



## AEON Credit Service (M) Berhad

(412767-V) (Incorporated in Malaysia)

### CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018

	Note	Unaudited Individual quarter			Unaudited Cumulative quarter		
		3 months ended			6 months ended		
		31.8.2018 RM'000	31.8.2017 RM'000	Changes %	31.8.2018 RM'000	31.8.2017 RM'000	Changes %
Revenue	B4	332,092	311,322	6.7%	657,810	613,604	7.2%
Total operating expenses		(212,006)	(184,747)	14.8%	(376,705)	(360,674)	4.4%
Other income		48,322	27,091	78.4%	77,575	58,461	32.7%
<b>Profit from operations</b>	B5(a)	<b>168,408</b>	153,666	9.6%	<b>358,680</b>	311,391	15.2%
Finance cost		(61,175)	(57,873)	5.7%	(119,684)	(113,729)	5.2%
Profit before tax		107,233	95,793	11.9%	238,996	197,662	20.9%
Taxation	B6	(26,593)	(24,408)	9.0%	(59,121)	(50,465)	17.2%
<b>Profit for the period</b>		<b>80,640</b>	71,385	13.0%	<b>179,875</b>	147,197	22.2%
<b>Other comprehensive income, net of tax</b>							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Cash flow hedge	B5(b)	1,417	(1,327)	-206.8%	(6,062)	(1,720)	252.4%
Fair value through other comprehensive income		5,056	-	-	37,407	-	-
<b>Total comprehensive income for the period</b>		<b>87,113</b>	70,058	24.3%	<b>211,220</b>	145,477	45.2%
<b>Profit attributable to equity holders of the Company</b>		<b>80,640</b>	71,385	13.0%	<b>179,875</b>	147,197	22.2%
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>87,113</b>	70,058	24.3%	<b>211,220</b>	145,477	45.2%
<b>Earnings per share attributable to owners of the Company (sen)</b>							
Basic	B12	31.03	27.30	13.6%	69.45	56.22	23.5%
Diluted	B12	30.39	NA		68.01	NA	

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 2018 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 2018**

	Note	Unaudited As at 31.8.2018 RM'000	As at 28.02.2018 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		108,793	92,274
Investments		67,590	18,370
Deferred tax assets		154,400	51,813
Financing receivables		<u>5,410,723</u>	<u>5,030,204</u>
Total non-current assets		<u>5,741,506</u>	<u>5,192,661</u>
<b>Current assets</b>			
Financing receivables		1,842,934	2,126,095
Other receivables, deposits and prepayments		87,964	52,615
Amount owing by related companies		1,356	1,076
Derivative financial assets	B7	210,104	249,557
Cash and bank balances		<u>88,973</u>	<u>83,681</u>
Total current assets		<u>2,231,331</u>	<u>2,513,024</u>
<b>TOTAL ASSETS</b>		<u><u>7,972,837</u></u>	<u><u>7,705,685</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		522,761	508,629
ICULS equity		55,500	68,306
Hedging reserve		(16,044)	(9,982)
Fair value reserve		37,407	-
Retained earnings		<u>793,176</u>	<u>1,014,550</u>
<b>Equity attributable to ordinary equity holders of the Company</b>		<u>1,392,800</u>	<u>1,581,503</u>
Perpetual notes and sukuk		<u>276,000</u>	<u>276,000</u>
<b>Total equity</b>		<u><u>1,668,800</u></u>	<u><u>1,857,503</u></u>



**AEON Credit Service (M) Berhad**  
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**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2018 (Continued)**

