



AEON Credit Service (M) Berhad

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023

	Note	Unaudited Individual quarter			Unaudited Cumulative quarter		
		3 months ended			6 months ended		
		31.8.2023 RM'000	31.8.2022 RM'000	Changes %	31.8.2023 RM'000	31.8.2022 RM'000	Changes %
Revenue	B4	471,730	399,171	18.2%	924,404	789,742	17.1%
Total operating expenses		(275,186)	(268,111)	2.6%	(560,437)	(424,291)	32.1%
Other income		49,482	47,799	3.5%	98,702	106,533	-7.4%
Profit from operations	B5(a)	246,026	178,859	37.6%	462,669	471,984	-2.0%
Interest expense	B6	(86,795)	(78,812)	10.1%	(171,524)	(156,402)	9.7%
Profit before tax		159,231	100,047	59.2%	291,145	315,582	-7.7%
Taxation	B7	(39,042)	(24,398)	60.0%	(71,593)	(76,864)	-6.9%
Profit for the period		120,189	75,649	58.9%	219,552	238,718	-8.0%
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		8,704	(10,541)	182.6%	15,511	46,814	-66.9%
<i>Item that will not be reclassified subsequently to profit or loss:</i>							
Net fair value changes through other comprehensive income		(128)	1,929	-106.6%	231	1,983	-88.4%
Total comprehensive income for the period		128,765	67,037	92.1%	235,294	287,515	-18.2%
Profit attributable to equity holders of the Company		120,189	75,649	58.9%	219,552	238,718	-8.0%
Total comprehensive income attributable to equity holders of the Company		128,765	67,037	92.1%	235,294	287,515	-18.2%
Earnings per share attributable to owners of the Company (sen)							
Basic	B14	45.10	27.66	63.1%	84.02	91.53	-8.2%

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 28 February 2023 and the accompanying notes to the quarterly report attached hereto.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2023

	Note	Unaudited As at 31.8.2023 RM'000	Audited As at 28.2.2023 RM'000
ASSETS			
Non-current Assets			
Plant and equipment		111,600	114,999
Right-of-use assets		29,901	37,887
Other investments		26,852	26,621
Goodwill on consolidation		511	511
Deferred tax assets		179,007	197,708
Financing receivables		<u>7,488,870</u>	<u>6,896,996</u>
Total Non-current Assets		<u>7,836,741</u>	<u>7,274,722</u>
Current Assets			
Financing receivables		3,322,263	3,151,617
Trade receivables		2,464	1,080
Other receivables, deposits and prepayments		63,490	60,494
Amount owing by related companies		11,222	11,182
Derivative financial assets	B8	356,118	226,666
Cash, bank balances and deposits		<u>341,729</u>	<u>391,337</u>
Total Current Assets		<u>4,097,286</u>	<u>3,842,376</u>
TOTAL ASSETS		<u>11,934,027</u>	<u>11,117,098</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		584,012	584,012
Hedging reserve		5,263	(10,248)
Fair value reserve		5,189	4,958
Retained earnings		<u>1,907,005</u>	<u>1,746,108</u>
Equity attributable to ordinary equity holders of the Company		<u>2,501,469</u>	<u>2,324,830</u>
Perpetual notes and sukuk		<u>200,000</u>	<u>200,000</u>
Total Equity		<u>2,701,469</u>	<u>2,524,830</u>



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (Continued)

	Note	As at 31.8.2023 RM'000	As at 28.2.2023 RM'000
Non-current Liabilities			
Borrowings	B11	6,025,612	6,178,775
Lease liabilities		<u>14,279</u>	<u>20,389</u>
Total Non-current Liabilities		<u>6,039,891</u>	<u>6,199,164</u>
Current Liabilities			
Borrowings	B11	2,617,292	1,828,194
Trade payables		38,721	32,510
Other payables and accruals		388,284	406,806
Amount owing to immediate holding company		8,054	10,355
Amount owing to related companies		12,123	5,091
Derivative financial liabilities	B8	55,131	52,776
Lease liabilities		15,689	17,704
Tax liabilities		<u>57,373</u>	<u>39,668</u>
Total Current Liabilities		<u>3,192,667</u>	<u>2,393,104</u>
Total Liabilities		<u>9,232,558</u>	<u>8,592,268</u>
TOTAL EQUITY AND LIABILITIES		<u>11,934,027</u>	<u>11,117,098</u>
Net assets per share (RM)		9.80	9.11
Number of ordinary shares ('000)		255,308	255,308
Capital adequacy ratio (%)		26.67	27.11

