



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

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MAY 2016**

	Note	Unaudited Individual quarter 3 months ended		Unaudited Cumulative quarter 3 months ended	
		31.05.2016 RM'000	31.05.2015 RM'000	31.05.2016 RM'000	31.05.2015 RM'000
Revenue	B4	261,638	232,439	261,638	232,439
Total operating expenses		(158,176)	(142,284)	(158,176)	(142,284)
Other operating income		27,569	23,803	27,569	23,803
Profit from operations	B5(a)	131,031	113,958	131,031	113,958
Finance costs		(46,915)	(37,692)	(46,915)	(37,692)
Profit before taxation		84,116	76,266	84,116	76,266
Taxation	B6	(21,389)	(18,025)	(21,389)	(18,025)
Profit for the period		62,727	58,241	62,727	58,241
Other comprehensive income, net of tax	B5(b)				
Cash flow hedge		9,953	38	9,953	38
Other comprehensive income for the period, net of tax		9,953	38	9,953	38
Total comprehensive income for the period		72,680	58,279	72,680	58,279
Earnings per share attributable to ordinary equity holders of the Company :					
Basic (sen)	B12	41.06	37.96	41.06	37.96
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 29 February 2016 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 31 MAY 2016

	Note	As at 31.05.2016 RM'000	As at 29.02.2016 RM'000
ASSETS			
Non-current assets			
Plant and equipment		55,827	52,076
Investments		24,239	24,239
Deferred tax assets		35,948	39,043
Financing receivables		3,871,804	3,630,038
		<u>3,987,818</u>	<u>3,745,396</u>
Current assets			
Financing receivables		1,811,100	1,774,878
Other receivables, deposits & prepayments		36,419	31,759
Derivative financial instruments		414,100	478,224
Cash and bank balances		58,793	67,250
		<u>2,320,412</u>	<u>2,352,111</u>
TOTAL ASSETS		<u>6,308,230</u>	<u>6,097,507</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		72,000	72,000
Share premium		44,012	44,012
Reserves		737,888	668,806
Equity attributable to ordinary equity holders of the Company		<u>853,900</u>	<u>784,818</u>
Perpetual Notes and Sukuk		276,000	276,000
Total equity		<u>1,129,900</u>	<u>1,060,818</u>
Non-current liability			
Borrowings	B8	4,216,726	4,214,649
		<u>4,216,726</u>	<u>4,214,649</u>
Current liabilities			
Borrowings	B8	830,338	693,528
Payables and accruals		112,485	113,584
Taxation		18,781	14,928
		<u>961,604</u>	<u>822,040</u>
Total liabilities		<u>5,178,330</u>	<u>5,036,689</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,308,230</u></u>	<u><u>6,097,507</u></u>
 Net assets per share (RM)		 5.93	 5.45

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2016 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 31 MAY 2016**

	Share capital RM'000	Share premium RM'000	Non-distributable		Hedging reserve RM'000	Distributable Retained earnings RM'000	Total Equity RM'000
			Perpetual Notes RM'000	Perpetual Sukuk RM'000			
At 1 March 2015	72,000	44,012	146,000	130,000	(8,844)	572,544	955,712
Total comprehensive income for the period	-	-	-	-	38	58,241	58,279
Perpetual Notes/Sukuk issue expenses	-	-	-	-	-	(100)	(100)
Distribution on Perpetual Notes, net of tax	-	-	-	-	-	(3,584)	(3,584)
At 31 May 2015	72,000	44,012	146,000	130,000	(8,806)	627,101	1,010,307
At 1 March 2016	72,000	44,012	146,000	130,000	(32,721)	701,527	1,060,818
Total comprehensive income for the period	-	-	-	-	9,953	62,727	72,680
Distribution on Perpetual Notes, net of tax	-	-	-	-	-	(3,598)	(3,598)
At 31 May 2016	72,000	44,012	146,000	130,000	(22,768)	760,656	1,129,900

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 29 February 2016 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad
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**CONDENSED CASH FLOWS STATEMENT
FOR THE FIRST QUARTER ENDED 31 MAY 2016**

