**	35,646	942
Cross-currency interest rate swaps	**–**	**78,578**	–	47,441
	23,628	**81,049**	35,646	48,383
Current portion	**–**	**(59,109)**	(878)	–
Non-current portion	**23,628**	**21,940**	34,768	48,383

All derivative financial instruments entered into by the Group that remain outstanding at 29th February 2024 and 28th February 2023 are for hedging purposes. The credit risk on those derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The classification of current/non-current for derivative financial instruments is in accordance with the maturity dates of the corresponding bank borrowings, the designated hedged items.

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

34. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

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$870,000,000 (28th February 2023: HK$670,000,000) from floating-rates to fixed-rates. The interest rate swaps with aggregate notional amount of HK$870,000,000 (28th February 2023: HK$670,000,000) have fixed interest payments quarterly at fixed interest rates ranging from 1.95% to 5.42% (28th February 2023: 1.95% to 5.37%) per annum and floating interest receipts monthly/quarterly ranging from 0.56% to 0.75% plus HIBOR (28th February 2023: 0.56% to 0.70% plus HIBOR) per annum for periods up until August 2027 (28th February 2023: until August 2027).

The interest rate swaps and the corresponding bank borrowings 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$11,621,000 (2023: HK$29,863,000), net of tax 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 JPY bank borrowings (2023: JPY bank borrowings) by swapping the floating-rate JPY bank borrowings (2023: JPY bank borrowings) to fixed-rate HKD bank borrowings.

The JPY cross-currency interest rate swaps with notional amount of JPY4,150,000,000 (28th February 2023: JPY4,150,000,000) (equivalent to HK$300,398,000 at the date of inception of the bank borrowings (28th February 2023: HK$300,398,000)) have fixed currency payments in HKD at exchange rates of JPY to HKD at 0.07 (28th February 2023: 0.07), fixed interest payments quarterly in HKD ranging from 2.17% to 2.72% (28th February 2023: at 2.17% to 2.72%) per annum and floating interest receipts quarterly in JPY at 0.40% plus TONA (28th February 2023: 0.40% plus TONA) per annum for periods up until March 2026 (28th February 2023: until March 2026).

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$3,137,000 (2023: HK$22,659,000), net of tax 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 TONA (28th February 2023: TONA) yield curves and the forward exchange rates between JPY and HKD (28th February 2023: JPY and HKD) estimated at the end of the reporting period.

35. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Deferred tax assets	**5,454**	10,183
Deferred tax liabilities	**(88)**	–
	5,366	10,183

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the years ended 29th February 2024 and 28th February 2023:

	Accelerated tax depreciation *HK$'000*	Impairment allowances *HK$'000*	Derivative financial instruments *HK$'000*	Right-of-use assets *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1st March 2022	14,077	(15,327)	–	–	–	(1,250)
Credit to profit or loss for the year	(3,214)	(3,617)	–	–	–	(6,831)
Credit to other comprehensive income or expense for the year	–	–	(2,102)	–	–	(2,102)
At 28th February 2023	**10,863**	**(18,944)**	**(2,102)**	**–**	**–**	**(10,183)**
Charge (credit) to profit or loss for the year	**18,543**	**(6,442)**	**–**	**1,954**	**(1,866)**	**12,189**
Credit to other comprehensive income or expense for the year	**–**	**–**	**(7,372)**	**–**	**–**	**(7,372)**
At 29th February 2024	**29,406**	**(25,386)**	**(9,474)**	**1,954**	**(1,866)**	**(5,366)**

At the end of the reporting period, the Group had unused tax losses of HK$13,088,000 (28th February 2023: HK$28,407,000) 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$6,432,000 (28th February 2023: HK$23,735,000) will expire in 2024 to 2028 (28th February 2023: 2023 to 2027) and the remaining tax losses may be carried forward indefinitely.

Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of a PRC subsidiary amounting to approximately HK$9,848,000 (2023: HK$20,370,000) as the Group is able to control the timing of the reversal of these temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

36. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Issued and fully paid		
At 1st March 2022, 28th February 2023 and 29th February 2024		
— Ordinary shares with no par value	418,766,000	269,477

37. RESERVES

The Company's reserves available for distribution to shareholders at 29th February 2024 amounted to HK$3,698,976,000 (28th February 2023: HK$3,491,388,000), representing the Company's accumulated profits as shown in note 45.

38. 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 equity attributable to owners of the Group (comprising share capital and reserves).

38. CAPITAL RISK MANAGEMENT (Cont'd)

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 is as follows:

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Debt *(Note a)*	**3,100,596**	2,107,675
Cash and cash equivalents	**(271,658)**	(387,507)
Net debt	**2,828,938**	1,720,168
Equity *(Note b)*	**4,067,993**	3,892,460
Net debt to equity ratio	**0.7**	0.4

Notes:

(a) Debt comprises lease liabilities, bank borrowings and borrowings from immediate holding company as detailed in notes 32 and 33.

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

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	29.2.2024 HK$'000	28.2.2023 HK$'000
Financial assets		
Equity instruments at FVTOCI	**92,644**	97,133
Financial assets at amortised cost	**7,035,552**	6,074,842
Derivative financial instruments in designated hedge accounting relationships	**23,628**	35,646
Financial liabilities		
Financial liabilities at amortised cost	**3,124,983**	2,244,338
Derivative financial instruments in designated hedge accounting relationships	**81,049**	48,383

(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 immediate holding company, an intermediate holding company and ultimate holding company, time deposits, bank balances and cash, bank borrowings and borrowings from immediate holding company, creditors, amounts due to fellow subsidiaries and an intermediate holding company, and derivative financial 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, liquidity risk and risk arising from the interest rate benchmark reform.

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.

39. 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 JPY (2023: 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 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 32 and 34).

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/TONA 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.

39. 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 (2023: 100 basis points) higher/lower and all other variables were held constant:

- other comprehensive income would increase/decrease by HK$23,859,000 (2023: HK$22,086,000) 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 immediate holding company, an intermediate and ultimate holding company, time deposits, 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 2024, unused credit card limit of HK$35,467,204,000 (28th February 2023: HK$36,466,290,000) was unrecorded in the consolidated statement of financial position.

39. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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.

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 is 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 consumer price index 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 stages 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 are 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.

39. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk and impairment assessment (Cont'd)

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

Internal credit ratings	Description	Advances and receivables including commitments on unused credit card limit
DPD 0	Current	12m ECL
DPD 1-30	Less than or equal to 30 days past due	12m ECL
DPD 31-60	More than 30 days but less than or equal to 60 days past due	Lifetime ECL — not credit-impaired
DPD 61-90	More than 60 days but less than or equal to 90 days past due	Lifetime ECL — not credit-impaired
DPD 91 or above	More than 90 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

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 "DPD 0 and DPD 1-30"
Stage 2	— "Doubtful" or "DPD 31-60 and DPD 61-90", unless reasonable and supportable information demonstrates otherwise
Stage 3	— "Loss" or "DPD 91 or above", unless reasonable and supportable information demonstrates otherwise

39. FINANCIAL INSTRUMENTS (Cont'd)

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

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

Movements of amounts of advances and receivables and impairment allowances during the years ended 29th February 2024 and 28th February 2023 and analysis of credit quality at the end of the reporting period are set out in notes 22 and 23, respectively.

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.

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 as the amount 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.

39. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

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.

