



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 31 AUGUST 2020

	Note	Unaudited Individual quarter			Unaudited Cumulative quarter		
		3 months ended			6 months ended		
		31.8.2020 RM'000	31.8.2019 RM'000	Changes %	31.8.2020 RM'000	31.8.2019 RM'000	Changes %
Revenue	B4	363,967	404,446	-10.0%	753,845	783,034	-3.7%
Total operating expenses		(236,651)	(299,304)	-20.9%	(514,168)	(521,435)	-1.4%
Other income		41,695	41,527	0.4%	58,842	73,126	-19.5%
Profit from operations	B5(a)	169,011	146,669	15.2%	298,519	334,725	-10.8%
Interest expense	B6	(92,525)	(79,793)	16.0%	(184,947)	(155,181)	19.2%
Profit before tax		76,486	66,876	14.4%	113,572	179,544	-36.7%
Taxation	B7	(24,676)	(17,749)	39.0%	(35,483)	(45,817)	-22.6%
Profit for the period		51,810	49,127	5.5%	78,089	133,727	-41.6%
Other comprehensive income/(loss), net of tax	B5(b)						
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Net changes in cash flow hedge		(8,953)	(29,316)	-69.5%	(65,046)	(47,596)	36.7%
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Net fair value changes through other comprehensive income		(10,508)	1,999	-625.7%	(14,646)	4,216	-447.4%
Total comprehensive income/(loss) for the period		32,349	21,810	48.3%	(1,603)	90,347	-101.8%
Profit attributable to equity holders of the Company		51,810	49,127	5.5%	78,089	133,727	-41.6%
Total comprehensive income/(loss) attributable to equity holders of the Company		32,349	21,810	48.3%	(1,603)	90,347	-101.8%
Earnings per share attributable to owners of the Company (sen)							
Basic	B14	18.31	16.03	14.2%	28.60	48.73	-41.3%

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 29 February 2020 and the accompanying notes to the quarterly report attached hereto.



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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2020

	Note	Unaudited As at 31.8.2020 RM'000	As at 29.2.2020 RM'000
ASSETS			
Non-current assets			
Plant and equipment		140,667	141,161
Right-of-use assets		63,398	70,997
Investments		34,054	48,699
Deferred tax assets		254,713	213,801
Financing receivables		<u>5,402,351</u>	<u>6,265,390</u>
Total non-current assets		<u>5,895,183</u>	<u>6,740,048</u>
Current assets			
Financing receivables		4,023,346	3,438,731
Other receivables, deposits and prepayments		103,062	83,564
Amount owing by related companies		21,370	10,706
Derivative financial assets	B8	13,482	28,810
Cash, bank balances and deposits		<u>296,732</u>	<u>132,798</u>
Total current assets		<u>4,457,992</u>	<u>3,694,609</u>
TOTAL ASSETS		<u>10,353,175</u>	<u>10,434,657</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		565,818	565,448
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		13,749	14,107
Hedging reserve		(180,916)	(115,870)
Fair value reserve		12,925	27,571
Retained earnings		<u>1,103,613</u>	<u>1,066,103</u>
Equity attributable to ordinary equity holders of the Company		<u>1,515,189</u>	<u>1,557,359</u>
Perpetual notes and sukuk		<u>200,000</u>	<u>200,000</u>
Total equity		<u>1,715,189</u>	<u>1,757,359</u>



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2020 (Continued)

	Note	Unaudited As at 31.8.2020 RM'000	As at 29.2.2020 RM'000
Non-current liabilities			
Borrowings	B11	6,469,790	5,597,516
Lease liabilities		43,597	52,037
Total non-current liabilities		6,513,387	5,649,553
Current liabilities			
Borrowings	B11	1,576,850	2,600,152
Trade payables		8,746	32,913
Other payables and accruals		173,369	204,348
Amount owing to immediate holding company		6,664	6,978
Amount owing to related companies		42,282	5,702
Derivative financial liabilities	B8	253,531	132,577
ICULS liabilities		3,864	630
Lease liabilities		20,191	19,140
Tax liabilities		39,102	25,305
Total current liabilities		2,124,599	3,027,745
Total liabilities		8,637,986	8,677,298
TOTAL EQUITY AND LIABILITIES		10,353,175	10,434,657
Net assets per share (RM)		5.97	6.14
Number of ordinary shares ('000)		253,653	253,619
Capital adequacy ratio (%)		21.95	18.87

