

# EVERYDAY AEON CARD™



## annual report 2011



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

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## Corporate Vision and Mission

Our CORPORATE VISION is to establish AEON as a leading brand in consumer finance and service industry by providing excellent customer service. As a reflection of this vision, OUR MISSION is to provide a wide range of consumer financial services that best meet customer needs and we are committed to serve customers to enhance their lifestyle through our products and services. We adhere to a strict code of corporate ethics and, at the same time, engage in activities which contribute to society.



## an introduction to AEON Credit Service (M) Berhad

AEON Credit Service (M) Berhad (AEON Credit or the Company) was incorporated on 6 December 1996 and was converted into a public limited company on 9 February 2007 and listed on the Main Market of Bursa Malaysia Securities Berhad on 12 December 2007. AEON Credit commenced operations in 1997 by providing Easy Payment schemes for purchase of consumer durables through appointed retail merchants and chain stores.

Today the business of the Company has expanded to include issuance of Credit Cards, Easy Payment schemes, Personal Finance schemes, Insurance business and other services. The Company currently has 4 Regional Offices, 30 branches and Service Centres located in major shopping centres and towns and a network of more than 4,400 participating merchant outlets nationwide. AEON Credit believes in working closely with its business partners to provide consumer financing products and services which meet customer needs. The Company currently has more than 800,900 cardmembers for the various products and more than 1,500 staff in service with the Company.

AEON Credit is a subsidiary of AEON Credit Service Co. Ltd, Japan (AEON Credit Japan), which is listed on the First Section of the Tokyo Stock Exchange. AEON Credit Japan is mainly involved in the issuance of credit cards, and it currently has more than 20 million card members in Japan. It is one of the biggest credit card issuers and a leading consumer credit provider in Japan.

AEON Credit Japan is in turn part of the AEON Group of Companies (AEON Group), a global retail and financial services group. AEON Group consists of more than 195 subsidiaries and affiliated companies. AEON Group operates not only in Japan but also in Southeast Asia, China and North America. The fundamental principle of AEON is its "customer-centered approach." AEON's mission is to contribute to customers.

AEON's most basic and abiding principles are the pursuit of peace, respect for humanity, and contribution to local communities through customer-centered

initiatives. Under these principles, we are determined to achieve global management standards.

All companies under the AEON Group are guided by the unchanging 'Customer First' philosophy. Its aim is to surpass expectations by combining excellent products with unique personal services



### [AEon Commitment]



We hope to create a future of limitless promise by transforming daily life through our open, dynamic approach.

### The AEon Code of Conduct Commitment

1. AEon people are always grateful to the many other individuals who provide support and help, never forgetting to act with humanity.
2. AEon people value the trust of others more than anything else, always acting with integrity and sincerity in all situations.
- 3 AEon people actively seek out ways to exceed customer expectations.
4. AEon people continually challenge

themselves to find new ways to accomplish the Aeon ideals.

5. AEon People support local community growth, acting as good corporate citizens in serving society



## Milestones Over the Years



### 1997

Commenced operations by providing General Easy Payment Scheme for consumer durables.

### 1998

Began issuing AEON Express Card (a privilege card).

Expansion of General Easy Payment Scheme within Peninsular Malaysia, outside Klang Valley namely Ipoh, Perak and Melaka.

### 1999

Expansion of General Easy Payment scheme and operations to East Malaysia in Kuching, Sarawak and Kota Kinabalu, Sabah.

### 2001

Set-up branches in Kuching, Sarawak and Johor Bahru, Johor with marketing, credit assessment and credit management operations.

### 2002

Launched Motorcycle Easy Payment Scheme, with 50 appointed merchants within Klang Valley and later in Johor Bahru, Johor.

Changed name from ACS Credit Service (M) Sdn. Bhd. to AEON Credit Service (M) Sdn. Bhd.

### 2003

Launched Personal Financing Scheme, which is based on Syariah principles.

Set-up first AEON Credit Service Centre in Kuala Lumpur.

## Milestones Over the Years



### 2004

Full expansion of Personal Financing Scheme to major towns nationwide.

Entered into agreements with Visa International Service Association and MasterCard International Incorporated to issue credit cards.

Obtained ISO 9001:2000 UKAS Quality Management, certified by UKAS, in line with our vision of providing excellent customer service.

### 2005

Started insurance sales business.

Obtained approval from Bank Negara Malaysia to issue credit cards.

Launched AEON Credit Card.

Launched JUSCO Credit Card, a co-brand credit card with AEON CO. (M) BHD.

Opened AEON Credit Service Centre within shopping centres outside Klang Valley.

### 2006

Launched specific purpose financing.

Obtained ISO 27001:2005 for information security management system.

Established 3 service centres in AEON Shopping Centres bringing nationwide network to 24.

### 2007

Launched RM400 million commercial paper / medium term notes programme.

Launched ATM Network and AEONCASH @ ATM.

Launched AEON & JUSCO Gold Visa Credit Card.

Launched Motorcycle Association Affinity Gold Visa Card.

Listed on Main Board of Bursa Malaysia Securities Berhad.

### 2008

Launched CRUIZE Visa Card with Automobile Association of Malaysia (AAM).

Launched AEON Zing card with Touch 'n Go Sdn. Bhd.

Established 3 regional offices in Penang, Johor and Pahang.

Expanded nationwide network of service centres and branches by establishing 3 service centres inside new AEON Shopping Centres.

### 2009

Launched New AEON Card with AEON CO. (M) BHD.

Expanded nationwide network by establishing 1 service centre and 6 marketing offices.

Established AEON Credit's Representative Office in Mumbai, India.

Launched RM150 million asset-backed medium term notes programme.

### 2010

Launched "2 in 1" Aeon MasterCard credit card with JCard loyalty points function.

Expansion of Motorcycle Easy Payment (MEP) scheme to provide financing for higher c. c. motorcycles.



## 2010 Events

### Marketing & Promotions

#### AEON MasterCard Credit Card Launch



The new AEON MasterCard credit card was launched in the year, incorporating JCard loyalty points function with focus on better rewards especially for JUSCO shoppers. The enhanced credit card features include exclusive benefits and privileges

to cardmembers as well as other lifestyle benefits and rewards.

#### "Raya Surprise" Contest



Easy Payment customers and credit card members stood a chance to win RM200,000 worth of prizes through a contest during the festive promotion. The Company gave away RM100,000 cash as grand prize and numerous other prizes to the winners. The contest was held from July to October 2010.

#### "AEON Credit Takes You to Manchester" Promotion



The Company held the contest in the 4th quarter of the year, open to all Easy Payment, Personal Financing and credit card members. The grand prize for the contest, which ended in February 2011, was a 6 Days 4 Nights trip to Manchester and a chance to watch an English Premier League (EPL) match for two persons.

#### AEON Credit and Celcom Blue Cube Promotion



This credit card auto-billing promotion with Celcom allowed the first 300 AEON cardmembers who signed up for the promotion to earn extra points, enjoy 5% rebate on monthly bill as well as obtain a RM60 cash rebate from Celcom.

## 2010 Events (cont'd)

## Marketing & Promotions

## World Cup Promotion - "Sensasi Football Fever"



To promote the Easy Payment Scheme, customers were entitled to purchase LCD / LED television at a special interest rate from the participating merchants with only a low down payment of RM1 being required.

## Super Bike Scheme Promotion and Expansion



## Joint Promotion with Panasonic



An exclusive joint promotion package with Panasonic was carried out at the hypermarkets in conjunction with the Hari Raya celebration until end of September 2010. AEON-Xpress Easy Payment Scheme customers were entitled to apply under the scheme at a special low interest rate with repayment period of up to 36 months.

The Motorcycle Easy Payment (MEP) Scheme was extended to provide financing for higher cubic capacity motorcycles ("Super Bike") in July 2010. This scheme provides opportunity for the Company to provide flexible financing solutions to this growing "niche" market on attractive terms and support business growth of its business partners and merchants.



## 2010 Events (cont'd)

### Corporate

#### Opening of branch and service centre



The Company had established a new branch at Temerloh, Pahang and a service centre at AEON Bandaraya Melaka Shopping Centre during the year. This is to cater for local area need and provide convenience for consumers.

#### Insurance Business



An interest free insurance plan was introduced to new AEON Credit Card members upon collection of their cards. The insurance product called AEON Care provides Personal Accident coverage for card members and is packaged to include credit insurance which would help card member in settlement of outstanding amount on the card in the event any of the covered perils should occur.

#### Nationwide Expansion of Used Car Easy Payment (UCEP) scheme



The Used Car Easy Payment (UCEP) Scheme has been expanded to the Southern and Northern Regions starting from November 2010. The scheme which was previously offered to consumers in Central, Eastern and East Malaysia Regions has shown increase in volume of transactions based on support from the merchants.

#### Motorcycle Easy Payment Merchants Annual Dinner



This is a prominent annual event organised by the Company in appreciation of the nationwide support from Motorcycle Easy Payment (MEP) merchants. About 700 merchants were present at the function in November 2010 to foster closer relationship with the Company's management and staff. The highlight of the event was the announcement of the Million Ringgit Sales Challenge Reward contest winners.

#### Annual General Meeting



The Company held its thirteenth Annual General Meeting of shareholders on 15 June 2010 at the Grand Ballroom, Hotel Nikko Kuala Lumpur. Salient details of the Company's business performance for FYE2010 were shared with the shareholders.



## 2010 Events (cont'd)

### Corporate

#### Interim and Final Dividends



The Company declared and paid out gross final dividend of 12.00 sen on 13 July 2010 and interim dividend of 11.5 sen on 20 October 2010. The interim dividend paid was 10% higher than the interim dividend in the last financial year. The payout ratio was 37% against the net profit for the six months ended 20 August 2010.

#### Policy Announcement



The Policy Announcement was held on 26 February 2011 and attended by management staff. During this event, the previous year's performance was reviewed and business directions and strategy of the Company for the coming financial year were announced.

#### Annual Dinner and Staff Awards



The Company's annual dinner themed "The Masquerade Ball" was held on 26 February 2011. It was a magical night to remember for the more than 700 staff who were present. Staff who displayed excellence in service were recognised with various awards such as Excellent Staff Award, Excellent Customer Service Award, Meritorious Service Award, Best Team Achievement Award and Top Sales Award. The evening was made memorable with staff performances by the nationwide finalists of the "AEON's Got Talent" contest.

#### Investor Relations Presentation



The presentation held in April 2010 was mainly to update the investors and analysts on the Company's performance and growth prospects, coinciding with the announcement of the Company's final annual results for FYE2011.

## Corporate Responsibility

AEON Credit continuously seeks to reinforce the wellbeing of and social participation within the community it serves. The Company and its employees participate in social welfare and other Corporate Responsibility (CR) activities through fund raising and community contribution. This in turn will indirectly contribute to a positive business environment..

In 2010, the Company took part in Yamaha's 12th Road Safety Campaign held at Sungai Besi Toll Plaza (South bound) by contributing helmets and luminous stickers. Also, in conjunction with the Chinese New Year celebration this year, the Company donated side-carts during a charity event organised by the Selangor and Federal Territory Motorcycle and Scooter Dealers Association. This was in support of the needy and handicapped people of Persatuan Kristian Shuang Fu untuk Orang-orang Kurang Upaya of Taman Overseas Union.

The Company is also part of the newly renamed Malaysian AEON Foundation (MAF) which adopts a policy of providing support to the less fortunate ones. Through the public's constant support and encouragement, millions have been donated to various organisations and needy individuals as part of MAF's continuous mission:

1. To be continuously involved in fund-raising activities and events for the benefit of all Malaysians, irrespective of race, religion and creed, especially children;
2. To provide financial aid to those with the greatest needs such as education, living environment or medical assistance and to provide activity-based resources that will help guide them away from today's social ills; and
3. To give children the opportunity to discover their self-worth and develop their fullest potential and that they may live fuller, more meaningful lives for the future.

Throughout the year, various CSR programmes and activities with MAF were carried out aiming at supporting the less fortunate ones. Among the programmes and activities include the Annual Charity Gala Dinner, Bersamamu Program in collaboration with TV3, Rainbow of Hope in collaboration with the Voir Group, Majlis Berbuka Puasa with three orphanages homes, Get on Board – Raise Your Hand to Stop Child Abuse campaign in collaboration with UNICEF, Program Jalinan Kasih at the Paediatric Institute, Kuala Lumpur General Hospital and Christmas party and school holidays celebration which was carried out at Bukit Kiara Equestrian and Country Resort with 300 under privileged children from eleven different homes. Contributions to the under privileged children and families, single mothers and contributions towards medical expenses were also carried out during the festive seasons.

For the benefit of its staff and their career development, the Company had conducted various training and development courses. Among the trainings, courses and campaign held throughout the year were the Code of Conduct Training, Customer Service Mindset Training and 2010 Customer Service Campaign with the aim to provide better quality customer service. The Company also obtained recertification of its ISO 9001:2008 service quality management system on 15 November 2010.





## 5 Years Financial Highlights

	FYE2011 RM'000	FYE2010 RM'000	FYE2009 RM'000	FYE2008 RM'000	FYE2007 RM'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Revenue	269,610	248,408	186,919	151,797	116,043
Profit before tax	85,024	72,226	65,930	45,750	27,545
Profit after tax	63,429	54,275	48,757	33,394	19,702

### STATEMENT OF FINANCIAL POSITION

<b>Assets</b>					
Plant and equipment	24,137	22,047	24,820	21,608	23,367
Investment	1,797	1,797	1,797	1,026	1,026
Receivables	407,377	360,704	323,325	256,176	168,486
<b>Total non-current assets</b>	<b>433,311</b>	<b>384,548</b>	<b>349,942</b>	<b>278,810</b>	<b>192,879</b>
Receivables, deposits and prepayments	736,526	622,484	557,718	450,130	376,536
Cash and bank balances	5,649	3,161	2,462	2,404	2,072
<b>Total current assets</b>	<b>742,175</b>	<b>625,645</b>	<b>560,180</b>	<b>452,534</b>	<b>378,608</b>
<b>Total assets</b>	<b>1,175,486</b>	<b>1,010,193</b>	<b>910,122</b>	<b>731,344</b>	<b>571,487</b>
<b>Equity</b>					
Share capital	60,000	60,000	60,000	60,000	49,000
Share premium	56,147	56,147	56,147	56,147	15,000
Retained earnings	166,070	134,315	99,696	65,430	40,165
<b>Total equity attributable to shareholders of the Company</b>	<b>282,217</b>	<b>250,462</b>	<b>215,843</b>	<b>181,577</b>	<b>104,165</b>
<b>Liabilities</b>					
Borrowings (unsecured)	594,742	460,041	358,529	311,395	268,246
Deferred tax liabilities	1807	1,782	2,386	2,523	2,162
<b>Total non-current liabilities</b>	<b>596,549</b>	<b>461,823</b>	<b>360,915</b>	<b>313,918</b>	<b>270,408</b>
Borrowings (unsecured)	238,302	246,631	276,279	188,198	154,539
Payables and accruals	55,577	44,453	50,035	42,582	39,548
Taxation	2,841	6,824	7,050	5,069	2,827
<b>Total current liabilities</b>	<b>296,720</b>	<b>297,908</b>	<b>333,364</b>	<b>235,849</b>	<b>196,914</b>
<b>Total liabilities</b>	<b>893,269</b>	<b>759,731</b>	<b>694,279</b>	<b>549,767</b>	<b>467,322</b>
<b>Total equity and liabilities</b>	<b>1,175,486</b>	<b>1,010,193</b>	<b>910,122</b>	<b>731,344</b>	<b>571,487</b>

### STATISTICS

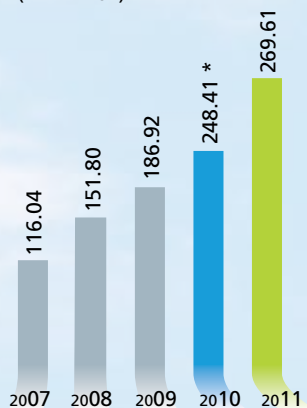
Net earnings per share (sen)*	52.86	45.23	40.63	32.65	25.00
Gross dividends per ordinary share (sen)	26.50	22.50	20.10	12.84	6.84
Net assets per share (RM)	2.35	2.09	1.80	1.51	1.06

\* Note: Earnings per share has been calculated based on weighted average number of ordinary shares outstanding in the respective year.  
Comparative earnings per share and dividends per share information have been restated after adjusting for the bonus issue and share split undertaken by the Company in December 2006.

