



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 MAY 2019

	Note	Unaudited Individual quarter			Unaudited Cumulative quarter		
		3 months ended			3 months ended		
		31.5.2019 RM'000	31.5.2018 RM'000	Changes %	31.5.2019 RM'000	31.5.2018 RM'000	Changes %
Revenue	B4	378,588	325,718	16.2%	378,588	325,718	16.2%
Total operating expenses		(222,131)	(164,699)	34.9%	(222,131)	(164,699)	34.9%
Other income		31,599	29,253	8.0%	31,599	29,253	8.0%
Profit from operations	B5(a)	188,056	190,272	-1.2%	188,056	190,272	-1.2%
Finance cost	B6	(75,388)	(58,509)	28.8%	(75,388)	(58,509)	28.8%
Profit before tax		112,668	131,763	-14.5%	112,668	131,763	-14.5%
Taxation	B7	(28,068)	(32,528)	-13.7%	(28,068)	(32,528)	-13.7%
Profit for the period		84,600	99,235	-14.7%	84,600	99,235	-14.7%
Other comprehensive income, net of tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Cash flow hedge	B5(b)	(18,280)	(7,479)	144.4%	(18,280)	(7,479)	144.4%
Fair value through other comprehensive income		2,217	32,351	-93.1%	2,217	32,351	-93.1%
Total comprehensive income for the period		68,537	124,107	-44.8%	68,537	124,107	-44.8%
Profit attributable to equity holders of the Company		84,600	99,235	-14.7%	84,600	99,235	-14.7%
Total comprehensive income attributable to equity holders of the Company		68,537	124,107	-44.8%	68,537	124,107	-44.8%
Earnings per share attributable to owners of the Company (sen)							
Basic	B14	32.69	37.46	-12.7%	32.69	37.46	-12.7%

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 2019 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 2019

	Note	Unaudited As at 31.5.2019 RM'000	As at 28.2.2019 RM'000
ASSETS			
Non-current assets			
Plant and equipment		120,677	118,676
Right-of-use assets		65,754	-
Investments		73,521	70,604
Deferred tax assets		157,512	153,916
Financing receivables		<u>6,342,677</u>	<u>6,003,628</u>
Total non-current assets		<u>6,760,141</u>	<u>6,346,824</u>
Current assets			
Financing receivables		2,210,316	2,102,151
Other receivables, deposits and prepayments		80,042	89,103
Amount owing by related companies		5,678	6,069
Derivative financial assets	B8	26,685	19,178
Cash and bank balances		<u>110,435</u>	<u>92,429</u>
Total current assets		<u>2,433,156</u>	<u>2,308,930</u>
TOTAL ASSETS		<u><u>9,193,297</u></u>	<u><u>8,655,754</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		535,222	534,907
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		43,506	43,800
Hedging reserve		(39,771)	(21,491)
Fair value reserve		39,745	37,528
Retained earnings		<u>987,704</u>	<u>904,237</u>
Equity attributable to ordinary equity holders of the Company		<u>1,566,406</u>	<u>1,498,981</u>
Perpetual notes and sukuk		<u>330,000</u>	<u>376,000</u>
Total equity		<u><u>1,896,406</u></u>	<u><u>1,874,981</u></u>



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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2019 (Continued)

	Note	Unaudited As at 31.5.2019 RM'000	As at 28.2.2019 RM'000
Non-current liabilities			
Borrowings	B11	5,580,198	5,616,006
ICULS liabilities		<u>1,561</u>	<u>1,595</u>
Total non-current liabilities		<u>5,581,759</u>	<u>5,617,601</u>
Current liabilities			
Borrowings	B11	1,365,685	814,006
Trade payables		24,014	27,032
Other payables and accruals		160,281	168,962
Amount owing to immediate holding company		3,344	6,917
Amount owing to related companies		92	5,762
Derivative financial liabilities	B8	59,609	105,495
Lease liabilities		65,500	-
ICULS liabilities		1,652	1,635
Tax liabilities		<u>34,955</u>	<u>33,363</u>
Total current liabilities		<u>1,715,132</u>	<u>1,163,172</u>
Total liabilities		<u>7,296,891</u>	<u>6,780,773</u>
TOTAL EQUITY AND LIABILITIES		<u>9,193,297</u>	<u>8,655,754</u>
Net assets per share (RM)		6.24	5.98
Number of ordinary shares ('000)		250,869	250,840
Capital adequacy ratio (%)		21.66	22.39

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 2019 and the accompanying notes to the quarterly report attached hereto.



