



AEON Credit Service (M) Berhad

(412767-V)

Notes to the interim financial report for the year ended 20 February 2012

A DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARD ("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 Standards Board ("MASB"), and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 20 February 2011.

2 Change in accounting policies

The significant accounting policies adopted are consistent with the audited financial statements for the financial year ended 20 February 2011 except for the amendments to the following Financial Reporting Standards ("FRS") and IC Interpretation that are effective for the Company's financial year beginning 21 February 2011:

- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
- Improvements to FRSs (2010)

The adoption of the above amendments to FRS and IC Interpretations did not have any material financial impact on the financial statements of the Company.

3 Auditors' Report on the Preceding Annual Financial Statements

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

4 Seasonal or Cyclical Factors

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

5 Unusual Items

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

6 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 quarter under review.

7 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.



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8 Dividends Paid

	Cumulative Quarter (12 months)	
	Current Year - Period To date 20/02/2012 RM,000	Preceding Year -Period to date 20/02/2011 RM,000
Interim single tier dividend in respect of the financial year ending 20 February 2012		
- 13.20 sen per ordinary share	15,840	
Final dividend in respect of the financial year ended 20 February 2011		
- 15 sen per ordinary share less 25% income tax	13,500	
Interim dividend in respect of the financial year ended 20 February 2011		
- 11.50 sen per ordinary share less 25% income tax		10,350
Final dividend in respect of the financial year ended 20 February 2010		
- 12 sen per ordinary share less 25% income tax		10,800
	29,340	21,150

9 Segmental Reporting

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

10 Valuation of Property, Plant and Equipment

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

11 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.

12 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 long-term investments, restructuring and discontinuing operations.

Included in "Investments" in the Condensed Statement of Financial Position as at 20 February 2012 is an investment of RM 512,000 (2011: Nil) in AEON Credit Service India Private Limited ("ACSI"), a company incorporated in India, representing 100% of the total issued and paid-up share capital of ACSI, comprising 750,000 ordinary shares of Rupees 10/- each.

Although the Company owns 100% equity interest in ACSI, ACSI has been under the control and management of the immediate holding company, AEON Credit Service Co., Ltd (ACSL) since its incorporation. It is also the intention of ACSL to subscribe for shares in ACSI to become the holding



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company of ACSI. Accordingly, as ACSI has been under the control of ACSL since incorporation, the directors are of the opinion that ACSI should not be consolidated into the financial statements of the Company. Thus, consolidated financial statements are not presented in relation to the investment in ACSI, which has not commenced business operations.

13 Contingent Liabilities and Contingent Assets

The Company did not have any contingent liabilities, either secured or unsecured, or contingent assets as at 20 February 2012 and at the date of this announcement.

14 Capital Commitments

Capital commitments for plant and equipment which have been authorised and contracted, but not provided for as at 20 February 2012 amounts to RM6.034 million.



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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

1 Performance Review

The Company's revenue recorded 27.9% and 27.7% growth respectively for the fourth quarter and twelve months ended 20 February 2012 (FYE 2012) compared to the previous year corresponding periods. Total transaction and financing volume in the fourth quarter and twelve months were RM 440 million and RM 1,657 million respectively, representing growth of 26.2% and 40.9% respectively from previous year. The Company realised growth in business and receivables based on increased financing transaction volume attributable to continued favourable economic environment and marketing and promotion activities.

The financing receivables as at end of FYE 2012 was RM 1,491 million, representing growth of 34.5% from RM 1,109 million in the previous financial year. Meanwhile, non-performing loans (NPL) ratio was 1.80% as at February 2012 compared to 1.83% in February 2011, reflecting satisfactory asset quality management in spite of the sharp growth in business and receivables in the year.

Increase in annual operating costs in FYE 2012 by 17.3% is in tandem with business growth and lower than revenue growth of 27.7%. The Company was able to record improved margin of profit before tax against revenue for the year of 37.2% compared to 31.5% in the previous year due to improved cost efficiency from sharp growth in receivables in the year, lower ratio of net impairment loss charge for the financial year against total financing receivables and reduced overhead costs for depreciation and rental expenses. Average funding cost in February 2012 was lower marginally compared to February 2011 due to new funding at competitive rates in the year from various sources.

Other operating income recorded of RM 24.900 million for the year was 44.4% higher than previous year. This is attributable to continued growth in fee income, especially from sales of insurance products, and increase in bad debts recovered. The Company also recorded a gain on disposal of unquoted investment of RM 0.742 million in the year pursuant to sale of equity held in ACS Credit Management Co., Ltd. to AEON Credit Service Co., Ltd.

Profit before tax of RM36.901 million and RM 128.061 million for the current quarter and the financial year respectively represent an increase of 41.9% and 50.6% respectively from previous year.

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

The Company's profit before taxation (PBT) of RM36.901 million for the current quarter is higher than the PBT of RM33.853 million in the preceding quarter ended 20 November 2011 mainly arising from growth in receivables and increased financing transaction volume in the period contributing to higher operating income while operating expenses remained stable.