		<b>Unaudited</b>	
	Note	<b>As at 31.8.2018 RM'000</b>	As at 28.02.2018 RM'000
<b>Non-current liabilities</b>			
Borrowings	B9	3,855,584	3,257,145
ICULS liabilities		<u>4,288</u>	<u>4,717</u>
Total non-current liabilities		<u><b>3,859,872</b></u>	<u>3,261,862</u>
<b>Current liabilities</b>			
Borrowings	B9	2,167,644	2,296,974
Trade payables		26,728	21,755
Other payables and accruals		132,694	121,589
Amount owing to immediate holding company		5,986	6,557
Amount owing to related companies		2,304	2,225
Derivative financial liabilities	B7	61,446	107,726
ICULS liabilities		1,931	2,650
Tax liabilities		<u>45,432</u>	<u>26,844</u>
Total current liabilities		<u><b>2,444,165</b></u>	<u>2,586,320</u>
Total liabilities		<u><b>6,304,037</b></u>	<u>5,848,182</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>7,972,837</b></u>	<u>7,705,685</u>
Net assets per share (RM)		5.58	6.37
Number of ordinary shares ('000)		249,735	248,449
Capital adequacy ratio		21.95%	25.14%

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 2018 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 FINANCIAL PERIOD ENDED 31 AUGUST 2018

	← <u>Non-distributable</u> →				<u>Distributable</u>		
	Irredeemable convertible Unsecured Loan Stocks						
	Share capital RM'000	("ICULS") equity RM'000	Perpetual Notes and Sukuk RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 March 2017</b>	116,012	-	276,000	(27,354)	-	866,329	1,230,987
Cash flow hedge (net of tax)	-	-	-	(1,720)	-	-	(1,720)
Profit for the period	-	-	-	-	-	147,197	147,197
<b>Total comprehensive income for the period</b>	-	-	-	(1,720)	-	147,197	145,477
Issuance of bonus shares	36,000	-	-	-	-	(36,000)	-
Distribution on perpetual notes and sukuk, net of tax	-	-	-	-	-	(6,795)	(6,795)
Dividends	-	-	-	-	-	(46,800)	(46,800)
<b>At 31 August 2017</b>	152,012	-	276,000	(29,074)	-	923,931	1,322,869
	← <u>Non-distributable</u> →				<u>Distributable</u>		
	Irredeemable convertible Unsecured Loan Stocks						
	Share capital RM'000	("ICULS") equity RM'000	Perpetual Notes and Sukuk RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 March 2018</b>	508,629	68,306	276,000	(9,982)	-	1,014,550	1,857,503
Effect of adoption MFRS 9	-	-	-	-	32,351	(344,527)	(312,176)
<b>At 1 March 2018 as restated</b>	508,629	68,306	276,000	(9,982)	32,351	670,023	1,545,327
Cash flow hedge (net of tax)	-	-	-	(6,062)	-	-	(6,062)
Fair value through other comprehensive income	-	-	-	-	5,056	-	5,056
Profit for the period	-	-	-	-	-	179,875	179,875
<b>Total comprehensive income</b>	-	-	-	(6,062)	5,056	179,875	178,869
Conversion of ICULS equity	12,776	(12,776)	-	-	-	-	-
Conversion of ICULS liabilities	1,356	-	-	-	-	-	1,356
Deferred tax effects on ICULS	-	(30)	-	-	-	-	(30)
Distribution on perpetual notes and sukuk (net of tax)	-	-	-	-	-	(6,785)	(6,785)
Dividends	-	-	-	-	-	(49,937)	(49,937)
<b>At 31 August 2018</b>	522,761	55,500	276,000	(16,044)	37,407	793,176	1,668,800

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 2018 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 FINANCIAL PERIOD ENDED 31 AUGUST 2018**

