



# ANNUAL REPORT 2012



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 5 Regional Offices, 34 branches and Service Centres located in major shopping centres and towns and a network of more than 4,500 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 950,000 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 21 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 180 subsidiaries and affiliated companies. AEON Group operates not only in Japan but also in Southeast Asia and China. 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.

### Aeon Basic Principles

Aeon abides by the unchanging principles of "pursuit of peace, respect for humanity and contribution to local communities," always with the customer's point of view as its core. The "Aeon Commitment" was established to help us implement these principles and to guide us in our practice of the Customer-First philosophy.

### 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.

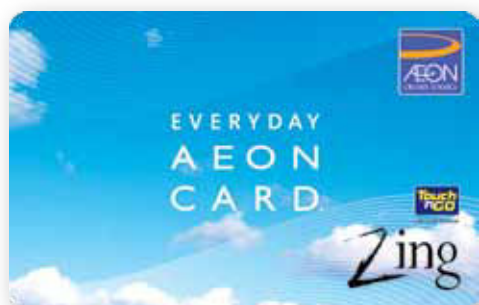
Set-up first AEON Credit Service Centre in Kuala Lumpur.

### 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 Master Card credit card with JCard loyalty points function.

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

## 2011

Established 1 new service centre.

Launched RM200 million Single Investor medium term notes programme.

Launching of AEON Prepaid Card.

# 2011 EVENTS



## Enjoy Rebate

Card Recruitment Campaign at AEON Anggun Rawang soft launch where a RM92 rebate was offered (credited after transactions or 2 months after sign up) to encourage sign up for new AEON Credit Card and the applicants would also get themselves a sign up gift, RM10 Jusco voucher and 5 complimentary passes to enjoy free refreshment in selected F&B outlets in AEON Anggun Rawang.



## AEON Gold Card Holders Free Access to Plaza Premium Lounge in KLIA

Enhanced benefit which provides Platinum privileges to our AEON Gold Card holders with 6X Free Access to Plaza Premium Lounge in KLIA, 20% discount for accompanying guest and 10% discount on optional items and services.



## JomRaya Spend & Win Contest

JomRaya Spend & Win Contest ran from 1 Jul - 20 Sept 2011. All Easy Payment and Personal Financing applicants who spent RM150 and above were entitled to submit entry for this contest and stand a chance to win prizes up to RM250,000 and the grand prize was a Honda Insight.



## RM0 Down Payment Campaign

RM0 Down Payment Campaign ran from 29 Dec 2011-1 Jan 2012 where AEON Express Easy Payment Applicants enjoyed a lower interest of 0.9% for any purchase above RM1500 of Samsung products and get a free Samsung Table Fan while any purchase of Panasonic products above RM1500 would get a free Panasonic iron.



## AEON Credit Rewards Extravaganza

Wow! AEON Credit Rewards Extravaganza Contest was organized exclusively for AEON Express Card members. Customers could save up to 40% in interest when they signed up for AEON Express Easy Payment with the purchase of LED/Smart TV, Tablets/PCs. Customers who purchased a motorcycle or car under the Motorcycle Easy Payment and Used Car Easy Payment Schemes were entitled to enter this contest to win one of the 45 units of Samsung Galaxy Tab 10.1 offered in the contest.



## Double Celebrations Contest

Double Celebrations Contest was held from 10th May till 30th June 2011 in conjunction with the Gawai Festival and Harvest Festival in Sabah & Sarawak. Our East Malaysia AEON Express Easy Payment applicants who spent RM1,500 and above stood a chance to win 15 units of iPad2 offered in the contest.



## 2011 EVENTS (cont'd)



### Luxurious Escapade

A Luxurious Escapade Get Together trip to Langkawi was organized from 30 Sep - 2 Oct 2011 for merchants who had supported our business growth.



### The Green Escapade 2011

1st Regional Business Associate Appreciation Trip to Taman Negara was organised from 27 - 31 May 2011 in appreciation of our business partners who had continuously supported our business growth and expansion.



### Xtra Vaganza

AEON Master Card holders who filled up a minimum of RM50 fuel at Petronas Petrol Stations from 1 Dec 2011 till 31 Jan 2012 stood a chance to win an iPhone 4S and earned a 2% Rebate.



### Make Your Everyday Spending a Rewarding Day

This promotion was run inconjunction with AEON Anggun, Rawang soft launch on 19 Dec 2011, with exclusive offers for AEON Credit Card and AEON Express Easy Payment applicants where they were given 5 complimentary passes to enjoy free refreshment at selected F&B outlets in AEON Anggun Rawang.

## Corporate Events

The Company held its fourteenth Annual General Meeting of shareholders on 14 June 2011 at the Grand Ballroom, InterContinental Hotel Kuala Lumpur. Salient details of the Company's business performance for the FYE2011 were presented to the shareholders.



## Investor Relations

Two analysts and fund managers presentation seminars were held this year to update analysts and fund managers on the company's performance and growth prospects, coinciding with the announcement of interim results for six months ended August 2011 and financial year end results ended February 2012.



# 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.

## MALAYSIAN AEON FOUNDATION

"With All Our Hearts" Malaysia AEON Foundation (MAF) is the charity arm of AEON Co. (M) Berhad (AEON) and AEON Credit Service (M) Berhad (ACS). 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:

## OUR MISSION

- To be continuously involved in fund-raising activities and events for the benefits of all Malaysians, irrespective of race, religion and creed, with special focus on the needs of Malaysian children.
- To provide financial aid to those with greatest needs, especially in the area of education, living environment and medical assistance. We also aim to provide activity-based resources to guide people away from today's social ills.
- To give the children of Malaysia the opportunity to discover their self-worth and develop themselves to their fullest potential so that they may live fuller and more meaningful lives in the future.

## CSR EVENTS

### Charity Drive for Natural Catastrophe

Malaysian AEON Foundation organized "Charity Drive for the Tsunami & Earthquake Victims in Japan" campaign by allocating coins boxes, posters at visible location in all AEON shopping centres, outlets, ACS branches, service counters and communication through at websites, local newspaper advertisement and Facebook page. The Charity Drive Campaign for the Japan Tsunami & Earthquake Victims collection amounting to RM 1,000,000 was handed over to the AEON 1% Club of Japan for assistance to victims of the tsunami and earthquake tragedy in Japan.

MAF also organized "Charity Drive Campaign for Thailand and Cambodia Flood Victims" and managed to collect a total sum of RM 80,000 to aid the Thailand and Cambodia flood victims.





## CORPORATE RESPONSIBILITY (cont'd)

### CHARITY DRIVES

The 2011 Foundation Charity Gala Dinner was held on 15 July 2011 at the Grand Ballroom of Kuala Lumpur Convention Centre, themed "A Night of Heritage, the Malaysian Batik" with the presence of Her Majesty Seri Paduka Baginda Raja Permaisuri Agong, Sultanah Nur Zahirah as the guest of honour. Funds raised from the Gala Dinner amounted to more than RM 1,006,000.



### COMMUNITY ACTIVITIES

In the effort to reach out to the local communities and to raise public awareness towards the beauty of charity, Malaysian AEON Foundation continues its partnership with TV3, and acted as the main sponsor for "Bersamamu TV3" programme. The second season of the programme was broadcast on TV3 at 9:30 p.m. every Wednesday, from February to August 2011. The Foundation managed to reach out with aid in kind worth RM20,000 and RM35,780 to 10 recipients and 5 homes for the underprivileged children respectively in hope of making betterment in their lives.

The programme, watched by an estimated 3 million viewers, shared stories about less fortunate families in every episode and featured AEON and ACS assisting the families by contributing essential items and financial aid.



