



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 YEAR ENDED 29 FEBRUARY 2020

	Note	Unaudited Individual quarter			Unaudited Cumulative		
		3 months ended			financial year ended		
		29.2.2020	28.2.2019	Changes	29.2.2020	28.2.2019	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue	B4	413,279	359,536	14.9%	1,598,775	1,365,843	17.1%
Total operating expenses		(249,503)	(223,875)	11.4%	(1,029,033)	(794,479)	29.5%
Other income		41,636	48,133	-13.5%	145,921	153,707	-5.1%
Profit from operations	B5(a)	205,412	183,794	11.8%	715,663	725,071	-1.3%
Interest expense	B6	(87,380)	(68,671)	27.2%	(325,222)	(252,880)	28.6%
Profit before tax		118,032	115,123	2.5%	390,441	472,191	-17.3%
Taxation	B7	(29,643)	(27,510)	7.8%	(98,395)	(117,567)	-16.3%
Profit for the period/year		88,389	87,613	0.9%	292,046	354,624	-17.6%
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)	(53,889)	(4,354)	1137.7%	(94,379)	(11,509)	720.0%
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Net fair value changes through other comprehensive income		217	(92)	-335.9%	(9,991)	37,528	-126.6%
Total comprehensive income for the period/year		34,717	83,167	-58.3%	187,676	380,643	-50.7%
Profit attributable to equity holders of the Company		88,389	87,613	0.9%	292,046	354,624	-17.6%
Total comprehensive income attributable to equity holders of the Company		34,717	83,167	-58.3%	187,676	380,643	-50.7%
Earnings per share attributable to owners of the Company (sen)							
Basic	B14	31.36	33.04	-5.1%	107.48	133.55	-19.5%

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 29 FEBRUARY 2020

	Note	Unaudited As at 29.2.2020 RM'000	As at 28.2.2019 RM'000
ASSETS			
Non-current assets			
Plant and equipment		141,161	118,676
Right-of-use assets		70,997	-
Investments		48,699	70,604
Deferred tax assets		213,801	153,916
Financing receivables		<u>6,265,390</u>	<u>6,003,628</u>
Total non-current assets		<u>6,740,048</u>	<u>6,346,824</u>
Current assets			
Financing receivables		3,438,731	2,102,151
Other receivables, deposits and prepayments		83,564	89,103
Amount owing by related companies		10,706	6,069
Derivative financial assets	B8	28,810	19,178
Cash and bank balances		<u>132,798</u>	<u>92,429</u>
Total current assets		<u>3,694,609</u>	<u>2,308,930</u>
TOTAL ASSETS		<u>10,434,657</u>	<u>8,655,754</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		565,448	534,907
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		14,107	43,800
Hedging reserve		(115,870)	(21,491)
Fair value reserve		27,571	37,528
Retained earnings		<u>1,066,103</u>	<u>904,237</u>
Equity attributable to ordinary equity holders of the Company		<u>1,557,359</u>	<u>1,498,981</u>
Perpetual notes and sukuk		<u>200,000</u>	<u>376,000</u>
Total equity		<u>1,757,359</u>	<u>1,874,981</u>



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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020 (Continued)

	Note	Unaudited As at 29.2.2020 RM'000	As at 28.2.2019 RM'000
Non-current liabilities			
Borrowings	B11	5,597,516	5,616,006
ICULS liabilities		-	1,595
Lease liabilities		52,037	-
Total non-current liabilities		5,649,553	5,617,601
Current liabilities			
Borrowings	B11	2,600,152	814,006
Trade payables		32,913	27,032
Other payables and accruals		204,348	168,962
Amount owing to immediate holding company		6,978	6,917
Amount owing to related companies		5,702	5,762
Derivative financial liabilities	B8	132,577	105,495
ICULS liabilities		630	1,635
Lease liabilities		19,140	-
Tax liabilities		25,305	33,363
Total current liabilities		3,027,745	1,163,172
Total liabilities		8,677,298	6,780,773
TOTAL EQUITY AND LIABILITIES		10,434,657	8,655,754
Net assets per share (RM)		6.14	5.98
Number of ordinary shares ('000)		253,619	250,840
Capital adequacy ratio (%)		18.87	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 YEAR ENDED 29 FEBRUARY 2020