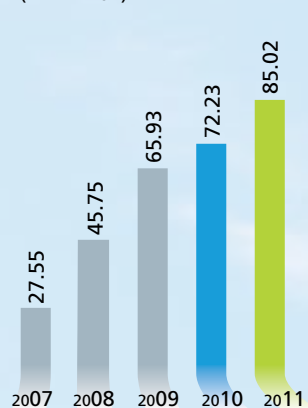


## 5 Years Financial Highlights (cont'd)

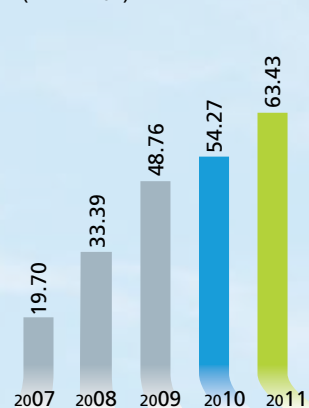
**Revenue**  
(RM Million)



**Profit Before Tax**  
(RM Million)

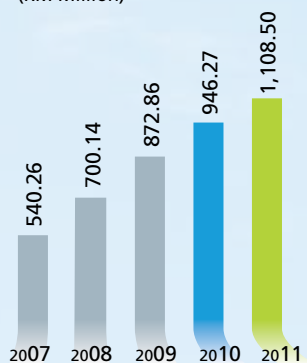


**Profit After Tax**  
(RM Million)

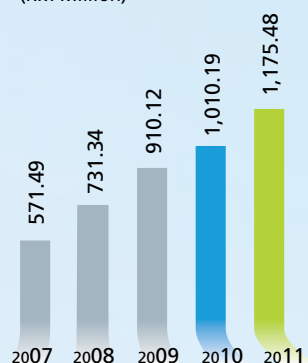


\* Restated

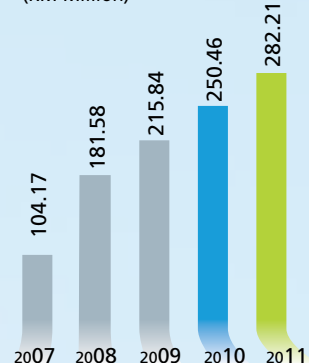
**Trade Receivables**  
(RM Million)



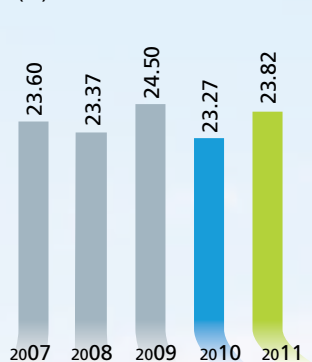
**Total Assets**  
(RM Million)



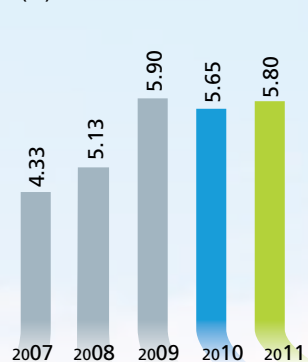
**Shareholders' Funds**  
(RM Million)



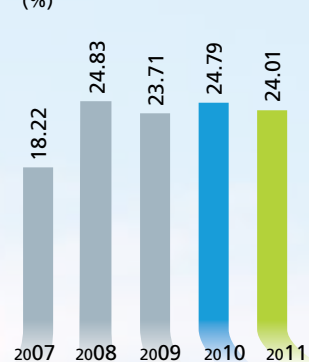
**Return on Equity**  
(%)



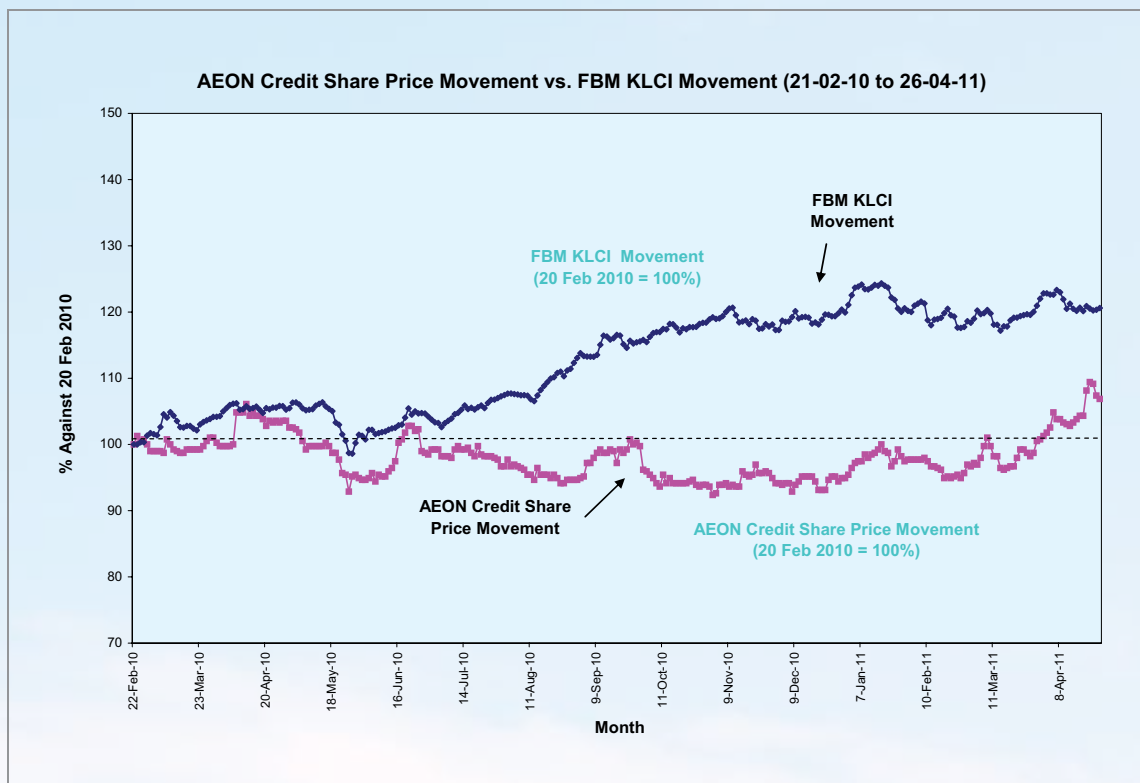
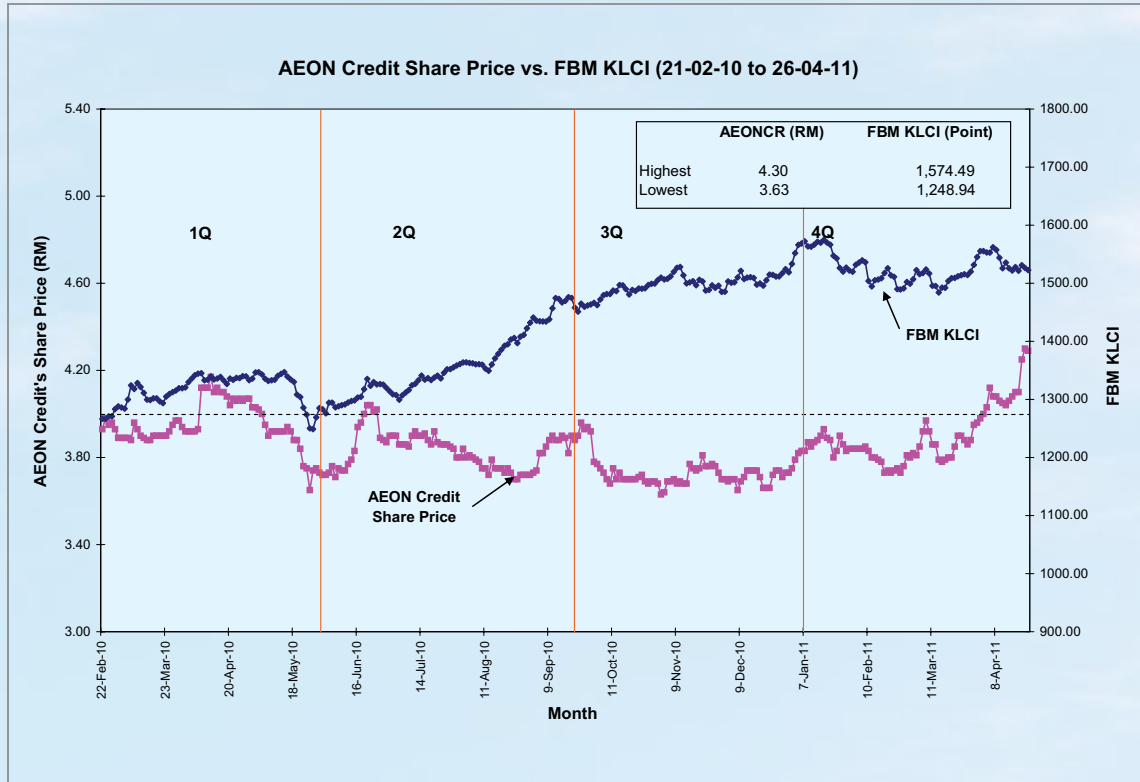
**Return on Assets**  
(%)



**Capital Adequacy Ratio**  
(%)



## Share Price



## Corporate Information

### BOARD OF DIRECTORS

Dato' Abdullah bin Mohd. Yusof  
(Chairman)  
Mr. Yasuhiro Kasai  
(Managing Director)  
Mr. Naruhito Kuroda  
Mr. Takatoshi Ikenishi  
Datuk Ramli bin Ibrahim  
Dato' Md. Kamal bin Ismaun  
Mr. Ng Eng Kiat  
Mr. Tomoaki Saito  
Mr. Krishnappan A/L S.P.S. Singaram  
Mr. Clarence Chai

### SECRETARIES

Ms. Tai Yit Chan  
(MAICSA 7009143)  
Ms. Choong Lee Wah  
(MAICSA 7019418)

### REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
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### HEAD OFFICE

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No. 8, Jalan Raja Chulan  
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Malaysia  
T: +603-2772 9000  
F: +603-2711 4110

### AUDITORS

KPMG (AF No. 0758)  
Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
T: +603-7721 3388  
F: +603-7721 3399

### REGISTRARS

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
T: +603-7841 8000  
F: +603-7841 8008

### WEBPAGE

[www.aeonmalaysia.com.my](http://www.aeonmalaysia.com.my)

### STOCK EXCHANGE LISTING

The Company is a public listed company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad

**STOCK NAME: AEONCR**  
**STOCK CODE: 5139**

### PRINCIPAL BANKERS

Ambank Berhad  
Bank of Tokyo-Mitsubushi UFJ  
(Malaysia) Berhad  
Bank of Tokyo-Mitsubushi UFJ, Ltd.  
CIMB Bank Berhad  
CIMB Islamic Bank Berhad  
Citibank Berhad  
Malayan Banking Berhad  
Mizuho Corporate Bank, Ltd.  
Public Bank Berhad  
RHB Islamic Bank Berhad  
Sumitomo Mitsui  
Banking Corporation

## Corporate Calendar

Notice of Annual General Meeting	24 May 2010
Annual General Meeting	15 June 2010
Payment of Dividend (Final)	Book Closure – 29 June 2010 Payment – 13 July 2010
Payment of Dividend (Interim)	Book Closure – 5 October 2010 Payment – 20 October 2010
First Quarter Results Announcement	15 June 2010
Second Quarter Results Announcement	21 September 2010
Third Quarter Results Announcement	21 December 2010
Fourth Quarter Results Announcement	19 April 2011



## Chairman's Statement

### Introduction



On behalf of the Board of Directors, I am pleased to present Aeon Credit Service (M) Berhad (AEON Credit) Annual Report and Audited Financial Statements for the financial year ended 20 February 2011.

After the downturn in 2009, the Malaysian economy experienced a strong resumption of growth in 2010 with an expansion of 7.2%. Growth was driven mainly by robust domestic demand, with strong expansion in private sector activity. Private consumption expanded at a faster rate of 6.6% (2009: 0.7%), supported by better labour market conditions and the steady increase in incomes. Higher prices of crude palm oil and rubber supported increased spending by households in the rural areas. Continued access to credit also supported robust consumer spending which was reflected in the strong performance of major consumption indicators such as passenger car sales, retail sales and imports of consumption goods.

I am pleased to report that based on the favourable economic environment as well as successful business strategy implementation by the Company, AEON Credit continued to record strong growth for the financial year ended 20 February 2011. The Company achieved a net profit of RM63.43 million, an increase of 16.9% from profit recorded in the previous year, with business growth registered in all the financial service products offered. This contributed to growth in earnings per share from 45.23 sen in FYE2010 to 52.86 sen in FYE2011.

### Prospects for 2011

The Malaysian economy is projected to grow by 5–6% in 2011. Growth is likely to improve during the course of the year with better growth performance in the second half of the year, supported by implementation of key initiatives announced by the Government under the Economic Transformation Programme (ETP). The growth momentum will be underpinned by strong domestic demand, emanating primarily from private sector activity. Private consumption will be supported by favourable labour market conditions, higher disposable incomes, sustained consumer confidence and ready access to financing. The projected growth of the Malaysian economy is based on the expectation of moderate growth in advanced economies and a return to more normal growth rates by the Asian economies. Nevertheless, there remain risks to the growth projection which include sharp deterioration in external conditions, significant volatility in capital flows from continued uncertainty in international markets and rising inflationary pressures.

AEON Credit shall capitalize on business growth opportunities in 2011 based on the expected favourable market economic conditions. We will continue to focus on improving our products and services to meet customer needs and convenience as well expanding our market reach to capture a wider market segment. Further the Company foresees opportunity for realizing growth in non-receivables based fee/commission revenue i.e. from services offered, including sales of general and life insurance products and providing credit management services to other organizations. We shall continue with our close collaboration with AEON Co. (M) Bhd for both existing credit card and easy payment scheme operations and new areas for collaboration including management of loyalty points' programme.

## Chairman's Statement (cont'd)

### Dividend

The Board of Directors has recommended a final dividend payment of 15.00 sen per share less 25% income tax, which would amount to final dividend payment of RM13.5 million. This would result in total dividend payout ratio of 37.6% of the net profit for FYE2011, including interim dividends paid in the course of the year. The total gross interim and final dividend of 26.50 sen for the year represents an increase of 17.8% from total dividend of 22.50 sen paid out in the last financial year.

### Corporate Responsibility

The Company recognises its Corporate Responsibility (CR) role in the community, and is part of the newly renamed Malaysian AEON Foundation (MAF) which adopts a policy of providing support to the less fortunate ones, especially underprivileged children. Throughout the year, various CR programmes and activities were carried out by MAF towards this objective, details of which are set out in the CR section of the Annual Report.

### Acknowledgement

On behalf of the Board of Directors, I would like to take this opportunity to thank Mr. Yoshiki Mori who relinquished his position as a Director of the Company on 15 June 2010 in view of increased level of responsibility in his new role in AEON Co., Ltd, Japan. I wish to express our sincere gratitude to him for his years of contribution to the Company as a Director since 1997.

Further, I wish to also thank my fellow Board members, the Management and all the staff for their dedication and contribution to the Company.

The Board also wishes to express our sincere appreciation to all our valued shareholders, business associates, bankers and most of all, our valued customers for their continuing support to the Company.

Thank you.

**Dato' Abdullah bin Mohd. Yusof**  
Chairman





## Managing Director's Operations Review

### Financial Review

AEON Credit Service (M) Berhad continued to record strong growth in new financing transactions and financing receivables in the year ended 20 February 2011 from successful business strategy implementation during a period of national economic growth and positive consumer spending trends and sentiments.

Total revenue for the financial year of RM269.61 million represented growth of 8.5% over the previous year revenue of RM248.41 million. The revenue increase was due to the growth in consumer financing and transaction volume achieved for product Easy Payment Schemes, personal financing scheme and credit card operations during the year and the expansion of retail merchants' network. Total transaction and financing volume of RM 1.176 billion for the year represented growth of 24% from the previous year, with the fourth quarter recording highest growth of 46% against the same quarter in FYE2010.

Profit before tax (PBT) realised for the year of RM85.02 million is 17.7% higher than RM72.23 million PBT recorded in previous year. The growth ratio is also higher than annual PBT growth of 9.6% in FYE2010. This resulted in improvement of earnings per share from 45.23 sen in FYE 2010 to 52.86 sen for FYE 2011.

The financing receivables as at end of FYE2011 was RM1,108.50 million, representing growth of 17.1% from RM946.27 million in the previous financial year. Meanwhile, non-performing loans (NPL) ratio was 1.83% as at February 2011 compared to 1.80% in February 2010, reflecting continued stability in management of quality of receivables by the Company.

Operating costs and funding cost were managed satisfactorily within budget in line with the business growth. Despite the increase in interest rates on borrowings from local financial institutions based on Overnight Policy Rate revisions by Bank Negara Malaysia since March 2010, average funding cost of the Company for the year was marginally lower than previous year due to diversification of funding sources and maintenance of long term borrowings obtained at competitive rates.

### Operational Review

#### Card Business

In 2010, the Malaysian credit card industry continued to face impact of the service tax on credit cards introduced from January 2010, despite various measures taken by card issuers to retain card members. Number of principal credit cards in circulation (CIC) had decreased by approximately 25% since September 2009, when the CIC was at its peak. However, majority of the card cancellations were by non-active card members or those with low card usage.

Nevertheless, the Company's new credit cards' issuance in the year was 139% higher than the previous year with focus on enhancement of card benefits, marketing promotions and cross selling of credit cards to existing customers' database for other products. As at February 2011, total principal credit cards in circulation was approximately 144,000, representing 27% growth from the previous year.

The new AEON MasterCard credit card was launched in the year, incorporating JCard loyalty points function with focus on better rewards especially for JUSCO shoppers. The enhanced credit card features include exclusive benefits and privileges to cardmembers as well as other lifestyle benefits and rewards





## Managing Director's Operations Review (cont'd)

Meanwhile, credit card transactions volume of RM471 million for the year represented 37% growth against the previous year on the back of both increased cards in circulation as well as higher card active ratio compared to FYE2010. Various marketing promotions during the year, improvements in card member reward points' scheme and introduction of facility to convert retail transactions to instalment plan contributed to the growth in transaction volume.

### Easy Payment and Personal Financing Business

Transaction volume for the instalment plan financing under Easy Payment and Personal Financing Schemes for the year under review was RM705 million, or 17% higher than volume in previous year. The Personal Financing Scheme recorded highest ratio of annual growth arising from successful database marketing efforts while moderate growth was also recorded for the consumer durables' and motorcycle financing schemes. The year also saw increased market penetration by the Company to finance purchase of motorcycles in the higher cubic capacity (c.c.) range i.e. above 250 c.c.

Throughout the year, various nationwide and local area promotions as well as festive period promotions in collaboration with merchants and business partners served to strengthen awareness of and demand for financing schemes offered by the Company. The Company's strategic marketing efforts include merchant network management encompassing new merchant development, merchant service and support, collaboration in promotion activities and rewards' programme based on sales achievement.

Implementation of a new credit processing system in the year also facilitated shortened credit processing turnaround time for applications received, to boost merchant and customer confidence and support for the financing schemes offered by the Company, backed by flexible credit policies adopted.

The Company also expanded the Used Car Easy Payment scheme to the Southern and Northern regions from November 2010 to penetrate wider market in terms of participating merchants and customers. The scheme previously was offered to consumers in the Central, Eastern and East Malaysia regions.

### Further Business Expansion

A new branch and a service centre were opened by the Company during the financial year in Temerloh, Pahang and AEON Bandaraya Melaka Shopping Centre respectively, to better serve the needs of local area customers and merchants. Currently the Company has 30 branches and service centres nationwide.

Meanwhile, the Company incorporated a subsidiary in India, AEON Credit Service India Pte. Ltd. (ACSI), on 9 March 2011. ACSI's principal activities are to carry out market research and survey as well as feasibility studies. The establishment of ACSI is a precursor for establishment of consumer finance business in India by AEON Credit Service Co., Ltd as part of AEON Credit Group's expansion plan in Asia.

It is expected that ACSI shall later be converted to a public company to undertake Non-banking Financial Company (NBFC) business, with majority equity participation by AEON Credit Service Co., Ltd. and the Company and minority participation by Indian investor(s), subject to regulatory approvals in India.

## Managing Director's Operations Review (cont'd)

### Future Plans

Based on the continued favourable business environment and market response to financial service products offered by AEON Credit, the Company expects to sustain growth in operations and financial performance in FYE 2012.

The introduction of the revised credit card guidelines by Bank Negara Malaysia in March 2011 will have impact on the credit card industry players in the country, including AEON Credit. In particular, the guidelines have raised the minimum annual income eligibility to hold credit cards from RM18,000 previously to RM24,000 and further restrict number of credit cards held and credit limit granted for card members with annual income below RM36,000.

