



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

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 AUGUST 2016**

	Note	Unaudited Individual quarter 3 months ended		Unaudited Cumulative quarter 6 months ended	
		31.08.2016 RM'000	31.08.2015 RM'000	31.08.2016 RM'000	31.08.2015 RM'000
Revenue	B4	269,128	228,723	530,766	461,162
Total operating expenses		(171,298)	(144,542)	(329,474)	(286,826)
Other operating income		25,016	19,893	52,585	43,696
Profit from operations	B5(a)	122,846	104,074	253,877	218,032
Finance costs		(49,671)	(39,802)	(96,586)	(77,494)
Profit before taxation		73,175	64,272	157,291	140,538
Taxation	B6	(17,981)	(15,786)	(39,370)	(33,811)
Profit for the period		55,194	48,486	117,921	106,727
Other comprehensive income, net of tax	B5(b)				
Cash flow hedge		(9,164)	(13,002)	789	(12,964)
Other comprehensive income for the period, net of tax		(9,164)	(13,002)	789	(12,964)
Total comprehensive income for the period		46,030	35,484	118,710	93,763
Earnings per share attributable to equity holders of the Company :					
Basic (sen)	B12	36.10	31.45	77.16	69.40
Diluted (sen)	B12	-	-	-	-

The Condensed Statement of Profit or Loss and Other 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
(412767-V) (Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2016

	Note	Unaudited As at 31.08.2016 RM'000	Audited As at 29.02.2016 RM'000
ASSETS			
Non-current assets			
Plant and equipment		56,464	52,076
Investments		24,239	24,239
Deferred tax assets		43,625	39,043
Financing receivables		<u>4,068,661</u>	<u>3,630,038</u>
		<u>4,192,989</u>	<u>3,745,396</u>
Current assets			
Financing receivables		1,852,142	1,774,878
Other receivables, deposits and prepayments		35,973	31,759
Derivative financial instruments		348,829	478,224
Cash and bank balances		<u>75,559</u>	<u>67,250</u>
		<u>2,312,503</u>	<u>2,352,111</u>
TOTAL ASSETS		<u>6,505,492</u>	<u>6,097,507</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		72,000	72,000
Share premium		44,012	44,012
Reserves		<u>738,077</u>	<u>668,806</u>
Equity attributable to equity holders of the Company		<u>854,089</u>	<u>784,818</u>
Perpetual Notes and Sukuk		<u>276,000</u>	<u>276,000</u>
Total equity		<u>1,130,089</u>	<u>1,060,818</u>
Non-current liability			
Borrowings	B8	<u>4,191,513</u>	<u>4,214,649</u>
		<u>4,191,513</u>	<u>4,214,649</u>
Current liabilities			
Borrowings	B8	1,038,129	693,528
Payables and accruals		119,222	113,584
Taxation		<u>26,539</u>	<u>14,928</u>
		<u>1,183,890</u>	<u>822,040</u>
Total liabilities		<u>5,375,403</u>	<u>5,036,689</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,505,492</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.



AEON Credit Service (M) Berhad
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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 AUGUST 2016**

	← Non-distributable →					Distributable	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Perpetual Notes RM'000	Perpetual Sukuk RM'000	Hedging reserve RM'000	Retained earnings RM'000	
At 1 March 2015	72,000	44,012	146,000	130,000	(8,844)	572,544	955,712
Final dividend paid in respect of the financial period ended 28 February 2015	-	-	-	-	-	(42,624)	(42,624)
Total comprehensive income for the period	-	-	-	-	(12,964)	106,727	93,763
Perpetual notes/ sukuk issue expenses	-	-	-	-	-	(100)	(100)
Distribution on perpetual notes/ sukuk, net of tax	-	-	-	-	-	(6,785)	(6,785)
At 31 August 2015	72,000	44,012	146,000	130,000	(21,808)	629,762	999,966
At 1 March 2016	72,000	44,012	146,000	130,000	(32,721)	701,527	1,060,818
Final dividend paid in respect of the financial year ended 29 February 2016	-	-	-	-	-	(42,624)	(42,624)
Total comprehensive income for the period	-	-	-	-	789	117,921	118,710
Distribution on perpetual notes/ sukuk, net of tax	-	-	-	-	-	(6,815)	(6,815)
At 31 August 2016	72,000	44,012	146,000	130,000	(31,932)	770,009	1,130,089

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 STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 AUGUST 2016**