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 2020 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 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	
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	-	-	-	(47,596)	-	-	(47,596)
Fair value through other comprehensive income	-	-	-	-	4,216	(34)	4,182
Profit for the period	-	-	-	-	-	133,727	133,727
Total comprehensive income for the period	-	-	-	(47,596)	4,216	133,693	90,313
Conversion of ICULS equity	551	(551)	-	-	-	-	-
Conversion of ICULS liabilities	37	-	-	-	-	-	37
Deferred tax effects on ICULS and sukuk, net of tax	-	1	-	-	-	-	1
Redemption of perpetual note	-	-	(46,000)	-	-	-	(46,000)
Dividends	-	-	-	-	-	(56,075)	(56,075)
At 31 August 2019	535,495	43,250	330,000	(69,087)	41,744	972,532	1,853,934



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 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 2020	565,448	14,107	200,000	(115,870)	27,571	1,066,103	1,757,359
Cash flow hedge, net of tax	-	-	-	(65,046)	-	-	(65,046)
Fair value through other comprehensive income	-	-	-	-	(14,646)	-	(14,646)
Profit for the period	-	-	-	-	-	78,089	78,089
Total comprehensive income for the period	-	-	-	(65,046)	(14,646)	78,089	(1,603)
Conversion of ICULS equity	358	(358)	-	-	-	-	-
Conversion of ICULS liabilities	12	-	-	-	-	-	12
Distribution on perpetual notes and sukuk (net of tax)	-	-	-	-	-	(5,068)	(5,068)
Dividends	-	-	-	-	-	(35,511)	(35,511)
At 31 August 2020	565,818	13,749	200,000	(180,916)	12,925	1,103,613	1,715,189

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 2020 and the accompanying notes to the quarterly report attached hereto.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2020

	31.8.2020	31.8.2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	113,572	179,544
Adjustments for:		
Interest income	(1,851)	(808)
Finance costs	183,443	153,719
Interest on lease liabilities	1,504	1,462
Loss/(Gain) on disposal of plant and equipment	1	(219)
Depreciation of plant and equipment	25,214	21,947
Depreciation of right-of-use assets	10,951	9,999
Impairment loss on financing receivables	286,380	248,030
Write-off of plant and equipment	444	79
Operating profit before changes in working capital	619,658	613,753
Changes in working capital:		
Financing receivables	(7,957)	(1,082,813)
Other receivables, deposits and prepayments	(19,498)	(4,968)
Amount owing by related companies	(10,663)	(3,952)
Trade payables	(24,167)	(3,757)
Other payables and accruals	(39,629)	(5,879)
Amount owing to immediate holding company	(315)	(470)
Amount owing to related companies	36,581	(4,847)
Cash held in trust for customers	1,841	8,058
Cash held in trust for a related company	(3,557)	2,632
Cash generated from/(used in) operations	552,294	(482,243)
Tax paid	(40,460)	(44,729)
Net cash generated from/(used in) operating activities	511,834	(526,972)
Cash flows from investing activities		
Acquisition of plant and equipment	(25,172)	(23,896)
Proceeds from disposal of plant and equipment	7	227
Proceeds from disposal of investment	-	62
Interest received	1,851	808
Net cash used in investing activities	(23,314)	(22,799)



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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2020 (Continued)

