



## AEON Credit Service (M) Berhad

(412767-V) (Incorporated in Malaysia)

### CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MAY 2017

	Note	Unaudited Individual quarter 3 months ended		Unaudited Cumulative 3 months ended	
		31.05.2017 RM'000	31.05.2016 RM'000	31.05.2017 RM'000	31.05.2016 RM'000
Revenue	B4	302,282	261,638	302,282	261,638
Total operating expenses		(175,927)	(158,176)	(175,927)	(158,176)
Other operating income		31,160	27,569	31,160	27,569
<b>Profit from operations</b>	B5(a)	<b>157,515</b>	131,031	<b>157,515</b>	131,031
Finance costs		(55,646)	(46,915)	(55,646)	(46,915)
Profit before taxation		<b>101,869</b>	84,116	<b>101,869</b>	84,116
Taxation	B6	(26,057)	(21,389)	(26,057)	(21,389)
<b>Profit for the year</b>		<b>75,812</b>	62,727	<b>75,812</b>	62,727
<b>Other comprehensive income, net of tax</b>	B5(b)				
Cash flow hedge		(393)	9,953	(393)	9,953
<b>Other comprehensive income for the year, net of tax</b>		<b>(393)</b>	9,953	<b>(393)</b>	9,953
<b>Total comprehensive income for the year</b>		<b>75,419</b>	72,680	<b>75,419</b>	72,680
<b>Earnings per share attributable to equity holders of the Company:</b>					
Basic (sen)	B12	50.15	41.06	50.15	41.06
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 28 February 2017 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 MAY 2017**

	Note	<b>Unaudited As at 31.05.2017 RM'000</b>	As at 28.02.2017 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		60,809	62,233
Investments		19,045	19,045
Deferred tax assets		47,838	49,070
Financing receivables		<u>4,078,136</u>	4,480,990
		<u>4,205,828</u>	<u>4,611,338</u>
<b>Current assets</b>			
Financing receivables		2,591,607	1,957,713
Other receivables, deposits and prepayments		46,852	49,374
Derivative financial assets		441,834	579,977
Cash and bank balances		<u>70,096</u>	73,667
		<u>3,150,389</u>	<u>2,660,731</u>
<b>TOTAL ASSETS</b>		<u><u>7,356,217</u></u>	<u><u>7,272,069</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		116,012	116,012
Share premium		-	-
Reserves		<u>910,798</u>	838,975
<b>Equity attributable to equity holders of the Company</b>		<u>1,026,810</u>	954,987
Perpetual notes and sukuk		<u>276,000</u>	276,000
<b>Total equity</b>		<u>1,302,810</u>	1,230,987
<b>Non-current liability</b>			
Borrowings	B9	<u>4,606,640</u>	4,898,808
		<u>4,606,640</u>	<u>4,898,808</u>
<b>Current liabilities</b>			
Borrowings	B9	1,287,439	973,417
Payables and accruals		128,750	141,575
Taxation		<u>30,578</u>	27,282
		<u>1,446,767</u>	1,142,274
Total liabilities		<u>6,053,407</u>	6,041,082
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>7,356,217</u></u>	<u><u>7,272,069</u></u>
 Net assets per share (RM)		 7.13	6.63

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 28 February 2017 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 FIRST QUARTER ENDED 31 MAY 2017**

	← 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	
<b>At 1 March 2016</b>	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/sukuk, net of tax	-	-	-	-	-	(3,598)	(3,598)
<b>At 31 May 2016</b>	72,000	44,012	146,000	130,000	(22,768)	760,656	1,129,900
<b>At 1 March 2017</b>	116,012	-	146,000	130,000	(27,354)	866,329	1,230,987
Total comprehensive income for the period	-	-	-	-	(393)	75,812	75,419
Distribution on perpetual notes/sukuk, net of tax	-	-	-	-	-	(3,596)	(3,596)
<b>At 31 May 2017</b>	116,012	-	146,000	130,000	(27,747)	938,545	1,302,810