Nevertheless, the Company anticipates that card members in the affected eligible income group who frequently patronise AEON shopping centres are likely to retain the AEON credit card, given the extensive card member privileges offered by the Company and AEON Co. (M) Berhad as well as tenants at AEON shopping centres.

One of the strategies to be adopted by the Company to grow the credit card base is to promote conversion of JCard loyalty card members to AEON credit card members while improving the value proposition of AEON credit cards from time to time. The expansion of the Company's merchant network and credit card issuance business experience since 2005 is expected to facilitate expansion of credit card transactions acquiring business by the Company from middle of 2011.

Meanwhile, for the Easy Payment schemes, the Company targets to increase transaction volume for higher cubic capacity motorcycles and used car financing as well as expand product range financed under the consumer durables Easy Payment scheme. Further, financing to small businesses for purchase of assets and equipment will be expanded under the Easy Payment scheme or lease financing structure.

Growth is also projected for the Personal Financing scheme from increase in specific purpose financing to cater for consumer lifestyle, education and personal requirements. Other income for the financial year will be boosted by higher fee based income from sales of third party insurance products and provision of credit management services to external organisations, arising from both product range expansion and target customer base expansion.

The Company will continue to reinforce its prudent risk management policies in sustaining asset quality whilst targeting for continued business growth.

### Acknowledgement

I would like to thank our customers, business partners and shareholders for your continued support and confidence in the Company. I would also like to express my sincere appreciation to the Board of Directors, management and staff of the Company for your contributions and dedication, which are essential for the future growth of the Company.

Yours sincerely,

**Yasuhiro Kasai**  
Managing Director





## Board Of Directors

1. **DATO' ABDULLAH BIN MOHD YUSOF**  
Chairman and Independent Non-Executive Director
2. **MR. YASUHIRO KASAI**  
Managing Director
3. **MR. NARUHITO KURODA**  
Non-Independent Non-Executive Director
4. **MR. TAKATOSHI IKENISHI**  
Non-Independent Non-Executive Director
5. **DATUK RAMLI BIN IBRAHIM**  
Independent Non-Executive Director
6. **DATO' MD KAMAL BIN ISMAUN**  
Independent Non-Executive Director
7. **MR. NG ENG KIAT**  
Independent Non-Executive Director

8. **MR. TOMOAKI SAITO**  
Executive Director
9. **MR. KRISHNAPPAN A/L S.P.S. SINGARAM**  
Executive Director
10. **MR. CLARENCE CHAI**  
Executive Director





## Profile of Directors



**DATO' ABDULLAH BIN MOHD YUSOF** (72, MALAYSIAN)  
CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Abdullah bin Mohd. Yusof was appointed as the Chairman of AEON Credit Service (M) Berhad on 23 July 1997. He holds a Bachelor of Law (Honours) from University of Singapore, which he obtained in 1968. He has more than thirty (30) years of experience as an Advocate & Solicitor. He started his career with Skrine & Co, as a Legal Assistant in 1968 before starting his own partnership under the name of Tunku Zuhri Manan & Abdullah, Advocates & Solicitors in 1969 and subsequently renamed the law firm to Abdullah & Zainudin, Advocates and Solicitors in 1989. He presently remains a partner in Abdullah & Zainudin, Advocates and Solicitors. He sits on the Board of Directors of AEON CO. (M) BHD., MMC Corporation Berhad, Zelan Berhad and Tradewinds Corporation Berhad, all of which are companies listed on Bursa Malaysia Securities Berhad. He sits on the Board of Directors of THR Hotel (Selangor) Bhd and several private limited companies. He also serves as a member of the Nomination and Remuneration Committees.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended all four (4) Board meetings held in the financial year ended 20 February 2011. He holds 250,900 ordinary shares directly in the Company and 105,000 ordinary shares indirectly in the Company.



**MR. YASUHIRO KASAI** (39, JAPANESE)  
MANAGING DIRECTOR

Mr. Yasuhiro Kasai was appointed as an Executive Director for AEON Credit Service (M) Berhad on 7 June 2005. On 20 April 2010, he was appointed as the Managing Director of the Company. Prior to his appointment as the Managing Director of the Company, he was the Head of Operation Management Division. He obtained a Bachelor's Degree in Law from Doshisha University of Japan in 1996. He began his career with AEON Credit Service Co., Ltd in Tokyo, Japan in 1996. He was seconded as Head of Electronic Data Processing in 1997. He has held various responsibilities in our Company, i.e Head of Management Information Systems Department in March 2000 as well as the Credit Assessment Department in March 2001, Senior Manager of Management Information Systems Department, Credit Assessment Department and Electronic Data Operations Department, General Manager/Head of Customer Relations Management Group as well as call centre and risk management sections and Senior General Manager of Customer Relations Management Group. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended four (4) Board meetings held in the financial year. He holds 90,000 ordinary shares directly in the Company and 50,000 ordinary shares indirectly in the Company.

## Profile of Directors (cont'd)



**MR. NARUHITO KURODA** (49, JAPANESE)  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Naruhito Kuroda was appointed as a Non-Executive Director of AEON Credit Service (M) Bhd. on 20 April 2010. Prior to his appointment as Non-Executive Director of AEON Credit Service (M) Bhd., he was the Managing Director of AEON Credit Service (M) Berhad from 26 April 2001 to 20 April 2010. He is currently the Senior Managing Director of AEON Credit Service Co., Ltd, Japan. He holds a Bachelor's Degree in English Literature from Kansai University of Foreign Studies, Japan, which he obtained in 1984. He joined AEON Co., Ltd. in 1984 and was transferred to AEON Credit Japan and subsequently seconded to AEON Credit Service (Asia) Co., Ltd. Hong Kong, as Senior Manager. In 1995, he was appointed a director of AEON Thana Sinsap (Thailand) PLC and also the Deputy Managing Director of ACS Capital Corporation, which he held from 1998 to 1999. Mr. Kuroda was appointed as a Director of AEON Credit Service (Asia) in Hong Kong from 1999-2000. He is also the President Komisaris of PT AEON Credit Service Indonesia. He also serves as Chairman of the Nomination and Remuneration Committees. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended two (2) Board meetings held in the financial year ended 20 February 2011. He holds 530,000 ordinary shares directly in the Company.



**MR. TAKATOSHI IKENISHI** (47, JAPANESE)  
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Takatoshi Ikenishi was appointed as a Non-Executive Director of AEON Credit Service (M) Bhd. on 18 June 2008. He obtained a Bachelor's Degree in Economics from Kwansei Gakuin University, Japan in 1987. He began his career with AEON Credit Service Co., Ltd. Japan in 2006 as Chief General Manager and was promoted to Head of Oversea Business Administration in 2007. He was appointed as Director of AEON Credit Service Co., Ltd Japan in May 2008. He is currently a member for both the Nomination and Remuneration Committees. He presently sits on the Board of Directors of AEON Credit Service (Asia) Co., Ltd., Hong Kong and AEON Thana Sinsap (Thailand) PLC, Thailand (which are listed on the stock exchange of the respective countries) aside from AEON Credit Service Co., Ltd., Japan. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended three (3) Board meetings held in the financial year ended 20 February 2011.

## Profile of Directors (cont'd)



**DATUK RAMLI BIN IBRAHIM** (70, MALAYSIAN)  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Ramli bin Ibrahim was appointed as a Non-Executive Director of AEON Credit Service (M) Berhad on 23 July 1997. He qualified as a Chartered Accountant from the Institute of Chartered Accountants of Australia in 1965. He is a member of the Malaysian Institute of Accountants and a Fellow of the Australian Institute of Chartered Accountants. He has approximately 30 years of experience in the field of audit and accountancy with KPMG in Australia, United Kingdom and Malaysia. He was appointed to the position of Partner of KPMG Malaysia in 1971 and promoted to Senior Partner of KPMG Malaysia in 1989. He also served on the Board of Directors of KPMG International and KPMG Asia Pacific from 1990 to 1995. He retired from KPMG Malaysia in 1995. He further served as the Executive Chairman of Kuala Lumpur Options and Financial Futures Exchange Berhad from December 1995 to December 2000. Currently, he sits on the Board of AEON CO. (M) BHD., Ranhill Berhad, Measat Global Berhad, BCT Technology Berhad and several other unlisted public and private limited companies including HSBC Bank Malaysia Berhad and Yayasan Tuanku Syed Sirajuddin. He also serves as a member of the Audit and Nomination Committees.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended all four (4) Board meetings held in the financial year ended 20 February 2011. He holds 160,000 ordinary shares directly in the Company.



**DATO' MD KAMAL BIN ISMAUN** (63, MALAYSIAN)  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Md Kamal bin Ismaun was appointed as a Non-Executive Director of AEON Credit Service (M) Berhad on 7 August 2007. He obtained a Bachelor's Degree in Arts from Universiti Malaya in 1975. He had served 32 years in the Foreign Service in various capacities both abroad and in Wisma Putra (Ministry of Foreign Affairs) which included stints as Counsellor at the Embassy of Malaysia in Tokyo, Japan (1986-1990), Charge d'Affaires in Zagreb, Croatia in Bosnia Herzegovina (1994-1996), Ambassador to Cambodia (1996-1999), Under-Secretary at the Ministry of Foreign Affairs (Southeast Asia and Pacific, 1999-2001), Director-General of ASEAN in the Ministry of Foreign Affairs (2001-2003) and Ambassador to Germany (2003 – July 2007). He also serves as a member of the Audit and Nomination Committees. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended all four (4) Board meetings held in the financial year ended 20 February 2011. He holds 5,000 ordinary shares directly in the Company.



## Profile of Directors (cont'd)



**MR. NG ENG KIAT** (57, MALAYSIAN)  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Ng Eng Kiat was appointed as a Non-Executive Director of AEON Credit Service (M) Berhad on 7 August 2007. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and a fellow member of the Malaysian Institute of Taxation and CPA Australia. He has more than thirty (30) years of experience in the field of audit, accountancy and taxation. He had previously served as a member on a number of working groups of the Malaysian Accounting Standards Board, a co-opted member on a number of committees of the Malaysian Institute of Certified Public Accountants and an examiner for the final professional examination of the Malaysian Institute of Certified Public Accountants. Presently, he is the Managing Partner of the merged firm of Azman, Wong, Salleh & Co. and Folks DFK & Co. He also sits on the Board of Directors of several private limited companies. He is currently the Chairman of the Audit Committee. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended all four (4) Board meetings held in the financial year ended 20 February 2011. He holds 10,000 ordinary shares directly in the Company.



**MR. TOMOAKI SAITO** (39, JAPANESE)  
EXECUTIVE DIRECTOR

Mr. Tomoaki Saito was appointed as an Executive Director for AEON Credit Service (M) Berhad on 19 April 2010. He obtained a Bachelor's Degree in Commerce from Doshisha University of Japan in 1996. He began his career with AEON Credit Service Co., Ltd. in Sapporo branch, Japan in 1996. He has held various senior management responsibilities within AEON Credit Service Co., Ltd. from 1999 to 2008 and he has gained broad experience in the Human Resources Division, Accounting and Finance Division and the Corporate Affairs Division. Before he was promoted to Managing Director of AEON Credit Service (TAIWAN) Co., Ltd., he was the Senior Manager of the Accounts and Finance Department of AEON Credit Service (ASIA) Co., Ltd. Currently, he is responsible for overseeing the Operations Management Division of the Company. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended three (3) Board meetings held during the financial year ended 20 February 2011. He holds 10,000 ordinary shares directly in the Company.

## Profile of Directors (cont'd)



**MR. KRISHNAPPAN A/L S.P.S. SINGARAM** (44, MALAYSIAN)  
EXECUTIVE DIRECTOR

Mr. Krishnappan a/l S.P.S. Singaram was appointed as an Executive Director for AEON Credit Service (M) Berhad on 7 June 2005. He obtained the Certified Public Accountant qualification from the Malaysian Institute of Certified Public Accountants ("MICPA") in 1994 and is currently a member of both MICPA and the Malaysian Institute of Accountants ("MIA"). He began his career with KPMG Peat Marwick in 1987. He left to join Sime Darby Berhad as Finance Manager in 1993 before joining Tanjung Serbaneka Holding Sdn. Bhd. as their Group Finance Manager in 1996. Thereafter, he left Tanjung Serbaneka Holding Sdn Bhd to join our Company in 2000 as Manager of Finance Department. In 2003, he was promoted to the position of Assistant General Manager of both Human Resource and Finance Departments. He was made the Head of Finance Group in 2006. On 21 February 2008, he was made Head of Finance and Human Resource Division. He was redesignated as the Head of Finance, Legal and Administration Division on 1 April 2010. On 9 March 2011, he has been nominated as AEON Credit's representative to represent and act for and on behalf of the Company on the Board of AEON Credit Service India Pte. Ltd. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended four (4) Board meetings held in the financial year ended 20 February 2011. He holds 90,000 ordinary shares directly in the Company.



**MR. CLARENCE CHAI** (48, MALAYSIAN)  
EXECUTIVE DIRECTOR

Mr. Clarence Chai was appointed as an Executive Director for AEON Credit Service (M) Berhad on 18 April 2006. He obtained the Advance Level qualifications in Business Studies from Hasting College of Further Education, England in 1981. He began his career with RJ Reynolds Tobacco Co. Sdn. Bhd. in 1982 and subsequently joined MBF Card Services Sdn. Bhd. as Area Manager in 1989. In 1995, he joined Synergy Card & Payment Services Sdn Bhd as Area Manager. He joined the Company as Kuching Branch Manager in 2000. In 2003, he was promoted as Senior Manager for East Malaysia operations. He was later promoted to Assistant General Manager, and General Manager/Head of Branch Operations Group. He is responsible for overseeing the company's entire branch network and service centres network. On 21 February 2008, he was made Head of Regional Sales and Operations Division. He does not hold any directorships in any other public or public listed company.

He does not have any family relationship with any Director and/or major shareholder of the Company or any conflict of interest with the Company nor he has any convictions for offences within the past 10 years, except for traffic offences, if any.

He has attended four (4) Board meetings held in the financial year. He holds 22,000 ordinary shares directly in the Company.

## Senior Management



**MR. YASUHIRO  
KASAI**

Managing Director



**MR. TOMOAKI  
SAITO**

General Manager /  
Head of Operations  
Management Division



**MR. KRISHNAPPAN  
A/L S.P.S.  
SINGARAM**

Senior General Manager /  
Head of Finance, Legal &  
Administration Division



**MR. CLARENCE CHAI**

Senior General Manager /  
Head of Regional Sales  
& Operations Division



**MR. DANNY  
POH WAN CHUNG**

General Manager /  
Head of Marketing  
& Business Development  
Division



**MS. LEE TYAN JEN**

General Manager /  
Head of Credit Operations  
Division



**MR. TENG BOON  
HONG**

Assistant General Manager /  
Head of Information  
Technology Group



# Statement on Corporate Governance

## Compliance Statement

The Board of Directors ("The Board") recognises that corporate governance is about commitment to values and ethical conduct and managing stakeholder expectations.

The Board is therefore, pleased to set out below a statement outlining the main corporate governance practices of the Company on how the Company has applied and complied with the principles and best practices of the Code throughout the financial year under the Malaysian Code of Corporate Governance ("the Code") and Paragraph 15.25 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

## Board Responsibilities

The Board's principal focus is the overall strategic direction, development and control of the Company and ensuring accountability to its shareholders. In support of this, the Board:

- (a) reviews the Company's long-term strategic plans on an annual basis, so as to align the Company's business directions and goals with the prevailing economic and market conditions;
- (b) reviews the Company's internal control system and function of Board Committees to assist the Board in discharging of its responsibilities;
- (c) approves the Company's annual budget and reviews the Company's business operations and financial performance;
- (d) reviews and approves corporate exercises, such as acquisitions, if any, and circular to shareholders, where relevant;
- (e) notes the decisions and salient issues deliberated by the Board Committees through the minutes of the Board Committees and/or through their respective Chairman; and
- (f) establishes and implements an active investor relations programme.

## Board Composition and Balance

The present size and composition of the Board is optimum and well balanced, in terms of the required mix of skills and experience, including core competencies. This results in the Board having the stability, continuity and commitment as well as capacity to discharge its responsibilities and manage the Company effectively.

The Board currently consists of ten (10) members, comprising one (1) Chairman who is Non-Executive Director, four (4) Executive Directors and five (5) Non-Executive Directors. The Chairman and three (3) of the Non-Executive Directors are Independent Directors of the Company. This complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia which required at least two (2) or one third (1/3) of the Board of the Company, whichever is the higher, are independent directors. In the event of any vacancy in the Board resulting in non-compliance with the requirements on Independent Directors, the vacancy must be filled within three (3) months of that event. The Directors' profiles are presented on pages 19 to 23 of the Annual Report.

Datuk Ramli bin Ibrahim is the Senior Independent Non-Executive Director to whom concerns on matters relating to corporate governance of the Company could be conveyed to.

## Appointments to the Board

The Company has in place formal and transparent procedures for the appointment of new Directors to the Board. These procedures ensure that all nominees to the Board are first considered by the Nomination Committee, taking into account the required mix of skills, experience and other qualities of Board members, prior to making a recommendation to the Board and major shareholders of the Company.

## Statement on Corporate Governance (cont'd)

### Board Meetings

Board meetings are conducted in accordance with a structured agenda. The agenda for each Board meeting and the relevant reports and Board papers are forwarded to the Board prior to the Board meeting to facilitate the Directors sufficient time to peruse the Board papers and review the issues well ahead of the meeting date.

Board meetings are held at least on a quarterly basis. Additional meetings are held as and when required. During the financial year, the Board met four (4) times where it deliberated and considered a variety of matters, inclusive of financial results, operation performance and resolutions. The details of Directors' attendance are as follows:

	Name of Director	Number of Board meetings attended/held during the Directors' term in office
1.	Dato' Abdullah bin Mohd Yusof - Chairman and Independent Non –Executive Director	4/4
2.	Mr. Yasuhiro Kasai - Managing Director	4/4
3.	Mr. Yoshiki Mori (Resigned on 15 June 2010) - Non-Independent Non – Executive Director	0/2
4.	Mr. Naruhito Kuroda - Non-Independent Non-Executive Director	2/4
5.	Datuk Ramli bin Ibrahim - Independent Non-Executive Director	4/4
6.	Dato' Md Kamal bin Ismaun - Independent Non-Executive Director	4/4
7.	Mr. Ng Eng Kiat - Independent Non-Executive Director	4/4
8.	Mr. Takatoshi Ikenishi - Non-Independent Non-Executive Director	3/4
9.	Mr. Tomoaki Saito (Appointed on 19 April 2010) - Executive Director	3/3
10.	Mr. Krishnappan A/L S.P.S. Singaram - Executive Director	4/4
11.	Mr. Clarence Chai - Executive Director	4/4

### Supply of Information

The Board and the respective Board Committees are furnished with Board papers and reports providing updates on financial, operational and corporate plans, developments and results prior to Board or respective Board Committees meetings to facilitate informed discussion and decision-making during meetings.