	29.2.2024					
	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*
Borrowings from immediate holding company						
— fixed-rate	**801,339**	**–**	**–**	**–**	**–**	**801,339**
Bank borrowings						
— fixed-rate	**235,953**	**29,874**	**108,837**	**825,877**	**–**	**1,200,541**
— variable rate	**6,128**	**6,194**	**182,674**	**981,380**	**–**	**1,176,376**
Lease liabilities	**3,370**	**9,209**	**29,946**	**65,613**	**26,257**	**134,395**
Other financial liabilities	**139,292**	**–**	**–**	**–**	**–**	**139,292**
Total undiscounted financial liabilities	**1,186,082**	**45,277**	**321,457**	**1,872,870**	**26,257**	**3,451,943**

	28.2.2023					
	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*
Bank borrowings						
— fixed-rate	615,562	13,231	82,522	548,262	–	1,259,577
— variable rate	4,473	3,454	116,610	704,287	152,812	981,636
Lease liabilities	4,931	9,380	20,718	8,434	–	43,463
Other financial liabilities	135,743	921	–	–	–	136,664
Total undiscounted financial liabilities	760,709	26,986	219,850	1,260,983	152,812	2,421,340

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.

39. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

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.

	29.2.2024				
	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 settlement					
Interest rate swaps	**3,709**	**8,662**	**7,864**	**–**	**20,235**
Derivative financial instruments — gross settlement					
Cross currency swaps					
— inflow	**218**	**157,609**	**60,882**	**–**	**218,709**
— outflow	**(1,907)**	**(216,026)**	**(78,785)**	**–**	**(296,718)**
	(1,689)	**(58,417)**	**(17,903)**	**–**	**(78,009)**

	28.2.2023				
	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 settlement					
Interest rate swaps	3,197	9,241	23,922	560	36,920
Derivative financial instruments — gross settlement					
Cross currency swaps					
— inflow	230	878	265,443	–	266,551
— outflow	(1,887)	(5,759)	(309,577)	–	(317,223)
	(1,657)	(4,881)	(44,134)	–	(50,672)

39. FINANCIAL INSTRUMENTS (Cont'd)

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

Interest rate benchmark reform

The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans linked to HIBOR will continue till maturity and hence, are not subject to transition.

(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.

	29.2.2024			
	Level 1 ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
Derivative financial assets	**–**	**23,628**	**–**	**23,628**
Equity instruments at FVTOCI				
Listed equity investment	**1,119**	**–**	**–**	**1,119**
Unlisted equity investments	**–**	**–**	**91,525**	**91,525**
Total	**1,119**	**23,628**	**91,525**	**116,272**
Derivative financial liabilities	**–**	**81,049**	**–**	**81,049**

	28.2.2023			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Derivative financial assets	–	35,646	–	35,646
Equity instruments at FVTOCI				
Listed equity investment	1,669	–	–	1,669
Unlisted equity investments	–	–	95,464	95,464
Total	1,669	35,646	95,464	132,779
Derivative financial liabilities	–	48,383	–	48,383

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

39. 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)

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 a discount of 30–35% (28th February 2023: 30–35%) for lack of marketability. An increase in the marketability discount used would result in a decrease in fair value of the unlisted equity investments, and vice versa.

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 JPY and HKD (for cross-currency interest rate swap), which are observable at the end of the reporting period.

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
At 1st March 2022	68,768
Fair value gain recognised in other comprehensive income	26,696
At 28th February 2023	**95,464**
Fair value loss recognised in other comprehensive income	**(3,939)**
At 29th February 2024	**91,525**

At 29th February 2024, a small percentage, 1.21% (28th February 2023: 1.48%), 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 a loss of HK$3,939,000 (2023: gain of HK$26,696,000) 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".

