



AEON Credit Service (M) Berhad

(412767-V) (Incorporated in Malaysia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND NINE MONTHS ENDED 30 NOVEMBER 2016

	Note	Unaudited Individual quarter 3 months ended		Unaudited Cumulative quarter 9 months ended	
		30.11.2016 RM'000	30.11.2015 RM'000	30.11.2016 RM'000	30.11.2015 RM'000
Revenue	B4	280,347	245,780	811,113	706,942
Total operating expenses		(166,851)	(155,469)	(496,325)	(442,295)
Other operating income		28,417	21,628	81,002	65,324
Profit from operations	B5(a)	141,913	111,939	395,790	329,971
Finance costs		(51,106)	(41,437)	(147,692)	(118,931)
Profit before taxation		90,807	70,502	248,098	211,040
Taxation	B6	(23,754)	(17,140)	(63,124)	(50,951)
Profit for the period		67,053	53,362	184,974	160,089
Other comprehensive income, net of tax	B5(b)				
Cash flow hedge		9,069	4,556	9,858	(8,408)
Other comprehensive income for the period, net of tax		9,069	4,556	9,858	(8,408)
Total comprehensive income for the period		76,122	57,918	194,832	151,681
Earnings per share attributable to equity holders of the Company :					
Basic (sen)	B12	44.01	34.54	121.17	103.94
Diluted (sen)	B12	-	-	-	-

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2016 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad
(412767-V) (Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2016

	Note	Unaudited As at 30.11.2016 RM'000	29.02.2016 RM'000
ASSETS			
Non-current assets			
Plant and equipment		58,086	52,076
Investments		24,239	24,239
Deferred tax assets		40,802	39,043
Financing receivables		4,304,238	3,630,038
		<u>4,427,365</u>	<u>3,745,396</u>
Current assets			
Financing receivables		1,908,361	1,774,878
Other receivables, deposits and prepayments		36,882	31,759
Derivative financial assets		640,735	478,224
Cash and bank balances		68,016	67,250
		<u>2,653,994</u>	<u>2,352,111</u>
TOTAL ASSETS		<u><u>7,081,359</u></u>	<u><u>6,097,507</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		72,000	72,000
Share premium		44,012	44,012
Reserves		766,605	668,806
Equity attributable to equity holders of the Company		<u>882,617</u>	<u>784,818</u>
Perpetual Notes and Sukuk		276,000	276,000
Total equity		<u>1,158,617</u>	<u>1,060,818</u>
Non-current liability			
Borrowings	B8	4,701,379	4,214,649
		<u>4,701,379</u>	<u>4,214,649</u>
Current liabilities			
Borrowings	B8	1,060,629	693,528
Payables and accruals		133,550	113,584
Taxation		27,184	14,928
		<u>1,221,363</u>	<u>822,040</u>
Total liabilities		<u>5,922,742</u>	<u>5,036,689</u>
TOTAL EQUITY AND LIABILITIES		<u><u>7,081,359</u></u>	<u><u>6,097,507</u></u>
 Net assets per share (RM)		 6.13	 5.45

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2016 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad
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**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 NOVEMBER 2016**

	← Non-distributable →					Distributable	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Perpetual Notes RM'000	Perpetual Sukuk RM'000	Hedging reserve RM'000	Retained earnings RM'000	
At 1 March 2015	72,000	44,012	146,000	130,000	(8,844)	572,544	955,712
Final dividend paid in respect of the financial period ended 28 February 2015	-	-	-	-	-	(42,624)	(42,624)
Interim dividend paid in respect of the financial year ending 29 February 2016	-	-	-	-	-	(42,984)	(42,984)
Total comprehensive income for the period	-	-	-	-	(8,408)	160,089	151,681
Perpetual notes/ sukuk issue expenses	-	-	-	-	-	(100)	(100)
Distribution on perpetual notes/ sukuk, net of tax	-	-	-	-	-	(10,411)	(10,411)
At 30 November 2015	72,000	44,012	146,000	130,000	(17,252)	636,514	1,011,274
At 1 March 2016	72,000	44,012	146,000	130,000	(32,721)	701,527	1,060,818
Final dividend paid in respect of the financial year ended 29 February 2016	-	-	-	-	-	(42,624)	(42,624)
Interim dividend paid in respect of the financial year ending 28 February 2017	-	-	-	-	-	(43,920)	(43,920)
Total comprehensive income for the period	-	-	-	-	9,858	184,974	194,832
Distribution on perpetual notes/ sukuk, net of tax	-	-	-	-	-	(10,489)	(10,489)
At 30 November 2016	72,000	44,012	146,000	130,000	(22,863)	789,468	1,158,617

