



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2019

	Note	Unaudited Individual quarter			Unaudited Cumulative quarter		
		3 months ended			9 months ended		
		30.11.2019 RM'000	30.11.2018 RM'000	Changes %	30.11.2019 RM'000	30.11.2018 RM'000	Changes %
Revenue	B4	402,462	348,497	15.5%	1,185,496	1,006,307	17.8%
Total operating expenses		(258,095)	(193,899)	33.1%	(779,530)	(570,604)	36.6%
Other income		31,159	27,999	11.3%	104,285	105,574	-1.2%
Profit from operations	B5(a)	175,526	182,597	-3.9%	510,251	541,277	-5.7%
Interest expense	B6	(82,661)	(64,525)	28.1%	(237,842)	(184,209)	29.1%
Profit before tax		92,865	118,072	-21.3%	272,409	357,068	-23.7%
Taxation	B7	(22,935)	(30,936)	-25.9%	(68,752)	(90,057)	-23.7%
Profit for the period		69,930	87,136	-19.7%	203,657	267,011	-23.7%
Other comprehensive income, net of tax							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Net changes in cash flow hedge	B5(b)	7,106	(1,093)	-750.1%	(40,490)	(7,155)	465.9%
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Net fair value through other comprehensive income		(14,424)	213	-	(10,208)	37,620	-127.1%
Total comprehensive income for the period		62,612	86,256	-27.4%	152,959	297,476	-48.6%
Profit attributable to equity holders of the Company		69,930	87,136	-19.7%	203,657	267,011	-23.7%
Total comprehensive income attributable to equity holders of the Company		62,612	86,256	-27.4%	152,959	297,476	-48.6%
Earnings per share attributable to owners of the Company (sen)							
Basic	B14	27.39	32.71	-16.3%	76.12	100.51	-24.3%

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.



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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2019

	Note	Unaudited As at 30.11.2019 RM'000	As at 28.2.2019 RM'000
ASSETS			
Non-current assets			
Plant and equipment		133,929	118,676
Right-of-use assets		59,414	-
Investments		48,450	70,604
Deferred tax assets		197,192	153,916
Financing receivables		5,938,628	6,003,628
Total non-current assets		6,377,613	6,346,824
Current assets			
Financing receivables		3,391,200	2,102,151
Other receivables, deposits and prepayments		75,120	89,103
Amount owing by related companies		11,111	6,069
Derivative financial assets	B8	26,035	19,178
Cash and bank balances		118,606	92,429
Total current assets		3,622,072	2,308,930
TOTAL ASSETS		9,999,685	8,655,754
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		565,295	534,907
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		14,255	43,800
Hedging reserve		(61,981)	(21,491)
Fair value reserve		27,320	37,528
Retained earnings		986,036	904,237
Equity attributable to ordinary equity holders of the Company		1,530,925	1,498,981
Perpetual notes and sukuk		330,000	376,000
Total equity		1,860,925	1,874,981



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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2019 (Continued)

		Unaudited	
	Note	As at 30.11.2019 RM'000	As at 28.2.2019 RM'000
Non-current liabilities			
Borrowings	B11	5,219,349	5,616,006
ICULS liabilities		-	1,595
Total non-current liabilities		5,219,349	5,617,601
Current liabilities			
Borrowings	B11	2,523,600	814,006
Trade payables		25,666	27,032
Other payables and accruals		178,394	168,962
Amount owing to immediate holding company		4,078	6,917
Amount owing to related companies		215	5,762
Derivative financial liabilities	B8	92,597	105,495
Lease liabilities		60,191	-
ICULS liabilities		629	1,635
Tax liabilities		34,041	33,363
Total current liabilities		2,919,411	1,163,172
Total liabilities		8,138,760	6,780,773
TOTAL EQUITY AND LIABILITIES		9,999,685	8,655,754
Net assets per share (RM)		6.04	5.98
Number of ordinary shares ('000)		253,605	250,840
Capital adequacy ratio (%)		20.16	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 30 NOVEMBER 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	-	-	-	(7,155)	-	-	(7,155)
Fair value through other comprehensive income	-	-	-	-	5,269	-	5,269
Profit for the period	-	-	-	-	-	267,011	267,011
Total comprehensive income for the period	-	-	-	(7,155)	5,269	267,011	265,125
Conversion of ICULS equity	23,306	(23,306)	-	-	-	-	-
Conversion of ICULS liability	1,804	-	-	-	-	-	1,804
Deferred tax effects on ICULS	-	(107)	-	-	-	-	(107)
Distribution on perpetual notes and sukuk, net of tax	-	-	-	-	-	(10,401)	(10,401)
Redemption of perpetual note	-	-	(100,000)	-	-	-	(100,000)
Dividends	-	-	-	-	-	(105,721)	(105,721)
At 30 November 2018	533,739	44,893	176,000	(17,137)	37,620	820,912	1,596,027