The Board welcomes the presence of senior management members, who are invited to attend Board meetings to brief Directors on the business operations and performance. All Directors have access to the advice and services of both Company Secretaries. The Directors are regularly updated and advised by both Company Secretaries on new statutory guidelines and regulatory requirements from time to time and their impact and the implication on the Company and Directors in carrying out their fiduciary duties and responsibilities. The Secretaries also notified the Directors and Principal Officers on the closed period for trading in the Company's shares, in accordance with Chapter 14 of Dealings in Securities of Bursa Malaysia Main Market Listing Requirements.

## Statement on Corporate Governance (cont'd)

### Supply of Information (cont'd)

Procedures are in place for the Board to seek independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

### Training of Directors

All new appointed Directors are given a briefing of the Company's history, operations and performance. All Directors of the Company have successfully completed the Mandatory Accreditation Programme including Mr. Tomoaki Saito who was appointed on 19 April 2010. The Directors have also been provided with updates on relevant new law and regulations affecting their role as Directors.

During the financial year ended 20 February 2011, the relevant training programmes, seminars, forum, workshops, accounting, finance and discussions relating to business attended by the Directors of the Company were on the following topics:

Title of Seminar / Workshops / Courses:

- Leading Results through People with MRG 360 Feedbacks
- Developing Effective Human Resource Policies and Procedures
- Developing High Impact Boards (Module 1) –Reflecting on issues boards face today
- Role of the Board in Enterprise Risk Management
- Boards Responsibility for internal control, Financial Reporting & Capital Management
- Building Board – Team & role of Board in Strategy & Stakeholder Relations
- Briefing To Director & Senior Management on FRS 139 & FRS137
- Audit Committee Institute Roundtable Discussion "Going Forward: Risk & Reform-Implications for Audit Committee"
- Performance Pays-"A Study of Financial Institutions Directors Remuneration"

All Directors are encouraged to continue to identify and attend appropriate seminars, conferences and courses to keep abreast with the developments in the business environment as well as the current changes in the laws and regulations to enhance their knowledge and skills.

### Re-election of Directors

In accordance with the Company's Articles of Association, at every Annual General Meeting ("AGM") of the Company, one-third of the Directors or the number nearest to one-third (1/3) are subject to retirement by rotation such that each Director shall retire from office once in every three (3) years. All Directors who retire from office shall be eligible for re-election.

Directors appointed by the Board in each financial year shall hold office only until the next AGM and shall then be eligible for re-election.

### Board Committees

The Board is assisted by its Committees, which have been established under defined terms of reference, in accordance with the Bursa Malaysia Main Market Listing Requirements and best practices prescribed by the Code to assist the Board in discharging its responsibilities. The Committees are the Audit Committee, Nomination Committee, and the Remuneration Committee.

The functions and terms of reference of the Board Committees as well as authority delegated by the Board to these Committees have been approved by the Board and are reviewed from time to time to ensure they are relevant and up-to-date. The Board Committees examine specific issues and report to the Board with their recommendations. The ultimate responsibility for decision-making lies with the Board.



## Statement on Corporate Governance (cont'd)

### Audit Committee

The Board is also assisted by the Audit Committee. The Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal function and ensures that an objective and professional relationship is maintained with the external and internal audit. The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of the Audit Committee.

The members, terms of reference and activities for the financial year under review are stated on page 32 to page 36 of the Annual Report.

### Nomination Committee

The Nomination Committee comprises the following members:

- Mr Naruhito Kuroda (Non-Independent Non-Executive Director)(Chairman)
- Dato' Abdullah bin Mohd Yusof (Independent Non-Executive Director)
- Mr Takatoshi Ikenishi (Non-Independent Non-Executive Director)
- Datuk Ramli bin Ibrahim (Independent Non-Executive Director)
- Dato' Md Kamal bin Ismaun (Independent Non-Executive Director)

A selection process for new appointees to the Board as recommended by the Nomination Committee has been adopted by the Board.

The Nomination Committee is responsible for making recommendation to the Board on the optimum size of the Board, formalising a transparent procedure for proposing new nominees to the Board and Board Committees and ensuring that the interest of the minority shareholders are fairly reflected on the Board. The Nomination Committee will review annually the required mix of skills, experience and other qualities of the Board including core-competencies of both Executive and Non-Executive Directors should bring to the Board. The Nomination Committee also assesses annually the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director and the effectiveness and performance of the Executive Directors.

During the financial year ended 20 February 2011, one (1) Nomination Committee meeting was held and was attended by all its members. During the financial year, the Nomination Committee had reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, contribution of each Director and effectiveness of the Board and Board Committees and also reviewed the retirement of Directors by rotation and their eligibility for re-election.

### Remuneration Committee

The Remuneration Committee comprises of the following members:

- Mr Naruhito Kuroda (Non-Independent Non-Executive Director)(Chairman)
- Dato' Abdullah bin Mohd Yusof (Independent Non-Executive Director)
- Mr Takatoshi Ikenishi (Non-Independent Non-Executive Director)

The Remuneration Committee is responsible for recommending to the Board, the remuneration of Executive Directors and fees of Non-Executive Directors of the Company in all its forms. The Executive Directors concerned play no part in the decision of their own remuneration but may attend the committee meetings at the invitation of the Chairman of the Remuneration Committee if their presence are required. The determination of fees of the Independent Non-Executive Directors is a matter for the Board, as a whole, with individual Director abstaining from discussion of their own fees. The Company's Articles of Association provide that any increase in Directors' fees should be approved at a general meeting.

## Statement on Corporate Governance (cont'd)

### Remuneration Committee (cont'd)

During the financial year ended 20 February 2011, one (1) Remuneration Committee meeting was held and was attended by all its members. During the financial year, the Remuneration Committee reviewed and recommended to the Board, the remuneration for the Managing Director and Executive Directors of the Company and further recommended the Non-Executive Directors' fees to the Board to seek shareholders' approval at the Company's AGM.

### Directors' Remuneration

The remuneration package are structured according to the skills, experience and performance of the Executive Directors to ensure the Company attracts and retains the Directors needed to run the Company successfully. The fees of the Non-Executive Directors depend on their contribution to the Company in terms of their knowledge and experience.

The details of the aggregate remuneration of the Directors for the financial year ended 20 February 2011, categorised into appropriate components are as follows:-

	Executive Directors	Non-Executive Directors	(RM) Total
Fees	–	406,000	406,000
Salaries, bonus and other contributions	2,191,059	–	2,191,059
Benefits-in-kind	153,988	–	153,988
<b>TOTAL</b>	<b>2,345,047</b>	<b>406,000</b>	<b>2,751,047</b>

The Directors' remuneration are broadly categorised into the following bands:

	Number of Directors		
	Executive	Non-Executive	Total
Below RM50,000	–	2	2
RM50,001 to RM150,000	–	3	3
RM150,001 to RM350,000	–	1	1
RM350,001 to RM400,000	2	–	2
RM400,001 to RM450,000	1	–	1
RM450,001 to RM500,000	1	–	1
RM650,001 to RM700,000	1	–	1
	<b>5</b>	<b>6</b>	<b>11</b>

*Note : Above table includes one director who resigned during the year*

## Statement on Corporate Governance (cont'd)

### Shareholders

#### Investor Relations

The Company's financial performance and corporate developments in the Company have been promptly announced to all shareholders in line with Bursa Malaysia objectives of ensuring transparency and good corporate governance. Further updates of the Company's activities and operations are also disseminated through dialogues with analysts, fund managers and investors as well as press releases from time to time.

Additional information is available from the Company's website ([www.aeonmalaysia.com.my](http://www.aeonmalaysia.com.my)) including updates on promotions for the Company's products and services, services offered by the Company and the Company's corporate information. A dedicated e-mail address is available at [IR@aeonmalaysia.com.my] providing contact point for shareholders on any issue of concern.

During the AGM, shareholders are given a presentation on the Company's performance and major activities during the year under review. Shareholders will have the opportunity to enquire and comment on the Company's performance and operations.

### Accountability and Audit

#### Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through its annual financial statements and quarterly statements to shareholders and the review of operations through its annual report. The Audit Committee and the Board oversee the Company's annual and quarterly reporting and the quality of its financial reporting.

#### Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Directors are responsible for ensuring that financial statements are drawn up in accordance with applicable accounting standards in Malaysia, the provisions of the Companies Act, 1965, and the requirements of Bursa Malaysia and other regulatory bodies. In presenting the financial statements which have been prepared on a going concern basis, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, to show a true and fair view of the state of affairs of the Company and its results and cash flow for the financial year under review.

The Directors are responsible for keeping proper accounting records, which disclosed with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have a general responsibility for taking such steps as reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.



## Statement on Corporate Governance (cont'd)

### Statement of Internal Control

The Statement on Internal Controls as set out in pages 37 to 38 of the Annual Report provides an overview of the state of internal controls within the Company.

### Recurrent Related Party Transactions

At the Thirteenth AGM held on 15 June 2010, the Company obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions of a revenue or trading nature.

All recurrent related party transactions entered into by the Company during the financial year ended 20 February 2011 are disclosed in Note 19 of the financial statements in page 71 of the Annual Report 2011.

### Relationship with Auditors

The Board with the assistance of the Audit Committee maintains a formal and transparent relationship with the Company's External Auditors through Board and formal meetings whereby issues are discussed.

The relationship between the Board and External Auditors is also formalised through the Audit Committee's terms and reference.

### Compliance with the Code

The Board is pleased to state that the Company was in compliance with all the principles and best practices as advocated in the Code during the financial year under review, except for disclosure of each individual Director's remuneration.

# Audit Committee Report

## Membership and Meetings

The Audit Committee members are appointed by the Board of Directors from amongst its non-executive members. The Audit Committee comprises three (3) Independent Non-Executive Directors of the Board as set out in the table below.

Mr. Ng Eng Kiat, the Chairman of the Audit Committee and Datuk Ramli bin Ibrahim are members of the Malaysian Institute of Accountants (MIA).

During the financial year under review, the Audit Committee convened four (4) meetings. The attendance record of the members of the Audit Committee is as follows:

No.	Audit Committee Member	Designation	Meetings Attended
1.	Mr. Ng Eng Kiat	Chairman (Independent Non-Executive Director)	4 / 4
2.	Datuk Ramli bin Ibrahim	Member (Independent Non-Executive Director)	4 / 4
3.	Dato' Md Kamal bin Ismaun	Member (Independent Non-Executive Director)	3 / 4

The Company Secretary, being the Secretary of the Audit Committee, and the Head of Internal Audit Department were present at all the meetings. Upon invitation, representatives of the External Auditors, Messrs KPMG, the Managing Director and the Head of Finance, Legal & Admin Division also attended specific meetings.

## Summary of Activities of the Audit Committee

The Audit Committee carried out its duties as set out in the terms of reference outlined in pages 34 to 36. During the period under review, the Audit Committee carried out the following main activities:

- Reviewed and approved the annual internal audit plan of the Internal Audit Department, including its audit strategy, scope, functions, competency, resource requirements and the necessary authority to carry out its work.
- Reviewed and deliberated reports issued by the External Auditors, Messrs KPMG and Internal Audit Department on significant findings and remedial actions to be taken by Management to address the issues raised.
- Reviewed and recommended the quarterly unaudited financial results and the annual audited financial statements of the Company to the Board of Directors for consideration and approval.
- Reviewed with the external auditors the scope of work, audit plan and their professional fees and thereafter recommended the same to the Board of Directors for approval.
- Reviewed the incidence and nature of recurrent related party transactions and also reviewed the annual circular to shareholders in respect of the recurrent related party transactions of revenue and trading nature and recommended the same to the Board of Directors for consideration and approval.
- Discussed and recommended to the Board of Directors for approval, the Statements on Corporate Governance and Internal Control and the Audit Committee activities report for inclusion in the annual report.
- Reviewed with the Management the impact of the implementation of new / revised Financial Reporting Standards (FRS).
- Conducted an annual assessment of the Internal Audit Department's scope, functions, competency and resources pursuant to the Main Market Listing Requirements of Bursa Securities.
- Reported to the Board of Directors on its activities and any significant issues and remedial actions taken arising from the audits undertaken by the external and internal auditors.

## Audit Committee Report (cont'd)

For the financial year under review, the Audit Committee held two (2) meetings with the external auditors and one (1) meeting with the internal auditor without the presence of the Management to discuss any issues or significant matters, which the External / Internal Auditors wished to raise.

### Internal Audit Functions and Summary of Activities

The Company has established an Internal Audit Department which reports to the Audit Committee. The Internal Audit Department serves as a governance control and provides the Audit Committee with independent and objective reports on the state of internal controls of the operating units within the Company. Total staff cost incurred in respect of the internal audit function during the financial year ended 20 February 2011 was RM452,000. During the period under review, the Internal Audit Department carried out the following activities:

- Presented and obtained approval from the Audit Committee the annual internal audit plan, its audit strategy, scope of audit work and resource requirements.
- Conducted audits of the operating units of the Company as identified in the annual internal audit plan to review the adequacy and effectiveness of the internal control system as well as compliance with policies and procedures, reported ineffective and inadequate controls, and made recommendations to improve their effectiveness.
- Monitored and followed-up to ensure Management implemented the remedial action plans.
- Continued to inculcate good risk management practices throughout the Company.



# Terms of Reference of the Audit Committee

## 1. Introduction

The Audit Committee ("Committee") is a governing body appointed by the Board of Directors which is charged with oversight of the organization's audit, accounting and internal control functions.

## 2. Primary Purpose

The primary purpose of the Committee is to assist the Board of Directors (BOD) in fulfilling its fiduciary responsibilities relating to the following objectives of the Company:

- a. Assess the Company's processes relating to its risks and control environment,
- b. Improve the quality of the accounting function, system of internal controls and audit function and strengthen the confidence of the public in the Company's reported results,
- c. Maintain a direct line of communication between the BOD, the external auditors and internal auditors through regularly scheduled meetings,
- d. Enhance the independence of both the external and internal audit functions through active participation in the audit process,
- e. Strengthen the role of the independent directors by giving them a greater depth of knowledge as to the operations of the Company,
- f. Review and recommend ethics code for all executives and members of the staff of the Company and
- g. Create a climate of discipline and control which will mitigate the incidents of fraud and other shortcomings.

## 3. Membership

The BOD shall appoint Committee members from amongst their members, comprising no fewer than 3 directors (all of whom shall be Non-Executive) and the majority of whom shall comprise independent directors of the Company.

The BOD shall at all times ensure that all members of the Audit Committee should have working knowledge of finance and accounting and at least 1 member of the Committee shall be:

- A member of Malaysian Institute of Accountants (MIA); or
- If he or she is not a member of MIA, he or she must have at least 3 years of working experience and:-
  - he or she must have passed the examinations specified in Part 1 of the 1st schedule of the Accountants Act 1967; or
  - he or she must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - he or she must be a person who fulfills such other requirements as maybe prescribed by or approved by Bursa Malaysia Securities Berhad ("Bursa Securities") and or such other relevant authorities from time to time.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below 3, the Board shall within 3 months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive director. No alternate director of the BOD shall be appointed as a member of the Committee.

The BOD shall review the term of office and performance of the Committee and each of its members at least once in every 3 years and determine if their duties have been carried out in accordance with their terms of reference and will recommend the necessary actions thereon.

## Terms of Reference of the Audit Committee (cont'd)

### 4. Meetings

Meetings shall be conducted on a quarterly basis or more frequently as circumstances dictate.

A quorum shall be a majority of the members of the Committee. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee. The Secretary shall, in conjunction with the Chairman, draw up an agenda, which shall be circulated together with relevant support papers, at least 1 week prior to each meeting to the Committee members. The minutes shall be circulated to the members of the Board and kept by the Secretary for the custody, production and inspection of such minutes.

The agenda for the meeting shall include the following:

- a. Review the quarterly, interim or year end financial statements of the Company and respective announcements of the Company before submission to BOD for consideration and approval,
- b. Report and recommend to BOD for approval of annual financial statements,
- c. Review with external auditors the scope of work and audit plans prior to implementation,
- d. Review recurrent related party transactions of a revenue or trading nature within the Company for inclusion in the circular to the shareholders in relation to proposed renewal of the shareholders' mandate for recurrent related party transactions pursuant to Bursa Securities requirements for BOD approval and
- e. Review internal audit reports and consider the significant findings and management responses and ensure significant findings have been adequately addressed by the management.

Other BOD members and/or employees may attend the specific audit committee meetings at the invitation of the Committee.

The Chairman shall submit an annual report to the BOD summarizing the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with management and at least once a year with the Head of Internal Audit and at least twice a year with the external auditors, internal auditor or both in separate sessions to discuss any matters without the presence of any executive members of the BOD.