	31.8.2018	31.8.2017
	RM'000	RM'000
<b>Cash flows used in operating activities</b>		
Profit before tax	238,996	197,662
Adjustments for:		
Interest income	(468)	(414)
Gain on disposal of plant and equipment	(105)	(54)
Finance costs	119,684	113,729
Depreciation on plant and equipment	16,390	11,987
Impairment loss on financing receivables	152,332	167,194
Write off of plant and equipment	37	196
Impairment loss on investment in unquoted shares	-	643
Operating profit before changes in working capital	<u>526,866</u>	<u>490,943</u>
Changes in working capital:		
Financing receivables	(703,014)	(607,546)
Other receivables, deposits and prepayments	(35,350)	(2,603)
Amount owing by related companies	(280)	2,970
Trade payables	4,973	(11,721)
Other payables and accruals	6,421	10,905
Amount owing to immediate holding company	(571)	1,009
Amount owing to related companies	79	(907)
Cash held on behalf of a related company	(132)	(660)
Cash used in operations	<u>(201,008)</u>	<u>(117,610)</u>
Tax paid	<u>(42,109)</u>	<u>(36,302)</u>
<b>Net cash used in operating activities</b>	<u>(243,117)</u>	<u>(153,912)</u>
<b>Cash flows used in investing activities</b>		
Acquisition of plant and equipment	(32,945)	(13,404)
Proceeds from disposal of plant and equipment	105	68
Interest received	468	414
<b>Net cash used in investing activities</b>	<u>(32,372)</u>	<u>(12,922)</u>
<b>Cash flows from financing activities</b>		
Dividend paid to shareholders of the Company	(49,937)	(46,800)
Proceeds from borrowings	1,080,500	(692,200)
Repayment of borrowings	(640,500)	1,030,188
Distribution paid to perpetual notes and sukuk holders	(8,928)	(8,941)
Finance costs paid	(114,792)	(110,014)
<b>Net cash from financing activities</b>	<u>266,343</u>	<u>172,233</u>
Net (decrease)/increase in cash and cash equivalents	<u>(9,146)</u>	<u>5,399</u>
Cash and cash equivalents at beginning of the period	<u>18,755</u>	<u>23,676</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>9,609</u></u>	<u><u>29,075</u></u>



**AEON Credit Service (M) Berhad**  
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**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2018 (continued)**

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

	<b>31.8.2018</b>	31.8.2017
	<b>RM'000</b>	RM'000
Cash and bank balances	<b>73,971</b>	97,992
Deposits placed with licensed banks	<b>15,002</b>	5,089
	<b>88,973</b>	103,081
Bank overdrafts	<b>(70,407)</b>	(10,568)
Cash held on behalf of a related company	<b>(8,957)</b>	(63,438)
	<b>9,609</b>	29,075

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 2018 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 2018

### A EXPLANATORY NOTES PURSUANT TO MFRS 134

#### A1 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.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 28 February 2018. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 28 February 2018.

#### A2 Significant accounting policies

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the latest audited financial statements, except for the following:

##### Adoption of new and revised Malaysian Financial Reporting Standards (MFRSs)

In the current financial year, the Company adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board that are effective for annual financial periods beginning on or after 1 January 2018.

##### MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers and related clarifications
Amendments to MFRS 2	Clarification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

##### Annual Improvements to MFRSs 2014-2016 Cycle

The application of these amendments to MFRSs and amendments to MFRSs did not result in significant changes in the accounting policies of the Company and had no significant effect on the financial performance or position of the Company except as disclosed below:-

##### MFRS 9 Financial Instruments

MFRS 9, Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 Financial Instruments: Recognition and Measurement.

##### (i) Classification of financial assets under MFRS 9

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which such assets are managed and also their cash flow characteristics. MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (“AC”), Fair Value through Other Comprehensive Income (“FVTOCI”) and Fair Value through Profit or Loss (“FVTPL”).



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**A2 Significant accounting policies (continued)**

**MFRS 9 Financial Instruments (continued)**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

Key requirements of MFRS 9:

*Classification of financial assets*

Based on the requirements, the financial assets held by the Company as at 31 August 2018 will be reclassified to the following classifications:

	<b>31.8.2018</b>	<b>Existing classification</b>	<b>New classification</b>
	<b>RM'000</b>	<b>under MFRS 139</b>	<b>under MFRS 9</b>
Investments	67,590	Available for sale	FVTOCI
Financing receivables	7,253,657	Loans and receivables	Amortised Cost
Other receivables and deposits	87,964	Loans and receivables	Amortised Cost
Amount owing from related companies	1,356	Loans and receivables	Amortised Cost
Cash and bank balances	88,973	Loans and receivables	Amortised Cost
Derivatives financial assets	210,104	FVTPL	FVTPL

Unquoted investments classified as available-for-sale investments carried at fair value: these investments qualify for designation as measured at FVTOCI under MFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under MFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Company's profit or loss and other comprehensive income but will not affect total comprehensive income.