	← <u>Non-distributable</u> →				<u>Distributable</u>		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	-	-	-	(11,509)	-	-	(11,509)
Fair value through other comprehensive income	-	-	-	-	5,177	-	5,177
Profit for the year	-	-	-	-	-	354,624	354,624
Total comprehensive income for the year	-	-	-	(11,509)	5,177	354,624	348,292
Conversion of ICULS equity	24,397	(24,397)	-	-	-	-	-
Conversion of ICULS liability	1,881	-	-	-	-	-	1,881
Deferred tax effects on ICULS	-	(109)	-	-	-	-	(109)
Distribution on perpetual notes and sukuk, net of tax	-	-	-	-	-	(13,659)	(13,659)
Issuance of perpetual notes and sukuk	-	-	200,000	-	-	-	200,000
Placement fee of issuance perpetual notes and sukuk	-	-	-	-	-	(1,030)	(1,030)
Redemption of perpetual note	-	-	(100,000)	-	-	-	(100,000)
Dividends	-	-	-	-	-	(105,721)	(105,721)
At 28 February 2019	534,907	43,800	376,000	(21,491)	37,528	904,237	1,874,981



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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2020 (Continued)

	← <u>Non-distributable</u> →				→ <u>Distributable</u>		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	-	-	-	(94,379)	-	-	(94,379)
Fair value through other comprehensive income	-	-	-	-	(9,991)	-	(9,991)
Profit for the year	-	-	-	-	-	292,046	292,046
Total comprehensive income for the year	-	-	-	(94,379)	(9,991)	292,046	187,676
Conversion of ICULS equity	29,646	(29,646)	-	-	-	-	-
Conversion of ICULS liabilities	895	-	-	-	-	-	895
Deferred tax effects on ICULS	-	(47)	-	-	-	-	(47)
Distribution on perpetual notes and sukuk (net of tax)	-	-	-	-	-	(17,645)	(17,645)
Redemption of perpetual note	-	-	(176,000)	-	-	-	(176,000)
Dividends	-	-	-	-	-	(112,501)	(112,501)
Transfer upon the disposal of equity investment designated at fair value through other comprehensive income	-	-	-	-	34	(34)	-
At 29 February 2020	565,448	14,107	200,000	(115,870)	27,571	1,066,103	1,757,359

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 YEAR ENDED 29 FEBRUARY 2020

	29.2.2020	28.2.2019
	RM'000	RM'000
Cash flows used in operating activities		
Profit before tax	390,441	472,191
Adjustments for:		
Interest income	(2,043)	(1,207)
Finance costs	322,358	252,880
Interest on lease liabilities	2,864	-
Gain on disposal of plant and equipment	(321)	(142)
Depreciation of plant and equipment	45,353	36,160
Depreciation of right-of-use assets	19,581	-
Impairment loss on financing receivables	450,313	308,372
Write-off of plant and equipment	411	372
Operating profit before changes in working capital	<u>1,228,957</u>	<u>1,068,626</u>
Changes in working capital:		
Financing receivables	(2,048,654)	(1,711,178)
Other receivables, deposits and prepayments	5,540	(36,488)
Amount owing by related companies	(4,638)	(4,993)
Trade payables	5,881	5,277
Othe payables and accruals	28,424	40,937
Amount owing to immediate holding company	61	360
Amount owing to related companies	(59)	3,537
Cash held in trust for customers	(10,349)	(9,632)
Cash held in trust for a related company	3,110	3,873
Cash used in operations	<u>(791,727)</u>	<u>(639,681)</u>
Tax paid	<u>(119,157)</u>	<u>(108,364)</u>
Net cash used in operating activities	<u>(910,884)</u>	<u>(748,045)</u>
Cash flows used in investing activities		
Acquisition of plant and equipment	(68,257)	(62,935)
Proceeds from disposal of plant and equipment	329	143
Additions to investments	-	(2,855)
Proceeds from disposal of investment	62	-
Interest received	2,043	1,207
Net cash used in investing activities	<u>(65,823)</u>	<u>(64,440)</u>