### FIREFLY BREEDING PROJECT AT KUALA SELANGOR

On 29 April 2011, AEON Foundation donated RM 390 350 to a Trust Fund for Firefly Breeding Project which was launched by Dato' Menteri Besar of Selangor Darul Ehsan, Y.A.B Tan Seri Abdul Khalid bin Ibrahim after the signing ceremony of the memorandum of understanding (MOU) between AEON Foundation, Forest Research Institute of Malaysia (FRIM) and the Selangor State Government.

This is a three-year project whereby AEON Foundation together with the state government and FRIM experts intend to plant over 5,400 nipah and malabera trees along the Tanjung Beluntas riverbank to emphasise the significance and value of helping the firefly population to breed.



### FESTIVITIES CELEBRATION WITH ORPHANS

During the Chinese New Year festivities, Malaysian AEON Foundation donated daily necessities such as cooking oil, rice and milk to orphanage homes in Perak Darul Ridzuan. In conjunction with the Deepavali celebration, RM 5,000 worth of goods and daily necessities were also donated to less fortunate families in Puchong.

In August 2011, Malaysian AEON Foundation celebrated Hari Raya by treating 105 underprivileged children from Dusun Tua, Semenyih and Kajang to a shopping trip in JUSCO stores in Taman Maluri, Mahkota Cheras and Cheras Selatan. All 105 children were invited to choose their own baju raya worth RM 200 per child followed by an evening dinner treat at J.W. Marriot Hotel, Kuala Lumpur with hamper presentations, Mamee goodies bag and "duit raya".



### BEACH CLEANING PROJECT

On 23 April 2011, in conjunction with Earth Day 2011, AEON Foundation organized a coastal cleanup project at Pantai Teluk Senangin, Perak Darul Ridzuan, graced by the Menteri Besar of Perak Darul Ridzuan, Y.A.B. Dato' Seri DiRaja Dr. Zambry bin Abd. Kadir. ACS management and staff joined 800 volunteers including students to collect over 340kg of discarded waste along the beach. AEON also donated recycling and rubbish bins to be placed along the beach.





## CORPORATE RESPONSIBILITY (cont'd)

### AEON RAWANG ANGGUN SHOPPING CENTRE TREE PLANTING CEREMONY

On 3 December 2011, ACS staff and management joined more than 900 participants to plant 3,500 saplings in a tree planting ceremony held for the opening of Aeon Rawang Anggun Shopping Centre. The ceremony was graced by Y.A. Bhg. Tun Jeanne Abdullah, Chairman of Landscape Malaysia.



### AEON IPOH STATION 18 SHOPPING CENTRE TREE PLANTING CEREMONY

On 25 February 2012, ACS staff and management joined more than 800 participants to plant 3,500 saplings in a tree planting ceremony held for the opening of AEON Ipoh Station 18 Shopping Centre. The ceremony was graced by Y.A.B Dato' Seri DiRaja Dr. Zambry bin Abd. Kadir, Menteri Besar of Perak Darul Ridzuan.



### BLOOD DONATION DRIVE

ACS has collaborated with The National Blood Bank to organised a blood donation drive at the ACS Head Office on 13 April 2012. This one-day blood donation drive is consistent with the Prime Minister's recent call in saving more lives through blood donation.



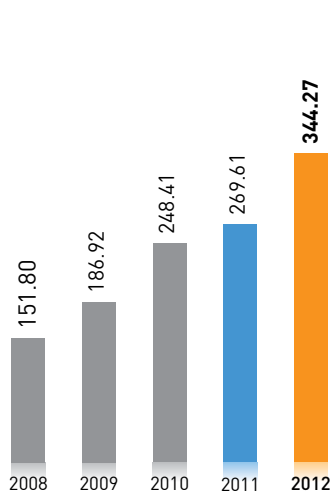
# 5 YEARS FINANCIAL HIGHLIGHTS

	FYE2012 RM'000	FYE2011 RM'000	FYE2010 RM'000	FYE2009 RM'000	FYE2008 RM'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Revenue	344,269	269,610	248,408	186,919	151,797
Profit before tax	128,061	85,024	72,226	65,930	45,750
<b>Profit after tax</b>	<b>95,607</b>	<b>63,429</b>	<b>54,275</b>	<b>48,757</b>	<b>33,394</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>Assets</b>					
Plant and equipment	27,452	24,137	22,047	24,820	21,608
Investment	1,283	1,797	1,797	1,797	1,026
Receivables	568,276	407,377	360,704	323,325	256,176
Deferred tax assets	4,128	-	-	-	-
<b>Total non-current assets</b>	<b>601,139</b>	<b>433,311</b>	<b>384,548</b>	<b>349,942</b>	<b>278,810</b>
Receivables, deposits and prepayments	959,435	736,526	622,484	557,718	450,130
Cash and bank balances	4,416	5,649	3,161	2,462	2,404
<b>Total current assets</b>	<b>963,851</b>	<b>742,175</b>	<b>625,645</b>	<b>560,180</b>	<b>452,534</b>
<b>Total assets</b>	<b>1,564,990</b>	<b>1,175,486</b>	<b>1,010,193</b>	<b>910,122</b>	<b>731,344</b>
<b>Equity</b>					
Share capital	60,000	60,000	60,000	60,000	60,000
Share Premium	56,147	56,147	56,147	56,147	56,147
Retained earnings	225,087	166,070	134,315	99,696	65,430
<b>Total equity attributable to shareholders of the Company</b>	<b>341,234</b>	<b>282,217</b>	<b>250,462</b>	<b>215,843</b>	<b>181,577</b>
<b>Liabilities</b>					
Borrowings	877,603	594,742	460,041	358,529	311,395
Deferred tax liabilities	-	1,807	1,782	2,386	2,523
<b>Total non-current liabilities</b>	<b>877,603</b>	<b>596,549</b>	<b>461,823</b>	<b>360,915</b>	<b>313,918</b>
Payables and accruals	105,763	55,577	44,453	50,035	42,582
Borrowings	228,591	238,302	246,631	276,279	188,198
Taxation	11,799	2,841	6,824	7,050	5,069
<b>Total current liabilities</b>	<b>346,153</b>	<b>296,720</b>	<b>297,908</b>	<b>333,364</b>	<b>235,849</b>
<b>Total liabilities</b>	<b>1,223,756</b>	<b>893,269</b>	<b>759,731</b>	<b>694,279</b>	<b>549,767</b>
<b>Total equity and liabilities</b>	<b>1,564,990</b>	<b>1,175,486</b>	<b>1,010,193</b>	<b>910,122</b>	<b>731,344</b>
<b>STATISTICS</b>					
Net earnings per share (sen)*	79.67	52.86	45.23	40.63	32.65
Net dividends per ordinary share (sen)	30.00	19.88	16.88	15.08	9.50
Net assets per share (RM)	2.84	2.35	2.09	1.80	1.51

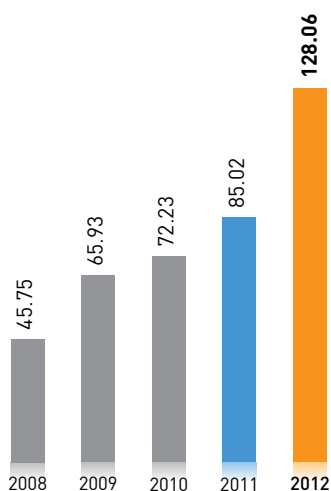
\*Note : Earnings per share has been calculated based on weighted average number of ordinary shares outstanding in the respective year.

