



AEON Credit Service (M) Berhad
(412767-V) (Incorporated in Malaysia)

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 20 MAY 2014**

	Note	Unaudited Individual quarter 3 months ended		Unaudited Cumulative quarter 3 months ended	
		20.05.2014 RM'000	20.05.2013 RM'000	20.05.2014 RM'000	20.05.2013 RM'000
Revenue	B4	200,900	143,871	200,900	143,871
Total operating expenses		(109,622)	(77,711)	(109,622)	(77,711)
Other operating income		13,745	9,505	13,745	9,505
Profit from operations	B5(a)	105,023	75,665	105,023	75,665
Finance costs		(29,506)	(19,632)	(29,506)	(19,632)
Profit before taxation		75,517	56,033	75,517	56,033
Taxation	B6	(19,235)	(14,691)	(19,235)	(14,691)
Profit for the period		56,282	41,342	56,282	41,342
Other comprehensive income, net of tax	B5(b)				
Cash flow hedge		2,611	(953)	2,611	(953)
Other comprehensive income for the period, net of tax		2,611	(953)	2,611	(953)
Total comprehensive income for the period		58,893	40,389	58,893	40,389
Earnings per share attributable to equity holders of the Company :					
Basic (sen)	B12	39.08	28.71	39.08	28.71
Diluted (sen)	B12	-	-	-	-

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 20 February 2014 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad
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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 20 MAY 2014

	Note	Unaudited As at 20.05.2014 RM'000	Audited As at 20.02.2014 RM'000
ASSETS			
Non-current assets			
Plant and equipment		46,130	46,599
Investments		5,542	5,542
Deferred tax assets		16,980	11,040
Financing receivables		<u>2,416,946</u>	<u>2,034,533</u>
		<u>2,485,598</u>	<u>2,097,714</u>
Current assets			
Financing receivables		1,423,679	1,536,389
Other receivables, deposits & prepayments		72,385	67,770
Cash and cash equivalents		14,116	12,569
Derivative financial instruments		<u>9,027</u>	<u>52,844</u>
		<u>1,519,207</u>	<u>1,669,572</u>
TOTAL ASSETS		<u><u>4,004,805</u></u>	<u><u>3,767,286</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		72,000	72,000
Share premium		44,012	44,012
Reserves		<u>487,749</u>	<u>429,552</u>
Equity attributable to shareholders of the Company		<u>603,761</u>	<u>545,564</u>
Perpetual notes	A7	<u>146,000</u>	<u>100,000</u>
Total equity		<u>749,761</u>	<u>645,564</u>
Non-current liability			
Borrowings	B8	<u>2,640,427</u>	<u>2,113,455</u>
		<u>2,640,427</u>	<u>2,113,455</u>
Current liabilities			
Payables and accruals		163,181	143,798
Borrowings	B8	415,124	840,908
Taxation		<u>36,312</u>	<u>23,561</u>
		<u>614,617</u>	<u>1,008,267</u>
Total liabilities		<u>3,255,044</u>	<u>3,121,722</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,004,805</u></u>	<u><u>3,767,286</u></u>
Net assets per share (RM)		4.19	3.79

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 20 February 2014 and the accompanying notes to the quarterly report attached hereto.



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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 20 MAY 2014**

	Share capital RM'000	<u>Non-distributable</u> Share premium RM'000	<u>Perpetual notes RM'000</u>	Hedging reserve RM'000	<u>Distributable</u> Retained earnings RM'000	Total Equity RM'000
At 21 February 2013	72,000	44,012	-	(10,711)	323,906	429,207
Total comprehensive income for the period	-	-	-	(953)	41,342	40,389
At 20 May 2013	72,000	44,012	-	(11,664)	365,248	469,596
At 21 February 2014	72,000	44,012	100,000	(8,034)	437,586	645,564
Total comprehensive income for the period	-	-	-	2,611	56,282	58,893
Perpetual notes issued	-	-	46,000	-	-	46,000
Perpetual notes issue expenses	-	-	-	-	(220)	(220)
Perpetual notes distribution	-	-	-	-	(476)	(476)
At 20 May 2014	72,000	44,012	146,000	(5,423)	493,172	749,761