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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2020 (continued)

	29.2.2020	28.2.2019
	RM'000	RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(112,501)	(105,721)
Drawdown of borrowings	9,898,129	4,615,640
Repayment of borrowings	(8,262,215)	(3,489,930)
Coupon payment on ICULS	(1,698)	(2,144)
Distribution paid to perpetual notes and sukuk holders	(23,218)	(17,973)
Redemption of perpetual notes	(176,000)	(100,000)
Issuance of perpetual notes and sukuk	-	200,000
Issuance expenses relating to perpetual notes and sukuk	-	(1,030)
Payment of lease liabilities	(22,265)	-
Increase in deposit held in trust account	(63)	(127)
Finance costs paid	(315,403)	(246,556)
Net cash from financing activities	984,766	852,159
Net increase in cash and cash equivalents	8,059	39,674
Cash and cash equivalents at beginning of the year	58,429	18,755
Cash and cash equivalents at end of the year	66,488	58,429

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

	29.2.2020	28.2.2019
	RM'000	RM'000
Cash and bank balances	114,865	83,112
Deposits placed with licensed banks	17,933	9,317
	132,798	92,429
Bank overdrafts	(44,298)	(19,290)
Cash held in trust for related companies	(1,841)	(4,951)
Cash held in trust for customers	(19,981)	(9,632)
Deposit held in trust account	(190)	(127)
	66,488	58,429

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 year ended 29 February 2020

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 MFRS, amendments to MFRSs and IC Interpretation 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 MFRS, amendments to MFRSs and IC Interpretation 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	67,550
Lease liabilities	<u>67,550</u>

New Standards and Amendments to MFRSs in issue but not yet effective

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

MFRS 17	Insurance Contracts
Amendments to:	
MFRS 3	Definition of a Business
MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
MFRS 101 and MFRS 108 MFRSs	Definition of Material Amendments to Reference to the Conceptual Framework in MFRS Standards

The Company will adopt the above standards and amendments when they become effective and that the adoption of these standards and amendments 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 year 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 year under review.



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A6 Debt and Equity Securities

(i) Perpetual notes

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.

(ii) Perpetual sukuk

On 30 December 2019 and 17 February 2020, the Company redeemed the existing perpetual sukuk issued on 30 December 2014 and 16 February 2015, amounting RM105,000,000 and RM25,000,000 respectively.

(iii) Sukuk Wakalah Programme

On 17 December 2019, the Company lodged the Sukuk Wakalah Programme (“sukuk programme”) with the Securities Commission Malaysia. 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 and/or 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. On 10 February 2020, the Company completed the first issuance in two (2) tranches under the sukuk programme with a nominal value of RM300 million and RM200 million and tenures of seven (7) years and eight (8) years, respectively.

Save and except for the above, there were no other issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter and financial year ended 29 February 2020.

A7 Dividend Paid

	Cumulative	
	Current Year	Preceding Year
	Year-To-Date	Year-To-Date
	<u>29.2.2020</u>	<u>28.2.2019</u>
	RM'000	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



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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, save and except for the below:

The COVID-19 outbreak has evolved into a global pandemic, which is adversely affecting economies due to the imposition of related public health measures, travel restrictions, constraints on the movement of people and the suspension of many business operations to curb the spread of the virus. Domestically, the Movement Control Order (“MCO”) was imposed from 18 March 2020 to 31 March 2020, and further extended till 14 April 2020, resulting in the disruptions to the Company’s operations nationwide. During MCO, Company’s business activities have been affected as only essential services such as self-service terminals and online applications and payments are allowed to operate, resulting in discernible drop in the processing of transactions. This may adversely impact our business, financial condition, operating results and cash flows and the magnitude of the impact due to the outbreak remains uncertain. However, to combat the economic impact of COVID-19 pandemic, the Malaysian government has introduced various stimulus packages to support the overall economy.