	31.05.2016 RM'000	31.05.2015 RM'000
Cash flows from operating activities		
Profit before tax	84,116	76,266
Adjustments for:		
Depreciation of plant and equipment	5,406	4,661
Gain / (Loss) on disposal of plant and equipment	(2)	1
Finance costs	46,915	37,692
Allowance for impairment losses	71,247	73,533
Operating profit before working capital changes	<u>207,682</u>	<u>192,153</u>
Changes in working capital:		
Receivables, deposits and prepayments	(353,894)	(212,675)
Payables and accruals	(5,007)	(26,349)
Cash held on behalf for a related company	(920)	(6,580)
Cash used in operations	<u>(152,139)</u>	<u>(53,451)</u>
Income taxes paid	(16,448)	(25,269)
Finance costs paid	<u>(43,007)</u>	<u>(32,668)</u>
Net cash used in operating activities	<u>(211,594)</u>	<u>(111,388)</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(9,157)	(4,320)
Proceeds from disposal of plant and equipment	2	-
Subscription of equity shares	-	(5,684)
Net cash used in investing activities	<u>(9,155)</u>	<u>(10,004)</u>
Cash flows from financing activities		
Repayment of borrowings	(230,700)	(444,115)
Proceeds from borrowings	460,000	579,000
Payment of Perpetual Notes / Sukuk issue expenses	-	(100)
Distribution on Perpetual Notes	(4,735)	(4,714)
Net cash generated from financing activities	<u>224,565</u>	<u>130,071</u>
Net increase in cash and cash equivalents	3,816	8,679
Cash and cash equivalents at 1 March	8,236	(31,769)
Cash and cash equivalents at 31 May	<u>12,052</u>	<u>(23,090)</u>

Cash and cash equivalents

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

Cash and bank balances	58,793	47,084
Cash held on behalf of a related company	(9,908)	(6,580)
Bank overdrafts	<u>(36,833)</u>	<u>(63,594)</u>
	<u>12,052</u>	<u>(23,090)</u>

The Condensed Cash Flows Statement should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2016 and the accompanying notes to the quarterly report attached hereto.



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Notes to the interim financial report for the quarter ended 31 May 2016

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 29 February 2016.

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 29 February 2016.

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

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the interim period under review except as disclosed in the condensed Cash Flows Statement.



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Notes to the interim financial report for the quarter ended 31 May 2016

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.

11 Subsequent Event

There were no material events subsequent to the end of the current period 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 restructuring and discontinuing operations.



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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>31.05.2016</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	-	414,100	-	414,100
Total financial assets carried at fair value	-	414,100	-	414,100

<u>29.02.2016</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	-	478,224	-	478,224
Total financial assets carried at fair value	-	478,224	-	478,224

14 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 31 May 2016 and up to the date of this announcement.

15 Related Party Transactions

The Company had entered into Recurrent Related Party Transactions (“RRPT”) of a revenue or trading nature with AEON Financial Services Co. Ltd., Japan, the holding company of the Company, which are necessary for the Company’s day-to-day operations. The RRPT relates to the corporate support fees which comprise of operation and funding support fee.

Other than disclosed above, there are no other 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 16 June 2015.

16 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for as at 31 May 2016 amounted to RM909,000.



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Notes to the interim financial report for the quarter ended 31 May 2016

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

1 Performance Review

The Company has achieved revenue of RM261.638 million for the first quarter ended 31 May 2016. Total transaction and financing volume in the first quarter ended 31 May 2016 was RM1.008 billion.

The financing receivables as at 31 May 2016 was RM5.682 billion, representing an increase of 21.64% from RM4.671 billion as at 31 May 2015. Non-performing loans (NPL) ratio was 2.42% as at 31 May 2016 compared to 2.74% as at 31 May 2015.

Other operating income recorded of RM27.569 million for the first quarter ended 31 May 2016 mainly comprised bad debts recovered, commission income from sale of insurance products and AEON Big loyalty programme processing fees.

Ratio of total operating expense against revenue was recorded at 60.5% as compared to 61.2% in the quarter ended 31 May 2015. The decrease was mainly attributable to lower allowance for impairment losses on financing receivables.

The Company recorded a profit before tax of RM84.116 million for the first quarter ended 31 May 2016. Average funding cost in the quarter ended 31 May 2016 was marginally higher compared to the quarter ended 31 May 2015 due to higher funding cost for new long term funding.

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

The profit before taxation for the quarter under review was lower by RM6.435 million compared with the preceding quarter, mainly attributable to higher operating expenses and lower operating income.

3 Current Year Prospects

The Malaysian economy posted growth of 4.2% in the first quarter of 2016 while the annual economic growth forecast for 2016 by Bank Negara Malaysia is between 4% to 4.5%. Domestic demand will be the key driver for growth, and household spending is likely to be supported by growth in income and employment.

The Company had recorded 12.56% and 7.70% growth in revenue and net profit for the quarter ended 31 May 2016 as compared with corresponding quarter ended 31 May 2015. The Company expects to be able to maintain its financial performance in the year ending 28 February 2017 despite challenges posed by the Malaysian and global economy.