	31.8.2020	31.8.2019
	RM'000	RM'000
Cash flows from financing activities		
Dividend paid to shareholders of the Company	(35,511)	(56,075)
Drawdown of borrowings	2,948,942	4,005,000
Repayment of borrowings	(3,009,027)	(3,172,180)
Distribution paid to perpetual notes and sukuk holders	(6,668)	(12,267)
Redemption of perpetual notes	-	(46,000)
Payment of lease liabilities	(12,245)	(10,758)
Increase in deposit held in trust account	(2)	(2)
Finance costs paid	(171,544)	(147,010)
Net cash (used in)/generated from financing activities	(286,055)	560,708
Net increase in cash and cash equivalents	202,465	10,937
Cash and cash equivalents at beginning of the period	66,488	58,429
Cash and cash equivalents at end of the period	268,953	69,366

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

	31.8.2020	31.8.2019
	RM'000	RM'000
Cash and bank balances	120,279	83,454
Deposits placed with licensed banks	176,453	13,370
	296,732	96,824
Bank overdrafts	(4,049)	(23,436)
Cash held in trust for customers	(23,538)	(1,575)
Deposit held in trust account	(192)	(128)
Cash held in trust for related companies	-	(2,319)
	268,953	69,366

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 2020 and the accompanying notes to the quarterly report attached hereto.



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Notes to the interim financial report for the financial period ended 31 AUGUST 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 29 February 2020. 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 29 February 2020.

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 2020.

- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to References to the Conceptual Framework in MFRS Standards

The application of these amendments to MFRSs did not have any material impact on the financial performance or position of the Company.

Amendments to MFRSs in issue but not yet effective

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

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

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



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A4 Unusual Items

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

A5 Changes in Estimates

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

A6 Debt and Equity Securities

On 12 March 2020, the Company issued subordinated sukuk, with a nominal value of RM200 million under the sukuk programme. The subordinated sukuk has a maturity of 10 years, with the first optional redemption date falling on the 5th anniversary of the issue date. The subordinated sukuk is recognised as capital of the Company for the purpose of meeting the minimum capital adequacy ratio as set out by Bank Negara Malaysia. The proceeds from the subordinated sukuk is utilised by the Company for financing disbursements to its customers in the ordinary course of business of providing consumer financing based on Shariah principles, and refinancing of any existing loans/financing of the Company or any sukuk issued by the Company.

Save and except for the above, there were no other issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current period under review.

A7 Dividend Paid

	Cumulative quarter	
	Current Year	Preceding Year
	Year-To-Date	Year-To-Date
	<u>31.8.2020</u>	<u>31.8.2019</u>
	RM'000	RM'000
Final dividend in respect of the financial year ended 28 February 2019		
- 22.35 sen single-tier dividend per ordinary share	-	56,075
Final dividend in respect of the financial year ended 29 February 2020		
- 14.0 sen single-tier dividend per ordinary share	35,511	-
	<hr/>	<hr/>
	35,511	56,075
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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.



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A9 Subsequent Event

The outstanding ICULS had been mandatorily converted into fully paid-up new ordinary shares at the conversion price of RM10.99 for every one (1) new ordinary share on its maturity date on 15 September 2020. Accordingly, the ICULS have been removed from the Official List of Bursa Securities with effect from 17 September 2020.

Save and except for the above, 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.

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>31.8.2020</u>	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Investments	-	-	34,054	34,054
Derivatives designated as hedging instruments	-	13,482	-	13,482
Total financial assets carried at fair value	-	13,482	34,054	47,536

<u>Financial liabilities</u>				
Derivatives designated as hedging instruments	-	253,531	-	253,531
Total financial liabilities carried at fair value	-	253,531	-	253,531

<u>29.02.2020</u>	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

<u>Financial liabilities</u>				
Derivatives designated as hedging instruments	-	132,577	-	132,577
Total financial liabilities carried at fair value	-	132,577	-	132,577



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A12 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 31 August 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 24 June 2020.

A14 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for amounted to RM98.108 million as at 31 August 2020.