### 5. Authority

The Committee shall have the power to:-

- a. Seek any information it requires from employees who are required to cooperate with any request made by Committee,
- b. Full and unlimited access to any information pertaining to the Company,
- c. Direct communication channels with internal and external auditors and with senior management of the Company,
- d. Adequate resources required to perform its duties including legal or other independent professional advice it considers necessary,
- e. Report to Bursa Securities any matter that has not been satisfactorily resolved resulting in a breach of Bursa's Listing requirements, after the matter has been reported to the BOD, and
- f. Able to convene meetings with the external auditors, internal auditors or both excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the chairman, the managing director, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

## Terms of Reference of the Audit Committee (cont'd)

### 6. Responsibilities and Duties

Pursuant to Section 15.13 of the Listing Requirements of Bursa Securities (or any other succession/deletions/changes thereof), the following duties shall be discharged by the Committee and the same shall be reported/recommended, where applicable to the BOD:

- a. Review with external auditors, the audit scope and plan including any changes to the planned scope of the audit,
- b. Ensure the internal audit function is independent of the activities it audits and to identify a head of internal audit who reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company. The head of internal audit shall have unrestricted access to the Committee Members,
- c. Review the adequacy and integrity of internal control system including enterprise risks management, management information system and the internal and external auditors evaluation of the system,
- d. Review the external and internal audit reports, process and investigation reports and whether or not appropriate action is taken by management on the recommendations made,
- e. Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has necessary authority to carry out the work,
- f. Review major audit findings and management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations,
- g. Review the assistance given by Company's officers to auditors and any difficulties encountered in the course of work including any restrictions on the scope of activities or access to required information,
- h. Review the independence and objectivity of the external auditors and their services, including the provision of non-audit services,
- i. Review the appointment, performance, audit fee, resignation or dismissal of the external auditors,
- j. Review internal audit charter, salary, compensation, appointment, transfer, dismissal of internal auditors and staffing of internal audit department,
- k. Take cognizance of resignations of internal audit staff members (for in-house internal audit functions) or change in internal audit function service provider (for out-sourced internal audit function) and provide the resigning staff member or service provider an opportunity to submit his/her reasons for resigning.
- l. Review the quarterly results and year end financial statements prior to approval by BOD focusing particularly on:
  - a. changes in or implementation of major accounting policy changes;
  - b. significant and unusual events; and
  - c. compliance with accounting standards and other legal requirements.
- m. Review procedures in place to ensure compliance to Companies Act 1965, Bursa Malaysia Listing Requirements, Foreign Investment Committee guidelines, Bank Negara Malaysia regulations and any other legislative, reporting and compliance requirements,
- n. Review any related party transactions and conflict of interest situations that may affect the management's integrity,
- o. Prepare report at least once a year to BOD summarising the activities performed in fulfilling Committee's responsibilities, and
- p. Review any other financial and governance related matters that may be considered/requested by the BOD from time to time.



# Statement on Internal Control

## Introduction

The Board of Directors ("Board") is committed to its responsibility of maintaining a sound system of internal control, covering financial and operating activities to safeguard shareholders' investment, the Company's assets and customers' interests. This Statement on Internal Control outlines the processes that have been implemented to ensure the adequacy and integrity of the system of internal control of the Company during the financial year and it has been prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

## Board Responsibilities

The Board has an overall responsibility for the Company's system of internal control to provide reasonable assurance of efficient operations, effective internal checks and compliance with laws and regulations. The on-going process for identifying, evaluating, monitoring and managing the significant risks faced by the Company is periodically reviewed by the Board during the financial year under review. However, the Board recognises that the Company's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, hence it can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

The Board is assisted by the Management in the implementation of the approved policies and procedures on risks and controls, in which the Management identifies and assesses the risks faced as well as implements and monitors appropriate control measures to mitigate and control these risks.

Further, the Board is assisted by the Audit Committee to review the adequacy and integrity of the system of internal controls in the Company as part of the internal control and risk management processes.

## Internal Audit Function

The Audit Committee, assisted by the Internal Audit Department, provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls. The Audit Committee has an oversight function of all activities carried out by the Internal Audit Department.

The Internal Audit Department adopts a risk-based approach in preparing its audit strategy and plan. The Internal Audit Department independently reviews the risk exposures and control processes implemented by the management and conducts assignments which encompass auditing and review of critical areas within the Company, including operations and IT/information systems. The internal audit activities are guided by an annual internal audit plan, which is approved by the Audit Committee and the internal audit reports are tabled at the Audit Committee Meetings for review. Further, the Internal Audit Department engages in regular communication with the senior management team and various departments within the Company related to Internal Audit activities and efforts for continuous improvement in operations and systems. External auditors' recommendations for improvements noted during their audit, if any are also closely monitored and followed-up to ensure that they are promptly implemented.

## Statement on Internal Control (cont'd)

### System of Internal Controls

The Board is responsible for managing the key business risks of the Company and implementing the appropriate internal control system to manage those risks. The Board reviewed the adequacy and integrity of the system of internal controls during the year.

Key elements of the Company's system of internal controls are as follows:-

- The management structure of the Company formally defines lines of responsibility and delegation of authority for all aspects of the Company's affairs.
- The Company has in place written operating procedures, which are reviewed and updated as and when necessary to improve on the control environment and operational efficiency.
- Senior management submits and presents the business plans on an annual and monthly basis and reviews are regularly held in Management and Executive Committee meetings.
- The Board approves the annual budget and reviews key business variables and monitors the Company's performance on a quarterly basis.
- The Company has established a Risk Management Committee, comprising members of key management team, who regularly address the various risk areas associated with the Company's business and operations including credit risk, operational risk and market risk. The objective of the Committee is to assess, control and manage the identified risks. The Management, in turn, prepares Risk Management Reports highlighting the key risk areas with appropriate remedial actions to be taken to the Board for review.
- The Audit Committee is responsible for reviewing the statutory annual financial statements and the quarterly announcements to Bursa Securities and recommends to the Board for approval prior to submission to Bursa Securities.
- Project teams are set up from time to time to address business and operational issues to meet the business objectives and operational requirements of the Company.

All the abovementioned processes are in place and provide reasonable assurance on the effectiveness of the internal control system. The Board will conduct reviews on continuing basis to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets and stakeholders' interests.

## Other Information

### 1. Material Contracts Involving Directors and Substantial Shareholders

Material contracts entered into by the Company which involve Directors' and major Shareholders' interests and still subsisting at the end of the financial year ended 20 February 2011, or entered into since the end of the previous financial year, comprise transactions involving AEON CO. (M) BHD. as set out below. The ultimate holding company of the Company, AEON Co., Ltd, is also the holding company of AEON CO. (M) BHD. Dato' Abdullah bin Mohd Yusof and Datuk Ramli bin Ibrahim, both Directors of the Company are also Directors of AEON CO. (M) BHD.

- a) On 1 July 1997, the Company entered into a Factoring Agreement with a related company, AEON CO. (M) BHD whereby the Company factors goods sold on credit under its Easy Payment scheme at AEON CO. (M) BHD. The debts sold to the Company are at full value of the goods and upon the terms and conditions as stated in the Factoring Agreement. The total value of the debts sold to the Company in the year under review amounted to RM7.916 million.
- b) On 23 June 2005, the Company entered into a JUSCO Credit Card Agreement with AEON CO. (M) BHD. to set out the terms and conditions for the issuance of a credit card called JUSCO Credit Card by the Company, which also carries the trade mark of AEON CO. (M) BHD. JUSCO Credit Card holders who are also J CARD (loyalty card issued by AEON CO. (M) BHD.) members will enjoy additional J CARD loyalty points (on the retail transactions made using the JUSCO Credit Card) provided by the Company through purchase of the additional JCARD points from AEON CO. (M) BHD. During the year under review, the value of total J CARD points purchased by the Company was RM1.416 million.
- c) On 29 December 2005, the Company entered into a credit card Merchant Agreement with AEON CO. (M) BHD. whereby the Company will pay to AEON CO. (M) BHD. the value of sales transaction from the goods sold at AEON CO. (M) BHD. through credit cards issued by the Company, less agreed commission (discount) on the transaction value, and subject to the terms and conditions as stated in the Merchant Agreement. The total value of the transaction settled by the Company in the year under review was RM83.621 million and the total commission receivable was RM1.208 million.

### 2. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company by the Company's auditors, or a firm or company affiliated to the auditors' firm for the financial year ended 20 February 2011 was RM118,000.



# Risk Management

The Company's Risk Management Section was established in June 2009 to provide the Company with a mechanism to develop an overall approach to manage risks faced by the organisation.

The risk management framework was developed with the purpose of providing guidance to advance the use of a more systematic approach to risk management. The framework will ensure that significant risk areas associated with policies, procedures and practices are identified, assessed and monitored.

A Risk Management Committee, primarily comprising senior management, has been set up to address risks issues faced by the Company. Risk Management meetings are conducted monthly. The Committee is responsible for:

1. Enhancing the risk management process by improving and monitoring the Company's risk;
2. Providing direction and guidance to management as required.

Risk Management is responsible to report to the Board on a quarterly basis on the significant risk issues faced by the Company.

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# **Directors' Report** for the year ended 20 February 2011

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 20 February 2011.

## **PRINCIPAL ACTIVITIES**

The Company is principally engaged in the provision of easy payment schemes, personal financing schemes and issuance of credit cards under international brand names of Visa and MasterCard. The personal financing schemes and certain easy payment schemes are based on Islamic principles. There has been no significant change in the nature of the principal activities during the financial year.

## **RESULTS**

	RM'000
Profit for the year	63,429

## **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves and provisions during the financial year under review.

## **DIVIDENDS**

Since the end of the previous financial year, the Company paid:

- i) a final ordinary dividend of 24% (12.00 sen per ordinary share) less tax at 25% totalling RM10,800,000 (9 sen net per ordinary share) in respect of the year ended 20 February 2010 on 13 July 2010; and
- ii) an interim ordinary dividend of 23% (11.50 sen per ordinary share) less tax at 25% totalling RM10,350,001 (8.63 sen net per ordinary share) in respect of the financial year ended 20 February 2011 on 20 October 2010.

The Directors have recommended a final ordinary dividend of 30% (15.00 sen per ordinary share) less tax at 25% totalling RM13,500,000 (11.25 sen net per ordinary share) in respect of the financial year ended 20 February 2011.

## **DIRECTORS OF THE COMPANY**

Directors who served since the date of the last report are:

Dato' Abdullah Bin Mohd Yusof  
 Yasuhiro Kasai  
 Naruhito Kuroda  
 Takatoshi Ikenishi  
 Datuk Ramli Bin Ibrahim  
 Dato' Md Kamal Bin Ismaun  
 Ng Eng Kiat  
 Tomoaki Saito (Appointed on 19 April 2010)  
 Krishnappan A/L S.P.S. Singaram  
 Clarence Chai  
 Yoshiki Mori (Resigned on 15 June 2010)



## Directors' Report for the year ended 20 February 2011 (cont'd)

### DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares of the Company and of its related corporations of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 21.2.2010/ At date of appointment <sup>#</sup>	Bought	Sold	At 20.2.2011
<b>The Company</b>				
<b>Direct interest:</b>				
Dato' Abdullah Bin Mohd Yusof	260,400	—	(9,500)	250,900
Yasuhiro Kasai	90,000	—	—	90,000
Naruhito Kuroda	530,000	—	—	530,000
Datuk Ramli Bin Ibrahim	160,000	—	—	160,000
Dato' Md Kamal Bin Ismaun	5,000	—	—	5,000
Ng Eng Kiat	10,000	—	—	10,000
Tomoaki Saito (Appointed on 19 April 2010)	— <sup>#</sup>	10,000	—	10,000
Krishnappan A/L S.P.S Singaram	90,000	—	—	90,000
Clarence Chai	22,000	—	—	22,000
Yoshiki Mori (Resigned on 15 June 2010)	480,000	—	—	480,000
<b>Deemed interest:</b>				
Dato' Abdullah Bin Mohd Yusof				
- others*	105,000	—	—	105,000
Yasuhiro Kasai				
- others*	50,000	—	—	50,000
<b>Number of ordinary shares of RM1.00 each</b>				
	At 21.2.2010	Bought	Sold	At 20.2.2011
<b>Related company</b>				
<b>AEON CO. (M) BHD.</b>				
<b>Direct interest:</b>				
Dato' Abdullah Bin Mohd Yusof	526,000	—	—	526,000
Yasuhiro Kasai	800	—	—	800
Naruhito Kuroda	32,000	—	—	32,000
<b>Deemed interest:</b>				
Dato' Abdullah Bin Mohd Yusof				
- own	1,167,800	—	—	1,167,800
- others*	3,000	—	—	3,000
Datuk Ramli Bin Ibrahim				
- others*	560,000	—	—	560,000

# Directors' Report

for the year ended 20 February 2011 (cont'd)

## DIRECTORS' INTERESTS (CONTINUED)

Related company	Number of ordinary shares of HKD0.10 each			
	At 21.2.2010	Bought	Sold	At 20.2.2011
<b>AEON Credit Service (Asia) Co., Ltd.</b>				
<b>Direct interest:</b>				
Naruhito Kuroda	74,800	–	–	74,800
Yoshiki Mori	280,000	–	–	280,000

Related company	Number of ordinary shares of THB1.00 each			
	At 21.2.2010	Bought	Sold	At 20.2.2011
<b>AEON Thana Sinsap (Thailand) Plc.</b>				
<b>Direct interest:</b>				
Naruhito Kuroda	100,000	–	–	100,000
Yoshiki Mori	1,402,600	–	–	1,402,600

Ultimate holding company	Number of ordinary shares JPY248.68 each			
	At 21.2.2010	Bought	Sold	At 20.2.2011
<b>AEON Co., Ltd.</b>				
<b>Direct interest:</b>				
Yoshiki Mori	9,500	1,600	–	11,100

Immediate holding company	Number of ordinary shares JPY98.57 each			
	At 21.2.2010/ At date of appointment <sup>#</sup>	Bought	Sold	At 20.2.2011
<b>AEON Credit Service Co., Ltd.</b>				
<b>Direct interest:</b>				
Yasuhiro Kasai	364	106	–	470
Naruhito Kuroda	1,980	–	–	1,980
Takatoshi Ikenishi	200	–	–	200
Tomoaki Saito	1,660 <sup>*</sup>	–	–	1,660
Yoshiki Mori	48,026	–	–	48,026

\* Deemed to have interest through spouse and/or children pursuant to Section 134(12)(c) of the Companies Act, 1965.

## Directors' Report for the year ended 20 February 2011 (cont'd)

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **ISSUE OF SHARES AND DEBENTURES**

There were no changes in the authorised, issued and paid up capital of the Company during the financial year.

There were no debentures issued during the financial year.

### **OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial year.

### **OTHER STATUTORY INFORMATION**

Before the statement of comprehensive income and the statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.



## Directors' Report for the year ended 20 February 2011 (cont'd)

### OTHER STATUTORY INFORMATION (CONTINUED)

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 20 February 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### SUBSEQUENT EVENT

On 9 March 2011, the Company subscribed for 750,000 ordinary shares of Rupees 10/- each in AEON Credit Service India Private Limited ("ACSI"), a company incorporated in India, for a total cash consideration of Rupees 7,500,000.00 only (equivalent to approximately RM520,000). ACSI has been incorporated on this date as a precursor for the establishment of a consumer finance business in India as part of AEON Credit Service Co., Ltd expansion plan in Asia. AEON Credit Service Co., Ltd, a company incorporated in Japan, is the immediate holding company of the Company.

It is expected that ACSI shall later be converted to a public company to undertake Non-banking Financial Company ("NBFC") business, with majority equity participation from AEON Credit Service Co., Ltd., subject to regulatory approval in India.

### AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Dato' Abdullah bin Mohd Yusof**

**Yasuhiro Kasai**

Kuala Lumpur,  
Date: 16 May 2011

## Statement of Financial Position as at 20 February 2011

	Note	2011 RM'000	2010 RM'000
<b>Assets</b>			
Plant and equipment	3	24,137	22,047
Investments	4	1,797	1,797
Receivables	5	407,377	360,704
<b>Total non-current assets</b>		<b>433,311</b>	<b>384,548</b>
Receivables, deposits and prepayments	5	736,526	622,484
Cash and bank balances		5,649	3,161
<b>Total current assets</b>		<b>742,175</b>	<b>625,645</b>
<b>Total assets</b>		<b>1,175,486</b>	<b>1,010,193</b>
<b>Equity</b>			
Share capital		60,000	60,000
Share premium		56,147	56,147
Reserves		166,070	134,315
<b>Total equity attributable to equity holders of the Company</b>	6	<b>282,217</b>	<b>250,462</b>
<b>Liabilities</b>			
Borrowings	7	594,742	460,041
Deferred tax liabilities	8	1,807	1,782
<b>Total non-current liabilities</b>		<b>596,549</b>	<b>461,823</b>
Borrowings	7	238,302	246,631
Payables and accruals, including derivatives	9	55,577	44,453
Taxation		2,841	6,824
<b>Total current liabilities</b>		<b>296,720</b>	<b>297,908</b>
<b>Total liabilities</b>		<b>893,269</b>	<b>759,731</b>
<b>Total equity and liabilities</b>		<b>1,175,486</b>	<b>1,010,193</b>

The notes on pages 51 to 83 are an integral part of these financial statements.

# Statement of Comprehensive Income for the year ended 20 February 2011

	Note	2011 RM'000	2010 RM'000 restated
<b>Continuing operations</b>			
Revenue	10	269,610	248,408
Staff costs		(62,071)	(57,247)
Depreciation of plant and equipment	3	(9,935)	(11,098)
Operating expenses		(97,208)	(88,838)
Other income		17,237	11,669
<b>Operating profit</b>	11	117,633	102,894
Finance costs	13	(32,609)	(30,668)
<b>Profit before tax</b>		85,024	72,226
Income tax expense	14	(21,595)	(17,951)
<b>Profit for the year</b>		63,429	54,275
<b>Other comprehensive income, net of tax</b>			
Cash flow hedge	15	(1,295)	652
<b>Total other comprehensive income for the year, net of tax</b>		(1,295)	652
<b>Total comprehensive income for the year</b>		62,134	54,927
<b>Profit attributable to equity holders of the Company</b>		63,429	54,275
<b>Total comprehensive income attributable to equity holders of the Company</b>		62,134	54,927
<b>Basic earnings per ordinary share (sen)</b>	17	52.86	45.23

The notes on pages 51 to 83 are an integral part of these financial statements.



# Statement of Changes in Equity for the year ended 20 February 2011

			<i>Non-</i>		<i>Distributable</i>	
	Note	Share capital RM'000	<i>distributable</i> Share premium RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000
<b>At 21 February 2009</b>		60,000	56,147	–	99,696	215,843
Total comprehensive income for the year		–	–	–	54,275	54,275
Dividends to equity holders of the Company	16	–	–	–	(19,656)	(19,656)
<b>At 20 February 2010/21 February 2010</b>		60,000	56,147	–	134,315	250,462
Effect of adopting FRS 139		–	–	652	(9,881)	(9,229)
<b>At 21 February 2010, restated</b>		60,000	56,147	652	124,434	241,233
Total comprehensive income for the year		–	–	(1,295)	63,429	62,134
Dividends to equity holders of the Company	16	–	–	–	(21,150)	(21,150)
<b>At 20 February 2011</b>		60,000	56,147	(643)	166,713	282,217
		Note 6.1	Note 6.2	Note 6.3	Note 6.4	

The notes on pages 51 to 83 are an integral part of these financial statements.

