



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

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 20 AUGUST 2014**

	Note	Unaudited Individual quarter 3 months ended		Unaudited Cumulative quarter 6 months ended	
		20.08.2014 RM'000	20.08.2013 RM'000	20.08.2014 RM'000	20.08.2013 RM'000
Revenue	B4	209,316	162,868	410,216	306,739
Total operating expenses		(124,736)	(91,111)	(234,358)	(168,822)
Other operating income		12,063	9,153	25,808	18,658
Profit from operations	B5(a)	96,643	80,910	201,666	156,575
Finance costs		(33,156)	(23,734)	(62,662)	(43,365)
Profit before taxation		63,487	57,176	139,004	113,210
Taxation	B6	(16,056)	(14,040)	(35,291)	(28,731)
Profit for the period		47,431	43,136	103,713	84,479
Other comprehensive income, net of tax	B5(b)				
Cash flow hedge		1,407	(5,084)	4,018	(6,037)
Other comprehensive income for the period, net of tax		1,407	(5,084)	4,018	(6,037)
Total comprehensive income for the period		48,838	38,052	107,731	78,442
Earnings per share attributable to equity holders of the Company :					
Basic (sen)	B12	32.94	29.96	72.02	58.67
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
(412767-V) (Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 20 AUGUST 2014

	Note	Unaudited As at 20.08.2014 RM'000	Audited As at 20.02.2014 RM'000
ASSETS			
Non-current assets			
Plant and equipment		48,359	46,599
Investments		5,542	5,542
Deferred tax assets		20,183	11,040
Financing receivables		<u>2,637,815</u>	<u>2,034,533</u>
		<u>2,711,899</u>	<u>2,097,714</u>
Current assets			
Financing receivables		1,477,176	1,536,389
Other receivables, deposits & prepayments		75,992	67,770
Cash and cash equivalents		16,719	12,569
Derivative financial instruments		-	52,844
		<u>1,569,887</u>	<u>1,669,572</u>
TOTAL ASSETS		<u><u>4,281,786</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>499,296</u>	<u>429,552</u>
Equity attributable to shareholders of the Company		<u>615,308</u>	<u>545,564</u>
Perpetual Notes	A7	<u>146,000</u>	<u>100,000</u>
Total equity		<u>761,308</u>	<u>645,564</u>
Non-current liability			
Borrowings	B8	<u>2,725,027</u>	<u>2,113,455</u>
		<u>2,725,027</u>	<u>2,113,455</u>
Current liabilities			
Payables and accruals		171,306	143,798
Borrowings	B8	565,463	840,908
Derivative financial instruments		13,130	-
Taxation		45,552	23,561
		<u>795,451</u>	<u>1,008,267</u>
Total liabilities		<u>3,520,478</u>	<u>3,121,722</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,281,786</u></u>	<u><u>3,767,286</u></u>
Net assets per share (RM)		4.27	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.



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

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 20 AUGUST 2014**

	Share capital RM'000	<u>Non-distributable</u> Share premium RM'000	<u>Perpetual Notes</u> RM'000	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
Final dividend paid in respect of the financial year ended 20 February 2013	-	-	-	-	(28,080)	(28,080)
Total comprehensive income for the period	-	-	-	(6,037)	84,479	78,442
At 20 August 2013	72,000	44,012	-	(16,748)	380,305	479,569
At 21 February 2014	72,000	44,012	100,000	(8,034)	437,586	645,564
Final dividend paid in respect of the financial year ended 20 February 2014	-	-	-	-	(34,560)	(34,560)
Total comprehensive income for the period	-	-	-	4,018	103,713	107,731
Perpetual Notes issued	-	-	46,000	-	-	46,000
Perpetual Notes issue expenses	-	-	-	-	(204)	(204)
Distribution on Perpetual Notes	-	-	-	-	(3,223)	(3,223)
At 20 August 2014	72,000	44,012	146,000	(4,016)	503,312	761,308

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
(412767-V) (Incorporated in Malaysia)

