



AEON Credit Service (M) Berhad
(412767-V)

Notes to the interim financial report for the quarter ended 20 May 2008

A DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARDS ("FRS") 134: INTERIM FINANCIAL REPORTING

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"), and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 20 February 2008.

The significant accounting policies adopted are consistent with the audited financial statements for the financial year ended 20 February 2008, except for the adoption of the following new/revised FRS:

- (a) FRS 107: Cash Flow Statement
- (b) FRS 112: Income Taxes
- (c) FRS 118: Revenue
- (d) FRS 137: Provisions, contingent Liabilities and Contingent Assets

The adoption of the above FRSs do not have any material impact on the interim financial statements.

2 Auditors' Report on the Preceding Annual Financial Statements

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

3 Seasonal or Cyclical Factors

The Company normally benefits from the traditionally higher levels of consumer spending during the 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 estimates of amounts which have a material effect in the current quarter under review.

6 Issuance, Cancellation, Repurchase, Resale and Repayment of Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the interim period under review except as disclosed in the Cash Flow Statement.

7 Dividends Paid

There was no dividend paid during the quarter under review.



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8 Segmental Reporting

The Company is principally engaged in the provision of easy payment schemes, personal financing schemes and credit card business. As all the activities are categorised under consumer financing business, no segmental analysis is prepared.

9 Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment at the end of reporting quarter.

10 Subsequent Events

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

11 Changes in the Composition of the Company

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

12 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 20 May 2008 and at the date of this announcement.

13 Capital Commitments

Capital commitments for plant and equipment not provided for as at 20 May 2008 are as follows:

	RM'000
Authorised and contracted for	4,545
Authorised but not contracted for	1,726
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	6,271



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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

1 Performance Review

For the current quarter ended 20 May 2008, the Company's revenue of RM 42.315 million represents growth of 24.2% or RM8.258 million from the corresponding quarter in the preceding year. The significant growth was mainly attributed to strong business growth based on favourable consumer and participating merchants' demand for the Company's products and services.

The Company recorded profit before tax of RM13.691 million for the quarter, an increase of 72.8% or RM5.766 million from the corresponding quarter in the previous year, based on the increased revenue, effective budgetary control on operating expenses and improved cost efficiency. The Company recorded profit after tax of RM10.132 million for the quarter ended 20 May 2008, representing growth of 75.9% or RM4.371 million from corresponding quarter in the preceding year.

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

The Company registered a profit before taxation of RM13.691 million for the current quarter compared with profit before taxation of RM15.347 million in the preceding quarter ended 20 February 2008, representing a decrease of 10.8% or RM1.656 million.

The Company has historically recorded better results in the 2nd half of every financial year, including the final quarter, due to major festive seasons in the period as well as year end spending by consumers, which increase financing and transaction value. Thus the first quarter of the current financial year is considered as "low season"; with the total transaction and financing volume being 99% of the previous quarter. Accordingly, the Company recorded lower rate of revenue growth in the quarter under review compared with the preceding quarter.

The lower profit after tax is mainly attributable to the above factor, combined with increase in operating expenses mainly due to higher personnel expense arising from staff salary increments and adjustments in line with prevailing employment market, higher advertising and promotion expenses to stimulate further business growth for the year as well as increase in other administrative expenses.

3 Current Year Prospects

Barring any unforeseen circumstances, the Company expects further improvement in its performance for the financial year ending 20 February 2009, based on expansion of the Company's consumer financing business through various strategies.

4 Taxation

	Individual quarter		Cumulative quarter	
	3 months ended <u>20.05.2008</u> RM'000	3 months ended <u>20.05.2007</u> RM'000	Year to date ended <u>20.05.2008</u> RM'000	Year to date ended <u>20.05.2007</u> RM'000
Current tax	3,972	2,164	3,972	2,164
Deferred tax	(413)	-	(413)	-
	<u>3,559</u>	<u>2,164</u>	<u>3,559</u>	<u>2,164</u>

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



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5 Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments or properties during the quarter under review.

6 Quoted Investments

There were no purchases or disposals of quoted securities during the quarter under review, and there were no investments in quoted shares as at the end of the quarter.