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Notes to the interim financial report for the quarter ended 31 May 2016

4 Revenue

	Individual quarter 3 months		Cumulative quarter 3 months	
	ended	ended	ended	ended
	<u>31.05.2016</u>	<u>31.05.2015</u>	<u>31.05.2016</u>	<u>31.05.2015</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	228,801	201,181	228,801	201,181
Fee income	32,837	31,258	32,837	31,258
	<u>261,638</u>	<u>232,439</u>	<u>261,638</u>	<u>232,439</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 3 months		Cumulative quarter 3 months	
	ended	ended	ended	ended
	<u>31.05.2016</u>	<u>31.05.2015</u>	<u>31.05.2016</u>	<u>31.05.2015</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from Operations:				
Bad debts recovered	23,966	17,301	23,966	17,301
Depreciation of plant and equipment	(5,406)	(4,661)	(5,406)	(4,661)
Allowance for impairment losses on receivables	(71,247)	(73,533)	(71,247)	(73,533)
(b) Included in Other Comprehensive Income:				
Gain on cash flow hedge	9,953	38	9,953	38

Receivables amounting to RM67.267million (31 May 2015: RM67.091million) have been written off against allowance for impairment losses on receivables for the three months quarter ended 31 May 2016.



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Notes to the interim financial report for the quarter ended 31 May 2016

6 Taxation

	Individual quarter 3 months		Cumulative quarter 3 months	
	ended <u>31.05.2016</u> RM'000	ended <u>31.05.2015</u> RM'000	ended <u>31.05.2016</u> RM'000	ended <u>31.05.2015</u> RM'000
In respect of current period:				
- current tax	20,937	19,614	20,937	19,614
- deferred tax	(48)	(1,589)	(48)	(1,589)
	<u>20,889</u>	<u>18,025</u>	<u>20,889</u>	<u>18,025</u>
In respect of prior year:				
- current tax	500	-	500	-
	<u>21,389</u>	<u>18,025</u>	<u>21,389</u>	<u>18,025</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 31 May 2016 comprised the following:

	Unsecured RM'000
Non-Current :	
- Term loans / financing	4,161,726
- Medium term note	55,000
	<u>4,216,726</u>
Current :	
- Bank overdrafts	36,832
- Revolving credits	110,000
- Term loans / financing	538,506
- Medium term note	145,000
	<u>830,338</u>
Total	<u>5,047,064</u>



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Notes to the interim financial report for the quarter ended 31 May 2016

8 Borrowings (continued)

The borrowings were denominated in the following currencies:

	Unsecured RM'000 Equivalent	
Ringgit Malaysia	2,306,832	
United States Dollar	2,740,232	(Equivalent to USD 665.19 million)
	<u>5,047,064</u>	

The outstanding bank overdrafts, revolving credits and term loans of the Company are on clean basis.

9 Derivatives and Fair Value Changes of Financial Liabilities

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

As at 31 May 2016	Contract/ Notional Amount RM'000	Fair Value RM'000
<u>Cross currency swaps:</u>		
1 – 3 years	1,623,628	2,054,673
More than 3 years	672,545	685,559
Total	<u>2,296,173</u>	<u>2,740,232</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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Notes to the interim financial report for the quarter ended 31 May 2016

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 31 May 2016.

12 Earnings per Share

	Individual quarter 3 months		Cumulative quarter 3 months	
	ended <u>31.05.2016</u> RM'000	ended <u>31.05.2015</u> RM'000	ended <u>31.05.2016</u> RM'000	ended <u>31.05.2015</u> RM'000
Net profit attributable to equity holders	62,727	58,241	62,727	58,241
Distribution on Perpetual Notes, net of tax	(3,598)	(3,584)	(3,598)	(3,584)
Net profit attributable to ordinary equity holders	59,129	54,657	59,129	54,657

	Individual quarter 3 months		Cumulative quarter 3 months	
	ended <u>31.05.2016</u> '000	ended <u>31.05.2015</u> '000	ended <u>31.05.2016</u> '000	ended <u>31.05.2015</u> '000
Net profit attributable to ordinary equity holders (RM)	59,129	54,657	59,129	54,657
Weighted average number of ordinary shares (unit)	144,000	144,000	144,000	144,000
Basic earnings per share (sen)	41.06	37.96	41.06	37.96

Basic Earnings per share is calculated by dividing the net profit after distribution on Perpetual Notes by the weighted average number of ordinary shares outstanding during the period.

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



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Notes to the interim financial report for the quarter ended 31 May 2016

13 Realised and Unrealised Profits

	As at <u>31.05.2016</u> RM'000	As at <u>29.02.2016</u> RM'000
Total retained earnings of the Company		
- Realised	724,708	662,484
- Unrealised	35,948	39,043
Total retained earnings as per Statement of Changes in Equity	<u>760,656</u>	<u>701,527</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 30 June 2016.

By order of the Board
30 June 2016