The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 20 February 2014 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad
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**CONDENSED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 20 MAY 2014**

	Unaudited cumulative quarter ended	
	20.05.2014	20.05.2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	75,517	56,033
Adjustments for:		
Depreciation of plant and equipment	4,542	4,157
Gain on disposal of plant and equipment	(1)	-
Finance costs	29,506	19,632
Allowance for impairment losses	46,261	25,902
Operating profit before working capital changes	155,825	105,724
Changes in working capital:		
Receivables, deposits and prepayments	(320,578)	(345,715)
Payables and accruals	109,829	39,890
Cash used in operations	(54,924)	(200,101)
Income taxes paid	(13,294)	(8,895)
Finance costs paid	(24,841)	(16,712)
Net cash used in operating activities	(93,059)	(225,708)
Cash flows from investing activities		
Acquisition of plant and equipment	(4,072)	(5,577)
Proceeds from disposal of plant and equipment	1	-
Net cash used in investing activities	(4,071)	(5,577)
Cash flows from financing activities		
Repayment of borrowings	(684,184)	(519,295)
Proceeds from borrowings	763,207	754,211
Proceeds from issuance of Perpetual Notes	46,000	-
Payment of Perpetual Notes issue expenses	(737)	-
Perpetual Notes distribution	(476)	-
Net cash generated from financing activities	123,810	234,916
Net increase in cash and cash equivalents	26,680	3,631
Cash and cash equivalents at 21 February	(52,814)	4,160
Cash and cash equivalents at 20 May	(26,134)	7,791

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

Cash and bank balances	14,116	8,076
Bank overdrafts	(40,250)	(285)
	(26,134)	7,791

The Condensed Cash Flow Statement should be read in conjunction with the audited financial statements of the Company for the financial year ended 20 February 2014 and the accompanying notes to the quarterly report attached hereto.



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Notes to the interim financial report for the quarter ended 20 May 2014

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with *MFRS 134: Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s audited financial statements as at and for the year ended 20 February 2014.

2 Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its annual financial statements as at and for the year ended 20 February 2014.

3 Auditors' Report on the Preceding Annual Financial Statements

There was no qualification in the audit report on the preceding audited annual financial statements.

4 Seasonal or Cyclical Factors

The Company normally benefits from the traditionally higher levels of consumer spending during festive seasons in Malaysia.

5 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

6 Changes in Estimates

There were no material changes in the nature and amount of estimates reported in prior interim period or prior financial years that have a material effect in the current quarter under review.

7 Debt and Equity Securities

During the current quarter, the Company has made further issuances of unrated subordinated conventional perpetual private debt securities (“Perpetual Notes”) at par amounting to RM30.00 million and RM16.00 million respectively. The salient features of the Perpetual Notes issued are as follows:

- (i) The distribution rate for the period of five (5) years from issuance date is 6.5% per annum, with the distribution to be made on semi-annual basis in arrears;
- (ii) If the Company does not exercise its option to redeem at the end of the 5th year, the periodic distribution rate increases by 1% per annum above the prevailing distribution rate subject to a maximum of 20% per annum;



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- (iii) The Company may defer part or all distribution, which shall then become due and payable on the next distribution date unless it is further deferred by the Company;
- (iv) The Perpetual Notes are perpetual in nature with no contractual maturity date. The Company has the option to redeem the Perpetual Notes on the date of the fifth anniversary of the date of issue and thereafter on each subsequent semi-annual distribution payment date;
- (v) The Company also has the option to redeem the Perpetual Notes earlier upon the occurrence of a defined accounting event, tax event, privatisation event and shareholder event;
- (vi) The redemption of the Perpetual Notes by the Company is subject to the prior approval of Bank Negara Malaysia;
- (vii) The holders of the Perpetual Notes do not have any voting rights in the Company; and
- (viii) The Perpetual Notes rank ahead of the Company's ordinary share capital and rank junior to the claims of all other present and future creditors of the Company.

Save for the above and as disclosed in the condensed Cash Flow Statement, there were no other issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the interim period under review.

8 Dividend Paid

There were no dividends paid during the quarter under review.

9 Segmental Reporting

The Company is principally engaged in the provision of easy payment schemes for purchase of consumer durables and vehicles, personal financing schemes and credit cards business, all of which are categorised under consumer financing business.