**CONDENSED CASH FLOW STATEMENT
FOR THE SECOND QUARTER ENDED 20 AUGUST 2014**

	Unaudited cumulative quarter ended	
	20.08.2014 RM'000	20.08.2013 RM'000
Cash flows from operating activities		
Profit before tax	139,004	113,210
Adjustments for:		
Depreciation of plant and equipment	9,235	8,414
Gain on disposal of plant and equipment	(84)	(4)
Finance costs	62,662	43,365
Allowance for impairment losses	105,874	62,561
Operating profit before working capital changes	316,691	227,546
Changes in working capital:		
Receivables, deposits and prepayments	(658,340)	(767,710)
Payables and accruals	166,040	(48,910)
Cash used in operations	(175,609)	(589,074)
Income taxes paid	(23,608)	(15,942)
Finance costs paid	(57,932)	(40,457)
Net cash used in operating activities	(257,149)	(645,473)
Cash flows from investing activities		
Acquisition of plant and equipment	(10,994)	(9,721)
Proceeds from disposal of plant and equipment	84	4
Net cash used in investing activities	(10,910)	(9,717)
Cash flows from financing activities		
Repayment of borrowings	(751,002)	(519,105)
Proceeds from borrowings	1,062,207	1,205,275
Proceeds from issuance of Perpetual Notes	46,000	-
Payment of Perpetual Notes issue expenses	(804)	-
Distribution on Perpetual Notes	(3,223)	-
Dividends paid to ordinary shareholders of the Company	(34,560)	(28,080)
Net cash generated from financing activities	318,618	658,090
Net increase in cash and cash equivalents	50,559	2,900
Cash and cash equivalents at 21 February	(52,814)	4,160
Cash and cash equivalents at 20 August	(2,255)	7,060

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	16,719	7,424
Bank overdrafts	(18,974)	(364)
	(2,255)	7,060

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.



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

Notes to the interim financial report for the quarter ended 20 August 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

The Company has made further issuance of unrated subordinated conventional perpetual private debt securities (“Perpetual Notes”) at par amounting to RM46.00 million during the interim period under review. 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;



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

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

- (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

	Cumulative Quarter (6 months)	
	Current Year	Preceding Year
	Period To Date	Period To Date
	<u>20.08.2014</u>	<u>20.08.2013</u>
	RM'000	RM'000
Final dividend in respect of the financial year ended 20 February 2014		
- 24.00 sen single tier dividend per ordinary share	34,560	-
Final dividend in respect of the financial year ended 20 February 2013		
- 19.50 sen single tier dividend per ordinary share	-	28,080
	<hr/> <hr/>	<hr/> <hr/>
	34,560	28,080

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.



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

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

10 Valuation of Property, Plant and Equipment

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

11 Subsequent Event

There were no material events subsequent to the end of the current quarter under review up to the date of this report, which are likely to substantially affect the results of the quarter under review.

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>20.08.2014</u>	Level 1	Level 2	Level 3	Total
<u>Financial Liabilities</u>	RM'000	RM'000	RM'000	RM'000

Derivatives designated as hedging instruments	-	13,130	-	13,130
Total financial liabilities carried at fair value	-	13,130	-	13,130

<u>20.02.2014</u>	Level 1	Level 2	Level 3	Total
<u>Financial Assets</u>	RM'000	RM'000	RM'000	RM'000

Derivatives designated as hedging instruments	-	52,844	-	52,844
Total financial assets carried at fair value	-	52,844	-	52,844



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

Notes to the interim financial report for the quarter ended 20 August 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 August 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 19 June 2014.

16 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for as at 20 August 2014 amounted to RM1.38 million.



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

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

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

1 Performance Review

The Company's revenue recorded 28.5% and 33.7% growth for the second quarter and six months ended 20 August 2014 respectively compared to the previous year corresponding period. Total transaction and financing volume in the second quarter of RM868 million approximate the amount in the previous corresponding quarter in 2013, while growth of 3.4% was recorded for the six months' volume of RM 1.711 billion for period ended 20 August 2014. The growth was mainly recorded in the auto financing operations.

The financing receivables as at 20 August 2014 was RM 4.115 billion, representing an increase of 35.0% from RM 3.048 billion in the previous year quarter ended 20 August 2013. Meanwhile, the non-performing loans (NPL) ratio was 2.65% as at August 2014 compared to 1.64% as at August 2013.

Other operating income recorded of RM 12.063 million and RM 25.808 million for the second quarter and six months ended 20 August 2014 was 31.8% and 38.3% higher than previous year corresponding period respectively. This is mainly contributed by increase in bad debts recovered and AEON Big loyalty programme processing fee.

Ratio of total operating expenses against revenue was recorded at 59.6% in the quarter ended 20 August 2014 compared to 55.9% in previous year corresponding period due mainly to higher impairment loss provision on financing receivables. Profit before tax of RM 63.487 million and RM 139.004 million for the second quarter and six months ended 20 August 2014 represents an increase of 11.0% and 22.8% respectively from previous year corresponding period. Average funding cost in August 2014 was marginally higher compared to previous year due to higher funding cost for new long term funding during the interim period under review.