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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 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	-	-	-	(40,490)	-	-	(40,490)
Fair value through other comprehensive income	-	-	-	-	(10,208)	(34)	(10,242)
Profit for the period	-	-	-	-	-	203,657	203,657
Total comprehensive income for the period	-	-	-	(40,490)	(10,208)	203,623	152,925
Conversion of ICULS equity	29,592	(29,592)	-	-	-	-	-
Conversion of ICULS liabilities	796	-	-	-	-	-	796
Deferred tax effects on ICULS	-	47	-	-	-	-	47
Distribution on perpetual notes and sukuk (net of tax)	-	-	-	-	-	(9,323)	(9,323)
Redemption of perpetual note	-	-	(46,000)	-	-	-	(46,000)
Dividends	-	-	-	-	-	(112,501)	(112,501)
At 30 November 2019	565,295	14,255	330,000	(61,981)	27,320	986,036	1,860,925

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.



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**CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2019**

	30.11.2019	30.11.2018
	RM'000	RM'000
Cash flows used in operating activities		
Profit before tax	272,409	357,068
Adjustments for:		
Interest income	(1,417)	(658)
Finance costs	235,691	184,209
Interest on lease liabilities	2,151	-
Gain on disposal of plant and equipment	(273)	(138)
Depreciation of plant and equipment	33,179	25,574
Depreciation of right-of-use assets	14,727	-
Impairment loss on financing receivables	362,500	213,846
Write-off of plant and equipment	136	92
Operating profit before changes in working capital	919,103	779,993
Changes in working capital:		
Financing receivables	(1,586,548)	(1,248,324)
Other receivables, deposits and prepayments	13,983	(27,458)
Amount owing by related companies	(5,043)	(2,797)
Trade payables	(1,366)	1,509
Other payables and accruals	3,701	28,867
Amount owing to immediate holding company	(2,839)	(3,456)
Amount owing to related companies	(5,546)	(290)
Cash held in trust for customers	3,122	(651)
Cash held in trust for a related company	(1,119)	3,908
Cash used in operations	(662,552)	(468,699)
Tax paid	(83,816)	(74,610)
Net cash used in operating activities	(746,368)	(543,309)
Cash flows used in investing activities		
Acquisition of plant and equipment	(48,575)	(45,610)
Proceeds from disposal of plant and equipment	281	138
Additions to investments	-	(2,855)
Proceeds from disposal of investment	62	-
Interest received	1,417	658
Net cash used in investing activities	(46,815)	(47,669)



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CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2019 (continued)

	30.11.2019	30.11.2018
	RM'000	RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(112,501)	(105,721)
Drawdown of borrowings	6,880,000	2,395,040
Repayment of borrowings	(5,651,012)	(1,357,000)
Coupon payment on ICULS	(1,698)	(2,144)
Issuance expenses relating to ICULS	-	(230)
Distribution paid to perpetual notes and sukuk holders	(12,267)	(13,685)
Redemption of perpetual notes	(46,000)	(100,000)
Payment of lease liabilities	(16,102)	-
Finance costs paid	(229,973)	(177,187)
Net cash from financing activities	810,447	639,073
Net increase in cash and cash equivalents	17,264	48,095
Cash and cash equivalents at beginning of the year	67,183	18,755
Cash and cash equivalents at end of the period	84,447	66,850

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

	30.11.2019	30.11.2018
	RM'000	RM'000
Cash and bank balances	103,198	67,965
Deposits placed with licensed banks	15,408	7,622
	118,606	75,587
Bank overdrafts	(30,205)	(3,169)
Cash held in trust for a related company	(1,829)	(4,917)
Cash held in trust for customers	(2,125)	(651)
	84,447	66,850

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 30 November 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 MFRS 2015 – 2017 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 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 MFRS 16 using modified retrospective approach and measured the right-of-use assets at a value that is equal 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:

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

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

	Cumulative Quarter	
	Current Year Year-To-Date <u>30.11.2019</u> RM'000	Preceding Year Year-To-Date <u>30.11.2018</u> RM'000
Final dividend in respect of the financial year ended 28 February 2018		
- 20.00 sen single-tier dividend per ordinary share	-	49,937
Interim dividend in respect of the financial year ended 28 February 2019		
- 22.25 sen single-tier dividend per ordinary share	-	55,784
Final dividend in respect of the financial year ended 28 February 2019		
- 22.35 sen single-tier dividend per ordinary share	56,075	-
Interim dividend in respect of the financial year ended 29 February 2020		
- 22.25 sen single-tier dividend per ordinary share	56,426	-
	112,501	105,721

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.