# Statement of Cash Flows

for the year ended 20 February 2011

	Note	2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		85,024	72,226
Adjustments for:			
Allowance for impairment losses		52,249	50,226
Depreciation of plant and equipment	3	9,935	11,098
Dividend income		(47)	(122)
Finance costs		32,609	30,668
Gain on disposal of plant and equipment		(6)	–
Plant and equipment written off		3	–
<b>Operating profit before working capital changes</b>		179,767	164,096
Changes in working capital:			
Receivables, deposits and prepayments		(221,427)	(152,371)
Payables and accruals		8,362	(2,883)
<b>Cash (used in)/generated from operations</b>		(33,298)	8,842
Income taxes paid		(22,045)	(18,781)
Finance costs paid		(31,601)	(33,367)
<b>Net cash used in operating activities</b>		(86,944)	(43,306)
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment	3	(12,028)	(8,325)
Dividend income		47	122
Proceeds from disposal of plant and equipment		6	–
<b>Net cash used in investing activities</b>		(11,975)	(8,203)
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the Company	16	(21,150)	(19,656)
Proceeds from borrowings		322,000	347,192
Repayment of bank borrowings		(200,108)	(275,655)
<b>Net cash generated from financing activities</b>		100,742	51,881
<b>Net increase in cash and cash equivalents</b>		1,823	372
<b>Cash and cash equivalents at beginning of year</b>	(i)	2,834	2,462
<b>Cash and cash equivalents at end of year</b>	(i)	4,657	2,834

(i) *Cash and cash equivalents*

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

	2011 RM'000	2010 RM'000
Cash and bank balances	5,649	3,161
Overdrafts	(992)	(327)
	4,657	2,834

The notes on pages 51 to 83 are an integral part of these financial statements.

# Notes to the Financial Statements

AEON Credit Service (M) Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**

Level 29, Menara Olympia  
No. 8, Jalan Raja Chulan  
50200 Kuala Lumpur

**Registered office**

Lot 6.05, Level 6, KPMG Tower  
No. 8, First Avenue, Bandar Utama  
47800 Petaling Jaya, Selangor

The Company is principally engaged in the provision of easy payment schemes, personal financing schemes and issuance of credit cards under international brand names of Visa and MasterCard. The personal financing schemes and certain easy payment schemes are based on Islamic principles.

The immediate and ultimate holding companies during the financial year were AEON Credit Service Co., Ltd. and AEON Co., Ltd. respectively. Both companies were incorporated in Japan.

The financial statements were approved by the Board of Directors on 16 May 2011.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards (FRS), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The Company has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Company:

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010***

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010***

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011***

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Company Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)



# Notes to the Financial Statements (cont'd)

## 1. BASIS OF PREPARATION (CONTINUED)

### (a) Statement of compliance (continued)

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011**

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012**

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Company plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 21 February 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1, 3, 127, Amendments to FRS 1, 2, 5, 138, IC Interpretation 12, IC Interpretation 4, IC Interpretation 16, IC Interpretation 17, IC Interpretation 18, which are not applicable to the Company; and
- from the annual period beginning 21 February 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for IC Interpretation 19, Amendments to IC Interpretation 14 and IC Interpretation 15 which are not applicable to the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, or which requires extended disclosures, is not expected to have any financial impact to the current and prior period financial statements upon their first adoption.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Company.

Following the announcement by MASB on 1 August 2008, the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework for annual periods beginning 21 February 2012.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

## Notes to the Financial Statements (cont'd)

### 1. BASIS OF PREPARATION (CONTINUED)

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than determination of the allowance for impairment losses as disclosed in Note 2(f)(i) and Note 5.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, other than those disclosed in the following notes:

- Note 2 (b) – Financial Instruments
- Note 2 (f) – Impairment
- Note 2 (h) – Revenue Recognition

#### (a) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those measured at fair value that are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 24.

##### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

##### (ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

#### *Financial assets*

##### (a) *Financial assets at fair value through profit & loss*

Fair value through profit or loss category comprises derivatives (except for a derivative that is designated as an effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (b) *Loans and receivables*

Loans and receivables category comprises financing receivables, other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.



## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Financial instruments (continued)

##### (ii) Financial instrument categories and subsequent measurement (continued)

##### (c) *Available-for-sale financial assets*

Available-for-sale category comprises investment in equity securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss.

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(f)(i)).

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises derivatives (except for a derivative that is designated as an effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### (iii) Hedge accounting

##### *Cash flow hedge*

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Financial instruments (continued)

##### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (c) Plant and equipment

##### (i) *Recognition and measurement*

Items of plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the Company's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" or "operating expenses" respectively in profit or loss.

##### (ii) *Subsequent costs*

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Plant and equipment (continued)

##### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

• Office equipment	2 - 5 years
• Computer equipment and software	2 - 5 years
• Motor vehicles	5 years
• Furniture and fittings	2 - 4 years
• Renovation	2 - 5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period.

#### (d) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, financing receivables and other receivables are categorised and measured as loans and receivables in accordance with Note 2(b).

#### (e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with Note 2(b).

#### (f) Impairment

##### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Impairment (continued)

##### (i) Financial assets (continued)

##### (a) *Financing receivables*

For financing receivables ("loans"), the Company first assesses whether objective evidence of impairment exists individually for loans that are individually significant, or collectively for loans that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ("EIR") of loans. The carrying amount of the loans is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

The Company addresses impairment of loans via either individually assessed allowance or collectively assessed allowance.

##### *Individually assessed allowance*

The Company determines the allowance appropriate for each individual significant loan on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans and are measured as the difference between the carrying amount of the loans and the present value of the expected future cash flows discounted at original EIR of the loans.

All other loans that have been individually evaluated, but not considered to be individually impaired are assessed collectively for impairment.

##### *Collectively assessed allowance*

Based on the collective assessment allowance requirement under FRS 139, collective allowances are maintained to reduce the carrying amount of portfolios of similar loans to their estimated recoverable amounts at the end of reporting period. For the purposes of a collective evaluation of impairment, exposures that are assessed collectively are placed into pools of similar loans with similar credit risk.

##### (b) *Renegotiated/restructured loans*

Where a loan shows evidence of credit weaknesses, the Company may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension or restructuring of the payment arrangements via renegotiation of new loan terms and conditions. These loans continue to be subjected to individual or collective impairment assessment.



## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Impairment (continued)

##### (i) Financial assets (continued)

###### (c) *Investments*

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

##### (ii) Other assets

The carrying amounts of other assets (except for deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Employee benefits

##### (i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) State plans

The Company's contributions to the statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

#### (h) Revenue recognition

##### *Interest income, profit revenue and finance charges from easy payment, personal financing schemes based on Islamic principles and credit card business*

Prior to 21 February 2010, interest income and profit revenue from easy payment and personal financing schemes were recognised based on the Sum of Digits method over the duration of financing period. Following the adoption of FRS 139, interest income, profit revenue and finance charges from easy payment, personal financing schemes and credit card business are recognised in the profit or loss using the Effective Interest Rate ("EIR") method.

The EIR is a method of calculating the amortised cost of financing receivables ("loans") and of allocating the corresponding interest income, profit revenue and finance charges over the relevant period. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

##### *Fee income from easy payment, personal financing schemes based on Islamic principles and credit card business*

Fee income from easy payment and personal financing schemes comprise late payment / penalty charges, annual fees and processing fees, cash advance fees and credit recovery charges. Fee income from credit card business comprise cash advance fees, transaction charges, merchant commission and Visa / Master Card interchange fees from credit card issuance.

Fee income is generally recognised on an accrual basis when services have been provided.

##### *Dividend income*

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (i) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases, the leased assets are not recognised in the statement of financial position of the Company.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

## Notes to the Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, in the period in which they are incurred.

Cost of issuance of commercial papers/medium term notes are deferred and capitalised as part of the fair value of the commercial papers/medium term notes. The cost of issuance is amortised to profit or loss so as to give a constant periodic interest rate on the outstanding commercial papers/medium term notes at the end of each reporting period.

#### (k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (l) Earnings per ordinary share

The Company presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### (m) Operating segments

In the previous years, a segment was a distinguishable component of the Company that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, *which in this case* is the Managing Director of the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## Notes to the Financial Statements (cont'd)

### 3. PLANT AND EQUIPMENT

<b>Cost</b>	<b>Office equipment RM'000</b>	<b>Computer equipment and software RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Renovation RM'000</b>	<b>Total RM'000</b>
At 21 February 2009	5,927	40,768	1,789	3,225	11,053	62,762
Additions	495	7,237	64	106	423	8,325
Write-off	–	(3)	–	–	–	(3)
At 20 February 2010/ 21 February 2010	6,422	48,002	1,853	3,331	11,476	71,084
Additions	315	10,789	–	225	699	12,028
Disposals	–	–	–	(34)	–	(34)
Write-off	(3)	(163)	–	–	(497)	(663)
At 20 February 2011	6,734	58,628	1,853	3,522	11,678	82,415
<b>Accumulated depreciation</b>						
At 21 February 2009	4,215	23,137	809	2,535	7,246	37,942
Charge for the year	870	7,661	322	389	1,856	11,098
Write-off	–	(3)	–	–	–	(3)
At 20 February 2010/ 21 February 2010	5,085	30,795	1,131	2,924	9,102	49,037
Charge for the year	695	7,268	306	286	1,380	9,935
Disposals	–	–	–	(34)	–	(34)
Write-off	(3)	(163)	–	–	(494)	(660)
At 20 February 2011	5,777	37,900	1,437	3,176	9,988	58,278
<b>Carrying amounts</b>						
At 21 February 2009	1,712	17,631	980	690	3,807	24,820
At 20 February 2010/ 21 February 2010	1,337	17,207	722	407	2,374	22,047
At 20 February 2011	957	20,728	416	346	1,690	24,137

### 4. INVESTMENTS

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>At cost</b>		
Unquoted shares outside Malaysia	1,797	1,797



## Notes to the Financial Statements (cont'd)

### 5. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	2011 RM'000	2010 RM'000
<b>Non-current</b>			
Financing receivables		407,377	360,704
<b>Current</b>			
Financing receivables		1,371,949	1,164,547
Less: Unearned carrying charges		(236,970)	(196,848)
Allowance for impairment losses	5.1	(26,475)	(21,426)
	5.2	1,108,504	946,273
Less: Financing receivables (Non-current portion)		(407,377)	(360,704)
Financing receivables (Current portion)		701,127	585,569
Other receivables and deposits		30,221	31,712
Prepayments		5,178	5,203
		736,526	622,484

**5.1** During the year, financing receivables amounting to RM50,049,000 (2010 - RM48,981,000) was written off against the allowance for impairment losses.

**5.2** Included in financing receivables is an amount of RM 560,915,000 (2010 - RM493,299,000) relating to the Company's easy payment and personal financing schemes based on Islamic principles.

Financing receivables amounting to RM214,000,000 (2010 - RM214,000,000) have been sold under the Asset Backed Medium Term Notes securitised funding programme (Note 7). Based on the terms of the transaction, the said receivables will not be de-recognised from the statement of financial position of the Company.

### 6. SHARE CAPITAL AND RESERVES

#### 6.1 Share capital

	Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '000
Authorised:				
Ordinary shares of RM0.50 each	100,000	200,000	100,000	200,000
Issued and fully paid:				
Ordinary shares of RM0.50 each	60,000	120,000	60,000	120,000

# Notes to the Financial Statements (cont'd)

## 6. SHARE CAPITAL AND RESERVES (CONTINUED)

### 6.2 Share premium

Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value.

### 6.3 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

### 6.4 Retained earnings

Subject to agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM2,800,000 out of its retained earnings at 20 February 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 20 February 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the transitional period on 20 February 2013, whichever is earlier.

## 7. BORROWINGS

	Note	2011 RM'000	2010 RM'000
<b>Non-current</b>			
Term loans/financing (unsecured)	7.1	219,802	181,337
Medium term notes (unsecured)	7.2	274,940	178,704
Asset backed medium term notes (secured)	7.3	100,000	100,000
		594,742	460,041
<b>Current</b>			
Bank overdrafts (unsecured)	7.1	992	327
Revolving credits (unsecured)	7.1	17,000	59,343
Term loans/financing (unsecured)	7.1	45,947	17,000
Medium term notes (unsecured)	7.2	109,402	119,961
Commercial paper (unsecured)	7.2	14,961	–
Asset backed medium term notes (secured)	7.3	50,000	50,000
		238,302	246,631

### 7.1 Bank overdrafts, revolving credits and term loans/financing

The bank overdrafts, revolving credits and term loans are provided on the basis of a letter of awareness from the holding company or standby letters of credit from various financial institutions.

## Notes to the Financial Statements (cont'd)

### 7. BORROWINGS (CONTINUED)

#### 7.1 Bank overdrafts, revolving credits and term loans/financing (continued)

The bank overdrafts are denominated in Ringgit Malaysia whilst the revolving credits and term loans/financing are denominated in the following currencies:

	2011 RM'000	2010 RM'000
<b>Revolving credits</b>		
Ringgit Malaysia	17,000	13,500
Japanese Yen	–	45,843
	17,000	59,343
<b>Term loans/financing</b>		
Ringgit Malaysia	129,000	91,000
U.S. Dollar	57,253	30,000
Japanese Yen	79,496	77,337
	265,749	198,337

The long term loans/financing are granted for periods ranging from three to five years and repayable by way of one lump sum payment upon expiry of the term loan period.

#### 7.2 Medium term notes and commercial paper

	2011 RM'000	2010 RM'000
<b>Medium term notes</b>		
Nominal value	385,000	300,000
Discount	(548)	(1,105)
Deferred issuance cost	(110)	(230)
Carrying amount as at 20 February 2011	384,342	298,665
<b>Commercial paper</b>		
Nominal value	15,000	–
Discount	(39)	–
Carrying amount as at 20 February 2011	14,961	–

The above represents RM345 million (2010 - RM260 million) of bank guaranteed Islamic medium term notes ("Islamic MTN"), RM40 million (2010 - RM40 million) of bank guaranteed conventional medium term notes ("Conventional MTN") and RM15 million (2010 - Nil) of bank guaranteed Islamic commercial paper ("Islamic CP").

# Notes to the Financial Statements (cont'd)

## 7. BORROWINGS (CONTINUED)

### 7.2 Medium term notes and commercial paper (continued)

The redemption periods of Medium term notes and Commercial paper are as follows:

	Total RM'000	Less than 1 year RM'000	1-2 years RM'000	2-3 years RM'000
<b>2011</b>				
Islamic MTN	345,000	110,000	30,000	205,000
Conventional MTN	40,000	–	40,000	–
Islamic CP	15,000	15,000	–	–
	400,000	125,000	70,000	205,000
<b>2010</b>				
Islamic MTN	260,000	80,000	110,000	70,000
Conventional MTN	40,000	40,000	–	–
	300,000	120,000	110,000	70,000

### 7.3 Asset backed medium term notes

	2011 RM'000	2010 RM'000
Nominal value	150,000	150,000

The above represents RM150 million (2010 - RM150 million) of non bank guaranteed asset backed medium term notes. The asset backed medium term notes has been extended for one year and the notes are redeemable by 18 June 2013.

The asset backed medium term notes are secured by financing receivables amounting to RM214 million (Note 5.1).

## 8. DEFERRED TAX LIABILITIES

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Plant and equipment	–	–	(3,488)	(3,173)	(3,488)	(3,173)
Hedging reserve	214	–	–	–	214	–
Allowance for impairment losses	1,467	1,391	–	–	1,467	1,391
Net tax assets/(liabilities)	1,681	1,391	(3,488)	(3,173)	(1,807)	(1,782)

Deferred tax liabilities and assets are offset above where there is legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same authority.



## Notes to the Financial Statements (cont'd)

### 8. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in temporary differences during the year

	At 21 February 2009	Recognised in profit or loss (Note 14)	At 20 February 2010	Adjustment arising from adoption of FRS 139	At 21 February 2010	Recognised in profit or loss (Note 14)	Recognised in other comprehensive income (Note 15)	At 20 February 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and equipment	(3,329)	156	(3,173)	–	(3,173)	(315)	–	(3,488)
Hedging reserves	–	–	–	(217)	(217)	–	431	214
Allowance for impairment losses	943	448	1,391	713	2,104	(637)	–	1,467
	(2,386)	604	(1,782)	496	(1,286)	(952)	431	(1,807)

### 9. PAYABLES AND ACCRUALS, INCLUDING DERIVATIVES

	Note	2011 RM'000	2010 RM'000
<b>Trade</b>			
Trade payables		26,863	25,212
Related company	9.1	973	621
		27,836	25,833
<b>Non-trade</b>			
Other payables and accruals		26,087	18,353
Immediate holding company	9.1	176	135
Related companies	9.1	33	132
Derivatives designated as hedging instrument		1,445	–
		27,741	18,620
		55,577	44,453

#### 9.1 Immediate holding company and related companies

The amounts due to immediate holding company and related companies are unsecured, interest free and repayable on demand, except for the trade balance due from a related company which is subject to normal trade term.