39. 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 (Cont'd)

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:

	29.2.2024		28.2.2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	**2,178,256**	**2,276,063**	2,107,675	2,087,465
Borrowings from immediate holding company	**800,000**	**800,112**	–	–

(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	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position
	HK$'000	*HK$'000*	*HK$'000*
At 29th February 2024			
Derivative financial instruments	**23,628**	**–**	**23,628**
At 28th February 2023			
Derivative financial instruments	35,646	–	35,646

39. 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 2024			
Counterparty A	**23,628**	**(2,471)**	**21,157**
At 28th February 2023			
Counterparty A	35,646	(942)	34,704

(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 2024			
Derivative financial instruments	**(81,049)**	**–**	**(81,049)**
At 28th February 2023			
Derivative financial instruments	(48,383)	–	(48,383)

39. 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 2024			
Counterparty A	**(2,471)**	**2,471**	**–**
Counterparty B	**(78,578)**	**–**	**(78,578)**
Total	**(81,049)**	**2,471**	**(78,578)**
At 28th February 2023			
Counterparty A	(942)	942	–
Counterparty B	(47,441)	–	(47,441)
Total	(48,383)	942	(47,441)

40. 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.

	Bank borrowings HK$'000	Borrowings from immediate holding company HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
At 1st March 2022	1,084,139	–	57,589	–	1,141,728
Financing cash flows	1,065,102	–	(51,993)	(184,256)	828,853
Interest paid	–	–	(1,435)	–	(1,435)
Interest expense	–	–	1,435	–	1,435
Amortisation of upfront cost	474	–	–	–	474
New leases entered	–	–	36,876	–	36,876
Dividends recognised as distribution	–	–	–	184,256	184,256
Exchange realignment	(42,040)	–	227	–	(41,813)
At 28th February 2023	**2,107,675**	–	**42,699**	–	**2,150,374**
Financing cash flows	**94,405**	**800,000**	**(53,033)**	**(192,632)**	**648,740**
Interest paid	**–**	–	**(4,255)**	**–**	**(4,255)**
Interest expense	**–**	–	**4,255**	**–**	**4,255**
Amortisation of upfront cost	**474**	–	**–**	**–**	**474**
New leases entered	**–**	–	**132,762**	**–**	**132,762**
Dividends recognised as distribution	**–**	–	**–**	**192,632**	**192,632**
Exchange realignment	**(24,298)**	–	**(88)**	**–**	**(24,386)**
At 29th February 2024	**2,178,256**	**800,000**	**122,340**	**–**	**3,100,596**

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased offices, office equipment, branches, director and staff's quarters and motor vehicles for one to six years (2023: one to five years). On the lease commencement, the Group recognised right-of-use assets (including provision for reinstatement cost) and lease liabilities of HK$133,242,000 and HK$132,762,000 (2023: HK38,339,000 and HK$36,876,000) respectively.

42. CAPITAL COMMITMENTS

	29.2.2024 ***HK$'000***	28.2.2023 *HK$'000*
Contracted for but not provided in the consolidated financial statements:		
Purchase of property, plant and equipment	**18,162**	64,731

43. RETIREMENT BENEFITS SCHEME

Defined contribution plan

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 (2023: 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$6,024,000 (2023: HK$5,624,000) represents contribution payable to MPF Scheme by the Group in respect of the current accounting year. At 29th February 2024, contributions of the Group amounting to HK$997,000 (28th February 2023: HK$927,000) 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.

At 29th February 2024 and 28th February 2023, the Group had no forfeited contributions that it might use to reduce its existing level of contributions to any of the pension schemes it operated.

Defined benefit plan

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement'). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17th June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.

44. RELATED PARTY TRANSACTIONS

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

	Fellow subsidiaries		Immediate holding company		Intermediate holding company		Ultimate holding company	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Interest income received	**3,466**	3,490	**–**	–	**–**	–	**–**	–
Commission received	**21,816**	23,238	**–**	–	**–**	–	**–**	–
Dividends received	**71**	89	**–**	–	**–**	–	**–**	–
Service fees received	**–**	–	**1,328**	1,574	**–**	17	**–**	–
Licence fees paid	**19,460**	18,359	**–**	–	**–**	–	**–**	–
Service fees paid	**1,900**	3,518	**–**	11,737	**17,382**	7,050	**–**	10
Gift certificate purchased	**15,644**	13,228	**–**	–	**–**	–	**–**	–
Interest on lease liabilities	**359**	274	**–**	–	**–**	–	**–**	–
Interest expense paid	**–**	–	**25,221**	–	**–**	–	**–**	–