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).

<u>30.11.2019</u>	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Investments	-	-	48,450	48,450
Derivatives designated as hedging instruments	-	26,035	-	26,035
Total financial assets carried at fair value	-	26,035	48,450	74,485
<u>Financial liabilities</u>				
Derivatives designated as hedging instruments	-	92,597	-	92,597
Total financial liabilities carried at fair value	-	92,597	-	92,597
<u>28.02.2019</u>	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 30 November 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 20 June 2019.

A14 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for amounted to RM28.835 million as at 30 November 2019.



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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

B1 Performance Review

	Individual quarter 3 months ended			Cumulative quarter 9 months ended		
	30.11.2019 RM'000	30.11.2018 RM'000	Changes %	30.11.2019 RM'000	30.11.2018 RM'000	Changes %
Revenue	402,462	348,497	15.5%	1,185,496	1,006,307	17.8%
Other income	31,159	27,999	11.3%	104,285	105,574	-1.2%
Profit from operations	175,526	182,597	-3.9%	510,251	541,277	-5.7%
Profit before tax	92,865	118,072	-21.3%	272,409	357,068	-23.7%
Profit for the period	69,930	87,136	-19.7%	203,657	267,011	-23.7%

The Company recorded a total revenue of RM402.462 million, which was 15.5% higher as compared to the preceding year corresponding quarter. Total transaction and financing volume in the current quarter ended 30 November 2019 has increased by 9.4% to RM1.589 billion as compared to the preceding year corresponding quarter.

The gross financing receivables as at 30 November 2019 was RM10.033 billion representing an increase of RM1.720 billion as compared to 30 November 2018. The net financing receivables after impairment was RM9.330 billion as at 30 November 2019 as compared to RM7.737 billion as at 30 November 2018. Non-Performing Loans (NPL) ratio was 1.93% as at 30 November 2019 as compared to 2.05% as at 30 November 2018.

Other income was recorded at RM31.159 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 was recorded at 64.1% for the current quarter as compared to 55.6% in the preceding year corresponding quarter. The increase was mainly due to higher allowance for impairment losses on financing receivables and other operating expenses in tandem with the growth in transaction and financing volume.

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 30 November 2019 was RM7.728 billion as compared to RM6.348 billion as at 30 November 2018.

The profit before tax for the current quarter of RM69.930 million was lower by 19.7% compared to the preceding year corresponding quarter.

Total revenue registered for the financial period-to-date of RM1.185 billion was higher by 17.8% compared to RM1.006 billion recorded in the preceding year corresponding period. Total transaction and financing volume for the financial period-to-date grew by 24.6% to RM4.735 billion compared to preceding year corresponding period.

The Company recorded a lower profit before tax of RM272.409 million for the financial period-to-date as compared to RM357.068 million in the preceding year corresponding period, mainly due to increased impairment losses on financing receivables of RM362.500 million under MFRS 9 requirements as compared to RM213.846 million recorded in the previous year corresponding period, which was mainly attributable to the growth of receivables during the period under review. Loan loss coverage ratio stood at 363% as at 30 November 2019 as compared to 338% as at 30 November 2018.



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

	Current Quarter 30.11.2019 RM'000	Immediate Preceding Quarter 31.8.2019 RM'000	Changes %
Revenue	402,462	404,446	-0.5%
Total operating expenses	258,095	299,304	-13.8%
Other income	31,159	41,527	-25.0%
Profit before tax	92,865	66,876	38.9%
Profit for the period	69,930	49,127	42.3%

Profit before tax for the current quarter of RM92.865 million increased by 38.9% compared to RM66.876 million recorded in the immediate preceding quarter. The increase was mainly due to lower impairment losses of RM114.470 million recorded for the quarter ended 30 November 2019 as compared to RM154.692 million for the immediate preceding quarter.