In light of the above, the Company has taken and will continue to take the necessary steps to mitigate the potential risk posed, which include enhancing the asset quality and emphasising on liquidity management to meet its financial commitments and obligations.

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).

29.2.2020	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Investments	-	-	48,699	48,699
Derivatives designated as hedging instruments	-	28,810	-	28,810
Total financial assets carried at fair value	-	28,810	48,699	77,509

Financial liabilities

Derivatives designated as hedging instruments	-	132,577	-	132,577
Total financial liabilities carried at fair value	-	132,577	-	132,577

28.02.2019

<u>Financial assets</u>	Level 1	Level 2	Level 3	Total
	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

Financial liabilities

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 29 February 2020 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 RM42.883 million as at 29 February 2020.



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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

B1 Performance Review

	Individual quarter 3 months ended			Cumulative financial year ended		
	29.2.2020 RM'000	28.2.2019 RM'000	Changes %	29.2.2020 RM'000	28.2.2019 RM'000	Changes %
Revenue	413,279	359,536	14.9%	1,598,775	1,365,843	17.1%
Other income	41,636	48,133	-13.5%	145,921	153,707	-5.1%
Profit from operations	205,412	183,794	11.8%	715,663	725,071	-1.3%
Profit before tax	118,032	115,123	2.5%	390,441	472,191	-17.3%
Profit for the period/year	88,389	87,613	0.9%	292,046	354,624	-17.6%

The Company recorded a total revenue of RM413.279 million, which was 14.9% higher as compared to the preceding year corresponding quarter. Total transaction and financing volume in the current quarter ended 29 February 2020 has increased by 17.5% to RM1.646 billion as compared to the preceding year corresponding quarter.

The gross financing receivables as at 29 February 2020 was RM10.395 billion representing an increase of RM1.702 billion as compared to 28 February 2019. The net financing receivables after impairment was RM9.704 billion as at 29 February 2020 as compared to RM8.106 billion as at 28 February 2019. Non-Performing Loans (NPL) ratio was 1.92% as at 29 February 2020 as compared to 2.04% as at 28 February 2019.

Other income was recorded at RM41.636 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 60.4% for the current quarter as compared to 62.3% in the preceding year corresponding quarter. The decrease was mainly due to lower allowance for impairment losses on financing receivables.

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 29 February 2020 was RM8.149 billion as compared to RM6.488 billion as at 28 February 2019.

The profit before tax for the current quarter of RM118.032 million increased by 2.5% compared to the preceding year corresponding quarter.

Total revenue registered for the financial year-to-date of RM1.599 billion was higher by 17.1% compared to RM1.366 billion recorded in the preceding year. Total transaction and financing volume for the financial year-to-date grew by 22.7% to RM6.381 billion compared to preceding year.

The Company recorded profit before tax of RM390.441 million for the financial year-to-date as compared to RM472.191 million in the preceding year, mainly due to increased impairment losses on financing receivables of RM450.313 million under MFRS 9 requirements as compared to RM308.372 million recorded in the previous year, which was mainly attributable to the growth of receivables during the year under review. Loan loss coverage ratio stood at 346% as at 29 February 2020 as compared to 331% as at 28 February 2019.



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

	Current Quarter 29.2.2020 RM'000	Immediate Preceding Quarter 30.11.2019 RM'000	Changes %
Revenue	413,279	402,462	2.7%
Total operating expenses	249,503	258,095	-3.3%
Other income	41,636	31,159	33.6%
Profit before tax	118,032	92,865	27.1%
Profit for the period	88,389	69,930	26.4%

Profit before tax for the current quarter recorded at RM118.032 million. The increase was mainly due to lower impairment losses of RM87.813 million recorded for the quarter ended 29 February 2020 as compared to RM114.470 million for the immediate preceding quarter.