## 5 YEARS FINANCIAL HIGHLIGHTS (cont'd)

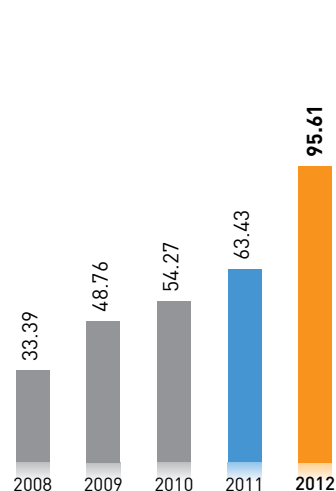
**Revenue**  
(RM Million)



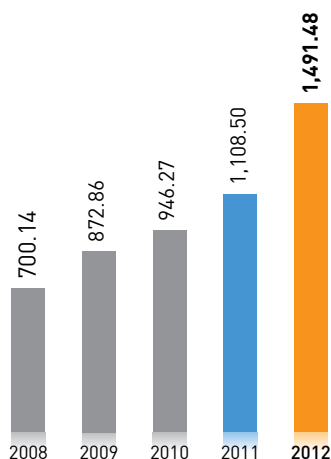
**Profit before Tax**  
(RM Million)



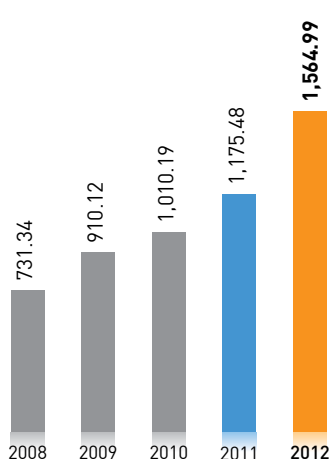
**Profit after Tax**  
(RM Million)



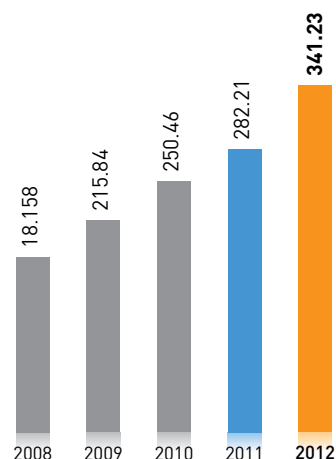
**Financing Receivables**  
(RM Million)



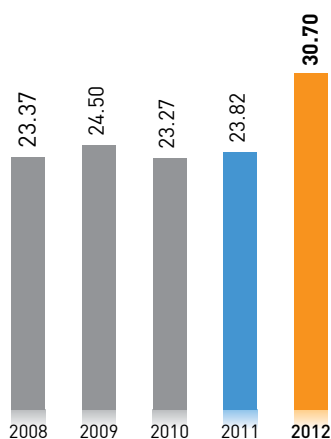
**Total Assets**  
(RM Million)



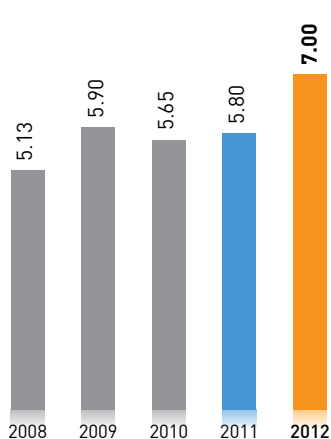
**Shareholders' Funds**  
(RM Million)



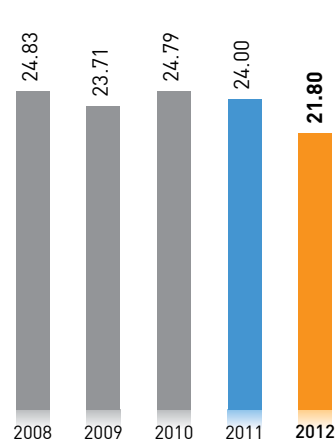
**Return on Equity**  
(%)