### 10. REVENUE

	2011 RM'000	2010 RM'000
Revenue from easy payment, personal financing based on Islamic principles and credit card business:		
Interest income, profit revenue and finance charges	217,872	205,403
Fee income	51,738	43,005
	269,610	248,408

# Notes to the Financial Statements (cont'd)

## 11. OPERATING PROFIT

	2011 RM'000	2010 RM'000
Operating profit is arrived at after crediting:		
Bad debts recovered	13,646	8,975
Dividend income	47	122
Gain on disposal of plant and equipment	6	–
and after charging:		
Allowance for impairment losses	52,249	50,226
Audit fees		
- KPMG Malaysia	127	120
Non-audit fees		
- KPMG Malaysia	118	76
Personnel expenses (including key management personnel):		
- contributions to Employees Provident Fund	5,100	4,986
- wages, salaries and others	56,971	52,261
Plant and equipment written off	3	–
Rental expense on:		
- office premises	6,818	6,919
- motor vehicles	6	6
- office equipment	201	237

## 12. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2011 RM'000	2010 RM'000
Directors		
- Fees	406	397
- Remuneration	2,191	2,504
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	154	194
	2,751	3,095

## 13. FINANCE COSTS

	2011 RM'000	2010 RM'000
Comprised the following:		
- Bank overdrafts	134	89
- Revolving credits	1,621	3,260
- Term loans/financing and medium term notes	24,319	20,074
- Asset backed medium term notes	6,535	7,245
	32,609	30,668

## Notes to the Financial Statements (cont'd)

### 14. INCOME TAX EXPENSE

#### *Recognised in profit or loss*

	2011 RM'000	2010 RM'000
Current tax expense		
- Current year	20,402	19,035
- Under/(Over) provision in prior year	241	(480)
Total current tax recognised in profit or loss	20,643	18,555
Deferred tax expense		
- Reversal and origination of temporary differences	1,256	(604)
- Over provision in prior year	(304)	-
Total deferred tax recognised in profit or loss	952	(604)
Total income tax expense	21,595	17,951
<b>Reconciliation of effective tax expense</b>		
Profit before tax	85,024	72,226
Income tax calculated using Malaysian tax rate of 25%	21,256	18,057
Non-deductible expenses	402	374
Over provision in prior year	21,658 (63)	18,431 (480)
	21,595	17,951
<b>Deferred tax recognised directly in other comprehensive income is as follows:</b>		
Cash flow hedge reserves (Note 15)	(431)	217

### 15. OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
<b>2011</b>			
Cash flow hedge			
- Loss arising during the year	(1,726)	431	(1,295)
	(1,726)	431	(1,295)
<b>2010</b>	Before tax RM'000 restated	Tax expense RM'000 restated	Net of tax RM'000 restated
Cash flow hedge			
- Gain arising during the year	869	(217)	652
	869	(217)	652

## Notes to the Financial Statements (cont'd)

### 16. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
<b>2011</b>			
Interim 2011 ordinary	8.63	10,350	20 October 2010
Final 2010 ordinary	9.00	10,800	13 July 2010
Total		<u>21,150</u>	
<b>2010</b>			
Interim 2010 ordinary	7.88	9,450	20 October 2009
Final 2009 ordinary	8.51	10,206	14 July 2009
Total		<u>19,656</u>	

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial period upon approval by the equity holders of the Company at the forthcoming Annual General Meeting.

	sen per share (net of tax)	Total amount RM'000
Final ordinary	11.25	<u>13,500</u>

### 17. EARNINGS PER ORDINARY SHARE

#### Basic earnings per ordinary share

The calculation of basic earnings per share for the financial year ended 20 February 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2011 RM'000	2010 RM'000
Profit attributable to ordinary shareholders	63,429	54,275
	<u>2011 '000</u>	<u>2010 '000</u>
Weighted average number of ordinary shares at 20 February	120,000	120,000
	<u>2011 sen</u>	<u>2010 sen</u>
Basic earnings per ordinary share	52.86	45.23

There were no outstanding potential ordinary shares as at 20 February 2011 and 20 February 2010 respectively. Accordingly, the diluted earnings per share is not presented.

## Notes to the Financial Statements (cont'd)

### 18. OPERATING SEGMENTS

The principal activity of the Company is the provision of easy payment schemes, personal financing schemes based on Islamic principles and credit cards business, all of which are categorised under consumer financing business.

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

### 19. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Company. The key management personnel compensation is disclosed in Note 12.

The significant related party transactions of the Company are as follows:

	2011 RM'000	2010 RM'000
<b>Related companies</b>		
<b>AEON Co. (M) Bhd.</b>		
<b>Customers' transactions via related company*</b>		
Sales through Easy Payment Schemes	7,916	7,484
Sales through AEON Credit Cards	83,621	78,965
<b>Revenue</b>		
Credit cards commission income	1,208	1,146
<b>Expenses</b>		
Convertible J-Card points charges	(1,416)	(785)
Office and promotion space rental	(1,726)	(2,985)
<b>AEON Credit Technology Systems (Philippines) Inc.</b>		
<b>Assets</b>		
IT systems development	2,933	763
<b>Immediate holding company</b>		
<b>AEON Credit Service Co. Ltd.</b>		
<b>Expenses</b>		
Corporate support fees	(1,376)	(1,131)

\* In the capacity as merchant of the Company.

Balances with immediate holding company and related companies are disclosed in Note 9. All transactions have been entered in the ordinary course of business and have been established based on negotiated terms.



# Notes to the Financial Statements (cont'd)

## 20. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2011 RM'000	2010 RM'000
Less than one year	5,152	6,043
Between one and five years	1,774	4,876

## 21. CAPITAL COMMITMENT

	2011 RM'000	2010 RM'000
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Contracted but not provided for and payable:		
Within one year	6,498	4,788
Authorised but not contracted for	–	835

## 22. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 20 February 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

### 22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Available-for-sale financial assets (AFS); and
- (c) Other liabilities (OL).

	Carrying amount RM'000	L&R/(OL) RM'000	AFS (at cost) RM'000	Others RM'000
<b>2011</b>				
<b>Financial assets</b>				
Investment	1,797	–	1,797	–
Financing receivables and other receivables	1,138,725	1,138,725	–	–
Cash and cash equivalents	5,649	5,649	–	–
	1,146,171	1,144,374	1,797	–
<b>2011</b>				
<b>Financial liabilities</b>				
Borrowings	(833,044)	(833,044)	–	–
Trade and other payables, including derivatives	(55,577)	(54,132)	–	(1,445)
	(888,621)	(887,176)	–	(1,445)

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.2 Net gains and losses arising from financial instruments

	2011 RM'000
<b>Categories of financial instruments</b>	
Available-for-sale	47
Loans and receivables	231,007
Financial liabilities measured at amortised cost	(32,609)
	<hr/>
	198,445

#### 22.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 22.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its financing receivables from customers and investment securities.

##### Receivables

##### *Risk management objectives, policies and processes for managing the risk*

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit and the credit acceptance procedures are monitored by the management. The Company does not require collateral in respect of the easy payment schemes, personal financing schemes and credit cards issuance operations except for financing of vehicles.

##### *Exposure to credit risk, credit quality and collateral*

At end of the reporting period, the Company does not have any significant exposure to any individual customers or industry sector. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Financing receivables amounting to RM453,000,000 (2010: RM418,000,000) are secured by vehicles of customers financed by the Company.

# Notes to the Financial Statements (cont'd)

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.4 Credit risk (continued)

#### Credit quality and allowance for impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM'000	Impairment losses RM'000	Net RM'000
<b>2011</b>			
Not past due	1,027,090	(1,940)	1,025,150
Past due 18 - 47 days	66,707	(3,457)	63,250
Past due 48 - 77 days	20,523	(5,262)	15,261
Past due more than 78 days	20,659	(15,816)	4,843
	107,889	(24,535)	83,354
	1,134,979	(26,475)	1,108,504

Note  
22.4(i)

Note  
22.4(ii)

- (i) The movements in the allowance for impairment losses of receivables during the financial year were:

	RM'000
At 21 February 2010, as previously stated	21,426
Effect of adoption of FRS 139	2,849
At 21 February 2010, restated	24,275
Impairment loss recognised	65,697
Impairment loss reversed	(13,448)
Impairment loss written off	(50,049)
At 20 February 2011	26,475

- (ii) Included in financing receivables is an amount of RM25,922,000 which are under renegotiated / restructured activities

Renegotiated/restructured activities include extended payment arrangements, and the modification and deferral of payments. The status of renegotiated / restructured receivables are as follows:

	2011 RM'000
Not past due	9,822
Past due 18 - 47 days	3,164
Past due 48 - 77 days	2,013
Past due more than 78 days	10,923
	25,922

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.4 Credit risk (continued)

##### Investments

##### *Risk management objectives, policies and processes for managing the risk*

Investments are made after careful evaluation by the Board of Directors of the Company.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Company has only invested in securities of its foreign affiliated companies. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The investments are unsecured.

#### 22.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains sufficient working capital and adequate liquidity to support its daily operations.

##### *Maturity analysis*

The table below summarises the maturity profile of the Company's financial assets and financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2011</b>							
<i>Financial assets</i>							
Cash and bank balances	5,649	–	5,649	5,649	–	–	–
Financing receivables	1,108,504	22.94%*	1,345,475	855,683	345,565	143,240	987
Other receivables	30,221	–	30,221	30,221	–	–	–
Investment	1,797	–	1,797	–	–	–	1,797
	<b>1,146,171</b>		<b>1,383,142</b>	<b>891,553</b>	<b>345,565</b>	<b>143,240</b>	<b>2,784</b>
<i>Financial liabilities</i>							
Bank overdraft	992	6.80% to 6.90%	992	992	–	–	–
Unsecured term loan/financing	265,749	3.35% to 4.65%	294,658	44,612	35,614	214,432	–
Unsecured medium term notes	384,342	3.89% to 5.25%	416,620	114,115	74,702	227,803	–
Unsecured commercial paper	14,961	3.60%	15,000	15,000	–	–	–
Unsecured revolving credits	17,000	3.64% to 3.85%	17,045	17,045	–	–	–
Asset backed medium term notes	150,000	4.75%	156,325	53,552	77,548	25,225	–
Trade and other payables, excluding derivatives	54,132	–	54,132	54,132	–	–	–
	<b>887,176</b>		<b>954,772</b>	<b>299,448</b>	<b>187,864</b>	<b>467,460</b>	<b>–</b>

Maturity analysis of derivatives are disclosed in Note 22.7.

Note: \* This represents the average annual effective interest rate on financing receivables outstanding at the end of the reporting period.

# Notes to the Financial Statements (cont'd)

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's financial position or cash flows.

#### 22.6.1 Currency risk

The Company is exposed to foreign currency risk mainly on borrowings that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Japanese Yen (JPY).

*Risk management objectives, policies and processes for managing the risk*

The repayment of all borrowings in foreign currency is fully hedged by forward exchange contracts and/or cross currency interest rate swaps entered into by the Company upon initial drawdown of the borrowings. Forward exchange contracts have been fully matured during the financial year. Most of the cross currency interest rate swap contracts have maturities of 2 to 3 years after the end of the reporting period.

*Exposure to foreign currency risk*

The Company's exposure to foreign currency (a currency which is other than the currency of the Company) risk, based on carrying amounts at the end of the reporting period was:

	Note	Denominated in	
		USD RM'000	JPY RM'000
<b>2011</b>			
Inter-company balances		–	(197)
Borrowings	(i)	(57,253)	(79,496)
<b>Net exposure</b>		<b>(57,253)</b>	<b>(79,693)</b>

- (i) The Company's foreign currency risk exposure primarily relates to its JPY and USD denominated bank borrowings. The carrying amount of such bank borrowings as at 20 February 2011 was RM136,749,000. To minimise the foreign currency risk and interest rate risk of bank borrowings, the Company has been using forward exchange contracts and/or cross currency interest rate swap contracts as hedging instruments.

The exposure to currency risk of the Company is not material and hence, sensitivity analysis is not presented.

#### 22.6.2 Interest rate risk

The Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities, short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Company borrows for its operations at fixed and variable rates and monitors the interest rate exposure by assessing the interest rate gap of interest bearing financial assets and financial liabilities. The Company also uses cross currency interest rate swap contracts to hedge its interest rate risk on bank borrowings as stated in Note 22.6.1(i). The management continuously seeks for alternative banking facilities, which provide competitive interest rates to finance its capital expenditure, financing and working capital requirements.



## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.6 Market risk (continued)

##### 22.6.2 Interest rate risk (continued)

###### *Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2011 RM'000
<b>Fixed rate instruments</b>	
Financial liabilities	752,052
<b>Floating rate instruments</b>	
Financial liabilities	80,992

###### *Interest rate risk sensitivity analysis*

###### (a) *Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

###### (b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
<b>2011</b>		
Floating rate instruments	(479)	479

# Notes to the Financial Statements (cont'd)

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### 22.7 Hedging activities

#### Cash flow hedge

The Company has entered into cross currency interest rate swaps to hedge the cash flow risk in relation to the foreign currency denominated borrowings of RM137,337,000. The cross currency interest rate swap has the same nominal value of RM137,337,000 and is settled in full upon maturity.

The following table indicates the periods in which the cash flows associated with the cross currency interest rate swaps with carrying amount of RM1,445,000 that are expected to occur and affect profit or loss:

	Expected cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 - 5 years RM'000
<b>2011</b>				
Cross currency interest rate swaps (gross settled):				
Outflow	(150,208)	(48,247)	(37,106)	(64,855)
Inflow	140,332	47,791	34,334	58,207
	(9,876)	(456)	(2,772)	(6,648)

During the year, a loss of RM1,295,000 was recognised in other comprehensive income.

### 22.8 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables including derivatives and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of cross currency interest rate swaps is based on broker quotes. Where such prices are not available, reference is based on discounted cash flow analysis using applicable yield curve for the duration of the instruments.

The fair values of financing receivables have been determined by discounting the relevant cash flows using market rates at the end of reporting period. Based on management's assessment as at 20 February 2011, the estimated fair value of financing receivables approximate their carrying amount.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011 Carrying amount RM'000	2011 Fair value RM'000
<b>Financial assets (non-current)</b>		
Investments	1,797	2,270
<b>Financial liabilities (non-current)</b>		
Term loans/financing (unsecured)	219,802	216,561
Medium term notes (unsecured)	274,940	274,646
Asset backed medium term notes (secured)	100,000	99,352

## Notes to the Financial Statements (cont'd)

### 22. FINANCIAL INSTRUMENTS (CONTINUED)

#### 22.8 Fair value of financial instruments (continued)

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

##### *Financial assets*

For investment, the fair value of the unquoted shares is determined with reference made to the Net Assets of the investee companies.

##### *Financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

##### *Interest rates used to determine fair value*

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2011
Derivatives	4.33% - 5.43%
Borrowings	4.07% - 5.20%

### 23. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2011, the Company's strategy, which was unchanged from 2010, was to maintain the debt-to-equity ratio between the lower to mid of 3:1 and 5:1. The debt-to-equity ratios at 20 February 2011 and at 20 February 2010 were as follows:

	2011 RM'000	2010 RM'000
Total borrowings (Note 7)	833,044	706,672
Less: Cash and cash equivalents	(5,649)	(3,161)
Net debt	827,395	703,511
Total equity	282,217	250,462
Debt-to-equity ratios	2.932	2.809

There were no changes in the Company's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

## Notes to the Financial Statements (cont'd)

### 24. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

	Hedging reserve		Retained earnings	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 21 February, as previously stated	–	–	134,315	99,696
Adjustments arising from adoption of FRS 139:				
- Recognition of derivatives previously not recognised, net of tax	652	–	–	–
- Recognition of income on Effective Interest Rate (EIR) basis, net of tax	–	–	(7,743)	–
- Impairment of financing receivables and other receivables, net of tax	–	–	(2,138)	–
	652	–	(9,881)	–
At 21 February, as restated	652	–	124,434	99,696

#### 24.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

##### *Investments in equity securities*

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associates were measured at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, unquoted investments in non-current equity securities are now categorised as available-for-sale and measured at cost as detailed in Note 2(b).

##### *Derivatives*

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss other than derivatives designated as hedging instrument which are accounted for in accordance with the hedge accounting requirements as described in the hedge accounting policy (see Note 2(b)(iii)).

##### *Impairment of financing receivables and other receivables*

Prior to the adoption of FRS139, the Company provided for allowance for doubtful debts for debts contractually past due based on expected cash flows taking into consideration the historical loss rates and the estimated realisable value from the collateral recovered from customers or the amount recoverable from insurance.

Under FRS 139, the Company assesses at end of each reporting period whether there is objective evidence that financing receivables are impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

## Notes to the Financial Statements (cont'd)

### 24. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### 24.1 FRS 139, *Financial Instruments: Recognition and Measurement* (continued)

##### *Impairment of financing receivables and other receivables (continued)*

With respect to other receivables, prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original interest rate.

As a result of the adoption of loan impairment basis under FRS 139 as explained above, the Company has adjusted the following against retained earnings as at 21 February 2010:

- (i) Write back of specific allowance of RM3,292,000 (net after tax);
- (ii) Recognition of opening collective assessment allowance and individual assessment allowance totaling RM5,430,000 (net after tax).

##### *Revenue*

Prior to 21 February 2010, income from easy payment schemes and personal financing schemes were recognised in the income statement based on the Sum of Digits method over the duration of financing period. FRS 139 requires interest income to be recognised on a Effective Interest Rate (EIR) basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

The adoption of the EIR basis has resulted in an adjustment of RM7,743,000 (net after tax) to reduce the opening retained earnings of the Company.

#### 24.2 FRS 101, *Presentation of Financial Statements* (revised)

The Company has applied FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Company presents all non-owner changes in equity in the statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

#### 24.3 FRS 8, *Operating Segments*

As of 1 January 2010, the Company determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Company's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114<sub>2004</sub>, Segment Reporting.

The Managing Director ("MD") reviews the business performance of the Company as a whole and further analysis will be provided or furnished upon the request from the MD. As such, the adoption of this standard has no impact to the presentation and disclosure of the financial statements.



## Notes to the Financial Statements (cont'd)

### 25. COMPARATIVE FIGURES

#### 25.1 FRS 101, *Presentation of Financial Statements* (revised)

Arising from the adoption of FRS 101 (revised), the income statements for the financial year ended 20 February 2010 has been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

#### 25.2 Restatement of comparative figures

During the financial year, the Company has reclassified certain categories of fee income and charges arising from its consumer financing business from other income to revenue in consideration of the recurring nature of these items which are core components of the financing structure and commercial terms with its customers.

##### Reclassification of Revenue and Other income

Summary of the changes in comparative figures are as below:

	2010 As restated RM'000	2010 As previously stated RM'000
At 21 February		
- Revenue	248,408	210,144
- Other income	11,669	49,933

### 26. SUBSEQUENT EVENT

On 9 March 2011, the Company subscribed for 750,000 ordinary shares of Rupees 10/- each in AEON Credit Service India Private Limited, ("ACSI"), a company incorporated in India, for a total cash consideration of Rupees 7,500,000.00 only (equivalent to approximately RM520,000). ACSI has been incorporated on this date as a precursor for the establishment of a consumer finance business in India as part of AEON Credit Service Co., Ltd. expansion plan in Asia. AEON Credit Service Co., Ltd. a company incorporated in Japan, is the immediate holding company of the Company.

It is expected that ACSI shall later be converted to a public company to undertake Non-banking Financial Company ("NBFC") business, with majority equity participation from AEON Credit Service Co., Ltd., subject to regulatory approval in India.

## Notes to the Financial Statements (cont'd)

### 27. REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and prescribed format of presentation.

The breakdown of retained earnings of the Company as at 20 February 2011, into realised and unrealised earnings, pursuant to the directive is as follows:

	2011 RM'000
Total retained earnings of the Company:	
- Realised	168,520
- Unrealised	(1,807)
Total retained earnings as per accounts	166,713

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 47 to 82 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company at 20 February 2011 and of its financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 27 on page 83 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Dato' Abdullah bin Mohd Yusof**

**Yasuhiro Kasai**

Kuala Lumpur,  
Date: 16 May 2011

## Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Krishnappan A/L S.P.S Singaram**, the Director primarily responsible for the financial management of **AEON Credit Service (M) Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 47 to 83 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 16 May 2011.