*Impairment*

Financial assets measured at amortised cost under MFRS 9 and contract assets under MFRS 15 will be subject to the impairment provisions of MFRS 9. Meanwhile, the equity investments carried at FVTOCI are outside the scope of impairment provisions of MFRS 9.

The application of the expected credit losses model of MFRS 9 will result in earlier recognition of credit losses on the Company's portfolio of financial assets and will correspondingly decrease the opening retained earnings.





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**A2 Significant accounting policies (continued)**

**MFRS 9 Financial Instruments (continued)**

The following table summarises the financial impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Company:

	<b>As at 1 March 2018 RM'000</b>
<b>Investments</b>	
Closing balance under MFRS139 as at 28 February 2018	18,370
- Unrealised gain on financial instruments at FVTOCI	42,567
Opening balance under MFRS9 as at 1 March 2018	60,937
<b>Deferred tax assets</b>	
Closing balance under MFRS139 as at 28 February 2018	51,813
- In respect of recognition of expected credit losses under MFRS 9	108,080
- Deferred tax in respect of unrealised gain on financial instruments at FVTOCI	(10,216)
Opening balance under MFRS9 as at 1 March 2018	149,677
<b>Financing receivables</b>	
Closing balance under MFRS139 as at 28 February 2018	7,156,299
- In respect of recognition of expected credit losses under MFRS 9	(453,325)
Opening balance under MFRS9 as at 1 March 2018	6,702,974
<b>Tax liabilities</b>	
Closing balance under MFRS139 as at 28 February 2018	26,844
- In respect of recognition of expected credit losses under MFRS 9	(718)
Opening balance under MFRS9 as at 1 March 2018	26,126
<b>Retained earnings</b>	
Closing balance under MFRS139 as at 28 February 2018	1,014,550
- In respect of recognition of expected credit losses under MFRS 9	(453,325)
- Tax effect arising from the recognition of expected credit losses under MFRS 9	108,798
Opening balance under MFRS9 as at 1 March 2018	670,023
<b>Fair value reserve</b>	
Closing balance under MFRS139 as at 28 February 2018	-
- Unrealised gain on financial instruments at FVTOCI	42,567
- Deferred tax in respect of unrealised gain on financial instruments at FVTOCI	(10,216)
Opening balance under MFRS9 as at 1 March 2018	32,351
<b>Capital ratio</b>	
Closing balance under MFRS139 as at 28 February 2018	25.14%
Opening balance under MFRS9 as at 1 March 2018	20.33%



## **AEON Credit Service (M) Berhad**

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### **A2 Significant accounting policies (continued)**

#### **MFRS 15 Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

MFRS 15 provides a principle based approach for revenue recognition, and introduces the concept of recognising revenue performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of MFRS 15 did not have any material impact on the financial statements of the Company as most of its revenues are already recognised in accordance with the principles of MFRS 15.

### **A3 Seasonal or Cyclical Factors**

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

### **A4 Unusual Items**

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

### **A5 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.

### **A6 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 and Note B8.



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**A7 Dividend Paid**

	<b>Cumulative Quarter (6 months)</b>	
	<b>Current Year</b>	<b>Preceding Year</b>
	<b>Year-To-Date</b>	<b>Year-To-Date</b>
	<b><u>31.8.2018</u></b>	<b><u>31.8.2017</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Final dividend in respect of the financial year ended 28 February 2017		
- 32.50 sen single tier dividend per ordinary share	-	46,800
Final dividend in respect of the financial year ended 28 February 2018		
- 20.00 sen single tier dividend per ordinary share	49,937	-
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	49,937	46,800

**A8 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 analyses will be provided or furnished upon request from the MD.

**A9 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.

**A10 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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**A11 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).