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 28 February 2023 and the accompanying notes to the quarterly report attached hereto.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023

	← Non-distributable →			Distributable		Total equity RM'000
	Share capital RM'000	Perpetual notes and sukuk RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
At 1 March 2022	584,012	200,000	(49,199)	4,062	1,462,411	2,201,286
Cash flow hedge, net of tax	-	-	46,814	-	-	46,814
Fair value through other comprehensive income	-	-	-	1,983	-	1,983
Profit for the period	-	-	-	-	238,718	238,718
Total comprehensive income for the period	-	-	46,814	1,983	238,718	287,515
Distribution on perpetual notes and sukuk, net of tax	-	-	-	-	(5,040)	(5,040)
Dividends	-	-	-	-	(51,062)	(51,062)
At 31 August 2022	584,012	200,000	(2,385)	6,045	1,645,027	2,432,699

	← Non-distributable →			Distributable		Total equity RM'000
	Share capital RM'000	Perpetual notes and sukuk RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
At 1 March 2023	584,012	200,000	(10,248)	4,958	1,746,108	2,524,830
Cash flow hedge, net of tax	-	-	15,511	-	-	15,511
Fair value through other comprehensive income	-	-	-	231	-	231
Profit for the period	-	-	-	-	219,552	219,552
Total comprehensive income for the period	-	-	15,511	231	219,552	235,294
Distribution on perpetual notes and sukuk, net of tax	-	-	-	-	(5,040)	(5,040)
Dividends	-	-	-	-	(53,615)	(53,615)
At 31 August 2023	584,012	200,000	5,263	5,189	1,907,005	2,701,469

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 28 February 2023 and the accompanying notes to the quarterly report attached hereto.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023

	31.8.2023	31.8.2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	291,145	315,582
Adjustments for:		
Interest income	(5,474)	(4,011)
Dividend income	(4)	(7)
Finance costs	170,768	155,462
Interest expenses on lease liabilities	756	940
Gain on disposal of plant and equipment	(7)	-
Depreciation of plant and equipment	19,785	20,902
Depreciation of right-of-use assets	10,017	10,681
(Reversal)/Allowance for impairment loss on financing receivables	(32,688)	77,214
Write-off on financing receivables	305,798	110,014
Allowance for impairment loss on trade receivables	14	-
Write-off of plant and equipment	17	164
Operating profit before changes in working capital	760,127	686,941
Changes in working capital:		
Financing receivables	(1,035,630)	(633,573)
Trade receivables	(1,398)	236
Other receivables, deposits and prepayments	(2,996)	(9,372)
Amount owing by related companies	(40)	5,903
Trade payables	6,211	7,765
Other payables and accruals	(27,704)	22,886
Amount owing to immediate holding company	(2,301)	232
Amount owing to related companies	7,032	9,356
Cash held in trust for customers	(898)	(5,193)
Cash (used in)/generated from operations	(297,597)	85,181
Tax paid	(38,493)	(71,437)
Net cash (used in)/from operating activities	(336,090)	13,744
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(16,791)	(7,309)
Proceeds from disposal of plant and equipment	395	-
Interest received	5,474	4,011
Dividend received	4	7
Net cash used in investing activities	(10,918)	(3,291)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2023 (Continued)

	31.8.2023	31.8.2022
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to equity holders of the Company	(53,615)	(51,062)
Proceeds from bank borrowings	1,130,000	200,000
Repayment of bank borrowings	(600,000)	(249,882)
Repayment of lease liabilities	(10,912)	(11,423)
Increase in deposits held in trust account	(100)	28
Distribution paid to perpetual notes and sukuk holders	(6,632)	(6,632)
Finance costs paid	(162,339)	(152,128)
Net cash from/(used in) financing activities	296,402	(271,099)
Net decrease in cash and cash equivalents	(50,606)	(260,646)
Cash and cash equivalents at beginning of year	341,790	468,233
Cash and cash equivalents at end of period	291,184	207,587

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

	31.8.2023	31.8.2022
	RM'000	RM'000
Cash and bank balances	93,156	88,831
Deposits placed with licensed financial institutions	248,573	164,648
	341,729	253,479
Cash held in trust for customers	(50,309)	(45,757)
Deposits held in trust account	(236)	(135)
	291,184	207,587

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 28 February 2023 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 2023

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)

A1 Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 28 February 2023. 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 Group since the financial year ended 28 February 2023.