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 29 February 2016 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad

(412767-V) (Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 NOVEMBER 2016

	30.11.2016 RM'000	30.11.2015 RM'000
Cash flows from operating activities		
Profit before tax	248,098	211,040
Adjustments for:		
Depreciation of plant and equipment	16,933	14,310
Gain on disposal of plant and equipment	(4)	(17)
Finance costs	147,692	118,931
Plant and equipment written off	-	61
Allowance for impairment losses	229,181	221,241
Operating profit before working capital changes	641,900	565,566
Changes in working capital:		
Receivables, deposits and prepayments	(1,041,988)	(856,749)
Payables and accruals	12,927	(12,235)
Cash held on behalf for a related company	(1,294)	(3,007)
Cash used in operations	(388,455)	(306,425)
Income taxes paid	(52,437)	(39,281)
Finance costs paid	(140,623)	(111,835)
Net cash used in operating activities	(581,515)	(457,541)
Cash flows from investing activities		
Acquisition of plant and equipment	(22,977)	(18,235)
Proceeds from disposal of plant and equipment	11	17
Subscription of equity shares	-	(5,684)
Net cash used in investing activities	(22,966)	(23,902)
Cash flows from financing activities		
Repayment of borrowings	(430,700)	(968,688)
Proceeds from borrowings	1,150,000	1,586,500
Payment of perpetual notes issuance expenses	-	(100)
Distribution paid to perpetual notes holders	(13,792)	(13,698)
Dividends paid to shareholders of the Company	(86,544)	(85,608)
Net cash generated from financing activities	618,964	518,406
Net increase in cash and cash equivalents	14,483	36,963
Cash and cash equivalents at 1 March	8,236	(31,769)
Cash and cash equivalents at 30 November	22,719	5,194

Cash and cash equivalents

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

Cash and bank balances	68,016	57,408
Cash held on behalf of a related company	(10,282)	(8,690)
Bank overdrafts	(35,015)	(43,524)
	22,719	5,194

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 29 February 2016 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad
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Notes to the interim financial report for the financial period ended 30 November 2016

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in accordance with *MFRS 134: Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company’s audited financial statements as at and for the year ended 29 February 2016.

2 Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its annual financial statements as at and for the year ended 29 February 2016.

3 Seasonal or Cyclical Factors

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

4 Unusual Items

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

5 Changes in Estimates

There were no material changes in the nature and amount of estimates reported in prior interim period or prior financial years that have a material effect in the current financial period under review.

6 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the interim period under review except as disclosed in the condensed statement of cash flows.



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Notes to the interim financial report for the financial period ended 30 November 2016

7 Dividend Paid

	Cumulative Quarter (9 months)	
	Current Year	Preceding Year
	Period To Date	Period To Date
	<u>30.11.2016</u>	<u>30.11.2015</u>
	RM'000	RM'000
Final dividend in respect of the financial year ended 28 February 2015		42,624
- 29.60 sen single tier dividend per ordinary share	-	
Final dividend in respect of the financial year ended 29 February 2016		
- 29.60 sen single tier dividend per ordinary share	42,624	-
Interim dividend in respect of the financial year ended 29 February 2016		
- 29.85 sen single tier dividend per ordinary share	-	42,984
Interim dividend in respect of the financial year ending 28 February 2017		
- 30.50 sen single tier dividend per ordinary share	43,920	-
	<hr/> <hr/>	<hr/> <hr/>
	86,544	85,608

8 Segmental Reporting

The Company is principally engaged in the provision of easy payment schemes for purchase of consumer durables and vehicles, personal financing schemes and credit cards business, all of which are categorised under consumer financing business.

On this basis, the Managing Director (“MD”) reviews the business performance of the Company as a whole. Further analysis will be provided or furnished upon request from the MD.

9 Subsequent Event

There were no material events subsequent to the end of the current period under review up to the date of this report, which are likely to substantially affect the results of the quarter under review.

10 Changes in the Composition of the Company

There were no changes in the composition of the Company during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and restructuring and discontinuing operations.



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Notes to the interim financial report for the financial period ended 30 November 2016

11 Fair Value Measurement

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs).