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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MAY 2019

	← Non-distributable →				Distributable		Total RM'000
	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	
As 1 March 2018, as previously reported	508,629	68,306	276,000	(9,982)	-	1,014,550	1,857,503
Effect of change in accounting policy due to adoption MFRS 9, net of tax	-	-	-	-	32,351	(344,527)	(312,176)
At 1 March 2018, as restated	508,629	68,306	276,000	(9,982)	32,351	670,023	1,545,327
Cash flow hedge, net of tax	-	-	-	(7,479)	-	-	(7,479)
Profit for the period	-	-	-	-	-	99,235	99,235
Total comprehensive income for the period	-	-	-	(7,479)	-	99,235	91,756
Conversion of ICULS equity	7,722	(7,722)	-	-	-	-	-
Conversion of ICULS liability	820	-	-	-	-	-	820
Deferred tax effects on ICULS	-	(18)	-	-	-	-	(18)
Distribution on perpetual notes and sukuk, net of tax	-	-	-	-	-	(3,596)	(3,596)
At 31 May 2018	517,171	60,566	276,000	(17,461)	32,351	765,662	1,634,289



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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MAY 2019 (Continued)

	← Non-distributable →				Distributable		Total RM'000
	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	
At 1 March 2019	534,907	43,800	376,000	(21,491)	37,528	904,237	1,874,981
Cash flow hedge, net of tax	-	-	-	(18,280)	-	-	(18,280)
Fair value through other comprehensive income	-	-	-	-	2,217	-	2,217
Profit for the period	-	-	-	-	-	84,600	84,600
Total comprehensive income for the period	-	-	-	(18,280)	2,217	84,600	68,537
Conversion of ICULS equity	294	(294)	-	-	-	-	-
Conversion of ICULS liabilities	21	-	-	-	-	-	21
Distribution on perpetual notes and sukuk (net of tax)	-	-	-	-	-	(1,133)	(1,133)
Redemption of perpetual note	-	-	(46,000)	-	-	-	(46,000)
At 31 May 2019	<u>535,222</u>	<u>43,506</u>	<u>330,000</u>	<u>(39,771)</u>	<u>39,745</u>	<u>987,704</u>	<u>1,896,406</u>

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 2019 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 MAY 2019

	31.5.2019	31.5.2018
	RM'000	RM'000
Cash flows used in operating activities		
Profit before tax	112,668	131,763
Adjustments for:		
Interest income	(388)	(265)
Gain on disposal of plant and equipment	(92)	-
Finance costs	74,709	58,509
Interest on lease liabilities	679	-
Depreciation of plant and equipment	10,855	7,956
Depreciation of right-of-use assets	4,517	-
Impairment loss on financing receivables	93,338	57,096
Write-off of plant and equipment	41	27
Operating profit before changes in working capital	296,327	255,086
Changes in working capital:		
Financing receivables	(540,550)	(273,914)
Other receivables, deposits and prepayments	9,061	(5,507)
Amount owing by related companies	390	(438)
Trade payables	(3,018)	4,205
Other payables and accruals	(13,831)	(9,005)
Amount owing to immediate holding company	(3,573)	(2,918)
Amount owing to related companies	(5,669)	(502)
Cash held in trust for customers	(401)	-
Cash held in trust for a related company	(36)	(66)
Cash used in operations	(261,300)	(33,059)
Tax paid	(24,643)	(23,539)
Net cash used in operating activities	(285,943)	(56,598)
Cash flows used in investing activities		
Acquisition of plant and equipment	(12,903)	(17,641)
Proceeds from disposal of plant and equipment	97	-
Interest received	388	265
Net cash used in investing activities	(12,418)	(17,376)



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CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2019 (continued)

	31.5.2019	31.5.2018
	RM'000	RM'000
Cash flows from financing activities		
Proceeds from borrowings	1,595,000	560,000
Repayment of borrowings	(1,192,047)	(410,115)
Distribution paid to perpetual notes and sukuk holders	(1,491)	(4,732)
Redemption of perpetual notes	(46,000)	-
Repayment of lease liabilities	(5,449)	-
Finance costs paid	(69,554)	(56,060)
Net cash from financing activities	280,459	89,093
Net (decrease)/increase in cash and cash equivalents	(17,902)	15,119
Cash and cash equivalents at beginning of the year	67,183	18,755
Cash and cash equivalents at end of the period	49,281	33,874

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

	31.5.2019	31.5.2018
	RM'000	RM'000
Cash and bank balances	99,085	63,854
Deposits placed with licensed banks	11,350	13,755
	110,435	77,609
Bank overdrafts	(54,760)	(34,844)
Cash held in trust for a related company	(4,988)	(8,891)
Cash held in trust for customers	(1,406)	-
	49,281	33,874

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 2019 and the accompanying notes to the quarterly report attached hereto.