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 Group adopted the following amendments to MFRSs issued by the MASB that are effective for annual financial periods beginning on or after 1 March 2023:

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 4 *Extension of the Temporary Exemption from Applying MFRS 9*
- Amendments to MFRS 101 *Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Definition of Accounting Estimates*
- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to MFRS 17 *Initial Application of MFRS 9 and MFRS 17 - Comparative Information*

The adoption of these amendments to MFRSs did not have any material impact on the financial performance or position of the Group for the current financial period.

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 Group are as listed below:

Effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Non-current Liabilities with Covenants*
- Amendments to MFRS 107 and MFRS 7 *Supplier Finance Arrangements*



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A2 Significant accounting policies (Continued)

Effective date of these Amendments to Standards has been deferred, and yet to be announced

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group will adopt the above standards and amendments when they become effective and the adoption of these amendments is not expected to have any material impact on the financial statements of the Group in the period of initial application.

A3 Seasonal or Cyclical Factors

The Group 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 of the Group 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 periods or prior financial years that have a material effect in the current financial period under review.

A6 Debt and Equity Securities

There were no other issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current financial period under review.

A7 Dividend Paid

	Cumulative quarter	
	Current Year Year-To-Date <u>31.8.2023</u> RM'000	Preceding Year Year-To-Date <u>31.8.2022</u> RM'000
In respect of the financial year ended 28 February 2022		
- Final single-tier dividend of 15.00 sen per ordinary share	-	38,296
- Special single-tier dividend of 5.00 sen per ordinary share	-	12,766
In respect of the financial year ended 28 February 2023		
- Final single-tier dividend of 21.00 sen per ordinary share	53,615	-
	53,615	51,062



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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. The contribution from the subsidiary company which is principally engaged in the business operation as an insurance broker remains insignificant to the Group during the current financial period under review.

On this basis, the Managing Director (“MD”) reviews the business performance of the Group as a whole.

A9 Subsequent Event

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

A10 Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, 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).

31.8.2023	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Other investments	168	-	26,684	26,852
Derivatives designated as hedging instruments	-	356,118	-	356,118
Total financial assets carried at fair value	168	356,118	26,684	382,970
<u>Financial liabilities</u>				
Derivatives designated as hedging instruments	-	55,131	-	55,131
Total financial liabilities carried at fair value	-	55,131	-	55,131



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A11 Fair Value Measurement (Continued)

<u>28.2.2023</u>	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	RM'000	RM'000	RM'000	RM'000
Other investments	238	-	26,383	26,621
Derivatives designated as hedging instruments	-	226,666	-	226,666
Total financial assets carried at fair value	238	226,666	26,383	253,287
<u>Financial liabilities</u>				
Derivatives designated as hedging instruments	-	52,776	-	52,776
Total financial liabilities carried at fair value	-	52,776	-	52,776

A12 Contingent Liabilities and Contingent Assets

The Group did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 31 August 2023 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 Group did not enter into any significant Related Party Transactions or Recurrent Related Party Transactions of revenue or trading nature other than those that had been mandated by the shareholders during the Annual General Meeting held on 21 June 2023.

A14 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for amounted to RM18.085 million as at 31 August 2023.



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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		
	31.8.2023 RM'000	31.8.2022 RM'000	Changes %	31.8.2023 RM'000	31.8.2022 RM'000	Changes %
Transaction and financing volume	1,789,890	1,612,350	11.0%	3,622,224	3,099,095	16.9%
Revenue	471,730	399,171	18.2%	924,404	789,742	17.1%
Total operating expenses	(275,186)	(268,111)	2.6%	(560,437)	(424,291)	32.1%
Other income	49,482	47,799	3.5%	98,702	106,533	-7.4%
Profit from operations	246,026	178,859	37.6%	462,669	471,984	-2.0%
Profit before tax	159,231	100,047	59.2%	291,145	315,582	-7.7%
Profit for the period	120,189	75,649	58.9%	219,552	238,718	-8.0%

i) Current Quarter vs Preceding Year Corresponding Quarter

Total transaction and financing volume in the current quarter of RM1.790 billion was higher by 11.0% as compared to preceding year corresponding quarter. The Group recorded a total revenue of RM471.730 million, which was higher by 18.2% as compared to the preceding year corresponding quarter mainly attributable to stronger loan and financing growth.