**Krishnappan A/L S.P.S Singaram**

Before me:

**P. Thurirajoo**  
**No. W438**

Commissioner for Oaths  
Kuala Lumpur

# Independent Auditors' Report to the members of AEON Credit Service (M) Berhad

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AEON Credit Service (M) Berhad, which comprise the statement of financial position as at 20 February 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 82.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 20 February 2011 and of its financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 on page 83 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context on Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya,  
Date: 16 May 2011

### **Ow Peng Li**

Approval Number: 2666/09/11(J)  
Chartered Accountant

# Analysis of Shareholdings as at 26 April 2011

Authorised Share Capital: RM 100,000,000  
 Paid-up share capital : RM 60,000,000  
 Class of Shares : ordinary shares of RM0.50 each  
 Voting Rights : one vote per ordinary share

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1- 99	26	0.95	662	0.00
100 - 1000	860	31.36	698,268	0.58
1001 - 10000	1,478	53.90	6,149,570	5.12
10001 - 100000	320	11.67	10,134,600	8.45
100001 - 5999999 (*)	57	2.08	33,176,900	27.65
6000000 And Above (**)	1	0.04	69,840,000	58.20
<b>TOTAL</b>	<b>2,742</b>	<b>100.00</b>	<b>120,000,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 26 APRIL 2011

No.	Names	Direct Interest	No of Shares %	Indirect Interest	%
1	AEON CREDIT SERVICE CO., LTD	69,840,000	58.20	1,800,000 <sup>*i</sup>	1.50
2	AEON CO., LTD	—	—	74,220,000 <sup>*ii</sup>	61.85
3	ABERDEEN ASSET MANAGEMENT PLC AND ITS SUBSIDIARIES	6,450,000	5.38	—	—
4	CREDIT SUISSE GROUP AG	—	—	7,206,000 <sup>*iii</sup>	6.01
5	MITSUBISHI UFJ FINANCIAL GROUP, INC	—	—	7,206,000 <sup>*iv</sup>	6.01
6	ABERDEEN ASSET MANAGEMENT SDN BHD	6,124,000	5.10	—	—

### Notes:

- <sup>\*i</sup> Indirect interest held through subsidiary of AEON Credit Service Co., Ltd, namely AEON Credit Service (Asia) Co., Ltd  
<sup>\*ii</sup> Indirect interest by virtue of its interest in AEON Credit Service Co., Ltd, AEON CO. (M) BHD. and AEON Credit Service (Asia) Co., Ltd pursuant to Section 6A of the Companies Act, 1965  
<sup>\*iii</sup> Credit Suisse Group AG owns more than 15% of the voting shares in Aberdeen Asset Management PLC and is deemed to have an interest in the shares held by Aberdeen Asset Management PLC and its subsidiaries Group.  
<sup>\*iv</sup> Mitsubishi UFJ Financial Group, Inc is deemed interested in the shares by virtue of Mitsubishi UFJ Financial Group, Inc's wholly owned subsidiary, Mitsubishi UFJ Trust & Banking Corp, holding more than 15% in Aberdeen Asset Management PLC.

## DIRECTORS INTEREST AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 26 APRIL 2011

No.	Names	Direct Interest	No of Shares %	Indirect Interest	%
1	Dato' Abdullah bin Mohd Yusof	250,900	0.21	105,000*	0.09
2	Yasuhiro Kasai	90,000	0.08	50,000*	0.04
3	Naruhito Kuroda	530,000	0.44	—	—
4	Takatoshi Ikenishi	—	—	—	—
5	Datuk Ramli bin Ibrahim	160,000	0.13	—	—
6	Dato' Md Kamal bin Ismaun	5,000	0.00	—	—
7	Ng Eng Kiat	10,000	0.01	—	—
8	Tomoaki Saito	10,000	0.01	—	—
9	Krishnappan a/l S.P.S Singaram	90,000	0.08	—	—
10	Clarence Chai	22,000	0.02	—	—

### Note:

- \* Indirect interest pursuant to Section 134(12)(c) of the Companies Act, 1965



## Analysis of Shareholdings as at 26 April 2011 (cont'd)

### LIST OF THIRTY (30) LARGEST SHREHOLDERS AS AT 26 APRIL 2011

No.	Names	No of Shares	% of Shares held
1	AEON CREDIT SERVICE CO., LTD	69,840,000	58.20
2	HSBC NOMINEES (ASING) SDN BHD HSBC -FS 1 FOR APOLLO ASIA FUND LTD	3,605,200	3.00
3	MAYBAN NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (FD 1 - 280305)	3,500,000	2.92
4	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.)	2,876,500	2.40
5	AEON CO. (M) BHD	2,580,000	2.15
6	AEON CREDIT SERVICE (ASIA) COMPANY LIMITED	1,800,000	1.50
7	SIA TONG HOCK	1,696,800	1.41
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	1,400,000	1.17
9	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE- SGD)	1,082,000	0.90
10	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT- PM-PPF)	984,700	0.82
11	DATO' CHONG WENG CHOY	800,500	0.67
12	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR HWANGDBS SELECT OPPORTUNITY FUND (3969)	785,900	0.65
13	MAYBAN NOMINEES (ASING) SDN BHD DBS BANK FOR ONE NORTH CAPITAL - ASIA VALUE MASTER FUND (290017)	763,200	0.64
14	AMSEC NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)	760,000	0.63
15	WONG CHEE LING	548,000	0.46
16	NARUHITO KURODA	530,000	0.44
17	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK SARASIN -RABO (ASIA ) LIMITED (AC CLIENT FRGN)	500,000	0.42
18	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR FIRST STATE SINGAPORE AND MALAYSIA GROWTH FUND	493,800	0.41
19	MOTOYA OKADA	480,000	0.40
20	YOSHIKI MORI	480,000	0.40
21	LEONG LI NAR	430,000	0.36
22	AMANAHRAYA TRUSTEES BERHAD ASM PREMIER FUND	400,000	0.33
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E- BTR)	396,000	0.33
24	NG KIM MING	370,000	0.31
25	LEONG SOO KENG	367,000	0.31
26	AMANAH SAHAM MARA BERHAD	335,000	0.28
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	308,000	0.26
28	SIVA KUMAR A/L M JEYAPALAN	283,900	0.24
29	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PANG YUN PAU (REM 178)	254,000	0.21
30	ABDULLAH BIN MOHD YUSOF	250,900	0.21
<b>TOTAL</b>		<b>98,901,400</b>	<b>82.43</b>

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of AEON Credit Service (M) Berhad will be held at Ballroom 1, Level 2, Inter Continental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 14 June 2011 at 10.30 a.m.

## AGENDA

### As Ordinary Business

- |   |                              |
|---|------------------------------|
| 1. To receive and adopt the Audited Financial Statements for the financial year ended 20 February 2011 together with the Reports of the Directors and Auditors thereon. | <b>Ordinary Resolution 1</b> |
| 2. To declare a final dividend of 15.00 sen less 25% income tax for the financial year ended 20 February 2011.  | <b>Ordinary Resolution 2</b> |
| 3. To approve the increase in Directors' Fees to RM406,000 for the financial year ended 20 February 2011 and payment thereof.   | <b>Ordinary Resolution 3</b> |
| 4. To re-elect the following Directors retiring pursuant to Article 129 of the Articles of Association of the Company:  |                              |
| (i) Mr Yasuhiro Kasai   | <b>Ordinary Resolution 4</b> |
| (ii) Dato' Mohd Kamal Ismaun  | <b>Ordinary Resolution 5</b> |
| (iii) Mr Ng Eng Kiat  | <b>Ordinary Resolution 6</b> |
| 5. To re-appoint Dato' Abdullah bin Mohd Yusof as Director pursuant to Section 129 (6) of the Companies Act, 1965.  | <b>Ordinary Resolution 7</b> |
| 6. To re-appoint Datuk Ramli bin Ibrahim as Director pursuant to Section 129 (6) of the Companies Act, 1965.  | <b>Ordinary Resolution 8</b> |
| 7. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 9</b> |

### As Special Business

To consider and, if thought fit, to pass the following resolutions:-

- |  |                               |
|--|-------------------------------|
| 8. <b>Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares</b>  |                               |
| <p>"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue."</p> | <b>Ordinary Resolution 10</b> |

## Notice of Annual General Meeting (cont'd)

9. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

"THAT, subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company to enter into the recurrent transactions of a revenue or trading nature as set out in 2.2 of the Circular to Shareholders dated 23 May 2011 ("Circular") with the related parties mentioned therein which are necessary for the Company's day-to-day operations.

THAT the Company be and is hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that:-

- a) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- b) the disclosure will be made in the Annual Report of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year on the type of Recurrent Related Party Transactions made, the names of the related parties involved in each type of Recurrent Related Party Transactions and their relationships with the Company.

THAT the authority conferred shall continue to be in force until:

- i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;
- ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

**Ordinary Resolution 11**

# Notice of Annual General Meeting (cont'd)

## NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Fourteenth Annual General Meeting, a final dividend of 15.00 sen less 25% income tax for the financial year ended 20 February 2011 will be paid to shareholders on 13 July 2011. The entitlement date for the said dividend shall be 28 June 2011.

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

- (a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 28 June 2011 in respect of transfers.
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)  
CHOONG LEE WAH (MAICSA 7019418)  
Company Secretaries

Selangor Darul Ehsan  
Date: 23 May 2011

## NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply.
2. A member is entitled to appoint up to two (2) proxies to attend and vote in his place, at the same meeting.
3. Where a member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power or authority and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### - Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

The Company had, during its Thirteenth Annual General Meeting ("AGM") held on 15 June 2010, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 10 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s), working capital and/or acquisitions.

### - Proposed Shareholders' Mandate

Further information on Ordinary Resolution 11 is set out in the Circular to Shareholders dated 23 May 2011 which is despatched together with the Annual Report of the Company for the financial year ended 20 February 2011.

# PROXY FORM

## AEON CREDIT SERVICE (M) BERHAD

(Company No. 412767-V)

(Incorporated in Malaysia)

No. of Shares	
CDS account No.	

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member(s) of AEON CREDIT SERVICE (M) BERHAD (412767-V) hereby appoint \_\_\_\_\_

\_\_\_\_\_ I/C No. \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, \_\_\_\_\_

I/C No. \_\_\_\_\_ of \_\_\_\_\_

or failing him/her, \*the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Ballroom 1, Level 2, Inter Continental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 14 June 2011 at 10.30 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

\* Please delete the words "the Chairman of the meeting" if you wish to appoint some other person to be your proxy.

No.	Resolution	For	Against
Ordinary Resolution 1	<b>ORDINARY BUSINESS</b> Adoption of Audited Financial Statements and Reports for the financial year ended 20 February 2011.		
Ordinary Resolution 2	Declaration of a final dividend of 15.00 sen less 25% income tax for the financial year ended 20 February 2011.		
Ordinary Resolution 3	Approval of the increase in Directors' Fees to RM406,000 for the financial year ended 20 February 2011 and payment thereof.		
Ordinary Resolution 4	Re-election of Mr Yasuhiro Kasai.		
Ordinary Resolution 5	Re-election of Dato' Md Kamal bin Ismaun.		
Ordinary Resolution 6	Re-election of Mr Ng Eng Kiat.		
Ordinary Resolution 7	Re-appointment of Dato' Abdullah bin Mohd Yusof as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
Ordinary Resolution 8	Re-appointment of Datuk Ramli bin Ibrahim as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
Ordinary Resolution 9	Re-appointment of Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 10	<b>SPECIAL BUSINESS</b> Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares.		
Ordinary Resolution 11	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

### For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

Signature: \_\_\_\_\_  
Shareholder or Common Seal

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

### NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply.
2. A member is entitled to appoint up to two (2) proxies to attend and vote in his place, at the same meeting.
3. Where a member appoints up to two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power or authority and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for holding the meeting or any adjournment thereof.





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Postage  
Stamp

The Company Secretaries  
**AEON CREDIT SERVICE (M) BERHAD** (Company No. 412767-V)  
Lot 6.05, Level 6, KPMG Tower,  
8 First Avenue, Bandar Utama,  
47800 Petaling Jaya,  
Selangor Darul Ehsan

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# Regional Offices, Branches and Service Centres

## CENTRAL REGION

### HEAD OFFICE & CENTRAL REGIONAL OFFICE

Level 29, Menara Olympia,  
No. 8, Jalan Raja Chulan,  
50200 Kuala Lumpur

### MENARA OLYMPIA SERVICE CENTRE

Level 1, Menara Olympia,  
No. 8, Jalan Raja Chulan,  
50200 Kuala Lumpur

### MID VALLEY SERVICE CENTRE

2nd Floor, Unit AT3, Mid Valley  
Megamall,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur

### PUCHONG SERVICE CENTRE

Lot F52A, First Floor, IOI Mall,  
Batu 9, Jalan Puchong,  
47100 Bandar Puchong Jaya, Selangor

### TAMAN EQUINE SERVICE CENTRE

Lot 27, Ground Floor,  
Taman Equine Shopping Centre,  
No. 2, Jalan Equine, Taman Equine,  
Bandar Putra Permai,  
43300 Seri Kembangan, Selangor

### SHAH ALAM SERVICE CENTRE

Lot LS21, Tingkat 4,  
Plaza Masalam Shah Alam,  
No. 2, Jln. Tengku Ampuan Zabedah,  
E/9E Seksyen 9,  
40100 Shah Alam, Selangor

### SUNWAY PYRAMID SERVICE CENTRE

Lot LL1.111, Sunway Pyramid,  
No. 3, Jalan PJS 11/15,  
Bandar Sunway,  
46150 Petaling Jaya, Selangor

### KAJANG SERVICE CENTRE

No. 65 & 66, Jalan Besar,  
Wisma Sim Tee Ming,  
43000 Kajang, Selangor

### BUKIT TINGGI SERVICE CENTRE

Lot S09, Second Floor,  
Bukit Tinggi Shopping Centre,  
No.1, Persiaran Batu Nilam 1/KS 6,  
Bandar Bukit Tinggi 2,  
41200 Klang, Selangor

### SEREMBAN 2 SERVICE CENTRE

Lot 41, First Floor,  
Seremban 2 Shopping Centre,  
No. 112, Persiaran S2 B1,  
70300 Seremban 2, Negeri Sembilan

### SEREMBAN BRANCH

No. 180, Ground Floor & Mezzanine  
Floor,  
Jalan Dato' Bandar Tunggal,  
70000 Seremban, Negeri Sembilan

## MELAKA BRANCH

Ground Floor & Mezzanine Floor,  
Wisma Tan Cheng Tiong,  
No. 1A, Jalan Tun Sri Lanang,  
75100 Melaka

## AMPANG UTARA 2 SERVICE CENTRE

Lot G19, Ground Floor,  
No. 6, Jalan Taman Setiawangsa (Jln  
37/56),  
Ampang Utara 2, Bandar Baru Ampang,  
Mukim Ulu Kelang,  
54200 Kuala Lumpur

## BANDARAYA MELAKA SERVICE CENTRE

JUSCO Bandaraya Melaka,  
2nd Floor, No.2,  
Jalan Lagenda,  
Taman I-Lagenda,  
75400 Melaka

## SOUTHERN REGION

### SOUTHERN REGIONAL OFFICE & JOHOR BAHRU BRANCH

LG.01 & G.01, Wisma LKN,  
No. 49, Jalan Wong Ah Fook,  
80000 Johor Bahru, Johor

### BATU PAHAT BRANCH

No. 29, Jalan Kundang,  
Taman Bukit Pasir,  
83000 Batu Pahat,  
Johor

### BUKIT INDAH SERVICE CENTRE

Lot S29, Second Floor,  
No. 8, Jalan Indah 15/2,  
Taman Bukit Indah,  
81200 Johor Bahru, Johor

### TEBRAU CITY SERVICE CENTRE

Lot 39, 2nd Floor, No.1 Jalan Desa  
Tebrau,  
Tebrau City Shopping Centre,  
Taman Desa Tebrau,  
81100 Johor Bahru, Johor

## EASTERN REGION

### EASTERN REGIONAL OFFICE & KUANTAN BRANCH

No. B-320 & B-322,  
Ground Floor and Mezzanine Floor,  
Jalan Berserah,  
25300 Kuantan, Pahang

### KOTA BHARU BRANCH

Lot 497 & 498,  
Seksyen 12, Jalan Pengkalan Chepa,  
15400 Kota Bharu, Kelantan

### KUALA TERENGGANU BRANCH

No. 42, Ground & Mezzanine Floor,  
Bangunan Dato Isaacs, Jalan Sultan  
Sulaiman,  
20000 Kuala Terengganu, Terengganu

## TEMERLOH BRANCH

No. 21 (Ground Floor),  
Jalan Ahmad Shah,  
28000 Temerloh,  
Pahang

## NORTHERN REGION

### NORTHERN REGIONAL OFFICE

Tingkat 6, 10 & 11,  
Wisma UMNO SPU, Lorong Bagan Luar 2,  
12000 Butterworth, Pulau Pinang

### PENANG BRANCH

37 Tingkat Kikik 7,  
Taman Inderawasih,  
13600 Prai, Pulau Pinang

### QUEENSBAY SERVICE CENTRE

JUSCO Queens Bay Mall  
2F-52, Persiaran Bayan Indah,  
Sungai Nibong,  
11900 Bayan Lepas, Pulau Pinang

### SEBERANG PRAI SERVICE CENTRE

AEON Seberang Prai City Shopping  
Centre  
Lot G16, Jalan Perda Timur,  
14000 Bukit Mertajam,  
Seberang Prai Tengah, Pulau Pinang

### IPOH BRANCH

No. 31 & 33,  
Jalan Yang Kalsom,  
30250 Ipoh, Perak

### ALOR SETAR BRANCH

No. 89 & 90,  
Kompleks Perniagaan Sultan Abdul  
Hamid,  
Persiaran Sultan Abdul Hamid,  
05050 Alor Setar, Kedah

## EAST MALAYSIA REGION

### KUCHING BRANCH

Ground Floor, Lot 142 & 149,  
Bangunan W.S.K, Jalan Abell,  
93100 Kuching, Sarawak

### MIRI BRANCH

Lot 1265 & 1266,  
Ground Floor,  
Centre Point,  
Jalan Melayu,  
98000 Miri, Sarawak

### KOTA KINABALU BRANCH

Lot 1-0-11 & 1-1-11,  
Block 1, Api-Api Centre,  
Lorong Api-Api,  
88000 Kota Kinabalu, Sabah



**AEON Credit Service (M) Berhad**

(412767-V)

Level 29, Menara Olympia  
No 8, Jalan Raja Chulan  
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***[www.aeonmalaysia.com.my](http://www.aeonmalaysia.com.my)***



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