**Return on Assets**  
(%)

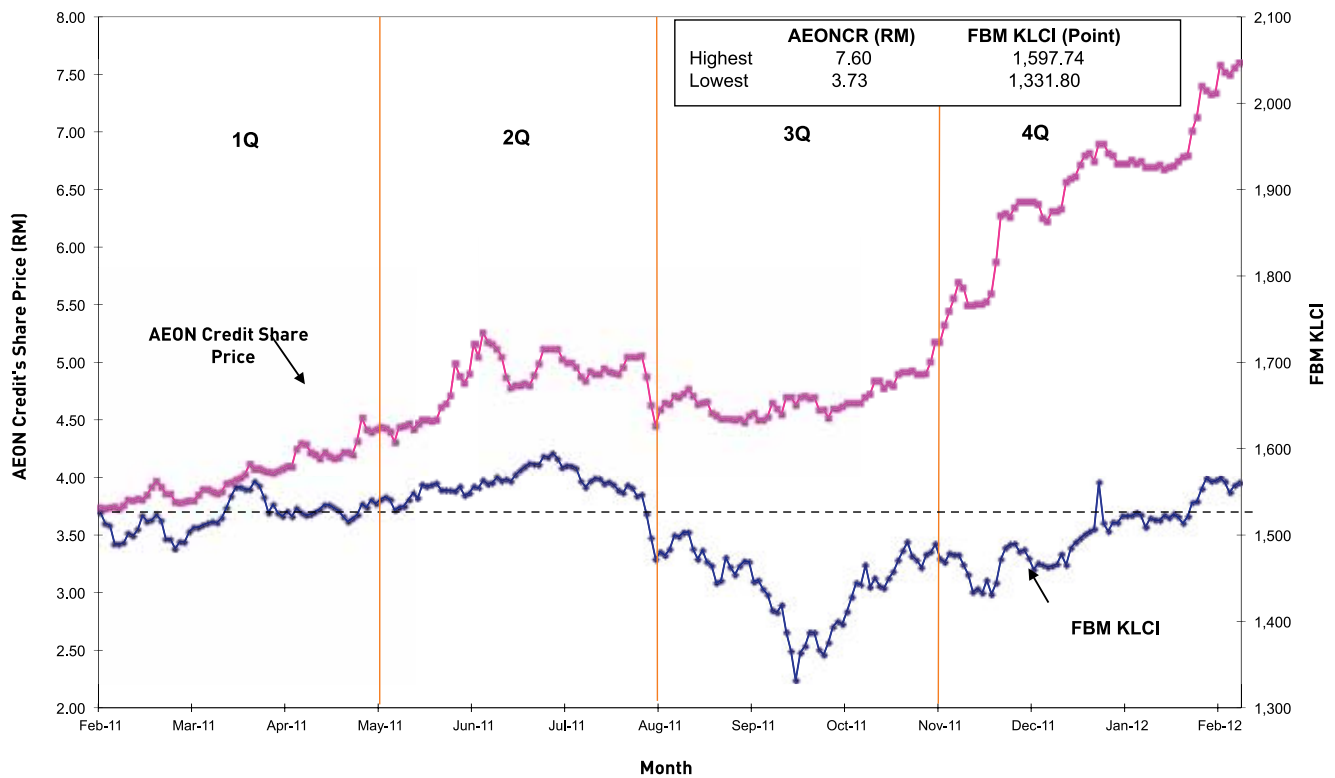


**Capital Adequacy Ratio**  
(%)

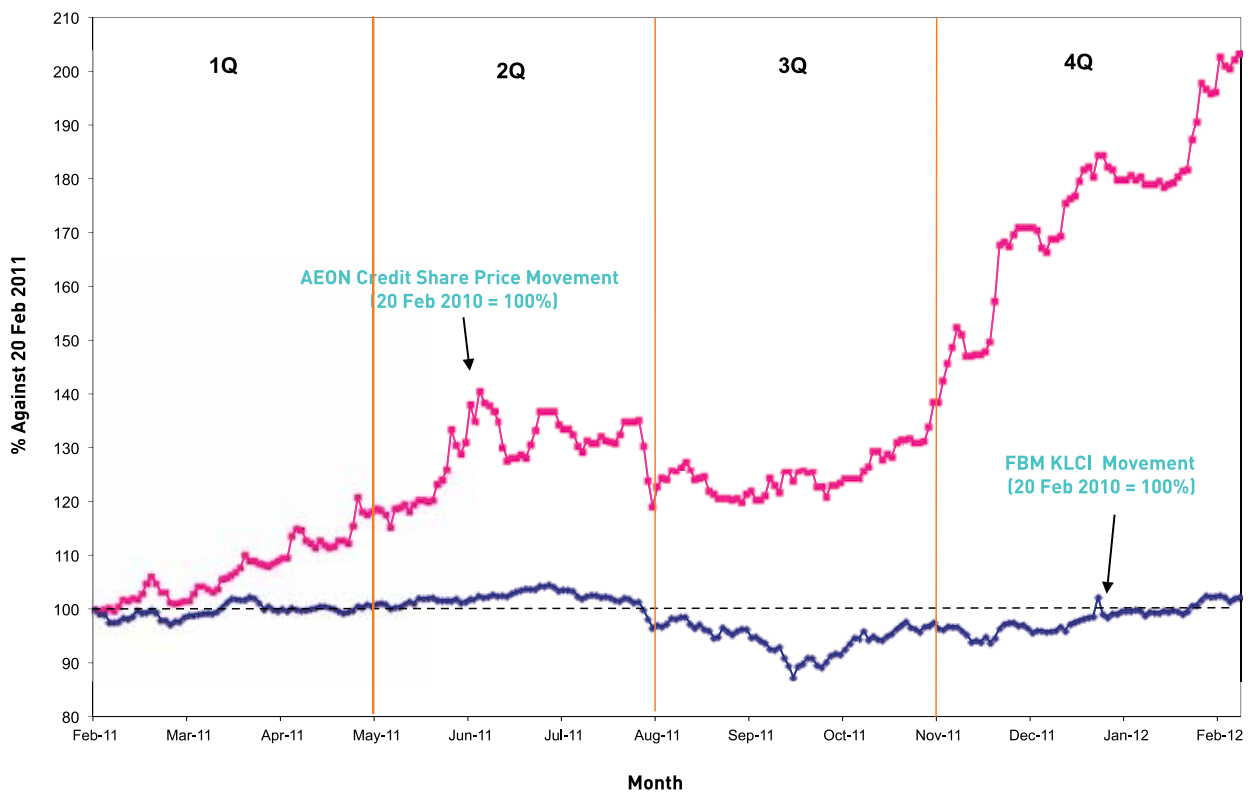


# SHARE PRICE

**AEON Credit Share Price vs. FBM KLCI (21-02-11 to 20-02-12)**



**AEON Credit Share Price Movement vs. FBM KLCI Movement (21-02-11 to 20-02-12)**





# CORPORATE INFORMATION

## Board Of Directors

**Dato' Abdullah b. Mohd. Yusof**  
(Chairman)

**Mr. Yasuhiro Kasai**  
(Managing Director)

**Mr. Takatoshi Ikeneshi**

**Mr. Naruhito Kuroda** (Resigned on 15 May 2012)

**Datuk Ramli b. Ibrahim**

**Dato' Md. Kamal b. Ismaun**

**Mr. Ng Eng Kiat**

**Mr. Krishnappan a/l S.P.S. Singaram**

**Mr. Clarence Chai**

**Mr. Tomoaki Saito**

## Secretaries

**Ms. Tai Yit Chan** (MAISCA 7009143)

**Ms. Choong Lee Wah** (MAISCA 7019418)

## Registered Office

Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
T: +603-7720 1188  
F: +603-7720 1111

## Head Office

Level 29, Menara Olympia  
No. 8, Jalan Raja Chulan  
50200 Kuala Lumpur  
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.  
Block D13, 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

## Principle Bankers

Ambank Berhad

Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad

Bank of Tokyo-Mitsubishi UFJ, Ltd.

CIMB Bank Berhad

CIMB Islamic Bank Berhad

Citibank Bank

Malayan Banking Berhad

Mizuho Corporate Bank, Ltd.

Mizuho Corporate Bank (Malaysia) Berhad

Public Bank Berhad

RHB Islamic Bank Berhad

Sumitomo Mitsui Banking Corporation (Malaysia) Berhad

# CORPORATE CALENDAR

<b>Notice of Annual General Meeting</b>	23 May 2011
<b>Annual General Meeting</b>	14 June 2011
<b>Payment of Dividend (Final)</b>	Book Closure - 28 June 2011 Payment - 13 July 2011
<b>Payment of Dividend (Interim)</b>	Book Closure - 5 October 2011 Payment - 20 October 2011
<b>First Quarter Results Announcement</b>	14 June 2011
<b>Second Quarter Results Announcement</b>	21 September 2011
<b>Third Quarter Results Announcement</b>	20 December 2011
<b>Fourth Quarter Results Announcement</b>	19 April 2012

# CHAIRMAN'S STATEMENT



For the year under review, AEON Credit continued to record strong growth for the financial year ended 20 February 2012 with a net profit of RM95.61 million, an increase of 50.7% from the previous year with expansion and growth in all its product segments. This contributed to growth earning per share from 52.86 sen in FYE2011 to 79.67 sen in FYE 2012.

## 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 2012.

Despite the slower growth in global economy in 2011, the Malaysian economy remained resilient with sustained growth in domestic demand supported by mainly higher expenditure from the public sector along with growth in both business and household spending in an environment of continued positive consumer sentiment.

GDP growth for 2011 of 5.1% was lower than 7.2 % in 2010; however private consumption expanded by 6.9% from 6.5% in 2010 while the public sector consumption had expanded substantially to 16.8% from 0.5 % in 2010.

## Company's Performance

For the year under review, AEON Credit continued to record strong growth with a net profit of RM 95.61 million, an increase of 50.7% from the previous year with expansion and growth in all its product segments. Correspondingly, earnings per share has increased from 52.86 sen in FYE2011 to 79.67 sen in FYE 2012. The growth in business and receivables was realised based on increased financing transaction volume attributable to continued favourable economic environment and marketing and promotion activities.

## Dividend

The Board of Directors has recommended a final single tier dividend payment of 16.80 sen per share, totaling RM20.16 million. This would result in total dividend payout ratio of 37.7% of the net profit for FYE2012, including the interim dividend paid during the year. The total dividends for the year of 30 sen per share represents an increase of 50.9% from total net dividends of 19.88 sen paid out for the last financial year.

## CHAIRMAN'S STATEMENT (cont'd)

### Looking forward

The Malaysian economic growth forecast for 2012 of between 4% and 5% by Bank Negara is marginally lower than economic growth of 5.1% in year 2011 and growth of 5.2% in the 4th quarter of 2011. The latest forecast takes into account downside risks such as escalation in the Eurozone sovereign debt crisis and much slower growth in Malaysia's major trade partners. While the central bank has acknowledged concern on the level of household debt which might have some negative implications on consumer spending, it is optimistic that households would remain financially sound, with strong financial buffers to service debt obligations and cushion against income shocks. Growth impetus in 2012 would come from domestic demand, backed by private expenditure and public expenditure

The continued implementation of the Economic Transformation Programme (ETP) by the government would provide stimulus to boost economic growth and improve the local business climate amidst the global economic slowdown.

The Company expects to be able to sustain its performance in the financial year ending 20 February 2013 based on its business strategies and marketing and branding efforts.

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

### Acknowledgement

On behalf of the Board of Directors, I wish to thank my fellow Board members, the Management and all employees for their contribution, dedication and commitment towards the business growth of AEON Credit.