The gross financing receivables as at 31 August 2023 of RM11.566 billion represent an increase of RM1.185 billion as compared to 31 August 2022. The net financing receivables after allowance for impairment loss was RM10.811 billion as at 31 August 2023 as compared to RM9.547 billion as at 31 August 2022. Non-Performing Loans (“NPL”) ratio was 2.98% as at 31 August 2023 as compared to 2.91% as at 31 August 2022.

Other income for the current quarter was recorded at RM49.482 million mainly due to bad debt recoveries.

The ratio of total operating expenses against revenue for the current quarter improved to 58.3% as compared to 67.2% in the preceding year corresponding quarter mainly attributable to the increase in revenue during the current quarter. The marginal increase in operating expenses was mainly due to higher personnel and other operating expenses, partially offset by lower impairment losses on financing receivables of RM120.574 million as compared to RM149.949 million for the preceding year corresponding quarter.

Funding cost for the current quarter was higher by 10.1% as compared to the preceding year corresponding quarter mainly due to higher borrowings in line with the receivables growth. The nominal value of borrowings as at 31 August 2023 was RM8.349 billion as compared to RM7.319 billion as at 31 August 2022.

Profit before tax (“PBT”) for the current quarter of RM159.231 million increased by 59.2% as compared to the preceding year corresponding quarter.



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B1 Performance Review (Continued)

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

Total transaction and financing volume for the financial period-to-date grew by 16.9% to RM3.622 billion compared to preceding year corresponding period. As a result, total revenue registered for the financial period-to-date of RM924.404 million increased by 17.1% compared to RM789.742 million recorded in the preceding year corresponding period.

The Group recorded a lower PBT of RM291.145 million for the financial period-to-date as compared to RM315.582 million in the preceding year corresponding period. The decrease was mainly due to the higher impairment losses on financing receivables by RM85.882 million. Loan loss coverage ratio stood at 219% as at 31 August 2023 as compared to 276% as at 31 August 2022.

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

	Current Quarter 31.8.2023 RM'000	Immediate Preceding Quarter 31.5.2023 RM'000	Changes %
Transaction and financing volume	1,789,890	1,832,334	-2.3%
Revenue	471,730	452,674	4.2%
Total operating expenses	(275,186)	(285,251)	-3.5%
Other income	49,482	49,220	0.5%
Profit from operations	246,026	216,643	13.6%
Profit before tax	159,231	131,914	20.7%
Profit for the period	120,189	99,363	21.0%

PBT for the current quarter increased by 20.7% to RM159.231 million from RM131.914 million recorded in the immediate preceding quarter. The higher PBT was mainly contributed by the incrementally higher revenue and lower impairment losses of RM120.575 million recorded in the current quarter as compared to RM152.536 million for the immediate preceding quarter, offset by higher personnel expenses and other operating expenses in the current quarter.

B3 Current Year Prospects

Malaysia's Gross Domestic Product moderated to 2.9% in the second quarter of 2023 as compared to 5.6% in the previous quarter, weighed mainly by slower external demand. Amid challenging global environment, Bank Negara Malaysia is forecasting the Malaysian economy to expand close to the lower end of the 4.0% to 5.0% range in 2023, supported by domestic demand, improved labour market conditions as well as implementation of multi-year projects.

The Group remains cautious on the outlook for the second half of the financial year in view of prevailing economic headwinds, tightening policy rates to curb inflationary pressures and volatility in the global banking industry and financial markets. Nevertheless, the Group will continue to closely monitor its asset quality and assess the inherent credit risks in its financing portfolios, adopt prudent cost management and improve on financial and operational efficiencies by leveraging on its positive business fundamentals. To fortify its long-term business sustainability, the Group will continuously enhance its information technology capabilities to support its future growth. Barring any unforeseen circumstances, the Group expects to be able to maintain its financial performance by putting in place the appropriate measures for the financial year ending 29 February 2024.