On this basis, the Managing Director ("MD") reviews the business performance of the Company as a whole. Further analysis will be provided or furnished upon request from the MD.

10 Valuation of Property, Plant and Equipment

There were no revaluations of property, plant and equipment at the end of the reporting quarter.



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Notes to the interim financial report for the quarter ended 20 May 2014

11 Subsequent Event

The Company on 27 May 2014 made its distribution to holders of Perpetual Notes amounting to RM2.748 million in respect of Perpetual Notes issued at par of RM85.250 million.

12 Changes in the Composition of the Company

There were no changes in the composition of the Company during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

13 Fair Value Measurement

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs).

<u>20.05.2014</u> <u>Financial Assets</u>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivatives designated as hedging instruments	-	9,027	-	9,027
Total financial assets carried at fair value	-	9,027	-	9,027

<u>20.02.2014</u> <u>Financial Assets</u>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivatives designated as hedging instruments	-	52,844	-	52,844
Total financial assets carried at fair value	-	52,844	-	52,844



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Notes to the interim financial report for the quarter ended 20 May 2014

14 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 20 May 2014 up to the date of this announcement.

15 Related Party Transactions

During the current quarter under review and up to the date of this announcement, the Company did not enter into any Related Party Transactions or Recurrent Related Party Transactions of a revenue or trading nature that had not been included in or exceeded by 10% or more from the amount which had been mandated by the shareholders during the Annual General Meeting held on 18 June 2013.

16 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for as at 20 May 2014 amounted to RM3.486 million.



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Notes to the interim financial report for the quarter ended 20 May 2014

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

1 Performance Review

The Company's revenue recorded 39.7% growth for the first quarter ended 20 May 2014 compared to the previous year corresponding period. Total transaction and financing volume in the first quarter ended 20 May 2014 was RM 843 million, representing growth of 7.1% from previous year corresponding period. Higher growth was recorded for the vehicle financing operations.

The financing receivables as at 20 May 2014 was RM 3.841 billion, representing growth of 43.5% from RM 2.677 billion in the previous year quarter ended 20 May 2013. Meanwhile, non-performing loans (NPL) ratio was 2.18% as at May 2014 compared to 1.57% as at May 2013.

Other operating income recorded RM 13.745 million for the first quarter ended 20 May 2014 was 44.61% higher than previous year corresponding period. This is mainly contributed by customer loyalty programme processing fee and increase in bad debts recovered.

Ratio of total operating expenses against revenue is recorded at 54.57% in the current quarter ended 20 May 2014 as compared to 54.01% in previous year corresponding period. Profit before tax of RM 75.517 million for the first quarter ended 20 May 2014 represents an increase of 34.8% from previous year corresponding period. Average funding cost in May 2014 was marginally higher compared to previous year corresponding period May 2013 due to higher funding cost for new long term funding in current quarter.

2 Material Change in Profit before Taxation of Current Quarter Compared with Preceding Quarter

There was no material change in profit before taxation of current quarter compared with preceding quarter.

3 Current Year Prospects

The Malaysian economy posted a growth of 6.2% in the first quarter of 2014, primarily due to strong domestic demand. Meanwhile, the economic growth forecast for 2014 by Bank Negara Malaysia is between 5.0% to 5.5%.

The Company expects to be able to maintain its performance in the current financial year based on its business plan and stable outlook for the economy despite uncertainties from external economic conditions, and signs of moderation from certain sectors domestically.



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Notes to the interim financial report for the quarter ended 20 May 2014

4 Revenue

	3 months ended <u>20.05.2014</u> RM'000	3 months ended <u>20.05.2013</u> RM'000
Revenue comprises:		
Interest income, profit revenue and finance charges	173,190	120,201
Fee income	27,710	23,670
	<hr/> <hr/>	<hr/> <hr/>
	200,900	143,871

5 Notes to the Statement of Comprehensive Income

Except as disclosed below, other disclosure items in item 16 of Appendix 9B of Bursa Malaysia's Listing Requirements are not applicable:

	3 months ended <u>20.05.2014</u> RM'000	3 months ended <u>20.05.2013</u> RM'000
(a) Included in Profit from Operations:		
Bad debts recovered	9,477	6,549
Depreciation of plant and equipment	(4,542)	(4,157)
Allowance for impairment losses on receivables	(46,261)	(25,902)
(b) Included in Other Comprehensive Income:		
Gain/(loss) on cash flow hedge	2,611	(953)

Receivables amounting to RM 40.260 million (20 May 2013: RM22.816 million) have been written off against allowance for impairment losses on receivables for the three months ended 20 May 2014.