Mr Naruhito Kuroda has just retired from the services with Aeon Credit Service Co., Ltd., Japan and consequently resigned from the Board. To him, the Company owes a debt of gratitude for his efforts and contribution especially during his tenure as Managing Director. We all wish him good wishes for the future.

The Board also wishes to thank all our valued shareholders, business associates, bankers and most of all, our valued customers for their continuous support to the Company over the years.

Yours sincerely

**Dato' Abdullah bin Mohd Yusof**  
Chairman



# MANAGING DIRECTOR'S OPERATIONS REVIEW

## Financial Review

AEON Credit Service (M) Berhad has recorded stronger annual business growth in the year ended 20 February 2012 compared to the previous year, from successful business strategies deployed under an environment of favourable market conditions.

Total revenue for the financial year of RM344.27 million represented growth of 27.7% from previous year revenue of RM269.61 million. This is attributable to growth in financing receivables achieved for credit card operations, product Easy Payment schemes and Personal Financing scheme during the year. Total transaction and financing volume of RM1.66 billion for the year represented growth of 40.9% from the previous year. Profit before tax (PBT) recorded for the year of RM128.06 million 50.6% higher than RM 85.02 million PBT in the previous year.

The financing receivables as at end of FYE2012 was RM1.49 billion, representing growth of 34.5% from RM1.11 billion in the previous financial year. Meanwhile, non-performing loans (NPL) ratio was 1.80% as at February 2012 compared to 1.83% in February 2011, reflecting satisfactory asset quality management in spite of the sharp growth in business and receivables in the year.

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

Other operating income recorded of RM24.90 million for the year was 44.4% higher than previous year. This is attributable to continued growth in fee income, especially from sales of insurance products, and increase in bad debts recovered.

## Operational Review

### Card Business

While 2011 was a challenging year for credit card issuers in Malaysia to increase their customer base, the Company's principal credit cards in circulation as at February 2012 had increased by 11.3% from the previous year based on database marketing efforts, various promotions carried out and enhancement of card benefits. Total credit card transactions volume of RM716.61 million represents growth of 52.2% against the previous year, realised from both increase in card member base as well as higher average card usage amount.

Meanwhile, the company introduced "EPF kiosks" located at all branches and AEON shopping malls to attract increased walk-in consumer traffic and enhance opportunities for sales and cross selling of financial service products offered by the Company including credit cards and Personal Financing. The company will strive to convert more J-Card members to AEON credit card members and enhance card benefits in collaboration with AEON Co. (M) Berhad to be a preferred credit card among its customers in FYE2013.

### Easy Payment and Personal Financing Business

The Easy Payment and Personal Financing schemes saw a 33.3% annual growth in financing volume to RM940.12 million for the year under review. Database marketing activities and attractive financing rates during the year served to increase transaction volume significantly for personal financing operations, which registered 103.2% annual growth in receivables against the previous year.

Further, the Company continued to obtain increasing volume of consumer credit applications from the growing base of merchants for the consumer durables and motorcycle financing operations during the year. The company continued to focus on growth in business for larger financing amounts from the middle income consumers, both for purchase of consumer goods and motor vehicles as well as personal financing needs.

## Future Plans

The Company anticipates to be able to sustain growth in its financial performance in the financial year ending 20 February 2013 based on its business strategies despite the lower economic growth rate forecast for 2012.

For the credit card operations, the Company intends to issue new cards targeted at the higher income group consumers in FYE2013 while strengthening card recruitment activities both at AEON shopping malls as well as through other marketing channels.

Meanwhile, Easy Payment scheme operations will be expanded to provide equipment and other asset financing to small



The financing receivables as at end of FYE2012 was RM1.49 billion, representing growth of 34.5% from RM1.11 billion in the previous financial year. Meanwhile, non-performing loans (NPL) ratio was 1.80% as at February 2012 compared to 1.83% in February 2011, reflecting satisfactory asset quality management in spite of the sharp growth in business and receivables in the year.



businesses . The Company shall expand the consumer durables financing scheme to offer financing for personal services utilised by consumers. Financing for higher cubic capacity motorcycles and expansion of pre-owned car financing will continue to be an area of focus as well as merchant network expansion.

Additional branches and service centres shall be opened nationwide by the Company in FYE 2013, to facilitate greater market reach to consumers, especially for personal financing scheme operations and providing customer service.

Further, the Company shall pursue growth in fee revenue from services in FYE2013, including sale of insurance products, to complement income generation from receivables. The Company will focus on nationwide business expansion while taking necessary action towards sustainable business growth, maintaining prudent risk management policies and healthy asset quality.

#### 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. TAKATOSHI IKENISHI**

Non-Independent  
Non-Executive Director

**4. DATUK RAMLI BIN IBRAHIM**

Independent Non-Executive Director

**5. DATO' MD KAMAL BIN ISMAUN**

Independent Non-Executive Director

**6. MR. NG ENG KIAT**

Independent Non-Executive Director

**7. MR. TOMOAKI SAITO**

Executive Director

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

Executive Director

**9. MR. CLARENCE CHAI**

Executive Director

**10. MR. NARUHITO KURODA**

(Resigned on 15 May 2012)  
Non-Independent  
Non-Executive Director

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## PROFILE OF DIRECTORS



**DATO' ABDULLAH BIN MOHD YUSOF**

Chairman and Independent Non-Executive Director  
(73, Malaysian)

Dato' Abdullah bin Mohd. Yusof was appointed 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 forty (40) 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 Securities. He sits on the Board of Directors of 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 2012. He holds 235,900 ordinary shares directly in the Company and 89,000 ordinary shares indirectly in the Company.



**MR. YASUHIRO KASAI**

Managing Director  
(41, Japanese)

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 ended 20 February 2012. He holds 90,000 ordinary shares directly in the Company.





**MR. TAKATOSHI IKENISHI**

Non-Independent Non-Executive Director  
(48, Japanese)

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 currently a member for both the Nomination and Remuneration Committees. He was a Director of AEON Credit Service (Asia) Co., Ltd., Hong Kong from 2008-2011 and AEON Thana Sinsap (Thailand) PLC, Thailand from 2008-2011 (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 two (2) Board meetings held in the financial year ended 20 February 2012.

**DATUK RAMLI BIN IBRAHIM**

Independent Non-Executive Director  
(72, Malaysian)

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., BCT Technology Berhad and several other unlisted public and private limited companies including Measat Global Berhad and HSBC Bank Malaysia Berhad. 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 2012. He holds 160,000 ordinary shares directly in the Company.

## PROFILE OF DIRECTORS (cont'd)



**DATO' MD KAMAL BIN ISMAUN**

Independent Non-Executive Director  
(64, Malaysian)

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 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 2012. He holds 5,000 ordinary shares directly in the Company.



**MR. NG ENG KIAT**

Independent Non-Executive Director  
(59, Malaysian)

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 Chartered Tax Institute of Malaysia 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 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 2012. He holds 10,000 ordinary shares directly in the Company.



**MR. TOMOAKI SAITO**

Executive Director  
(40, Japanese)

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. Mr. Tomoaki 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 was responsible for Operations Management Division of the Company from April 2010-March 2012. In March 2012, he was redesignated as Head of E-commerce, E-money and SME Business 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 during the financial year ended 20 February 2012. He holds 10,000 ordinary shares directly in the Company.



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

Executive Director  
(45, Malaysian)

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 the Head of Finance, Legal and Administration Division from 1 April 2010 till March 2012. In March 2012 he was redesignated as the Head of Finance, Legal, Administration and Corporate Services. 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 2012. He holds 90,000 ordinary shares directly in the Company.