<u>30.11.2016</u> Financial Assets	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivatives designated as hedging instruments	-	640,735	-	640,735
Total financial assets carried at fair value	-	640,735	-	640,735

<u>29.02.2016</u> Financial Assets	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivatives designated as hedging instruments	-	478,224	-	478,224
Total financial assets carried at fair value	-	478,224	-	478,224

12 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 30 November 2016 and up to the date of this announcement.

13 Related Party Transactions

During the current quarter under review and up to the date of this announcement, the Company did not enter into any significant Related Party Transactions or Recurrent Related Party Transactions of a revenue or trading nature other than those that had been mandated by the shareholders during the Annual General Meeting held on 21 June 2016.

14 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for as at 30 November 2016 amounted to RM10.5 million.



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Notes to the interim financial report for the financial period ended 30 November 2016

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

1 Performance Review

The Company's revenue recorded 14.06% and 14.74% growth for the third quarter and nine months ended 30 November 2016 respectively as compared with the previous year corresponding period ended 30 November 2015. Total transaction and financing volume in the third quarter and nine months ended 30 November 2016 had increased by 12.58% to RM1.037 billion and by 13.73% to RM3.023 billion respectively as compared with the previous corresponding period ended 30 November 2015.

The financing receivables as at 30 November 2016 was RM6.213 billion, representing an increase of 20.66% from RM5.149 billion as at 30 November 2015. Non-performing loans (NPL) ratio was 2.33% as at 30 November 2016 compared to 2.68% as at 30 November 2015.

Other operating income was recorded at RM28.416 million and RM81.002 million for the third quarter and nine months ended 30 November 2016 respectively and comprised mainly bad debts recovered, commission income from sale of insurance products and AEON Big loyalty programme processing fees.

Ratio of total operating expense against revenue was recorded at 59.52% for the current quarter as compared to 63.30% in the quarter ended 30 November 2015. The decrease was mainly attributable to higher growth in interest income and lower allowance for impairment losses on receivables.

The Company recorded a profit before tax of RM90.807 million for the third quarter and RM248.098 million for the nine months ended 30 November 2016. Average funding cost in the quarter ended 30 November 2016 was marginally higher compared to the quarter ended 30 November 2015 due to higher funding cost for new long term funding.

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

The profit before taxation for the quarter under review was higher by RM17.632 million compared with the preceding quarter, mainly attributable to higher operating income and lower allowance for impairment losses on receivables in the current quarter.

3 Current Year Prospects

The Malaysian economy posted growth of 4.3% in the third quarter of 2016 while the annual economic growth forecast for 2016 by Bank Negara Malaysia is between 4.0% to 4.5%. Domestic demand will be the key driver for growth, and household spending is likely to be supported by growth in income and employment.

The Company had recorded 14.74% and 15.54% growth in revenue and net profit respectively for the nine months ended 30 November 2016 compared with corresponding period ended 30 November 2015. The Company expects to be able to maintain its current financial performance for the year ending 28 February 2017 despite challenges posed by the Asian economy.



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Notes to the interim financial report for the financial period ended 30 November 2016

4 Revenue

	Individual quarter		Cumulative quarter	
	3 months		9 months	
	ended	ended	ended	ended
	<u>30.11.2016</u>	<u>30.11.2015</u>	<u>30.11.2016</u>	<u>30.11.2015</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	244,760	212,354	709,712	610,244
Fee income	35,587	33,426	101,401	96,698
	<u>280,347</u>	<u>245,780</u>	<u>811,113</u>	<u>706,942</u>

5 Notes to the Statement of Comprehensive Income

Except as disclosed below, other disclosure items in item 16 of Appendix 9B of Bursa Malaysia's Listing Requirements are not applicable:

	Individual quarter		Cumulative quarter	
	3 months		9 months	
	ended	ended	ended	ended
	<u>30.11.2016</u>	<u>30.11.2015</u>	<u>30.11.2016</u>	<u>30.11.2015</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	24,503	18,203	69,953	50,707
Depreciation of plant and equipment	(5,659)	(5,011)	(16,933)	(14,310)
Allowance for impairment losses on receivables	(75,337)	(77,078)	(229,181)	(221,241)
(b) Included in Other Comprehensive Income:				
Gain/(Loss) on cash flow hedge	9,069	4,556	9,858	(8,408)

Receivables amounting to RM75.014 million and RM217.694 million have been written off against allowance for impairment losses on receivables for the third quarter and nine months ended 30 November 2016 respectively compared with RM63.447 million and RM199.746 million written off in the previous corresponding period ended 30 November 2015.