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Notes to the interim financial report for the quarter ended 20 May 2014

6 Taxation

	3 months ended 20.05.2014 RM'000	3 months ended 20.05.2013 RM'000
In respect of current period:		
- Current tax	26,045	15,472
- Deferred tax	(6,810)	(781)
	<u>19,235</u>	<u>14,691</u>

The Company's effective tax rate is higher than the statutory tax rate as certain expenses are not deductible for tax purpose.

7 Status of Corporate Proposal

There were no corporate proposals announced or pending completion as at end of the quarter and up to the date of this report.

8 Borrowings

The borrowings of the Company as at 20 May 2014 comprised the following:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-Current :			
- Term loans / financing	-	2,434,177	2,434,177
- Medium term notes	-	200,000	200,000
- Asset backed medium term notes	6,250	-	6,250
	<u>6,250</u>	<u>2,634,177</u>	<u>2,640,427</u>
Current :			
- Bank overdrafts	-	40,250	40,250
- Revolving credits	-	131,000	131,000
- Term loans / financing	-	168,874	168,874
- Asset backed medium term notes	75,000	-	75,000
	<u>75,000</u>	<u>340,124</u>	<u>415,124</u>
Total	<u>81,250</u>	<u>2,974,301</u>	<u>3,055,551</u>



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Notes to the interim financial report for the quarter ended 20 May 2014

The borrowings were denominated in the following currencies:

	Secured RM'000 Equivalent	Unsecured RM'000 Equivalent	Total RM'000 Equivalent	
Ringgit Malaysia	81,250	1,231,251	1,312,501	
United States Dollar	-	1,743,050	1,743,050	(Equivalent to USD 542.533 million)
	<u>81,250</u>	<u>2,974,301</u>	<u>3,055,551</u>	

The bank overdrafts, revolving credits and term loans of the Company are mostly on clean basis while certain facilities are secured by standby letters of credit from offshore financial institutions in favour of domestic banks providing the facilities.

The asset backed medium term notes are secured against a pool of consumer financing receivables.

9 Derivatives and Fair Value Changes of Financial Liabilities

(a) Details of derivative financial instruments outstanding are as follows:

As at 20 May 2014	Contract/ Notional Amount RM'000	Fair Value RM'000
<u>Cross currency swaps:</u>		
1 – 3 years	471,864	487,260
More than 3 years	1,254,928	1,255,790
Total	<u>1,726,792</u>	<u>1,743,050</u>

(b) Fair value of financial liabilities

There were no fair value gain/(loss) on fair value changes of financial liabilities as all financial liabilities were measured at amortised cost.



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10 Material Litigation

As at date of this announcement, the Company is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or business of the Company.

11 Dividend

No dividend was proposed or declared for the current quarter ended 20 May 2014.

12 Earnings per Share

	3 months ended <u>20.05.2014</u> '000	3 months ended <u>20.05.2013</u> '000
Net profit attributable to equity holders	56,282	41,342
Weighted average number of ordinary shares in issue (unit)	144,000	144,000
Basic earnings per share (sen)	<u>39.08</u>	<u>28.71</u>

Basic Earnings per share for the quarter is calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period.

The Company does not have in issue any financial instruments or other contract that may entitle its holder to ordinary shares and therefore dilutive to its basic earnings per share.



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Notes to the interim financial report for the quarter ended 20 May 2014

13 Realised and Unrealised Profits

	As at <u>20.05.2014</u> RM'000	As at <u>20.05.2013</u> RM'000
Total retained earnings of the Company		
- Realised	476,192	359,093
- Unrealised	16,980	6,155
Total retained earnings as per Statement of Changes in Equity	<u>493,172</u>	<u>365,248</u>

14 Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 19 June 2014.

By order of the Board
19 June 2014