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Notes to the interim financial report for the financial period ended 31 May 2019

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 2019. 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 2019.

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 2019.

MFRSs, Amendments to MFRSs and IC Interpretation

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to:	
MFRS 9	Prepayment Features with Negative Compensation
MFRSs	Annual Improvements to MFRSs 2015 - 2017

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 16 Leases

MFRS 16, *Leases* replaces the guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.



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A2 Significant accounting policies (continued)

The Company applied MFRS16 using modified retrospective approach and measured the right-of-use assets equals to the lease liabilities at 1 March 2019 with no restatement of comparative information. The following table analyses the impact of transition to MFRS 16 on the statement of financial position of the Company:

	As at 1 March 2019 RM'000
Right-of-use assets	
Closing balance as at 28 February 2019	-
- Recognition of right-of-use assets under MFRS 16	67,550
Opening balance as at 1 March 2019	<u>67,550</u>
Lease liabilities	
Closing balance as at 28 February 2019	-
- Recognition of lease liabilities under MFRS 16	67,550
Opening balance as at 1 March 2019	<u>67,550</u>

New and Revised Standards, Amendments and IC Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the relevant new and revised MFRSs, Amendments to MFRSs and IC Interpretation, which were in issue but not yet effective and not early adopted by the Company are as listed below:

Amendments to:	
MFRS 3	Definition of a Business
MFRS 101 and MFRS 108	Definition of Material
MFRSs	Amendments to Reference to the Conceptual Framework in MFRS Standards

The Directors anticipate that the abovementioned new and revised MFRSs, Amendments to MFRSs and IC Interpretation will be adopted in the annual financial statements of the Company when they become effective and that the adoption of these Standards, Amendments and IC Interpretation will have no material impact on the financial statements of the Company in the period of initial.

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.



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A6 Debt and Equity Securities

On 11 April 2019 and 22 April 2019, the Company redeemed the perpetual notes issued on 11 April 2014 and 21 April 2014, amounting to RM30,000,000 and RM16,000,000 respectively.

Save as above, there were no other 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.

A7 Dividend Paid

There were no dividend paid during the quarter under review.

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.

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 saved as disclosed in Note B7 (ii).

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).

31.5.2019	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Investments	-	-	73,521	73,521
Derivatives designated as hedging instruments	-	26,685	-	26,685
Total financial assets carried at fair value	-	26,685	73,521	100,206
<u>Financial liabilities</u>				
Derivatives designated as hedging instruments	-	59,609	-	59,609
Total financial liabilities carried at fair value	-	59,609	-	59,609
28.02.2019	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Investments	-	-	70,604	70,604
Derivatives designated as hedging instruments	-	19,178	-	19,178
Total financial assets carried at fair value	-	19,178	70,604	89,782
<u>Financial liabilities</u>				
Derivatives designated as hedging instruments	-	105,495	-	105,495
Total financial liabilities carried at fair value	-	105,495	-	105,495

A12 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 31 May 2019 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 RM15.788 million as at 31 May 2019.



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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

B1 Performance Review

	Current Quarter 31.5.2019 RM'000	Preceding Year Corresponding Quarter 31.5.2018 RM'000	Changes %
Revenue	378,588	325,718	16.2%
Other income	31,599	29,253	8.0%
Profit from operations	188,056	190,272	-1.2%
Profit before tax	112,668	131,763	-14.5%
Profit for the period	84,600	99,235	-14.7%

The Company recorded a total revenue of RM378.588 million, which was higher by 16.2% for the current quarter as compared to the preceding year corresponding quarter. Total transaction and financing volume in the current quarter ended 31 May 2019 had increased by 50.4% to RM1.647 billion as compared to the preceding year corresponding quarter.

The gross financing receivables as at 31 May 2019 was RM9.144 billion, representing an increase of 21.8%, RM1.636 billion as compared to 31 May 2018. The net financing receivables after impairment was RM8.553 billion as at 31 May 2019 as compared to RM6.920 billion as at 31 May 2018. Non-Performing Loans (NPL) ratio was 1.92% as at 31 May 2019 as compared to 2.26% as at 31 May 2018.

Other income recorded at RM31.599 million for the current quarter mainly comprising bad debts recovered and commission income from sale of insurance products.

Ratio of total operating expense against revenue recorded at 58.7% for the current quarter as compared to 50.6% in the preceding year corresponding quarter. The increase was mainly due to higher allowance for impairment losses on financing receivables and promotional expenses in tandem with the growth in transaction and financing volume.