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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

B1 Performance Review

	Individual quarter 3 months ended			Cumulative quarter 6 months ended		
	31.8.2020 RM'000	31.8.2019 RM'000	Changes %	31.8.2020 RM'000	31.8.2019 RM'000	Changes %
Transaction and financing volume	962,393	1,562,462	-38.4%	1,740,964	3,146,592	-44.7%
Revenue	363,967	404,446	-10.0%	753,845	783,034	-3.7%
Total operating expenses	236,651	299,304	-20.9%	514,168	521,435	-1.4%
Other income	41,695	41,527	0.4%	58,842	73,126	-19.5%
Profit from operations	169,011	146,669	15.2%	298,519	334,725	-10.8%
Profit before tax	76,486	66,876	14.4%	113,572	179,544	-36.7%
Profit for the period	51,810	49,127	5.5%	78,089	133,727	-41.6%

i) Current Quarter vs Previous Year Corresponding Quarter

The Company recorded a total revenue of RM363.967 million, which was 10.0% lower as compared to the preceding year corresponding quarter. Total transaction and financing volume in the current quarter ended 31 August 2020 was recorded at RM962.393 million.

The gross financing receivables as at 31 August 2020 was RM10.259 billion representing an increase of RM662.842 million as compared to 31 August 2019. The net financing receivables after allowance for impairment loss was RM9.426 billion as at 31 August 2020 as compared to RM8.941 billion as at 31 August 2019. Non-Performing Loans (“NPL”) ratio was 1.95% as at 31 August 2020 as compared to 2.00% as at 31 August 2019.

Other income was recorded at RM41.695 million for the current quarter mainly comprising bad debts recovered and insurance commission.

Ratio of total operating expenses against revenue was recorded at 65.0% for the current quarter as compared to 74.0% in the preceding year corresponding quarter. The decrease in operating expenses was mainly due to lower impairment losses on financing receivables, personnel expenses and advertising expenses. Loan loss coverage ratio stood at 417% as at 31 August 2020 as compared to 342% as at 31 August 2019.

Funding cost for the current quarter was higher compared to the preceding year corresponding quarter mainly due to higher borrowings in line with the growth of receivables. The nominal value of the borrowings as at 31 August 2020 was RM8.049 billion as compared to RM7.325 billion as at 31 August 2019.

The profit before tax (“PBT”) for the current quarter of RM76.486 million increased by 14.4% as compared to the preceding year corresponding quarter.



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ii) Current Year-to-date vs Previous Year-to-date

Total revenue registered for the financial period-to-date of RM753.845 million was lower by 3.7% compared to RM783.034 million recorded in the preceding year corresponding period. The lower revenue was mainly attributable to lower fee income in line with weaker transaction and financing volume for the financial period-to-date of RM1.741 billion.

The Company recorded a lower PBT of RM113.572 million for the financial period-to-date as compared to RM179.544 million in the preceding year corresponding period. The decrease was mainly due to the impact of the Movement Control Order (“MCO”), which had caused major disruptions to the Company’s operations in the preceding quarter resulting in lower revenue from fee income of RM27.016 million, lower bad debts recovered of RM13.666 million, higher impairment losses on financing receivables of RM38.350 million in anticipation of the effects of COVID-19 pandemic and higher interest expenses of RM29.766 million. However, the decrease in PBT was mitigated by the lower operating expenses of RM45.617 million.

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

	Current Quarter 31.8.2020 RM'000	Immediate Preceding Quarter 31.5.2020 RM'000	Changes %
Transaction and financing volume	962,393	778,571	23.6%
Revenue	363,967	389,878	-6.6%
Total operating expenses	236,651	277,517	-14.7%
Other income	41,695	17,147	143.2%
Profit from operations	169,011	129,508	30.5%
Profit before tax	76,486	37,086	106.2%
Profit for the period	51,810	26,279	97.2%

PBT for the current quarter was recorded at RM76.486 million, an increase of 106.2% compared to RM37.086 million recorded in immediate preceding quarter. The higher PBT was mainly due to lower impairment losses of RM112.012 million recorded in the current quarter as compared to RM174.368 million for the immediate preceding quarter. However, this was offset by lower revenue resulting from the Day-One net modification loss related to AEON Relief Programme amounting to RM28.409 million.