**MR. CLARENCE CHAI**

Executive Director  
(50, Malaysian)

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 and subsequently promoted to Assistant General Manager, and General Manager/Head of Branch Operations Group. In 2008, he was made Head of Regional Sales and Operations Division. In 2010, He was made the Head for Collection Agency and Business Process Outsourcing Division responsible for overseeing the collection agency business operation and developing the merchant network. 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 2012. He holds 22,000 ordinary shares directly in the Company.



**MR. NARUHITO KURODA**

Non-Independent Non-Executive Director  
(50, Japanese)

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 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 was the President Komisaris of PT AEON Credit Service Indonesia from 2007-2010. He was Chairman of the Nomination and Remuneration Committees from 2010-2012. He does not hold any directorships in any other public or public listed company. Mr. Kuroda resigned from the board on 15 May 2012.

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 2012. He holds 530,000 ordinary shares directly in the Company.



# SENIOR MANAGEMENT



**MR. YASUHIRO KASAI**  
Managing Director



**MR. KRISHNAPPAN A/L S.P.S. SINGARAM**  
Senior General Manager /  
Head of Finance, Legal, Administration and Corporate Services



**MR. TOMOAKI SAITO**  
General Manager /  
Head of E-commerce,  
E-money and SME Business Division



**MR. DANNY POH WAN CHUNG**  
General Manager /  
Head of New Business & Insurance Agency



**MR. CLARENCE CHAI**  
Senior General Manager /  
Head for Collection Agency and  
Business Process Outsourcing Division



**MS. LEE TYAN JEN**  
General Manager /  
Head of Credit Card Division



**MR. TENG BOON HONG**  
Assistant General Manager /  
Head of Information Technology Group



**MS. PARTICIA YIP LAI MENG**  
Assistant General Manager /  
Head of Human Resource Group

# STATEMENT ON CORPORATE GOVERNANCE

## Compliance Statement

The Board of Directors ("The Board") recognizes 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 Nine (9) members, comprising one (1) Chairman who is Non-Executive Director, four (4) Executive Directors and four (4) 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 22 to 26 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.

## 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:

## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Name of Director	Number of Board meetings attended/held during the Directors' term in office
1 Dato' Abdullah bin Mohd Yusof - Independent Non-Executive Director	4/4
2 Mr. Yasuhiro Kasai - Managing Director	4/4
3 Datuk Ramli bin Ibrahim - Independent Non-Executive Director	4/4
4 Dato' Md Kamal bin Ismaun - Independent Non-Executive Director	4/4
5 Mr. Ng Eng Kiat - Independent Non-Executive Director	4/4
6 Mr. Takatoshi Ikenishi - Non-Independent Non-Executive Director	2/4
7 Mr. Tomoaki Saito - Executive Director	4/4
8 Mr. Krishnappan A/L S.P.S. Singaram - Executive Director	4/4
9 Mr. Clarence Chai - Executive Director	4/4
10 Mr. Naruhito Kuroda (Resigned on 15 May 2012) - Non-Independent Non-Executive Director	2/4

### 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.

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 Directors of the Company have completed the Mandatory Accreditation Programme and 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 2012, 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

- Amendments of Bursa Listing Requirements and Corporate Governance Blueprint
- Comprehensive Overview of Financial Reporting Standards
- Corporate Finance Programme
- IIA International Conference
- Islamic Finance: Overview and Key Issues in Risk Management
- IT Governance and Risk Management Programme
- Malaysian Financial Reporting Framework (MFRS)
- National Taxation Seminar 2011
- Seminar on Year 2012 Budget and other Tax Developments
- Workshop on Clarified International Standards on Auditing

### Training of Directors (cont'd)

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.

### Audit Committee

The Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external and internal auditors. 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 33 to 35 of the Annual Report.

### Nomination Committee

The Nomination Committee comprises the following members:

- Mr Naruhito Kuroda (Non-Independent Non-Executive Director)(Chairman) (Resigned on 15 May 2012)
- 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 that 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. Following the resignation of Mr Naruhito Kuroda, the Company is currently in the process of identifying suitable candidate to be the Chairman of the Nomination Committee.

During the financial year ended 20 February 2012, one (1) Nomination Committee meeting was held. 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.



## STATEMENT ON CORPORATE GOVERNANCE (cont'd)

### Remuneration Committee

The Remuneration Committee comprises of the following members:

- Mr Naruhito Kuroda (Non-Independent Non-Executive Director)(Chairman) (Resigned on 15 May 2012)
- 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 is 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. Following the resignation of Mr Naruhito Kuroda, the Company is currently in the process of identifying suitable candidate to be the Chairman of the Remuneration Committee.

During the financial year ended 20 February 2012, one (1) Remuneration Committee meeting was held. During the 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 2012, categorised into appropriate components are as follows:-

	Executive Directors	Non-Executive Directors	Total (RM)
Fees	-	434,000	434,000
Salaries, bonus and other contributions	2,092,552	-	2,092,552
Benefits-in-kind	139,375	-	139,375
<b>TOTAL</b>	<b>2,231,927</b>	<b>434,000</b>	<b>2,665,927</b>

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

	Number of Directors		
	Executive	Non-Executive	Total (RM)
Below RM50,000		2	2
RM50,001 to RM100,000		3	3
RM100,001 to RM150,000			
RM150,001 to RM200,000		1	1
RM400,001 to RM450,000	1		1
RM450,001 to RM500,000	1		1
RM500,001 to RM550,000	1		1
RM800,001 to RM850,000	1		1
<b>TOTAL</b>	<b>4</b>	<b>6</b>	<b>10</b>

### 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](mailto: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 of Internal Control

The Statement on Internal Controls as set out in page 36 to 37 of the Annual Report provides an overview of the state of internal controls within the Company.

#### Recurrent Related Party Transactions

At the Fourteenth AGM held on 14 June 2011, 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 2012 are disclosed in Note 20 of the financial statements in page 68 to 69 of the Annual Report 2012.

#### 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 meetings and formal meetings whereby issues are discussed.

The relationship between the Board and External Auditors is also formalized 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 five (5) 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)	5 / 5
2.	Datuk Ramli bin Ibrahim	Member (Independent Non-Executive Director)	5 / 5
3.	Dato' Md Kamal bin Ismaun	Member (Independent Non-Executive Director)	5 / 5

The Company Secretary, being the Secretary of the Audit Committee was present at all the meetings. Upon invitation, representatives of the External Auditors, Messrs KPMG, the Managing Director and the Head of Legal, Administration and Corporate Services, Head of Internal Audit and related management personnel also attended specific meetings. The Chairman of the Audit Committee reported to the Board of Directors on matters deliberated during the Audit Committee Meetings and minutes of each Audit Committee Meetings were circulated to each member of the Board.

## 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 35. 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 Bank Negara Malaysia, 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 and audit plan for the year.
- Reviewed and recommended the re-appointment of Messrs KPMG as the Company's External Auditors and their professional fees to the Board of Directors for consideration.
- 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.
- 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.

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. The Internal Audit Department's annual audit plan is approved by the Audit Committee. Total staff cost incurred in respect of the internal audit function during the financial year ended 20 February 2012 was RM488,150.

During the period under review, the Internal Audit Department carried out the 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. Internal Audit also followed-up on the implementation of the agreed audit recommendations and the status was reported to the Audit Committee.

# 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 organisation'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 prevent 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 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 one 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.

In the event of any vacancy in the Committee resulting in the non-compliance of the above requirements, the Company must fill the vacancy within 3 months.

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.

## 4. Meetings

The Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

The quorum for the meeting shall be 2 and the majority of members present must be independent directors. 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 BOD 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



## TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

- 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 report on each meeting to the BOD summarising the Committee's activities and the related significant results and findings.

The Committee shall meet at least once a year with the Head of Internal Audit and at least twice a year with the external auditors to discuss any matters without the presence of the management and any executive members of the BOD.