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B4 Revenue

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2023</u>	<u>31.8.2022</u>	<u>31.8.2023</u>	<u>31.8.2022</u>
	RM'000	RM'000	RM'000	RM'000
Revenue comprises:				
Interest income, profit revenue and finance charges	418,351	349,418	816,895	691,430
Fee income	53,379	49,753	107,509	98,312
	471,730	399,171	924,404	789,742

B5 Notes to the Statement of Comprehensive Income

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

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2023</u>	<u>31.8.2022</u>	<u>31.8.2023</u>	<u>31.8.2022</u>
	RM'000	RM'000	RM'000	RM'000
(a) Included in Profit from operations:				
Bad debts recovered	46,229	43,540	92,002	98,571
Interest income	2,271	2,278	5,474	4,011
Dividend income	4	-	4	7
(Loss)/Gain on disposal of plant and equipment	(19)	-	7	-
Depreciation of plant and equipment	(9,875)	(10,475)	(19,785)	(20,902)
Depreciation of right-of-use assets	(5,004)	(5,281)	(10,017)	(10,681)
Reversal/(Allowance) for impairment loss on financing receivables	41,845	(121,455)	32,688	(77,214)
Write-off on financing receivables	(162,419)	(28,494)	(305,798)	(110,014)
Write-off of plant and equipment	(7)	(152)	(17)	(164)
Allowance for impairment loss on trade receivables	(14)	-	(14)	-
(b) Included in Other comprehensive income:				
Net changes in cash flow hedge	8,704	(10,541)	15,511	46,814
Net fair value changes on equity instruments through other comprehensive income	(128)	1,929	231	1,983



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B6 Interest expense

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2023</u>	<u>31.8.2022</u>	<u>31.8.2023</u>	<u>31.8.2022</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:				
Term loans/financing	74,045	71,329	148,291	141,461
Senior and subordinated sukuk	6,882	6,900	13,763	13,781
Islamic commercial paper	903	87	1,562	179
Revolving credits	4,560	41	7,104	41
Bank overdraft	48	-	48	-
	<u>86,438</u>	<u>78,357</u>	<u>170,768</u>	<u>155,462</u>
Interest on lease liabilities	357	455	756	940
	<u>86,795</u>	<u>78,812</u>	<u>171,524</u>	<u>156,402</u>

B7 Taxation

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2023</u>	<u>31.8.2022</u>	<u>31.8.2023</u>	<u>31.8.2022</u>
	RM'000	RM'000	RM'000	RM'000
Income tax payable:				
- current period	32,683	44,215	57,790	71,908
Deferred tax:				
- current period	6,359	(19,817)	13,803	4,956
	<u>39,042</u>	<u>24,398</u>	<u>71,593</u>	<u>76,864</u>

The Group's effective tax rate for the current quarter and current year-to-date was higher than the statutory tax rate of 24% as certain expenses are not deductible for tax purpose.



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B8 Derivatives and Fair Value Changes of Financial Instruments

(a) Details of derivative financial instruments outstanding as at 31 August 2023 are as follows:

	Notional Amount		Fair Value	
	31.8.2023	28.2.2023	31.8.2023	28.2.2023
	RM'000	RM'000	RM'000	RM'000
<u>Derivative financial assets</u>				
<u>Cross currency swaps:</u>				
Less than 1 year	858,164	718,194	103,088	59,587
1 – 3 years	2,088,165	1,634,395	204,616	107,235
More than 3 years	382,951	864,165	48,414	59,844
Total	3,329,280	3,216,754	356,118	226,666
<u>Derivative financial liabilities</u>				
<u>Cross currency swaps:</u>				
1 – 3 years	150,504	145,417	(1,016)	(6,615)
More than 3 years	395,002	305,926	(54,115)	(46,161)
Total	545,506	451,343	(55,131)	(52,776)

(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 Group 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 2023.



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B10 Status of Corporate Proposal

As at the date of this report, the status of corporate proposal announced but not completed is as follows:

(a) Proposed Joint Venture between AEON Credit Service (M) Berhad (“AEON Credit” or the “Company”), AEON Financial Service Co., Ltd. (“AFS”) and MoneyLion Inc. (“MLI”) and application to Bank Negara Malaysia (“BNM”) for a digital bank license

The Company, together with its Joint Venture (“JV”) consortium parties AEON Financial Service Co., Ltd. (immediate holding company) and MoneyLion Inc. (“MLI”) had submitted a joint application for a Digital Islamic Bank (“DIB”) Licence to Bank Negara Malaysia (“BNM”).