7 Status of Corporate Proposal

On 16 May 2008 the Company had announced a proposal to subscribe 100,000 Ordinary Shares of 100 Philippines Peso each in the share capital of AEON Credit Technology Systems (Philippines) Inc (“ACTS”), a company incorporated in the Philippines which is a subsidiary of AEON Credit Service Co., Ltd, Japan, for a total cash consideration of PHP 10,000,000 (Philippines Peso: Ten million) only, representing 10% of the total issued and paid up share capital of ACTS (“Proposed Investment”). Remittance has been made by the Company for the Proposed Investment, equivalent to RM0.771 million. The process for share allotment and registration under the name of the Company is currently ongoing and expected to be completed by 20 June 2008.

8 Status of Utilisation of Proceeds from Public Issue of Shares

On 12 December 2007, the issued and paid-up capital of the Company was increased by RM11 million by way of allotment and issue of 22 million ordinary shares of RM0.50 each at a price of RM2.50 per ordinary share, arising from the Public Issue in conjunction with the listing of the Company on the Main Board of Bursa Malaysia Securities Berhad. The entire proceeds have now been utilised in the manner set out below:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	%	Intended Timeframe for Utilisation
Assets Investment	3,000	3,000	-	-	Within 12 months from listing date on 12 December 2007
Repayment of bank borrowings	41,000	41,000	-		
Working capital	8,000	8,147	(147)	(1.8)	
Estimated listing expenses	3,000	2,853	147	4.9	See * below
Total gross proceeds	<u>55,000</u>	<u>55,000</u>	-	-	

* The lower amount of actual listing expenses resulted in the balance from the proposed utilisation being utilised towards meeting working capital requirements of the Company.

9 Borrowings (Unsecured)



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The borrowings of the Company as at 20 May 2008 comprised the following:

	RM'000
Non-Current :	
- Term loans	99,800
- Medium term notes	206,861
	<u>306,661</u>
Current :	
- Revolving credits	177,307
- Commercial paper	19,863
- Bank overdrafts	651
	<u>197,821</u>
Total	<u>504,482</u>

The borrowings were denominated in the following currencies:

	RM'000 Equivalent
Ringgit Malaysia	480,375
United States Dollar	24,107
	<u>504,482</u>

The bank overdrafts, revolving credits and term loans of the Company are mostly provided on the basis of standby letters of credit from offshore financial institutions in favour of domestic banks providing the facilities or on clean basis.

10 Off Balance Sheet Financial Instruments

Details and value of contracts by remaining period to Maturity Date as at 20 May 2008 is as follows:

Item	Principal Amount RM'000	1 month or less RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000
Foreign Exchange contracts - forward	24,107	-	-	13,972	10,135

The above forward exchange contracts are for the purpose of hedging borrowings obtained in foreign currency and have been entered into upon initial drawdown of the borrowings.

Other than the above, there is no other off balance sheet transactions in the Company at the date of this announcement.

11 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.

12 Dividend Payable



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- (a) (i) A final dividend has been recommended for the year ended 20 February 2008;
(i) Amount per share – 7.44 sen less income tax of 26% (previous corresponding period - 4.66 sen per share less tax at 27%);
(ii) Date payable – 18 July 2008;
(iii) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 2 July 2008;
- (b) The total dividends for the financial year ended 20 February 2008 is 12.84 sen per share less tax at 26%, including the proposed final dividend above and dividends paid on 17 January 2008 comprising an interim dividend of 4.05 sen per share less tax at 26% and a special dividend of 1.35 sen per share less tax at 26%;
- (c) The final dividend recommended for the financial year ended 20 February 2008 is subject to the approval of shareholders at the forthcoming AGM to be held on 17 June 2008

13 Earnings per Share

	Individual quarter		Cumulative quarter	
	3 months ended	3 months ended	Year to Date	Year to Date
	<u>20.05.2008</u>	<u>20.05.2007</u>	<u>20.05.2008</u>	<u>20.05.2007</u>
	'000	'000	'000	'000
Net profit attributable to equity holders	10,132	5,761	10,132	5,761
Weighted average number of ordinary shares in issue (unit)	120,000	98,000	120,000	98,000
Basic earnings per share (sen)	8.44	5.88	8.44	5.88

Basic Earnings per share for the quarter and year to date is calculated by dividing the net profit attributable to ordinary equity holders by weighted average number of ordinary shares in issue during the period.

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

14 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 16 June 2008.

By order of the Board
16 June 2008