<b><u>31.8.2018</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial Assets</u>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Investments	-	-	67,590	67,590
Derivatives designated as hedging instruments	-	210,104	-	210,104
Total financial assets carried at fair value	-	210,104	67,590	277,694
<u>Financial Liabilities</u>				
Derivatives designated as hedging instruments	-	61,446	-	61,446
Total financial liabilities carried at fair value	-	61,446	-	61,446

<b><u>28.02.2018</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial Assets</u>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Investments	-	-	18,370	18,370
Derivatives designated as hedging instruments	-	249,557	-	249,557
Total financial assets carried at fair value	-	249,557	18,370	267,927
<u>Financial Liabilities</u>				
Derivatives designated as hedging instruments	-	107,726	-	107,726
Total financial liabilities carried at fair value	-	107,726	-	107,726

**A12 Contingent Liabilities and Contingent Assets**

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 31 August 2018 and up to the date of this announcement.

**A13 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 revenue or trading nature other than those that had been mandated by the shareholders during the Annual General Meeting held on 21 June 2018.

**A14 Capital Commitments**

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for amounted to RM19.604 million as at 31 August 2018.



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

#### B1 Performance Review

The Company's revenue recorded 6.7% and 7.2% growth for the current quarter and six months ended 31 August 2018 as compared with the previous year corresponding period. Total transaction and financing volume in the current quarter and six months ended 31 August 2018 had increased by 26.8% to RM1.304 billion and by 15.4% to RM2.399 billion respectively as compared with the previous corresponding period ended 31 August 2017.

The gross financing receivables as at 31 August 2018 was RM7.855 billion, representing an increase of 11.5% from RM7.047 billion as at 31 August 2017. The net financing receivables after impairment was RM7.254 billion as at 31 August 2018 as compared to RM6.878 billion as at 31 August 2017. Non-performing loans (NPL) ratio was 2.07% as at 31 August 2018 compared to 2.48% as at 31 August 2017.

Other income was recorded at RM48.322 million for the current quarter and RM77.575 million for the six months ended 31 August 2018 respectively, mainly comprising bad debts recovered, commission income from sale of insurance products and loyalty programme processing fees.

Ratio of total operating expense against revenue was recorded at 63.8% for the current quarter as compared to 59.3% in the preceding corresponding period. The increase is mainly due to increase in operating expenses.

The Company recorded a profit before tax of RM107.233 million for the current quarter and RM238.996 million for the six months ended 31 August 2018, representing a growth of 11.9% and 20.9% respectively as compared with previous year corresponding period.

Funding cost for the current quarter was higher as compared to the preceding corresponding quarter mainly due to higher borrowings in line with the growth of receivables. The nominal value of borrowings as at 31 August 2018 was RM5.853 billion as compared to RM5.618 billion as at 31 August 2017.

#### B2 Financial Review for Profit before Taxation of Current Quarter Compared with Immediate Preceding Quarter

	<b>Current Quarter 31.8.2018 RM'000</b>	<b>Immediate Preceding Quarter 31.5.2018 RM'000</b>	<b>Changes %</b>
Revenue	<b>332,092</b>	325,718	2.0%
Total operating expenses	<b>212,006</b>	164,699	28.7%
Other income	<b>48,322</b>	29,253	65.2%
Profit before tax	<b>107,233</b>	131,763	-18.6%
Profit for the period	<b>80,640</b>	99,235	-18.7%

The Company recorded a profit before tax of RM107.233 million for the current quarter as compared to RM131.763 million in the immediate preceding quarter. The decrease of 18.6% was mainly due to higher operating expenses with higher impairment loss on financing receivables of RM95.263 million for the current quarter and RM57.096 million for the immediate preceding quarter.



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### B3 Current Year Prospects

The Malaysian economy posted a GDP growth of 4.5% in the second quarter of 2018 while the annual economic growth forecast for 2018 is 5.4% by the World Bank. 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 7.2% and 22.2% growth in revenue and net profit respectively for the financial period ended 31 August 2018. The Company expects to be able to maintain its financial performance for the financial year ending 28 February 2019 based on the scheduled implementation of its business plan.