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B3 Current Year Prospects

In the second quarter of 2020, the Malaysian Gross Domestic Product (“GDP”) plunged by 17.1% year-on-year following the contraction in the manufacturing, construction, services and mining sectors and decline in private consumption. Meanwhile, the annual GDP growth is projected to be between -3.5% and -5.5% by Bank Negara Malaysia attributable by the adverse impact on economic activities mainly due to the unprecedented length of the Movement Control Order (MCO) arising from the COVID-19 pandemic.

Further to the implementation of additional measures directed by Bank Negara Malaysia to assist borrowers and customers experiencing financial constraints due to the COVID-19 outbreak, the Company has taken actions to put the necessary measures in place to face the imminent challenges.

It is expected that the ongoing pandemic will have a negative bearing on the Company’s financial performance and results for the financial year. The extent of the financial impact on the Company is difficult to be assessed at this time in light of prevailing uncertainties over the severity and when the pandemic will end. Moving forward, the Company will continue to closely monitor and assess the inherent credit risk in its financing portfolio, with focus of action being on enhancement of asset quality, prudent cost and cash management and improvement on financial and operational efficiencies by leveraging on its positive business fundamentals and extensive customer reach.

B4 Revenue

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2020</u>	<u>31.8.2019</u>	<u>31.8.2020</u>	<u>31.8.2019</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	325,454	357,822	684,451	686,624
Fee income	38,513	46,624	69,394	96,410
	<u>363,967</u>	<u>404,446</u>	<u>753,845</u>	<u>783,034</u>



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B5 Notes to the Statement of Comprehensive Income

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

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2020</u>	<u>31.8.2019</u>	<u>31.8.2020</u>	<u>31.8.2019</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	35,505	36,879	49,867	63,533
Interest income	944	420	1,851	808
(Loss)/Gain on disposal of plant and equipment	(4)	127	(1)	219
Depreciation of plant and equipment	(12,530)	(11,092)	(25,214)	(21,947)
Depreciation of right-of-use assets	(5,669)	(5,482)	(10,951)	(9,999)
Impairment loss on financing receivables	(112,012)	(154,692)	(286,380)	(248,030)
Write off of plant and equipment	(442)	(38)	(444)	(79)
(b) Included in Other comprehensive income/(loss):				
Loss on cash flow hedge	(8,953)	(29,316)	(65,046)	(47,596)
Net fair value changes on equity instruments through other comprehensive income	(10,508)	1,999	(14,646)	4,216

Receivables amounting to RM37.993 million and RM143.184 million has been written off against allowance for impairment losses on receivables for the current quarter and financial period-to-date as compared with RM89.769 million and RM178.588 million written off in the previous year corresponding quarter and financial period-to-date respectively.

B6 Interest expense

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2020</u>	<u>31.8.2019</u>	<u>31.8.2020</u>	<u>31.8.2019</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	1	71	3	122
Commercial paper	1,159	3,917	4,188	6,024
Revolving credits	1,443	3,628	2,570	5,988
Term loans/financing	80,354	71,386	159,983	141,573
Senior and subordinated sukuk	6,878	-	13,451	-
ICULS interest	1,952	8	3,248	12
	<u>91,787</u>	<u>79,010</u>	<u>183,443</u>	<u>153,719</u>
Interest on lease liabilities	738	783	1,504	1,462
	<u>92,525</u>	<u>79,793</u>	<u>184,947</u>	<u>155,181</u>



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B7 Taxation

(i) Tax expense

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2020</u>	<u>31.8.2019</u>	<u>31.8.2020</u>	<u>31.8.2019</u>
	RM'000	RM'000	RM'000	RM'000
Income tax payable:				
- current year	49,510	31,182	55,857	57,774
Deferred tax:				
- current year	(24,834)	(13,433)	(20,374)	(11,957)
	<u>24,676</u>	<u>17,749</u>	<u>35,483</u>	<u>45,817</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.

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.