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 28 February 2017 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 FIRST QUARTER ENDED 31 MAY 2017

	31.05.2017 RM'000	31.05.2016 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	101,870	84,116
Adjustments for:		
Depreciation of plant and equipment	5,933	5,406
Gain on disposal of plant and equipment	(1)	(2)
Finance costs	55,646	46,915
Plant and equipment written off	38	-
Allowance for impairment losses	82,651	71,247
Operating profit before working capital changes	<u>246,137</u>	<u>207,682</u>
Changes in working capital:		
Receivables, deposits and prepayments	(311,169)	(353,894)
Payables and accruals	(15,559)	(5,007)
Cash held on behalf for a related company	(585)	(920)
Cash used in operations	<u>(81,176)</u>	<u>(152,139)</u>
Income taxes paid	(20,270)	(16,448)
Finance costs paid	(52,913)	(43,007)
<b>Net cash used in operating activities</b>	<u>(154,359)</u>	<u>(211,594)</u>
<b>Cash flows from investing activities</b>		
Acquisition of plant and equipment	(4,559)	(9,157)
Proceeds from disposal of plant and equipment	12	2
<b>Net cash used in investing activities</b>	<u>(4,547)</u>	<u>(9,155)</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(537,200)	(230,700)
Proceeds from borrowings	676,407	460,000
Distribution paid to perpetual notes holders	(4,732)	(4,735)
<b>Net cash generated from financing activities</b>	<u>134,475</u>	<u>224,565</u>
Net increase in cash and cash equivalents	(24,431)	3,816
Cash and cash equivalents at 1 March	23,676	8,236
<b>Cash and cash equivalents at 31 May</b>	<u>(755)</u>	<u>12,052</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	70,096	58,793
Cash held on behalf of a related company	(10,494)	(9,908)
Bank overdrafts	(60,357)	(36,833)
	<u>(755)</u>	<u>12,052</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 28 February 2017 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 2017**

**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 28 February 2017.

**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 28 February 2017.

**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 quarter ended 31 May 2017**

**7 Dividend Paid**

There were no dividends paid during the quarter under review.

**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, other than as disclosed in Note B8.

**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 quarter ended 31 May 2017**

**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>31.05.2017</u> Financial Assets	<b>Level 1</b> RM'000	<b>Level 2</b> RM'000	<b>Level 3</b> RM'000	<b>Total</b> RM'000
Derivatives designated as hedging instruments	-	441,834	-	441,834
Total financial assets carried at fair value	-	441,834	-	441,834

<u>28.02.2017</u> Financial Assets	<b>Level 1</b> RM'000	<b>Level 2</b> RM'000	<b>Level 3</b> RM'000	<b>Total</b> RM'000
Derivatives designated as hedging instruments	-	579,977	-	579,977
Total financial assets carried at fair value	-	579,977	-	579,977

**12 Contingent Liabilities and Contingent Assets**

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 31 May 2017 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 May 2017 amounted to RM1.4 million.



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**Notes to the interim financial report for the quarter ended 31 May 2017**

**B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS**

**1 Performance Review**

The Company has achieved revenue of RM 302.282 million for the first quarter ended 31 May 2017. Total transaction and financing volume in the first quarter ended 31 May 2017 was RM 1.051 billion.

The financing receivables as at 31 May 2017 was RM6.669 billion, representing an increase of 17.4% from RM5.682 billion as at 31 May 2016. Non-performing loans (NPL) ratio was 2.43% as at 31 May 2017 compared to 2.42% as at 31 May 2016.

Other operating income was recorded at RM31.16 million for the first quarter ended 31 May 2017 mainly comprising 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 58.2% as compared to 60.5% in the quarter ended 31 May 2016. The decrease was mainly attributable to higher growth in interest income and corresponding lower increase in operating expenses.

The Company recorded a profit before tax of RM101.869 million for the first quarter ended 31 May 2017 representing a growth of 21.1% compared to previous year corresponding period.