B3 Current Year Prospects

In the fourth quarter of 2019, the Malaysian economy posted a GDP growth of 3.6%. Despite the challenging operating environment, the Company had recorded a 17.1% growth in revenue for the year ended 29 February 2020. Domestic demand is predicted to be a key driver, as household spending is likely to be supported by government efforts to drive economic demand. Notwithstanding this, downside risks are expected to continue to dominate the trade outlook for the country given the unfavourable economic conditions resulting from the recent COVID-19 pandemic.

The COVID-19 pandemic will negatively impact the global business environment including the essential services industry, and together with the MCO imposed by the government, it is expected that businesses and operations will be affected significantly for most part of the year. With the implementation of additional measures directed by Bank Negara Malaysia to assist borrowers and customers experiencing financial constraints due to COVID-19 outbreak, the Company has taken actions to put the necessary measures in place to face the imminent challenges.

Moving forward, the Company will remain prudent and cautious, placing emphasis on growing quality assets and enhancing financial and operational efficiency by leveraging on its business fundamentals based on the scheduled implementation of the Company's business plan.



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B4 Revenue

	Individual quarter		Cumulative	
	3 months ended		financial year ended	
	<u>29.2.2020</u>	<u>28.2.2019</u>	<u>29.2.2020</u>	<u>28.2.2019</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	362,559	313,409	1,404,372	1,190,369
Fee income	50,720	46,127	194,403	175,474
	<u>413,279</u>	<u>359,536</u>	<u>1,598,775</u>	<u>1,365,843</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	
	3 months ended		financial year ended	
	<u>29.2.2020</u>	<u>28.2.2019</u>	<u>29.2.2020</u>	<u>28.2.2019</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	37,409	43,482	125,326	135,647
Interest income	626	549	2,043	1,207
Gain on disposal of plant and equipment	48	4	321	142
Depreciation of plant and equipment	(12,174)	(10,586)	(45,353)	(36,160)
Depreciation of right-of-use assets	(4,854)	-	(19,581)	-
Impairment loss on financing receivables	(87,813)	(94,526)	(450,313)	(308,372)
Write off of plant and equipment	(275)	(280)	(411)	(372)
(b) Included in Other comprehensive income:				
Loss on cash flow hedge	(53,889)	(4,354)	(94,379)	(11,509)
Net fair value changes on equity instruments through other comprehensive income	217	(92)	(9,991)	37,528

Receivables amounting to RM100.499 million and RM346.361million have been written off against allowance for impairment losses on receivables for the current quarter and the financial year-to-date.



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B6 Interest expense

	Individual quarter		Cumulative	
	3 months ended		financial year ended	
	<u>29.2.2020</u>	<u>28.2.2019</u>	<u>29.2.2020</u>	<u>28.2.2019</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	19	181	169	783
Commercial paper	7,105	289	19,085	820
Revolving credits	1,550	3,410	10,303	5,823
Term loans/financing	76,992	64,788	291,812	245,566
Senior sukuk	996	-	996	-
ICULS interest	5	3	(7)	(112)
	<u>86,667</u>	<u>68,671</u>	<u>322,358</u>	<u>252,880</u>
Interest on lease liabilities	713	-	2,864	-
	<u>87,380</u>	<u>68,671</u>	<u>325,222</u>	<u>252,880</u>

B7 Taxation

(i) Tax expense

	Individual quarter		Cumulative	
	3 months ended		financial year ended	
	<u>29.2.2020</u>	<u>28.2.2019</u>	<u>29.2.2020</u>	<u>28.2.2019</u>
	RM'000	RM'000	RM'000	RM'000
Income tax payable:				
- current year	29,233	30,240	120,582	121,749
- over provision in prior years	-	-	(3,911)	(1,834)
	<u>29,233</u>	<u>30,240</u>	<u>116,671</u>	<u>119,915</u>
Deferred tax:				
- current year	132	(2,730)	(21,225)	(5,000)
- under provision in prior years	278	-	2,949	2,652
	<u>410</u>	<u>(2,730)</u>	<u>(18,276)</u>	<u>(2,348)</u>
	<u>29,643</u>	<u>27,510</u>	<u>98,395</u>	<u>117,567</u>

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



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(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.