On 29 April 2022, the Company was notified by BNM that the Minister of Finance (“MOF”) has approved the issuance of a DIB Licence to a company to be formed by the JV consortium parties.

On 30 September 2022, the Company, AFS and MLI reached agreement to cease negotiations on MLI’s participation in the proposed JV arising from the desire of MLI to focus on its operations in the United States. Consequently, the Company and AFS (collectively be referred to as “Parties”) as the remaining JV consortium parties shall continue with the implementation of the operational readiness plan to establish the DIB.

On 14 July 2023, AmInvestment Bank Berhad (“AmInvestment Bank”), the principal adviser, had on behalf of the Board of Directors announced that the Company has entered into a Shareholders’ Agreement with AFS to regulate the rights and obligations of the Parties in respect to ACS Digital Berhad (“ACSD”), established for purposes of engaging in the business of DIB (“Proposed Joint Venture”).

The joint venture company ACSD, was incorporated by the Company on 19 July 2022 to undertake the Digital Banking Business with an issued share capital of RM10,000 comprising 10,000 ordinary shares in ACSD (“ACSD Shares”).

The Company had on 30 December 2022 transferred the entire 10,000 ACSD Shares to AFS for a cash consideration of RM10,000. Following thereto, ACSD became a wholly-owned subsidiary of AFS. On the same date, AFS subscribed for an additional 139,990,000 ACSD Shares for a total subscription price of RM139,990,000, resulting in an increase ACSD’s paid-up capital to RM140.0 million. The aforementioned subscription was undertaken for ACSD to comply with BNM’s requirement to have a minimum equity of RM100.0 million unimpaired by losses by 31 December 2022.

On 25 August 2023, AFS subscribed for an additional 35,000,000 ACSD Shares for a total subscription price of RM35,000,000, resulting in an increase of ACSD’s paid-up capital to RM175.0 million. The aforementioned was undertaken to meet the working capital requirements of ACSD for the on-going operational readiness phase of ACSD to establish the DIB.

The Parties shall ensure that ACSD complies with the condition imposed by the MOF for at least 30% of the shares in ACSD to be held by Malaysian shareholder(s), with priority given to Bumiputera shareholders (“Equity Condition”), within a period of 5 years from the commencement of the business and operations of the DIB (which is scheduled to take place not later than 8 April 2024), i.e. by 7 April 2029. The Parties intend to source the shareholder(s) from reputable Malaysian institutional shareholder(s) or corporate shareholder(s), to comply with the Equity Condition.



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B10 Status of Corporate Proposal (Continued)

- (a) **Proposed Joint Venture between AEON Credit Service (M) Berhad (“AEON Credit” or the “Company”), AEON Financial Service Co., Ltd. (“AFS”) and MoneyLion Inc. (“MLI”) and application to Bank Negara Malaysia (“BNM”) for a digital bank license (Continued)**

The proposed ACSD share capital is as follows:

Shareholders	Number of ACSD Shares	Value of contribution	Form of contribution	Percentage of Shareholdings (%)
AEON Credit	175 million	RM175 million	Cash	50
AFS	175 million	RM175 million	Cash	50
Total		<u>RM350 million</u>		<u>100</u>

Subsequent to ACSD commencing its business and subject to relevant approvals (if any) as may be required being obtained, the Parties may subscribe for additional share capital of up to RM200 million at the subscription price of RM1.00 per ACSD Share (with the total share capital of up to RM550 million) in accordance with their respective proportions.

Subject to the Shareholders’ Agreement becoming unconditional, completion of the share subscription shall occur on the date falling 30 days from the date on which the last of the conditions precedent as stipulated in the Shareholders’ Agreement has been fulfilled or such other date as the Parties may mutually agree in writing (“Completion Date”). On the Completion Date, AEON Credit shall pay to ACSD the subscription price in respect of the ACSD Shares subscribed by the Company and ACSD shall issue the relevant subscription of ACSD Shares to the Company. Upon completion of the subscription, ACSD will be an associated company of AEON Credit. Since AFS has already subscribed to its portion of the capital contribution of RM175.0 million as at the reporting date, both Parties would then have fulfilled their respective capital contributions as set out in the abovementioned table on the Completion Date.

Upon compliance with the Equity Condition, the eventual equity structure in ACSD would be AEON Credit (35%), AFS (35%) and the Malaysian shareholder(s) (30%), and that the equity interest of the respective parties shall only be finalised at that point in time of compliance with the Equity Condition.