### B4 Revenue

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2018</u>	<u>31.8.2017</u>	<u>31.8.2018</u>	<u>31.8.2017</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	289,801	275,669	576,805	542,297
Fee income	42,291	35,653	81,005	71,307
	<u>332,092</u>	<u>311,322</u>	<u>657,810</u>	<u>613,604</u>

### B5 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 ended		6 months ended	
	<u>31.8.2018</u>	<u>31.8.2017</u>	<u>31.8.2018</u>	<u>31.8.2017</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	43,519	22,812	69,037	50,407
Interest income	203	203	468	414
Gain on disposal of plant and equipment	105	54	105	54
Depreciation on plant and equipment	(8,434)	(6,054)	(16,390)	(11,987)
Impairment loss on financing receivables	(95,236)	(84,543)	(152,332)	(167,194)
Write off of plant and equipment	(10)	(158)	(37)	(197)
Impairment loss on investment in unquoted shares	-	(643)	-	(643)
(b) Included in Other Comprehensive Income:				
Gain/(Loss) on cash flow hedge	1,417	(1,327)	(6,062)	(1,720)
Unrealised gain on financial instruments at FVTOCI	5,056	-	37,407	-

Receivables amounting to RM82.109 million and RM167.044 million have been written off against allowance for impairment losses on receivables for the current quarter and six months ended 31 August 2018 as compared with RM78.429 million and RM150.947 million written off in the previous corresponding period ended 31 August 2017.



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**B6 Taxation**

**i) Tax expense**

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2018</u>	<u>31.8.2017</u>	<u>31.8.2018</u>	<u>31.8.2017</u>
	RM'000	RM'000	RM'000	RM'000
<b>Income tax payable:</b>				
- current financial year	32,014	29,213	63,557	53,914
<b>Deferred tax:</b>				
- current year	(5,421)	(4,805)	(4,436)	(3,449)
	<u>26,593</u>	<u>24,408</u>	<u>59,121</u>	<u>50,465</u>

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

**ii) Material litigation**

Except as disclosed below, the Company is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which have a material effect on the financial position or business of the Company and the Directors are also not aware of any proceedings pending or threatened against the Company or of any facts likely to give rise to any proceedings which may affect the financial position or business of the Company.

On 12 December 2017, the Company was served with notices of additional assessment with penalties by the Director General of Inland Revenue ("DGIR") for year of assessment of 2010 till year of assessment of 2016. The additional assessments and penalties imposed amounted to RM 96.820 million.

The said notices of additional assessment were raised by the DGIR among others, pursuant to:

- a) The DGIR varying the loan transaction collateralized by receivables undertaken by the Company with a local financial institution to that of a sale of receivables. The DGIR did not specify which provision of the Income Tax Act 1967 in making this variation.
- b) The DGIR also raised time barred assessments for the years of assessment 2010 and 2011. The DGIR also did not provide any reason for raising the time barred assessments.
- c) The DGIR imposed penalties for alleged submission of incorrect returns.

In consultation with its tax solicitors and corporate tax agents, the Company is of the view that there are reasonable grounds to disagree with the said notices of additional assessment raised by the DGIR.

The Company has initiated the necessary legal proceedings to appeal to the Special Commissioners of Income Tax pursuant to Section 99(1) of the Income Tax Act 1967. To date, the Notice of Appeal (Form Q) filed by the Company is currently under review by the DGIR.



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**B7 Derivatives and Fair Value Changes of Financial Liabilities**

(a) Details of derivative financial instruments outstanding as at 31 August 2018 are as follows:

	Notional Amount		Fair Value	
	31.8.2018	28.02.2018	31.8.2018	28.02.2018
	RM'000	RM'000	RM'000	RM'000
<u>Derivative financial assets</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	1,077,237	1,510,872	189,506	239,690
1 – 3 years	272,808	260,728	20,598	9,867
Total	<u>1,350,045</u>	<u>1,771,600</u>	<u>210,104</u>	<u>249,557</u>
 <u>Derivative financial liabilities</u>				
<u>Cross currency swaps:</u>				
1 – 3 years	698,266	667,347	25,239	52,196
More than 3 years	574,510	549,070	36,207	55,530
Total	<u>1,272,776</u>	<u>1,216,417</u>	<u>61,446</u>	<u>107,726</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.