### 5 Authority

The Committee shall have the following authority as empowered by the BOD:-

- a. Investigate any matter within its terms of reference.
- b. Seek any information it requires from employees who are required to cooperate with any request made by Committee,
- c. Full and unrestricted access to any information pertaining to the Company,
- d. Direct communication channels with internal and external auditors and with senior management of the Company,
- e. Adequate resources required to perform its duties including legal or other independent professional advice it considers necessary,
- f. Report to Bursa Securities any matter that has not been satisfactorily resolved resulting in a breach of Bursa Securities Main Market Listing Requirements, after the matter has been reported to the BOD,
- g. Be 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 Committee shall engage on a continuous basis with senior management, such as the Chairman of the Board, the Managing Director, the Head of Finance, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

### 6 Responsibilities And Duties

Pursuant to Section 15.12 of the Main Market 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 the external auditors, the audit scope and plan including any changes to the planned scope of the audit and the proposed audit fees in connection with the statutory audit,
- b. Review the independence, objectivity and performance of the external auditors and their services, including approving the provision of non-audit services by the external auditors,
- c. Review the letter of resignation from the external auditors and/or whether there is reason to believe that the external auditors are not suitable for re-appointment,
- d. Review the Internal Audit Charter to ensure that 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.
- e. Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out the work,
- f. Review the adequacy and integrity of internal control system including risk management, management information system and the internal and external auditors' evaluation of the system,
- g. 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,
- h. Review the assistance given by Company's officers to the internal and external auditors and any difficulties encountered in the course of work including any restrictions on the scope of activities or access to required information,
- i. Approve the appointment, transfer, dismissal of the Head of Internal Audit as well as to evaluate the performance of the Internal Audit functions,
- j. Note resignations of internal audit senior staff members, providing the resigning staff member an opportunity to submit his/her reasons for resigning,
- k. Review the quarterly results and year end financial statements prior to approval by BOD focusing particularly on:-
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements.
- l. Review any related party transactions and conflict of interest situations that may affect the management's integrity,
- m. Prepare report at least once a year to BOD summarising the activities performed in fulfilling Committee's responsibilities,
- n. 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 risk management and 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 has been in place for the year under review and up to the date of approval of the annual report and financial statements; 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 are also closely monitored and followed-up to ensure that they are promptly implemented.

## 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.

## STATEMENT ON INTERNAL CONTROL (cont'd)

### System Of Internal Controls (con'd)

- 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 & liquidity risk. The objective of the Committee is to assess 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 with the aim to 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 2012, or entered into since the end of the previous financial year, comprise transactions involving AEON Co. (M) Bhd ("ACMB") and AEON Credit Technology Systems (Philippines) Inc. ("ACTS"), a company incorporated in the Republic of the Philippines, as set out below. The ultimate holding company of the Company, AEON Co., Ltd, is also the holding company of ACMB and ACTS. Dato' Abdullah bin Mohd Yusof and Datuk Ramli bin Ibrahim, both Directors of the Company are also Directors of ACMB.

- On 1 July 1997, the Company entered into a Factoring Agreement with ACMB whereby the Company factors goods sold on credit under its Easy Payment scheme at ACMB. 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 RM6.102 million.
- On 23 June 2005, the Company entered into a JUSCO Credit Card Agreement with ACMB 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 ACMB. JUSCO Credit Card holders who are also JCard (loyalty card issued by ACMB) members will enjoy additional JCard loyalty points (on the retail transactions made using the JUSCO Credit Card) provided by the Company through purchase of the additional JCard points from ACMB. During the year under review, the value of total additional JCard points purchased by the Company was RM1.755 million.
- On 29 December 2005, the Company entered into a credit card Merchant Agreement with ACMB whereby the Company will pay to ACMB the value of sales transaction from the goods sold at ACMB 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 RM103.569 million and the total commission receivable was RM1.491 million.
- On 25 May 2009, the Company entered into a Master Service Agreement with ACTS whereby the Company shall procure computer software development services, technical consultation services, system implementation services, maintenance and staffing support services from ACTS from time to time. The total value of services procured by the Company from ACTS during the year under review was RM2.496 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 2012 was RM0.478 million.

# RISK MANAGEMENT

The Company's Risk Management Section was established in June 2009 to manage the process of identifying, analysing, responding to, and monitoring risks and opportunities, within the internal and external environment facing the Company.

A Risk Management Framework was developed and approved by the Board with the purpose of providing guidance on a systematic approach to risk management. The framework is to facilitate achievement of following objectives :-

- (i) To identify and prioritise potential risk areas and risk events,
- (ii) To develop methods to evaluate identified risks,
- (iii) To develop risk management, risk mitigation and risk response strategies and plans, and
- (iv) To identify risk management methods, tools and techniques to assist in the analysis, monitoring and reporting of identified risk events and expense/loss due to the risk events,

A Risk Management Committee has been established by the Company, comprising senior management, for monthly reporting, review and decision making by the Company in various areas of enterprise risk management towards achievement of the objectives set out above. The proceedings of the Risk Management Committee meetings and key data on risk management are reported to the Board on quarterly basis for deliberation and feedback from the Board to the management.



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# DIRECTORS' REPORT

## for the year ended 20 February 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 20 February 2012.

### 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	95,607

### 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 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 year ended 20 February 2011 on 13 July 2011; and
- ii) an interim ordinary single tier dividend of 26.4% (13.20 sen per ordinary share) totalling RM15,840,000 in respect of the financial year ended 20 February 2012 on 20 October 2011.

The Directors have recommended a final ordinary single tier dividend of 33.6% (16.8 sen per ordinary share) totalling RM20,160,000 in respect of the financial year ended 20 February 2012.

### DIRECTORS OF THE COMPANY

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

Dato' Abdullah Bin Mohd Yusof  
Yasuhiro Kasai  
Takatoshi Ikenishi  
Datuk Ramli Bin Ibrahim  
Dato' Md Kamal Bin Ismaun  
Ng Eng Kiat  
Tomoaki Saito  
Krishnappan A/L S.P.S. Singaram  
Clarence Chai  
Naruhito Kuroda (Resigned on 15 May 2012)

**DIRECTORS' REPORT** (cont'd)  
for the year ended 20 February 2012

**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 21.2.2011	Bought	Sold	At 20.2.2012
<b>The Company</b>				
<b>Direct interest:</b>				
Dato' Abdullah Bin Mohd Yusof	250,900	-	(15,000)	235,900
Yasuhiro Kasai	90,000	-	-	90,000
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	10,000	-	-	10,000
Krishnappan A/L S.P.S Singaram	90,000	-	-	90,000
Clarence Chai	22,000	-	-	22,000
Naruhito Kuroda (Resigned on 15 May 2012)	530,000	-	-	530,000
<b>Deemed interest:</b>				
Dato' Abdullah Bin Mohd Yusof				
- others*	105,000	4,000	(20,000)	89,000

	Number of ordinary shares of RM1.00 each			
	At 21.2.2011	Bought	Sold	At 20.2.2012
<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 (Resigned on 15 May 2012)	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

	Number of ordinary shares of HKD0.10 each		
	At 21.2.2011	Bought	Sold
<b>Related company</b>			
<b>AEON Credit Service (Asia) Co., Ltd.</b>			
<b>Direct interest:</b>			
Dato' Abdullah Bin Mohd Yusof	526,000	-	-
Yasuhiro Kasai	800	-	-
Naruhito Kuroda (Resigned on 15 May 2012)	32,000	-	-
<b>Deemed interest:</b>			
Dato' Abdullah Bin Mohd Yusof			
- own	1,167,800	-	-
- others*	3,000	-	-
Datuk Ramli Bin Ibrahim			
- others*	560,000	-	-

	Number of ordinary shares of HKD0.10 each		
	At 21.2.2011	Bought	Sold
<b>Related company</b>			
<b>AEON Credit Service (Asia) Co., Ltd.</b>			
<b>Direct interest:</b>			
Naruhito Kuroda (Resigned on 15 May 2012)	74,800	-	-

	Number of ordinary shares of THB1.00 each		
	At 21.2.2011	Bought	Sold
<b>Related company</b>			
<b>AEON Thana Sinsap (Thailand) Plc.</b>			
<b>Direct interest:</b>			
Naruhito Kuroda (Resigned on 15 May 2012)	100,000	-	-

	Number of ordinary shares		
	At 21.2.2011	Bought	Sold
<b>Immediate holding company</b>			
<b>AEON Credit Service Co., Ltd.</b>			
<b>Direct interest:</b>			
Yasuhiro Kasai	470	49	-
Takatoshi Ikenishi	200	100	-
Tomoaki Saito	1,660	156	-
Naruhito Kuroda (Resigned on 15 May 2012)	1,980	-	-

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



## DIRECTORS' REPORT (cont'd)

for the year ended 20 February 2012

### 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 paidup 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 financial position and the statement of comprehensive income 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.