Outstanding balances as at the end of reporting periods arising from the above transactions with related parties are set out in the consolidated statement of financial position except for the following balances, which are included in creditors and accruals and lease liabilities respectively:

	29.2.2024 HK$'000	28.2.2023 HK$'000
Amounts due to immediate holding company (included in creditors and accruals)	**96**	–
Amounts due to fellow subsidiaries (included in lease liabilities)	**8,898**	9,366

During the year ended 29th February 2024, the Company entered into a loan facility agreement with AFS(HK), that AFS(HK) would provide a HK$800,000,000 (2023: HK$600,000,000) facility to the Company. As at 29 February 2024, the Company has fully utilised the facility. No facility was utilised during the year ended 28th February 2023.

Compensation of key management personnel

The remuneration of key management personnel, including remuneration of Directors, during the year is as follows:

	2024 HK$'000	2023 HK$'000
Short-term benefits	**10,902**	10,655
Retirement benefits	**216**	293
	11,118	10,948

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

45. FINANCIAL POSITION OF THE COMPANY

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

	29.2.2024 **HK$'000**	28.2.2023 HK$'000
Non-current assets		
Property, plant and equipment	**165,799**	80,090
Intangible assets	**31,133**	–
Right-of-use assets	**110,813**	42,028
Investments in subsidiaries	**187,425**	132,481
Equity instruments at fair value through other comprehensive income	**92,644**	97,133
Advances and receivables	**1,399,430**	1,153,839
Prepayments, deposits and other debtors	**32,482**	62,439
Derivative financial instruments	**23,628**	34,768
Deferred tax assets	**5,454**	10,183
	2,048,808	1,612,961
Current assets		
Advances and receivables	**5,158,151**	4,372,518
Prepayments, deposits and other debtors	**76,383**	61,916
Amount due from a subsidiary	**124**	55
Amount due from an immediate holding company	**1**	1
Amount due from an intermediate holding company	**31**	32
Derivative financial instruments	**–**	878
Time deposits	**1,751**	–
Bank balances and cash	**239,811**	367,239
	5,476,252	4,802,639
Current liabilities		
Creditors and accruals	**244,552**	189,447
Contract liabilities	**21,554**	23,897
Amounts due to fellow subsidiaries	**17,871**	44,341
Amount due to an intermediate holding company	**4,597**	1,588
Amount due to a subsidiary	**1,858**	2,633
Borrowings from immediate holding company	**800,000**	–
Bank borrowings	**450,776**	768,000
Lease liabilities	**36,296**	33,490
Derivative financial instruments	**59,109**	–
Tax liabilities	**5,502**	93,429
	1,642,115	1,156,825
Net current assets	**3,834,137**	3,645,814
Total assets less current liabilities	**5,882,945**	5,258,775

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

	29.2.2024 *HK$'000*	28.2.2023 *HK$'000*
Capital and reserves		
Share capital	**269,477**	269,477
Reserves	**3,803,379**	3,615,041
Total equity	**4,072,856**	3,884,518
Non-current liabilities		
Bank borrowings	**1,709,571**	1,317,698
Lease liabilities	**78,578**	8,176
Derivative financial instruments	**21,940**	48,383
	1,810,089	1,374,257
	5,882,945	5,258,775

The financial statements of the Company were approved and authorised for issue by the Board on 5th April 2024 and are signed on its behalf by:

WEI AIGUO
MANAGING DIRECTOR

LAI YUK KWONG
DIRECTOR

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

Movements in reserves are present below:

	Investment revaluation reserve *HK$'000*	Hedging reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1st March 2022	47,254	(2,180)	3,308,142	3,353,216
Profit for the year	–	–	367,503	367,503
Fair value gain on equity instruments at FVTOCI	26,056	–	–	26,056
Fair value adjustment on cash flow hedges, net of tax	–	12,052	–	12,052
Reclassification of fair value adjustments on cash flow hedges to profit or loss	–	40,470	–	40,470
Total comprehensive income for the year	26,056	52,522	367,503	446,081
Final dividend paid for the 2021/22	–	–	(92,128)	(92,128)
Interim dividend paid for 2022/23	–	–	(92,128)	(92,128)
	26,056	52,522	183,247	261,825
At 28th February 2023	**73,310**	**50,342**	**3,491,389**	**3,615,041**
Profit for the year	**–**	**–**	**400,219**	**400,219**
Fair value loss on equity instruments at FVTOCI	**(4,489)**	**–**	**–**	**(4,489)**
Fair value adjustment on cash flow hedges, net of tax	**–**	**(22,994)**	**–**	**(22,994)**
Reclassification of fair value adjustments on cash flow hedges to profit or loss	**–**	**8,234**	**–**	**8,234**
Total comprehensive income for the year	**(4,489)**	**(14,760)**	**400,219**	**380,970**
Final dividend paid for the 2022/23	**–**	**–**	**(92,128)**	**(92,128)**
Interim dividend paid for 2023/24	**–**	**–**	**(100,504)**	**(100,504)**
	(4,489)	**(14,760)**	**207,587**	**188,338**
At 29th February 2024	**68,821**	**35,582**	**3,698,976**	**3,803,379**

46. PARTICULARS OF THE SUBSIDIARIES

At 29th February 2024 and 28th February 2023, 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
		29.2.2024	28.2.2023	**29.2.2024**	28.2.2023	
AEON Insurance Brokers (HK) Limited	Hong Kong	**HK$1,000,000**	HK$1,000,000	**100%**	100%	Insurance brokerage service
AEON Micro Finance (Shenzhen) Co., Ltd. *(Note)*	China	**RMB200,000,000**	RMB150,000,000	**100%**	100%	Microfinance business
AEON Information Service (Shenzhen) Co., Ltd. *(Note)*	China	**HK$2,000,000**	HK$2,000,000	**100%**	100%	Provision of business process outsourcing services

Note: The companies are wholly foreign owned enterprises, solely funded by Taiwan, Hong Kong or Macao corporate body established in Mainland China.

Glossary

12m ECL	12-month expected credit loss
2023 AGM	the annual general meeting of the Company held on 29th June 2023
2024 AGM	the annual general meeting of the Company to be held on 26th June 2024
AEON Malaysia	AEON Credit Service (M) Berhad
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.
AMF (SZ)	AEON Micro Finance (Shenzhen) Co., Ltd.
AML	Anti-money laundering
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 C1 to the Listing Rules
China, Mainland, Mainland China 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 or ACSA	AEON Credit Service (Asia) Company Limited
COVID-19 or Pandemic	Novel coronavirus
CTF	Counter-terrorist financing
Director(s)	the director(s) of the Company
DPD	Days past due
ECL	Expected credit loss
ESG	Environmental, social and governance
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss

Glossary

GDP	Gross domestic product
Group	the Company and its subsidiaries
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
HKFRS 9	HKFRS 9 Financial Instruments
HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong or HKSAR	Hong Kong Special Administrative Region of the People's Republic of China
HONIA	Hong Kong Dollar Overnight Index Average
IBOR	Interbank Offered Rate
ISDA Agreements	International Swaps and Derivatives Association Master Agreements
JPY	Japanese Yen, the lawful currency of Japan
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
LSP	Long service payment
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
OCI	Other comprehensive income
PCI DSS	Payment Card Industry Data Security Standard
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
TONA	Tokyo Overnight Average Rate
USD	United States Dollars, the lawful currency of the United States of America