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Notes to the interim financial report for the financial period ended 30 November 2016

6 Taxation

	Individual quarter		Cumulative quarter	
	3 months		9 months	
	ended	ended	ended	ended
	<u>30.11.2016</u>	<u>30.11.2015</u>	<u>30.11.2016</u>	<u>30.11.2015</u>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- current tax	24,404	25,767	67,605	62,794
- deferred tax	(1,883)	(9,001)	(6,715)	(12,217)
	<u>22,521</u>	<u>16,766</u>	<u>60,890</u>	<u>50,577</u>
In respect of prior year:				
- current tax	(609)	374	392	374
- deferred tax	1,842	-	1,842	-
	<u>23,754</u>	<u>17,140</u>	<u>63,124</u>	<u>50,591</u>

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

7 Status of Corporate Proposal

There were no corporate proposals announced or pending completion as at end of the quarter and up to the date of this report.

8 Borrowings

The borrowings of the Company as at 30 November 2016 comprised the following:

	Unsecured RM'000
Non-current :	
- Term loans / financing	<u>4,701,379</u>
	<u>4,701,379</u>
Current :	
- Bank overdrafts	35,015
- Revolving credits	350,000
- Term loans / financing	475,614
- Medium term note	<u>200,000</u>
	<u>1,060,629</u>
Total	<u><u>5,762,008</u></u>



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Notes to the interim financial report for the financial period ended 30 November 2016

8 Borrowings (continued)

The borrowings were denominated in the following currencies:

	Unsecured RM'000 Equivalent	
Ringgit Malaysia	2,595,016	
United States Dollar	3,166,992	(Equivalent to USD 709.12 million)
	<u>5,762,008</u>	

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

9 Derivatives and Fair Value Changes of Financial Liabilities

(a) Details of derivative financial instruments outstanding as at 30 November 2016 are as follows:

	Contract/ Notional Amount RM'000	Fair Value RM'000
<u>Cross currency swaps:</u>		
1 – 3 years	1,573,628	2,153,936
More than 3 years	922,545	1,013,056
Total	<u>2,496,173</u>	<u>3,166,992</u>

(b) Fair value of financial liabilities

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

10 Material Litigation

As at date of this announcement, the Company is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or business of the Company.



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Notes to the interim financial report for the financial period ended 30 November 2016

11 Dividend

There was no dividend declared during the current quarter. The interim single tier dividend of 30.50 sen declared on 4 October 2016 for the financial year ending 28 February 2017 was paid to shareholders on 7 November 2016.

12 Earnings per share

	Individual quarter 3 months		Cumulative quarter 9 months	
	ended <u>30.11.2016</u> RM'000	ended <u>30.11.2015</u> RM'000	ended <u>30.11.2016</u> RM'000	ended <u>30.11.2015</u> RM'000
Net profit attributable to equity holders	67,053	53,362	184,974	160,089
Distribution on perpetual notes, net of tax	(3,674)	(3,626)	(10,489)	(10,411)
Net profit attributable to ordinary equity holders	<u>63,379</u>	<u>49,736</u>	<u>174,485</u>	<u>149,678</u>

	Individual quarter 3 months		Cumulative quarter 9 months	
	ended <u>30.11.2016</u> '000	ended <u>30.11.2015</u> '000	ended <u>30.11.2016</u> '000	ended <u>30.11.2015</u> '000
Net profit attributable to ordinary equity holders (RM)	63,379	49,736	174,485	149,678
Weighted average number of ordinary shares (unit)	144,000	144,000	144,000	144,000
Basic earnings per share (sen)	<u>44.01</u>	<u>34.54</u>	<u>121.17</u>	<u>103.94</u>

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

The Company does not have in issue any financial instruments or other contract that may entitle its holder to ordinary shares that are dilutive to its basic earnings per share.



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Notes to the interim financial report for the financial period ended 30 November 2016

13 Auditors' Report on the Preceding Annual Financial Statements

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

14 Realised and Unrealised Profits

	<u>As at</u> <u>30.11.2016</u> RM'000	<u>As at</u> <u>29.02.2016</u> RM'000
Total retained earnings of the Company		
- Realised	748,666	662,484
- Unrealised	40,802	39,043
Total retained earnings as per statement of changes in equity	<u>789,468</u>	<u>701,527</u>

15 Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 22 December 2016.

By order of the Board
22 December 2016