The Company recorded a profit before tax of RM112.668 million for the current quarter, a reduction of 14.5% as compared to the preceding year corresponding quarter.

Funding cost for the current quarter was higher compared to the preceding year corresponding quarter mainly due to higher borrowings in line with the growth of receivables. The nominal value of the borrowings as at 31 May 2019 was RM6.926 billion as compared to RM5.528 billion as at 31 May 2018.



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

	Current Quarter 31.5.2019 RM'000	Immediate Preceding Quarter 28.2.2019 RM'000	Changes %
Revenue	378,588	359,536	5.3%
Total operating expenses	222,131	223,875	-0.8%
Other income	31,599	48,133	-34.4%
Profit before tax	112,668	115,123	-2.1%
Profit for the period	84,600	87,613	-3.4%

The Company recorded a profit before tax of RM112.668 million for the current quarter as compared to RM115.123 million in the immediate preceding quarter. The decrease of 2.1% was mainly due to higher finance cost for the current quarter due to higher borrowings.

B3 Current Year Prospects

The Malaysian economy posted a GDP growth of 4.5% in the first quarter of 2019 while the annual economic growth forecast for 2019 is 4.3% to 4.8% by Bank Negara Malaysia. Domestic demand will continue to be one of the key drivers of growth and household spending is likely to be supported by growth in income and employment.

The Company had recorded 16.2% growth in revenue for the period ended 31 May 2019. The Company expects to be able to maintain its financial performance for the financial year ending 29 February 2020 based on the scheduled implementation of its business plan and leveraging on the strength of AEON brand.

B4 Revenue

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2019</u>	<u>31.5.2018</u>	<u>31.5.2019</u>	<u>31.5.2018</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	328,802	287,004	328,802	287,004
Fee income	49,786	38,714	49,786	38,714
	<u>378,588</u>	<u>325,718</u>	<u>378,588</u>	<u>325,718</u>



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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		3 months ended	
	<u>31.5.2019</u>	<u>31.5.2018</u>	<u>31.5.2019</u>	<u>31.5.2018</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	26,654	25,518	26,654	25,518
Interest income	388	265	388	265
Gain on disposal of plant and equipment	92	-	92	-
Depreciation of plant and equipment	(10,855)	(7,956)	(10,855)	(7,956)
Depreciation of right-of-use assets	(4,517)	-	(4,517)	-
Impairment loss on financing receivables	(93,338)	(57,096)	(93,338)	(57,096)
Write off of plant and equipment	(41)	(27)	(41)	(27)
(b) Included in Other comprehensive income:				
Loss on cash flow hedge	(18,280)	(7,479)	(18,280)	(7,479)
Unrealised gain on financial instruments at FVTOCI	2,217	32,351	2,217	32,351

Receivables amounting to RM88.812 million have been written off against allowance for impairment losses on receivables for the current quarter as compared with RM84.935 million written off in the preceding year corresponding quarter.

B6 Finance cost

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2019</u>	<u>31.5.2018</u>	<u>31.5.2019</u>	<u>31.5.2018</u>
	RM'000	RM'000	RM'000	RM'000
Interest expense on financial liabilities that are not stated at fair value through profit or loss:				
Bank overdraft	51	172	51	172
Commercial paper	2,107	163	2,107	163
Revolving credits	2,360	94	2,360	94
Term loans/financing	70,187	58,078	70,187	58,078
ICULS interest	4	2	4	2
Interest on lease liabilities	679	-	679	-
	<u>75,388</u>	<u>58,509</u>	<u>75,388</u>	<u>58,509</u>



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B7 Taxation

(i) Tax expense

	Individual quarter 3 months ended		Cumulative quarter 3 months ended	
	<u>31.5.2019</u>	<u>31.5.2018</u>	<u>31.5.2019</u>	<u>31.5.2018</u>
	RM'000	RM'000	RM'000	RM'000
Income tax payable:				
- current year	26,592	31,543	26,592	31,543
Deferred tax:				
- current year	1,476	985	1,476	985
	28,068	32,528	28,068	32,528

The Company's effective tax rate for the current quarter is broadly in line with the statutory tax rate.

(ii) Material litigation

Save 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 RM96.820 million.

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

- (a) The DGIR varying the loan transaction collateralised 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 it is relying on 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.

Accordingly, the Company has also initiated the necessary legal proceedings to defend and safeguard its position as follows:

(a) Stay of Proceedings

The application for a Stay of Proceedings was filed with the Kuala Lumpur High Court on 14 December 2017. The Kuala Lumpur High Court did not grant the Company's application on 8 May 2018. The Company filed its appeal to the Court of Appeal against this decision on the same day. However, on 5 April 2019, the Court of Appeal dismissed the Company's appeal. The Company will continue to pursue this matter through its Judicial Review application as indicated in item (b) below.