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

Despite the Malaysian economy posting stronger growth of 6.4% in the second quarter of 2014, the annual economic growth forecast for 2014 by Bank Negara Malaysia is between 4.5% to 5.5%.

The Company expects to be able to maintain its performance in the current financial year based on its business plan.



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

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

4 Revenue

	Individual quarter		Cumulative quarter	
	3 months	3 months	6 months	6 months
	ended	ended	ended	ended
	<u>20.08.2014</u>	<u>20.08.2013</u>	<u>20.08.2014</u>	<u>20.08.2013</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	182,379	137,441	355,569	257,642
Fee income	26,937	25,427	54,647	49,097
	<u>209,316</u>	<u>162,868</u>	<u>410,216</u>	<u>306,739</u>

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:

	Individual quarter		Cumulative quarter	
	3 months	3 months	6 months	6 months
	ended	ended	ended	ended
	<u>20.08.2014</u>	<u>20.08.2013</u>	<u>20.08.2014</u>	<u>20.08.2013</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from Operations:				
Bad debts recovered	8,479	6,316	17,956	12,865
Depreciation of plant and equipment	(4,693)	(4,257)	(9,235)	(8,414)
Allowance for impairment losses on receivables	(59,613)	(36,659)	(105,874)	(62,561)
(b) Included in Other Comprehensive Income:				
Gain / (Loss) on cash flow hedge	1,407	(5,084)	4,018	(6,037)

Receivables amounting to RM36.152 million and RM76.412 million (20 August 2013: RM23.935 million and RM46.751 million) have been written off against allowance for impairment losses on receivables for the current quarter and six months ended 20 August 2014 respectively.



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

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

6 Taxation

	Individual quarter		Cumulative quarter	
	3 months ended 20.08.2014 RM'000	3 months ended 20.08.2013 RM'000	6 months ended 20.08.2014 RM'000	6 months ended 20.08.2013 RM'000
In respect of current period:				
- current tax	19,728	17,909	45,773	33,381
- Deferred tax	(3,672)	(3,869)	(10,482)	(4,650)
	<u>16,056</u>	<u>14,040</u>	<u>35,291</u>	<u>28,731</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 August 2014 comprised the following:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-Current :			
- Term loans / financing	-	2,525,027	2,525,027
- Medium term notes	-	200,000	200,000
	-	<u>2,725,027</u>	<u>2,725,027</u>
Current :			
- Bank overdrafts	-	18,974	18,974
- Revolving credits	-	130,000	130,000
- Term loans / financing	-	353,989	353,989
- Asset backed medium term notes	62,500	-	62,500
	<u>62,500</u>	<u>502,963</u>	<u>565,463</u>
Total	<u>62,500</u>	<u>3,227,990</u>	<u>3,290,490</u>



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

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

The borrowings were denominated in the following currencies:

	Secured RM'000 Equivalent	Unsecured RM'000 Equivalent	Total RM'000 Equivalent	
Ringgit Malaysia	62,500	1,508,974	1,571,474	
United States Dollar	-	1,719,016	1,719,016	(Equivalent to USD 542.533 million)
	<u>62,500</u>	<u>3,227,990</u>	<u>3,290,490</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 August 2014	Contract/ Notional Amount RM'000	Fair Value RM'000
<u>Cross currency swaps:</u>		
1 – 3 years	521,864	530,534
More than 3 years	1,204,928	1,188,482
Total	<u>1,726,792</u>	<u>1,719,016</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.



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

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

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

Interim dividend

- (i) An interim single tier dividend has been recommended for the financial year ending 20 February 2015;
- (ii) Amount per share – 27.40 sen (previous corresponding period – nil);
- (iii) Date payable – 21 October 2014;
- (iv) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 3 October 2014.

12 Earnings per Share

	Individual quarter		Cumulative quarter	
	3 months ended	3 months ended	6 months ended	6 months ended
	<u>20.08.2014</u>	<u>20.08.2013</u>	<u>20.08.2014</u>	<u>20.08.2013</u>
	'000	'000	'000	'000
Net profit attributable to equity holders	47,431	43,136	103,713	84,479
Weighted average number of ordinary shares in issue (unit)	144,000	144,000	144,000	144,000
Basic earnings per share (sen)	32.94	29.96	72.02	58.67

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.



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

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

13 Realised and Unrealised Profits

	6 months ended <u>20.08.2014</u> RM'000	6 months ended <u>20.08.2013</u> RM'000
Total retained earnings of the Company		
- Realised	483,129	368,586
- Unrealised	20,183	11,719
Total retained earnings as per Statement of Changes in Equity	<u>503,312</u>	<u>380,305</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 18 September 2014.

By order of the Board
18 September 2014