B3 Current Year Prospects

The Malaysian economy posted a GDP growth of 4.4% in the third 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 a 17.8% growth in revenue for the period ended 30 November 2019 despite a challenging operating environment. Moving forward, the Company will remain prudent and cautious, placing emphasis on growing quality assets as well as enhancing cost and operational efficiency as we build on the momentum of strengthening our business fundamentals based on the scheduled implementation of our business plan and leveraging on the strength of AEON brand.

B4 Revenue

	Individual quarter 3 months ended		Cumulative quarter 9 months ended	
	<u>30.11.2019</u>	<u>30.11.2018</u>	<u>30.11.2019</u>	<u>30.11.2018</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	355,189	300,155	1,041,813	876,960
Fee income	47,273	48,342	143,683	129,347
	402,462	348,497	1,185,496	1,006,307



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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		9 months ended	
	<u>30.11.2019</u>	<u>30.11.2018</u>	<u>30.11.2019</u>	<u>30.11.2018</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	24,384	23,128	87,917	92,165
Interest income	609	190	1,417	658
Gain on disposal of plant and equipment	54	33	273	138
Depreciation of plant and equipment	(11,232)	(9,184)	(33,179)	(25,574)
Depreciation of right-of-use assets	(4,728)	-	(14,727)	-
Impairment loss on financing receivables	(114,470)	(61,514)	(362,500)	(213,846)
Write off of plant and equipment	(57)	(55)	(136)	(92)
(b) Included in Other comprehensive income:				
Gain/(Loss) on cash flow hedge	7,106	(1,093)	(40,490)	(7,155)
Unrealised (loss)/gain on financial instruments through FVTOCI	(14,424)	213	(10,208)	37,620

Receivables amounting to RM67.274 million and RM245.863 million have been written off against allowance for impairment losses on receivables for the current quarter and the financial period-to-date.

B6 Interest expense

	Individual quarter		Cumulative quarter	
	3 months ended		9 months ended	
	<u>30.11.2019</u>	<u>30.11.2018</u>	<u>30.11.2019</u>	<u>30.11.2018</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	28	213	150	602
Commercial paper	5,956	127	11,980	531
Revolving credits	2,765	1,761	8,753	2,413
Term loans/financing	73,247	62,748	214,820	180,778
ICULS interest	(24)	(324)	(12)	(115)
	<u>81,972</u>	<u>64,525</u>	<u>235,691</u>	<u>184,209</u>
Interest on lease liabilities	689	-	2,151	-
	<u><u>82,661</u></u>	<u><u>64,525</u></u>	<u><u>237,842</u></u>	<u><u>184,209</u></u>



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B7 Taxation

(i) Tax expense

	Individual quarter		Cumulative quarter	
	3 months ended		9 months ended	
	<u>30.11.2019</u>	<u>30.11.2018</u>	<u>30.11.2019</u>	<u>30.11.2018</u>
	RM'000	RM'000	RM'000	RM'000
Income tax payable:				
- current year	33,575	27,952	91,349	91,509
- over provision in prior years	(3,911)	(1,834)	(3,911)	(1,834)
	<u>29,664</u>	<u>26,118</u>	<u>87,438</u>	<u>89,675</u>
Deferred tax:				
- current year	(9,400)	2,166	(21,357)	(2,270)
- under provision in prior years	2,671	2,652	2,671	2,652
	<u>(6,729)</u>	<u>4,818</u>	<u>(18,686)</u>	<u>382</u>
	<u>22,935</u>	<u>30,936</u>	<u>68,752</u>	<u>90,057</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

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:

- 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.
- 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.
- 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.



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B7 Taxation (continued)

(ii) Material litigation (continued)

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.

(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. To date, the hearing date has yet to be fixed.

(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.

(d) Civil recovery proceedings by DGIR

On 9 July 2019, the Company received a writ of summons together with a statement of claim filed by the DGIR in respect of the taxes which are purportedly due for the years of assessment 2010-2016. The Company has applied for a stay of DGIR's proceedings.

On 2 December 2019, the Shah Alam High Court had granted a stay of proceedings on the civil recovery suit commenced by DGIR against the Company. The stay is valid until 1 June 2020 pending the discussions between the parties to explore the possibility of an amicable resolution. The matter has now been fixed for case management at the High Court on 1 June 2020 for further instruction and the High Court advised both parties to proceed with the discussion expeditiously.