	31.08.2016 RM'000	31.08.2015 RM'000
Cash flows from operating activities		
Profit before tax	157,291	140,538
Adjustments for:		
Depreciation of plant and equipment	11,274	9,299
Gain on disposal of plant and equipment	(4)	(5)
Finance costs	96,586	77,494
Plant and equipment written off	-	19
Allowance for impairment losses	153,844	144,163
Operating profit before working capital changes	<u>418,991</u>	<u>371,508</u>
Changes in working capital:		
Receivables, deposits and prepayments	(673,944)	(513,379)
Payables and accruals	1,001	(16,056)
Cash held on behalf for a related company	(920)	(1,898)
Cash used in operations	<u>(254,872)</u>	<u>(159,825)</u>
Income taxes paid	(30,440)	(39,281)
Finance costs paid	<u>(92,165)</u>	<u>(73,704)</u>
Net cash used in operating activities	<u>(377,477)</u>	<u>(272,810)</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(15,663)	(8,387)
Proceeds from disposal of plant and equipment	5	4
Subscription of equity shares	-	(5,684)
Net cash used in investing activities	<u>(15,658)</u>	<u>(14,067)</u>
Cash flows from financing activities		
Repayment of borrowings	(250,700)	(635,235)
Proceeds from borrowings	690,000	1,010,000
Payment of perpetual notes / sukuk issue expenses	-	(100)
Distribution on perpetual notes	(8,967)	(8,928)
Dividends paid to shareholders of the Company	(42,624)	(42,624)
Net cash generated from financing activities	<u>387,709</u>	<u>323,113</u>
Net (decrease)/ increase in cash and cash equivalents	(5,426)	36,236
Cash and cash equivalents at 1 March	8,236	(31,769)
Cash and cash equivalents at 31 August	<u>2,810</u>	<u>4,467</u>

Cash and cash equivalents

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

Cash and bank balances	75,559	64,412
Cash held on behalf of a related company	(9,908)	(7,581)
Bank overdrafts	<u>(62,841)</u>	<u>(52,364)</u>
	<u>2,810</u>	<u>4,467</u>

The Condensed Statement of Cash Flows 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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Notes to the interim financial report for the financial period ended 31 August 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 Seasonal or Cyclical Factors

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

4 Unusual Items

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

5 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 financial period under review.

6 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 statement of cash flows.



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Notes to the interim financial report for the financial period ended 31 August 2016

7 Dividend Paid

	Cumulative Quarter (6 months)	
	Current Year Period To Date <u>31.08.2016</u> RM'000	Preceding Year Period To Date <u>31.08.2015</u> RM'000
Final dividend in respect of the financial year ended 28 February 2015		
- 29.60 sen single tier dividend per ordinary share	-	42,624
Final dividend in respect of the financial year ended 29 February 2016		
- 29.60 sen single tier dividend per ordinary share	42,624	-
	<hr/> <hr/>	<hr/> <hr/>
	42,624	42,624

8 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.

9 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.

10 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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Notes to the interim financial report for the financial period ended 31 August 2016

11 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>31.08.2016</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	-	348,829	-	348,829
Total financial assets carried at fair value	-	348,829	-	348,829

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

12 Contingent Liabilities and Contingent Assets

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

13 Related Party Transactions

During the current quarter under review and up to the date of this announcement, the Company did not enter into any significant Related Party Transactions or Recurrent Related Party Transactions of a revenue or trading nature other than those that had been mandated by the shareholders during the Annual General Meeting held on 21 June 2016.

14 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for as at 31 August 2016 amounted to RM12.7 million.



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Notes to the interim financial report for the financial period ended 31 August 2016

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

1 Performance Review

The Company's revenue recorded 17.7% and 15.1% growth for the second quarter and six months ended 31 August 2016 as compared with the previous year corresponding period ended 31 August 2015. Total transaction and financing volume in the second quarter and six months ended 31 August 2016 had increased by 9.58% to RM978.141 million and by 14.34% to RM1.986 billion respectively as compared with the previous corresponding period ended 31 August 2015.

The financing receivables as at 31 August 2016 was RM5.921 billion, representing an increase of 20.6% from RM4.908 billion as at 31 August 2015. Non-performing loans (NPL) ratio was 2.43% as at 31 August 2016 compared to 2.58% as at 31 August 2015.

Other operating income recorded of RM25.016 million and RM52.585 million for the second quarter and six months ended 31 August 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 63.65% for the current quarter as compared to 63.20% in the quarter ended 31 August 2015. The increase was mainly attributable to higher promotional expenses, administrative expenses and equipment expenses.

The Company recorded a profit before tax of RM73.175 million for the second quarter and RM157.291 million for the six months ended 31 August 2016. Average funding cost in the quarter ended 31 August 2016 was marginally higher compared to the quarter ended 31 August 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 RM10.941 million compared with the preceding quarter, mainly attributable to higher operating expenses and funding costs compensated by higher total operating income.