3 Prospects – Financial Year Ending 20 February 2013

The Malaysian economic growth forecast for 2012 of between 4% and 5% by Bank Negara is marginally lower than economic growth of 5.1% in year 2011 and growth of 5.2% in the 4th quarter of 2011. Nevertheless, the Company expects to be able to sustain its performance in the financial year ending 20 February 2013 based on its business strategies and marketing and branding efforts.

The Company shall further expand its branch and service centre network in 2012 to facilitate greater market reach to consumers and penetrate further to the middle income consumer segment as well as provide equipment and other asset financing to small businesses.



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4 Revenue

	3 months ended <u>20.02.2012</u> RM'000	12 months ended <u>20.02.2012</u> RM'000
Revenue comprises:		
Interest income, profit revenue and finance charges	75,232	274,034
Fee income	19,043	70,235
	94,275	344,269

5 Notes to the Statement of Comprehensive Income

Except as disclosed in Note B(3) of this report and below, other disclosure items in item 16 of Appendix 9B of Bursa Malaysia's Listing Requirements are not applicable:

	3 months ended <u>20.02.2012</u> RM'000	12 months ended <u>20.02.2012</u> RM'000
(a) Included in Profit from Operations:		
Gain on disposal of unquoted investment	742	742
Dividend income	-	40
Bad debts recovered	4,327	17,698
Depreciation of plant and equipment	(2,595)	(9,204)
Allowance for impairment losses on receivables	(17,428)	(64,014)
Finance cost	(11,700)	(42,625)
	3 months ended <u>20.02.2012</u> RM'000	12 months ended <u>20.02.2012</u> RM'000
(b) Included in Other Comprehensive Income		
Gain / (loss) on cash flow hedge, net of tax	9,703	(7,250)

Receivables amounting to RM 17.168 million and RM56.492 million have been written off against allowance for impairment losses on receivables for the quarter and financial year ended 20 February 2012 respectively.



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6 Taxation

	Individual quarter		Cumulative quarter	
	3 months ended <u>20.02.2012</u> RM'000	3 months ended <u>20.02.2011</u> RM'000	12 months ended <u>20.02.2012</u> RM'000	12 months ended <u>20.02.2011</u> RM'000
In respect of current period:				
- Current tax	8,493	5,534	32,310	20,402
- Deferred tax	802	1,138	254	1,256
	9,295	6,672	32,564	21,658
In respect of prior financial year :				
- Current tax	962	242	3,670	241
- Deferred tax	(1,072)	(305)	(3,780)	(304)
	9,185	6,609	32,454	21,595

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 the date of this report.

8 Borrowings

The borrowings of the Company as at 20 February 2012 comprised the following:

	Secured RM'000	Unsecured RM'000	Total RM'000
Non-Current :			
- Term loans / financing	-	507,607	507,607
- Medium term notes	-	219,996	219,996
- Asset backed medium term notes	150,000	-	150,000
	150,000	727,603	877,603
	Secured RM'000	Unsecured RM'000	Total RM'000
Current :			
- Bank overdrafts	-	902	902
- Revolving credits	-	87,861	87,861
- Term loans / financing	-	34,926	34,926
- Medium term notes	-	69,979	69,979
- Commercial paper	-	34,923	34,923
	-	228,591	228,591
Total	150,000	956,194	1,106,194



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The borrowings were denominated in the following currencies:

	Secured RM'000 Equivalent	Unsecured RM'000 Equivalent	Total RM'000 Equivalent	
Ringgit Malaysia	150,000	446,800	596,800	
United States Dollar	-	446,376	446,376	(Equivalent to USD 147.733 million)
Japanese Yen	-	63,018	63,018	(Equivalent to JPY1.660 billion)
	150,000	956,194	1,106,194	

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.

The asset backed medium term notes are secured against a pool of consumer financing receivables, amounting to RM 214 million.

9 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.

10 Dividend

Interim dividend

- (i) An interim single-tier dividend was declared for the financial year ending 20 February 2012 and paid on 20 October 2011;
- (ii) Amount per share – 13.20 sen (previous corresponding period – 11.50 sen per share less tax at 25%);

Final dividend

- (i) A final single tier dividend has been recommended for the year ended 20 February 2012;
- (ii) Amount per share – 16.80 sen (previous corresponding period – 15.00 sen per share less tax at 25%);
- (iii) Date payable – 13 July 2012
- (iv) In respect of deposited securities, entitlement to dividend will be determined based on the record of depositors as at 28 June 2012



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11 Earnings per Share

	Individual quarter		Cumulative quarter	
	3 months ended <u>20.02.2012</u> '000	3 months ended <u>20.02.2011</u> '000	12 months ended <u>20.02.2012</u> '000	12 months ended <u>20.02.2011</u> '000
Net profit attributable to equity holders	27,716	19,403	95,607	63,429
Weighted average number of ordinary shares in issue (unit)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	<u>23.10</u>	<u>16.17</u>	<u>79.67</u>	<u>52.86</u>

Basic Earnings per share for the quarter and year to date is calculated by dividing the net profit attributable to ordinary equity holders by the 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.

12 Realised and Unrealised Profits

	12 months ended <u>20.02.2012</u> RM'000
Total retained earnings of the Company	
- Realised	228,852
- Unrealised	4,128
Total retained earnings as per Statement of Changes in Equity	<u>232,980</u>

13 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 19 April 2012.

By order of the Board
19 April 2012