**B8 Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at the date of this report.

**B9 Borrowings**

The borrowings of the Company as at 31 August 2018 comprised the following:

	31.8.2018	28.02.2018
	Unsecured RM'000	Unsecured RM'000
Non-current :		
- Term loans / financing	3,855,584	3,257,145
	<u>3,855,584</u>	<u>3,257,145</u>
Current :		
- Bank overdrafts	70,407	56,102
- Revolving credits	140,000	-
- Term loans / financing	1,957,237	2,240,872
	<u>2,167,644</u>	<u>2,296,974</u>
Total	<u>6,023,228</u>	<u>5,554,119</u>





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**B9 Borrowings (continued)**

The borrowings were denominated in the following currencies:

	31.8.2018		28.02.2018	
	Foreign Currency '000	Unsecured Equivalent RM'000	Foreign Currency '000	Unsecured Equivalent RM'000
Ringgit Malaysia		3,400,407		2,566,102
United States Dollar	638,552	2,622,821	761,168	2,988,017
		<u>6,023,228</u>		<u>5,554,119</u>

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

**B10 Material Litigation**

As at the 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 except as disclosed in Note B6(ii).

**B11 Dividend**

- (a)
- (i) An interim single tier dividend has been recommended for the financial year ending 28 February 2019;
  - (ii) Amount per share: 22.25 sen (previous corresponding period: 21.13 sen per share);
  - (iii) Date payable: 8 November 2018; and
  - (iv) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 18 October 2018.
- (b) Total dividend paid during six months ended 31 August 2018: single tier dividend of 20.00 sen per share totalling RM49.937 million.

**B12 Earnings per share**

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2018</u>	<u>31.8.2017</u>	<u>31.8.2018</u>	<u>31.8.2017</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders	80,640	71,385	179,875	147,197
Distribution on perpetual notes and sukuk, net of tax	(3,189)	(3,199)	(6,785)	(6,795)
Profit attributable to ordinary equity holders	<u>77,451</u>	<u>68,186</u>	<u>173,090</u>	<u>140,402</u>



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### B12 Earnings per share (Continued)

#### **Basic EPS**

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

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2018</u>	<u>31.8.2017</u>	<u>31.8.2018</u>	<u>31.8.2017</u>
Profit attributable to ordinary equity holders (RM'000)	77,451	68,186	173,090	140,402
Weighted average number of ordinary shares ('000 unit)	249,629	249,735*	249,233	249,735*
Basic earnings per share (sen)	31.03	27.30	69.45	56.22

#### **Diluted EPS**

Diluted earnings per share is calculated by dividing the profit after distribution on Perpetual Notes and Sukuk by the weighted average number of ordinary shares would that have been in issue upon the full conversion of all outstanding ICULS into ordinary shares.

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2018</u>	<u>31.8.2017</u>	<u>31.8.2018</u>	<u>31.8.2017</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders	77,451	68,186	173,090	140,402
Add: accrual of interest arising from ICULS	109	-	209	-
Adjusted profit attributable to the ordinary equity holders	77,560	68,186	173,299	140,402

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2018</u>	<u>31.8.2017</u>	<u>31.8.2018</u>	<u>31.8.2017</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares	249,629	249,735*	249,233	249,735*
Potential dilution arising from outstanding ICULS	5,573	NA	5,573	NA
	255,202	249,735	254,806	249,735
Diluted earnings per share (sen)	30.39	NA	68.01	NA

\* The previous year's earnings per share have been restated to reflect the bonus issue which was completed on 19 July 2017 and the latest conversion of 3-year, 3.5%, Irredeemable Convertible Unsecured Loan Stocks to Ordinary shares.



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**B13 Auditors' Report on the Preceding Annual Financial Statements**

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

**B14 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 2018.

By order of the Board  
4 October 2018