In the light of the above on-going development, no tax provision has been provided on the aforesaid matter.



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B8 Derivatives and Fair Value Changes of Financial Liabilities

(a) Details of derivative financial instruments outstanding as at 30 November 2019 are as follows:

	Notional Amount		Fair Value	
	<u>30.11.2019</u>	<u>28.2.2019</u>	Assets / (Liabilities)	
	RM'000	RM'000	<u>30.11.2019</u>	<u>28.2.2019</u>
			RM'000	RM'000
<u>Derivative financial assets</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	112,867	-	12,413	-
1 – 3 years	164,498	270,222	13,622	19,178
Total	<u>277,365</u>	<u>270,222</u>	<u>26,035</u>	<u>19,178</u>
<u>Derivative financial liabilities</u>				
<u>Cross currency swaps:</u>				
1 – 3 years	1,652,705	1,515,448	(46,188)	(75,197)
More than 3 years	1,318,968	640,336	(46,409)	(30,298)
Total	<u>2,971,673</u>	<u>2,155,784</u>	<u>(92,597)</u>	<u>(105,495)</u>

(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 30 November 2019.

B10 Status of Corporate Proposal

Save and except for the following corporate proposal, there are no other corporate proposals that have been announced by the Company which are not yet completed as at the date of this report:

Proposed establishment of a Sukuk Programme

On 17 December 2019, the Company has announced that it has lodged the Sukuk Programme with the Securities Commission Malaysia ("SC") pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued by the SC on 9 March 2015 and revised on 26 November 2019, as amended from time to time). The Sukuk Programme, under the Shariah principle of Wakalah bi al-Istithmar and Murabahah (via a Tawarruq arrangement), provides the Company with the flexibility to issue both senior sukuk ("Senior Sukuk") and/or subordinated sukuk ("Subordinated Sukuk") from time to time, subject to the aggregate outstanding nominal amount of the Senior Sukuk and/or Subordinated Sukuk not exceeding RM2.0 billion at any point in time.



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B11 Borrowings

The borrowings of the Company as at 30 November 2019 comprised the following:

	<u>30.11.2019</u>	<u>28.2.2019</u>
	Unsecured	Unsecured
	RM'000	RM'000
Non-current :		
- Term loans/financing	5,219,349	5,616,006
	<u>5,219,349</u>	<u>5,616,006</u>
Current :		
- Bank overdrafts	30,205	19,290
- Revolving credits	175,000	245,000
- Commercial paper	798,705	149,716
- Term loans/financing	1,519,690	400,000
	<u>2,523,600</u>	<u>814,006</u>
Total	<u>7,742,949</u>	<u>6,430,012</u>

The borrowings were denominated in the following currencies:

	<u>30.11.2019</u>		<u>28.2.2019</u>	
	Foreign	Unsecured	Foreign	Unsecured
	Currency	Equivalent	Currency	Equivalent
	'000	RM'000	'000	RM'000
Ringgit Malaysia		4,493,911		4,004,006
United States Dollar	778,015	3,249,038	596,288	2,426,006
		<u>7,742,949</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).



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B13 Dividend

There was no dividend declared during the current quarter. The interim single-tier dividend of 22.25 sen declared on 26 September 2019 for the financial year ending 29 February 2020 was paid to shareholders on 7 November 2019.

B14 Earnings per share

	Individual quarter		Cumulative quarter	
	3 months ended		9 months ended	
	<u>30.11.2019</u>	<u>30.11.2018</u>	<u>30.11.2019</u>	<u>30.11.2018</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders	69,930	87,136	203,657	267,011
Distribution on perpetual notes and sukuk, net of tax	-	(3,616)	(9,323)	(10,401)
Profit attributable to ordinary equity holders	<u>69,930</u>	<u>83,520</u>	<u>194,334</u>	<u>256,610</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		9 months ended	
	<u>30.11.2019</u>	<u>30.11.2018</u>	<u>30.11.2019</u>	<u>30.11.2018</u>
Profit attributable to ordinary equity holders (RM'000)	69,930	83,520	194,334	256,610
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>27.39</u>	<u>32.71</u>	<u>76.12</u>	<u>100.51</u>

Diluted Earnings Per Share

There were no dilutive potential ordinary shares outstanding as at 30 November 2019. As a result, the diluted earnings per share is equivalent to the basic earnings per share.



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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 19 December 2019.

By order of the Board
19 December 2019