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B7 Taxation (continued)

(ii) Material litigation (continued)

(b) Judicial Review

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

(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 7 October 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

(e) Details of derivative financial instruments outstanding as at 31 August 2020 are as follows:

	Notional Amount		Fair Value	
	31.8.2020	29.2.2020	Assets / (Liabilities)	
	RM'000	RM'000	31.8.2020	29.2.2020
			RM'000	RM'000
<u>Derivative financial assets</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	164,361	280,078	13,482	28,810
<u>Derivative financial liabilities</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	709,338	716,876	(14,616)	(4,723)
1 – 3 years	1,141,632	1,153,764	(58,713)	(41,185)
More than 3 years	1,889,841	1,355,149	(180,202)	(86,669)
Total	3,740,811	3,225,789	(253,531)	(132,577)

(f) Fair value of financial liabilities

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



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B9 Provision of Financial Assistance

The Company has not extended any loans/advances to any party or received any loan/advances from any party in the ordinary course of its business as a licensed moneylender and therefore, there are no outstanding loans/advances as at 31 August 2020.

B10 Status of Corporate Proposal

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

B11 Borrowings

The borrowings of the Company as at 31 August 2020 comprised the following:

	<u>31.8.2020</u>	<u>29.2.2020</u>
	Unsecured	Unsecured
	RM'000	RM'000
Non-current :		
- Term loans/financing	5,771,474	5,098,913
- Senior sukuk	498,685	498,603
- Subordinated sukuk	199,631	-
	<u>6,469,790</u>	<u>5,597,516</u>
Current :		
- Bank overdrafts	4,049	44,298
- Revolving credits	100,000	-
- Commercial paper	149,101	658,900
- Term loans/financing	1,323,700	1,896,954
	<u>1,576,850</u>	<u>2,600,152</u>
Total	<u>8,046,640</u>	<u>8,197,668</u>

The borrowings were denominated in the following currencies:

	<u>31.8.2020</u>		<u>29.2.2020</u>	
	Foreign	Unsecured	Foreign	Unsecured
	Currency	Equivalent	Currency	Equivalent
	'000	RM'000	'000	RM'000
Ringgit Malaysia		4,141,468		4,691,801
United States Dollar	935,914	3,905,172	831,381	3,505,867
		<u>8,046,640</u>		<u>8,197,668</u>



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))
(Incorporated in Malaysia)

B12 Material Litigation

As at the date of this announcement, the Company is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or business of the Company except as disclosed in Note B7 (ii).

B13 Dividend

- (a) (i) An interim single-tier dividend has been recommended for the financial year ending 28 February 2021;
- (ii) Amount per share: 9.20 sen (previous year corresponding period: 22.25 sen per share);
- (iii) Total amount payable: RM23.488 million (previous year corresponding period: RM56.426 million);
- (iv) Date payable: 5 November 2020; and
- (v) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 15 October 2020.
- (b) Total dividend paid during the period ended 31 August 2020: single-tier dividend of 14.00 sen per share totalling RM35.511 million.

B14 Earnings per share

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2020</u>	<u>31.8.2019</u>	<u>31.8.2020</u>	<u>31.8.2019</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders	51,810	49,127	78,089	133,727
Distribution on perpetual notes and sukuk, net of tax	(5,068)	(8,190)	(5,068)	(9,323)
Profit attributable to ordinary equity holders	<u>46,742</u>	<u>40,937</u>	<u>73,021</u>	<u>124,404</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		6 months ended	
	<u>31.8.2020</u>	<u>31.8.2019</u>	<u>31.8.2020</u>	<u>31.8.2019</u>
Profit attributable to ordinary equity holders (RM'000)	46,742	40,937	73,021	124,404
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>18.31</u>	<u>16.03</u>	<u>28.60</u>	<u>48.73</u>



AEON Credit Service (M) Berhad

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

B14 Earnings per share (continued)

Diluted Earnings Per Share

There were no dilutive potential ordinary shares outstanding as at 31 August 2020. As a result, the diluted earnings per share is equivalent to the basic earnings per share.

B15 Auditors' Report on the Preceding Annual Financial Statements

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

B16 Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 29 September 2020.

By order of the Board
29 September 2020