Funding cost for the quarter ended 31 May 2017 was higher compared to the quarter ended 31 May 2016 due to increase in borrowings of 17.7%. The nominal value of borrowings as at 31 May 2017 was RM5.416 billion as compared to RM4.603 billion as at 31 May 2016.

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

There were no material changes in profit before taxation of current quarter compared with preceding quarter.

**3 Current Year Prospects**

The Malaysian economy posted a growth of 5.6% in the first quarter of 2017 while the annual economic growth forecast for 2017 is 4.3% to 4.8% by Bank Negara Malaysia. 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 15.5% and 20.9% growth in revenue and net profit respectively for the quarter ended 31 May 2017 as compared to previous year corresponding period. The Company expects to be able to continue with its financial performance for the year ending 28 February 2018 based on the scheduled implementation of its business plan.





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**Notes to the interim financial report for the quarter ended 31 May 2017**

**4 Revenue**

	Individual quarter		Cumulative quarter	
	3 months		3 months	
	ended	ended	ended	ended
	<u>31.05.2017</u>	<u>31.05.2016</u>	<u>31.05.2017</u>	<u>31.05.2016</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	266,627	228,801	266,627	228,801
Fee income	35,655	32,837	35,655	32,837
	<u>302,282</u>	<u>261,638</u>	<u>302,282</u>	<u>261,638</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	
	ended	ended	ended	ended
	<u>31.05.2017</u>	<u>31.05.2016</u>	<u>31.05.2017</u>	<u>31.05.2016</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	27,596	23,966	27,596	23,966
Depreciation of plant and equipment	(5,933)	(5,406)	(5,933)	(5,406)
Allowance for impairment losses on receivables	(82,651)	(71,247)	(82,651)	(71,247)
(b) Included in Other Comprehensive Income:				
(Loss)/Gain on cash flow hedge	(393)	9,953	(393)	9,953

Receivables amounting to RM72.518 million have been written off against allowance for impairment losses on receivables for the first quarter ended 31 May 2017 compared with RM67.267 million written off in the previous corresponding period ended 31 May 2016.



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**Notes to the interim financial report for the quarter ended 31 May 2017**

**6 Taxation**

	Individual quarter 3 months		Cumulative quarter 3 months	
	ended <u>31.05.2017</u> RM'000	ended <u>31.05.2016</u> RM'000	ended <u>31.05.2017</u> RM'000	ended <u>31.05.2016</u> RM'000
<b>In respect of current period:</b>				
- current tax	24,701	20,937	24,701	20,937
- deferred tax	1,356	(48)	1,356	(48)
	<u>26,057</u>	<u>20,889</u>	<u>26,057</u>	<u>20,889</u>
<b>In respect of prior year:</b>				
- current tax	-	500	-	500
	<u>26,057</u>	<u>21,389</u>	<u>26,057</u>	<u>21,389</u>

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

**7 Derivatives and Fair Value Changes of Financial Liabilities**

(a) Details of derivative financial instruments outstanding as at 31 May 2017 are as follows:

	Contract/ Notional Amount RM'000	Fair Value RM'000
Forward exchange contracts 0 – 3 years	101,407	98,349
<u>Cross currency swaps:</u>		
0 – 3 years	1,541,428	2,000,761
More than 3 years	1,072,545	1,094,613
Total	<u>2,715,380</u>	<u>3,193,723</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 31 May 2017**

#### **8 Status of Corporate Proposal**

As at the date of this report, the status of corporate proposal announced but not completed is as follows:

On 23 March 2017, CIMB Investment Bank Berhad ("CIMB IB"), the principal adviser, had on behalf of the Board of Directors announced the following proposals:

- (i) Proposed bonus issue of 72,000,000 new ordinary shares in the Company ("Bonus Shares") at an issue price of RM0.50 each on the basis of 1 bonus share for every 2 existing ordinary shares of the Company ("ACSM Shares") held ("Proposed Bonus Issue"); and
- (ii) Proposed renounceable rights issue of 3-year minimum 3.5% irredeemable convertible unsecured loan stocks ("ICULS") on the basis of 2 ICULS for every 1 existing ACSM Share held to raise RM432,000,000 in cash ("Proposed Rights Issue").