Barring any unforeseen circumstance, subject to satisfying the operational readiness requirements as part of the licensing conditions imposed by BNM and the conditions precedent in the Shareholders’ Agreement being fulfilled, the market launch of ACSD’s banking business is expected to take place in the first quarter of 2024.

- (b) **Proposed Bonus Issue**

On 14 July 2023, AmInvestment Bank had on behalf of the Board of Directors announced the Proposed Bonus Issue of 255,307,690 new ordinary shares (“Bonus Shares”) in the Company on the basis of 1 Bonus Share for every 1 existing ordinary share of the Company held by the shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced later (“Proposed Bonus Issue”). AmInvestment Bank had on, even date, announced that the additional listing application in relation to the Proposed Bonus Issue had been submitted to Bursa Securities.

Subsequently on 1 August 2023, the Company announced that Bursa Securities had, vide its letter dated 31 July 2023, approved the listing of and quotation for 255,307,690 new ordinary shares to be issued pursuant to the Proposed Bonus Issue.

The extraordinary general meeting to approve the Proposed Joint Venture and Proposed Bonus Issue is expected to be held in October 2023.



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B11 Borrowings

The borrowings of the Group as at 31 August 2023 comprised the following:

	<u>31.8.2023</u>	<u>28.2.2023</u>
	Unsecured	Unsecured
	RM'000	RM'000
Non-current :		
- Term loans/financing	5,326,621	5,479,903
- Senior sukuk	499,249	499,150
- Subordinated sukuk	199,742	199,722
	<u>6,025,612</u>	<u>6,178,775</u>
Current :		
- Term loans/financing	1,948,164	1,678,194
- Revolving credit	590,000	150,000
- Commercial paper	79,128	-
	<u>2,617,292</u>	<u>1,828,194</u>
Total	<u>8,642,904</u>	<u>8,006,969</u>

The borrowings were denominated in the following currencies:

	<u>31.8.2023</u>		<u>28.2.2023</u>	
	Foreign		Foreign	
	Currency	Equivalent	Currency	Equivalent
	'000	RM'000	'000	RM'000
<u>Unsecured</u>				
Ringgit Malaysia		4,768,119		4,338,872
United States Dollar	749,058	3,479,783	749,058	3,362,171
Japanese Yen	12,451,597	395,002	9,318,765	305,926
		<u>8,642,904</u>		<u>8,006,969</u>

B12 Material Litigation

As at the date of this announcement, the Group 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 Group.



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B13 Dividends

- (a) (i) The Board has proposed for the payment of an interim single-tier dividend of 28.50 sen per share (previous year corresponding period: 28.50 sen per share) for the financial year ending 29 February 2024, amounting to RM72.762 million (previous year corresponding period: RM72.762 million);
- (ii) Date payable: 2 November 2023; and
- (iii) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 13 October 2023.
- (b) Total dividend paid during the period ended 31 August 2023: a final single-tier dividend of 21.00 sen per share in respect of the financial year ended 28 February 2023 amounting to RM53.615 million.

B14 Earnings per share

	Individual quarter		Cumulative quarter	
	3 months ended		6 months ended	
	<u>31.8.2023</u>	<u>31.8.2022</u>	<u>31.8.2023</u>	<u>31.8.2022</u>
	RM'000	RM'000	RM'000	RM'000
Profit attributable to equity holders	120,189	75,649	219,552	238,718
Distribution on perpetual notes and sukuk, net of tax	(5,040)	(5,040)	(5,040)	(5,040)
Profit attributable to ordinary equity holders	<u>115,149</u>	<u>70,609</u>	<u>214,512</u>	<u>233,678</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>31.8.2023</u>	<u>31.8.2022</u>	<u>31.8.2023</u>	<u>31.8.2022</u>
Profit attributable to ordinary equity holders (RM'000)	115,149	70,609	214,512	233,678
Weighted average number of ordinary shares ('000 unit)	255,308	255,308	255,308	255,308
Basic earnings per share (sen)	<u>45.10</u>	<u>27.66</u>	<u>84.02</u>	<u>91.53</u>

Diluted Earnings Per Share

There were no dilutive potential ordinary shares outstanding as at 31 August 2023. 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

This interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 26 September 2023.

By Order of the Board
26 September 2023