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B7 Taxation (continued)

(b) Judicial Review

On 14 December 2017, the Company also commenced proceedings to seek a Judicial Review on this matter. However, the Kuala Lumpur High Court did not grant the required leave on 5 March 2018. On the same day, the Company filed an appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court. The appeal is fixed for hearing on 1 July 2019.

(c) Appeal to Special Commissioners of Income Tax (“SCIT”)

On 5 January 2018, the Company has filed an appeal to the SCIT pursuant to Section 99(1) of the Income Tax Act 1967. To date, the hearing date has yet to be fixed.

No tax provisions have therefore been made in relation to the aforesaid matter.

B8 Derivatives and Fair Value Changes of Financial Liabilities

(a) Details of derivative financial instruments outstanding as at 31 May 2019 are as follows:

	Notional Amount		Fair Value	
	31.5.2019	28.2.2019	Assets / (Liabilities)	
	RM'000	RM'000	31.5.2019	28.2.2019
			RM'000	RM'000
<u>Derivative financial assets</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	113,254	-	12,802	-
1 – 3 years	165,064	270,222	13,883	19,178
Total	278,318	270,222	26,685	19,178
<u>Derivative financial liabilities</u>				
<u>Cross currency swaps:</u>				
1 – 3 years	1,560,853	1,515,448	(34,822)	(75,197)
More than 3 years	864,281	640,336	(24,787)	(30,298)
Total	2,425,134	2,155,784	(59,609)	(105,495)

(b) Fair value of financial liabilities

There were no fair value gain/(loss) on financial liabilities since all financial liabilities were measured at amortised cost.

B9 Provision of Financial Assistance

The Company has not extended any loans/advances to any party or received any loan/advances from any party in the ordinary course of its business as a licensed moneylender and therefore, there are no outstanding loans/advances as at 31 May 2019.



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B10 Status of Corporate Proposal

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

B11 Borrowings

The borrowings of the Company as at 31 May 2019 comprised the following:

	<u>31.5.2019</u>	<u>28.2.2019</u>
	Unsecured	Unsecured
	RM'000	RM'000
Non-current :		
- Term loans/financing	5,580,198	5,616,006
	<u>5,580,198</u>	<u>5,616,006</u>
Current :		
- Bank overdrafts	54,760	19,290
- Revolving credits	450,000	245,000
- Commercial paper	147,670	149,716
- Term loans/financing	713,255	400,000
	<u>1,365,685</u>	<u>814,006</u>
Total	<u>6,945,883</u>	<u>6,430,012</u>

The borrowings were denominated in the following currencies:

	<u>31.5.2019</u>		<u>28.2.2019</u>	
	Foreign	Unsecured	Foreign	Unsecured
	Currency	Equivalent	Currency	Equivalent
	'000	RM'000	'000	RM'000
Ringgit Malaysia		4,242,431		4,004,006
United States Dollar	645,152	2,703,452	596,288	2,426,006
		<u>6,945,883</u>		<u>6,430,012</u>

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

B12 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 B7 (ii).

B13 Dividend

No dividend was proposed or declared during the current quarter.



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B14 Earnings per share

	Individual quarter		Cumulative quarter	
	3 months ended		3 months ended	
	<u>31.5.2019</u>	<u>31.5.2018</u>	<u>31.5.2019</u>	<u>31.5.2018</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders	84,600	99,235	84,600	99,235
Distribution on perpetual notes and sukuk, net of tax	(1,133)	(3,596)	(1,133)	(3,596)
Profit attributable to ordinary equity holders	<u>83,467</u>	<u>95,639</u>	<u>83,467</u>	<u>95,639</u>

Basic Earnings Per Share

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		3 months ended	
	<u>31.5.2019</u>	<u>31.5.2018</u>	<u>31.5.2019</u>	<u>31.5.2018</u>
Profit attributable to ordinary equity holders (RM'000)	83,467	95,639	83,467	95,639
Weighted average number of ordinary shares ('000 unit)	<u>255,308</u>	<u>255,308</u>	<u>255,308</u>	<u>255,308</u>
Basic earnings per share (sen)	<u>32.69</u>	<u>37.46</u>	<u>32.69</u>	<u>37.46</u>

Diluted Earnings Per Share

There were no dilutive potential ordinary shares outstanding as at 31 May 2019. As a result, the diluted earnings per share is equivalent to the basic earnings per share.

B15 Auditors' Report on the Preceding Annual Financial Statements

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

B16 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 27 June 2019.

By order of the Board
27 June 2019