(collectively referred to as the "Proposals")

Subsequently on 27 March 2017, CIMB IB announced that the application for the issuance of the ICULS has been submitted to the Securities Commission Malaysia ("SC").

On 28 April 2017, CIMB IB had on behalf of the Board of Directors announced that ACSM had procured an irrevocable and unconditional undertaking from AEON Financial Service Co., Ltd ("AFS") to subscribe in full for its rights entitlement under the Proposed Rights Issue of approximately RM257.90 million based on its current shareholding in ACSM.

AFS had also irrevocably and unconditionally undertaken not to reduce its shareholding in ACSM so that its shareholding in ACSM as at the ICULS Entitlement Date for the Proposed Rights Issue, is no less than its existing shareholding in ACSM to ensure that this subscription level is maintained.

On 3 May 2017, CIMB IB had on behalf of the Board of Directors announced that the SC had granted its approval to ACSM for the issuance of the ICULS under the Proposed Right Issue, subject to the compliance with the standard conditions and continuing obligations as stipulated in SC's Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors.

Subsequently, on 5 June 2017, CIMB IB announced that Bursa Securities had approved the following:

- (i) Listing and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
- (ii) Listing and quotation of the new ICULS to be issued pursuant to the Proposed Rights Issue; and
- (iii) Listing and quotation of the new ACSM Shares to be issued pursuant to the conversion of the ICULS

On 21 June 2017, the Board of Directors announced that the shareholders had granted theirs' approval for the issuance of new ordinary shares under the Proposed Bonus Issue and the issuance of the ICULS under the Proposed Right Issue at the Extraordinary General Meeting.

The Proposals are expected to be completed during the third quarter of 2017.



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**Notes to the interim financial report for the quarter ended 31 May 2017**

**9 Borrowings**

The borrowings of the Company as at 31 May 2017 comprised the following:

	<b>Unsecured RM'000</b>
Non-current :	
- Term loans / financing	4,606,640
	<u>4,606,640</u>
Current :	
- Bank overdrafts	60,356
- Revolving credits	328,349
- Term loans / financing	898,734
	<u>1,287,439</u>
Total	<u><u>5,894,079</u></u>

The borrowings were denominated in the following currencies:

	<b>Unsecured RM'000 Equivalent</b>
Ringgit Malaysia	2,700,356
United States Dollar	<u>3,193,723</u> (Equivalent to USD746.88 million)
	<u><u>5,894,079</u></u>

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



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**Notes to the interim financial report for the quarter ended 31 May 2017**

**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 2017.

**12 Earnings per share**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>3 months</b>		<b>3 months</b>	
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b><u>31.05.2017</u></b>	<b><u>31.05.2016</u></b>	<b><u>31.05.2017</u></b>	<b><u>31.05.2016</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to equity holders	75,812	62,727	75,812	62,727
Distribution on perpetual notes, net of tax	(3,596)	(3,598)	(3,596)	(3,598)
Net profit attributable to ordinary equity holders	<u>72,216</u>	<u>59,129</u>	<u>72,216</u>	<u>59,129</u>
Net profit attributable to ordinary equity holders (RM)	72,216	59,129	72,216	59,129
Weighted average number of ordinary shares (unit)	144,000	144,000	144,000	144,000
Basic earnings per share (sen)	<u>50.15</u>	<u>41.06</u>	<u>50.15</u>	<u>41.06</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 subscribe for 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 2017**

**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**

	<u>As at</u> <u>31.05.2017</u> RM'000	<u>As at</u> <u>28.02.2017</u> RM'000
Total retained earnings of the Company		
- Realised	890,707	817,259
- Unrealised	47,838	49,070
Total retained earnings as per statement of changes in equity	<u>938,545</u>	<u>866,329</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 July 2017.

By order of the Board  
4 July 2017