(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 hearing on 1 July 2019 had been vacated. 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. The hearing date has yet to be fixed.



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B7 Taxation (continued)

(ii) Material litigation (continued)

(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.

On 2 December 2019, the Shah Alam High Court had granted a stay of proceedings against the civil recovery suit commenced by the Government of Malaysia against the Company. The stay is valid until 1 June 2020 pending 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 has advised parties to proceed with the discussions expeditiously.

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

B8 Derivatives and Fair Value Changes of Financial Liabilities

(a) Details of derivative financial instruments outstanding as at 29 February 2020 are as follows:

	Notional Amount		Fair Value	
	29.2.2020	28.2.2019	Assets / (Liabilities)	
	RM'000	RM'000	29.2.2020	28.2.2019
			RM'000	RM'000
<u>Derivative financial assets</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	280,078	-	28,810	-
1 – 3 years	-	270,222	-	19,178
Total	280,078	270,222	28,810	19,178
<u>Derivative financial liabilities</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	716,876	-	(4,723)	-
1 – 3 years	1,153,764	1,515,448	(41,185)	(75,197)
More than 3 years	1,355,149	640,336	(86,669)	(30,298)
Total	3,225,789	2,155,784	(132,577)	(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 29 February 2020.



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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 29 February 2020 comprised the following:

	<u>29.2.2020</u>
	Unsecured
	RM'000
Non-current :	
- Term loans/financing	5,098,913
- Senior sukuk	498,603
	<u>5,597,516</u>
Current :	
- Bank overdrafts	44,298
- Revolving credits	-
- Commercial paper	658,900
- Term loans/financing	1,896,954
	<u>2,600,152</u>
Total	<u><u>8,197,668</u></u>

The borrowings were denominated in the following currencies:

	<u>29.2.2020</u>		<u>28.2.2019</u>	
	Foreign Currency '000	Unsecured Equivalent RM'000	Foreign Currency '000	Unsecured Equivalent RM'000
Ringgit Malaysia		4,691,801		4,004,006
United States Dollar	831,381	3,505,867	596,288	2,426,006
		<u>8,197,668</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

Final dividend

- (a) (i) A final single-tier dividend has been recommended for the financial year ended 29 February 2020;
(ii) Amount per share – 14.00 sen (previous corresponding period – 22.35 sen per share);
(iii) Total net dividend payable amounted to RM35,478,000;
(iv) Date payable – 16 July 2020; and
(v) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 2 July 2020.
- (b) The final dividend recommended for year ended 29 February 2020 is subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on a date which shall be announced later.

B14 Earnings per share

	Individual quarter		Cumulative	
	3 months ended		financial year ended	
	<u>29.2.2020</u>	<u>28.2.2019</u>	<u>29.2.2020</u>	<u>28.2.2019</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders	88,389	87,613	292,046	354,624
Distribution on perpetual notes and sukuk, net of tax	(8,322)	(3,258)	(17,645)	(13,659)
Profit attributable to ordinary equity holders	<u>80,067</u>	<u>84,355</u>	<u>274,401</u>	<u>340,965</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	
	3 months ended		financial year ended	
	<u>29.2.2020</u>	<u>28.2.2019</u>	<u>29.2.2020</u>	<u>28.2.2019</u>
Profit attributable to ordinary equity holders (RM'000)	80,067	84,355	274,401	340,965
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>31.36</u>	<u>33.04</u>	<u>107.48</u>	<u>133.55</u>

Diluted Earnings Per Share

There were no dilutive potential ordinary shares outstanding as at 29 February 2020. 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 9 April 2020.

By order of the Board
9 April 2020