3 Current Year Prospects

The Malaysian economy posted growth of 4.0% in the second quarter of 2016 while the annual economic growth forecast for 2016 by Bank Negara Malaysia is between 4.0% 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 15.1% and 10.5% growth in revenue and net profit for the six months ended 31 August 2016 compared with corresponding period ended 31 August 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 financial period ended 31 August 2016

4 Revenue

	Individual quarter		Cumulative quarter	
	3 months		6 months	
	ended	ended	ended	ended
	<u>31.08.2016</u>	<u>31.08.2015</u>	<u>31.08.2016</u>	<u>31.08.2015</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	236,151	196,709	464,952	397,890
Fee income	32,977	32,014	65,814	63,272
	<u>269,128</u>	<u>228,723</u>	<u>530,766</u>	<u>461,162</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		6 months	
	ended	ended	ended	ended
	<u>31.08.2016</u>	<u>31.08.2015</u>	<u>31.08.2016</u>	<u>31.08.2015</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from Operations:				
Bad debts recovered	21,484	15,202	45,450	32,503
Depreciation of plant and equipment	(5,868)	(4,638)	(11,274)	(9,299)
Allowance for impairment losses on receivables	(82,597)	(70,630)	(153,844)	(144,163)
(b) Included in Other Comprehensive Income:				
(Loss)/Gain on cash flow hedge	(9,164)	(13,002)	789	(12,964)

Receivables amounting to RM75.412 million and RM142.679 million have been written off against allowance for impairment losses on receivables for the second quarter and six months ended 31 August 2016 respectively compared with RM69.208 million and RM136.299 million written off in the previous corresponding period ended 31 August 2015.



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Notes to the interim financial report for the financial period ended 31 August 2016

6 Taxation

	Individual quarter		Cumulative quarter	
	3 months		6 months	
	ended	ended	ended	ended
	<u>31.08.2016</u>	<u>31.08.2015</u>	<u>31.08.2016</u>	<u>31.08.2015</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- current tax	22,264	17,413	43,201	37,027
- deferred tax	(4,784)	(1,627)	(4,832)	(3,216)
	<u>17,480</u>	<u>15,786</u>	<u>38,369</u>	<u>33,811</u>
In respect of prior year:				
- current tax	501	-	1,001	-
	<u>17,981</u>	<u>15,786</u>	<u>39,370</u>	<u>33,811</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 August 2016 comprised the following:

	Unsecured
	RM'000
Non-Current :	
- Term loans / financing	4,191,513
	<u>4,191,513</u>
Current :	
- Bank overdrafts	62,841
- Revolving credits	40,000
- Islamic commercial paper	99,783
- Term loans / financing	635,505
- Medium term note	200,000
	<u>1,038,129</u>
Total	<u>5,229,642</u>



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Notes to the interim financial report for the financial period ended 31 August 2016

8 Borrowings (continued)

The borrowings were denominated in the following currencies:

	Unsecured RM'000 Equivalent	
Ringgit Malaysia	2,562,624	
United States Dollar	2,667,018	(Equivalent to USD 658.59 million)
	<u>5,229,642</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 August 2016	Contract/ Notional Amount RM'000	Fair Value RM'000
<u>Cross currency swaps:</u>		
1 – 3 years	1,603,628	1,993,098
More than 3 years	672,545	673,920
Total	<u>2,276,173</u>	<u>2,667,018</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.

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.



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Notes to the interim financial report for the financial period ended 31 August 2016

11 Dividend

- (a) (i) An interim single tier dividend has been recommended for the financial year ending 28 February 2017;
- (ii) Amount per share: 30.50 sen (previous corresponding period: 29.85 sen per share);
- (iii) Date payable: 7 November 2016; and
- (iv) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 20 October 2016.
- (b) Total dividend for the six months ended 31 August 2016: 30.50 sen single tier dividend per share.

12 Earnings per Share

	Individual quarter 3 months		Cumulative quarter 6 months	
	ended <u>31.08.2016</u> RM'000	ended <u>31.08.2015</u> RM'000	ended <u>31.08.2016</u> RM'000	ended <u>31.08.2015</u> RM'000
Net profit attributable to equity holders	55,194	48,486	117,921	106,727
Distribution on perpetual notes, net of tax	(3,217)	(3,202)	(6,815)	(6,785)
Net profit attributable to ordinary equity holders	<u>51,977</u>	<u>45,284</u>	<u>111,106</u>	<u>99,942</u>

	Individual quarter 3 months		Cumulative quarter 6 months	
	ended <u>31.08.2016</u> '000	ended <u>31.08.2015</u> '000	ended <u>31.08.2016</u> '000	ended <u>31.08.2015</u> '000
Net profit attributable to ordinary equity holders (RM)	51,977	45,284	111,106	99,942
Weighted average number of ordinary shares (unit)	144,000	144,000	144,000	144,000
Basic earnings per share (sen)	<u>36.10</u>	<u>31.45</u>	<u>77.16</u>	<u>69.40</u>

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 financial period ended 31 August 2016

13 Auditors' Report on the Preceding Annual Financial Statements

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

14 Realised and Unrealised Profits

	As at <u>31.08.2016</u> RM'000	As at <u>29.02.2016</u> RM'000
Total retained earnings of the Company		
- Realised	726,384	662,484
- Unrealised	43,625	39,043
Total retained earnings as per statement of changes in equity	<u>770,009</u>	<u>701,527</u>

15 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 4 October 2016.

By order of the Board
4 October 2016