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 2012 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.

**SIGNIFICANT EVENT**

Significant event note is disclosed in Note 25 to the financial statements.

**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 2012

# STATEMENT OF FINANCIAL POSITION

## as at 20 February 2012

	Note	2012 RM'000	2011 RM'000
<b>Assets</b>			
Plant and equipment	3	27,452	24,137
Investments	4	1,283	1,797
Deferred tax assets	5	4,128	-
Receivables	6	568,276	407,377
<b>Total non-current assets</b>		601,139	433,311
Receivables and deposits	6	953,745	731,348
Prepayments		5,690	5,178
Cash and bank balances	7	4,416	5,649
<b>Total current assets</b>		963,851	742,175
<b>Total assets</b>		1,564,990	1,175,486
<b>Equity</b>			
Share capital		60,000	60,000
Share premium		56,147	56,147
Reserves		225,087	166,070
<b>Total equity attributable to equity holders of the Company</b>	8	341,234	282,217
<b>Liabilities</b>			
Borrowings	9	877,603	594,742
Deferred tax liabilities	5	-	1,807
<b>Total non-current liabilities</b>		877,603	596,549
Borrowings	9	228,591	238,302
Payables and accruals	10	81,097	54,132
Derivative financial liabilities		24,666	1,445
Taxation		11,799	2,841
<b>Total current liabilities</b>		346,153	296,720
<b>Total liabilities</b>		1,223,756	893,269
<b>Total equity and liabilities</b>		1,564,990	1,175,486

The notes on pages 50 to 80 are an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

## for the year ended 20 February 2012

	Note	2012 RM'000	2011 RM'000
<b>Continuing operations</b>			
Revenue	11	344,269	269,610
Staff costs		(72,135)	(62,071)
Depreciation of plant and equipment	3	(9,204)	(9,935)
Operating expenses		(117,144)	(97,208)
Other income		24,900	17,237
<b>Operating profit</b>	12	170,686	117,633
Finance costs	14	(42,625)	(32,609)
<b>Profit before tax</b>		128,061	85,024
Income tax expense	15	(32,454)	(21,595)
<b>Profit for the year</b>		95,607	63,429
<b>Other comprehensive income, net of tax</b>			
Cash flow hedge	16	(7,250)	(1,295)
<b>Total other comprehensive income for the year, net of tax</b>		(7,250)	(1,295)
<b>Total comprehensive income for the year</b>		88,357	62,134
<b>Profit attributable to equity holders of the Company</b>		95,607	63,429
<b>Total comprehensive income attributable to equity holders of the Company</b>		88,357	62,134
<b>Basic earnings per ordinary share (sen)</b>	18	79.67	52.86

The notes on pages 50 to 80 are an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

## for the year ended 20 February 2012

	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Hedging reserves RM'000	Retained earnings RM'000	
<b>At 21 February 2010</b>		60,000	56,147	652	124,434	241,233
Cash flow hedge (net of tax)		-	-	(1,295)	-	(1,295)
Total other comprehensive income for the year		-	-	(1,295)	-	(1,295)
Profit for the year		-	-	-	63,429	63,429
<b>Total comprehensive income for the year</b>		-	-	(1,295)	63,429	62,134
Dividends to equity holders of the Company	17	-	-	-	(21,150)	(21,150)
<b>At 20 February 2011/ 21 February 2011</b>		60,000	56,147	(643)	166,713	282,217
Cash flow hedge (net of tax)		-	-	(7,250)	-	(7,250)
Total other comprehensive income for the year		-	-	(7,250)	-	(7,250)
Profit for the year		-	-	-	95,607	95,607
<b>Total comprehensive income for the year</b>		-	-	(7,250)	95,607	88,357
Dividends to equity holders of the Company	17	-	-	-	(29,340)	(29,340)
<b>At 20 February 2012</b>		60,000	56,147	(7,893)	232,980	341,234
		Note 8.1	Note 8.2	Note 8.3	Note 8.4	

The notes on pages 50 to 80 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

## for the year ended 20 February 2012

	Note	2012 RM'000	2011 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		128,061	85,024
Adjustments for:			
Allowance for impairment losses		64,014	52,249
Depreciation of plant and equipment	3	9,204	9,935
Dividend income		(40)	(47)
Finance costs		42,625	32,609
Gain on disposal of investment		(742)	-
Gain on disposal of plant and equipment		-	(6)
Plant and equipment written off		11	3
<b>Operating profit before working capital changes</b>		243,133	179,767
Changes in working capital:			
Receivables, deposits and prepayments		(447,822)	(221,427)
Payables and accruals		26,510	8,362
<b>Cash used in operations</b>		(178,179)	(33,298)
Finance costs paid		(41,568)	(31,601)
Income taxes paid		(27,022)	(22,045)
<b>Net cash used in operating activities</b>		(246,769)	(86,944)
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment	3	(12,535)	(12,028)
Increase in investment		(512)	-
Dividend income		40	47
Proceeds from disposal of investment		1,768	-
Proceeds from disposal of plant and equipment		5	6
<b>Net cash used in investing activities</b>		(11,234)	(11,975)
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the Company	17	(29,340)	(21,150)
Proceeds from borrowings		551,688	322,000
Repayment of bank borrowings		(265,488)	(200,108)
<b>Net cash generated from financing activities</b>		256,860	100,742

The notes on pages 50 to 80 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS** (cont'd)  
for the year ended 20 February 2012

	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,143)	1,823
<b>Cash and cash equivalents at beginning of year</b>	(i)	4,657	2,834
<b>Cash and cash equivalents at end of year</b>	(i)	3,514	4,657

*(i) Cash and cash equivalents*

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

	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Cash and bank balances		4,364	5,599
Deposits		52	50
Overdrafts	7 9	4,416 (902)	5,649 (992)
		3,514	4,657

The notes on pages 50 to 80 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 are AEON Credit Service Co., Ltd. (ACSL) and AEON Co., Ltd. respectively. Both companies were incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors on 16 May 2012.

## **1. BASIS OF PREPARATION**

### **(a) Statement of compliance**

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

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Company:

#### ***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)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

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

- Amendments to FRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013***

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investment in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures*



## 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 January 2014***

- Amendments to FRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***

- FRS 9, Financial Instruments (2009)
- FRS 9, Financial Instruments (2010)

The Company's financial statements for annual period beginning on 21 February 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

#### (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.

#### (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(e)(i).

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

#### (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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Financial instruments

#### (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.

##### **(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(e)(i)).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

###### *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.

##### (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 expired 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Plant and equipment

#### (i) Recognition and measurement

Items of plant and equipment are measured 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.

Gain and loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is 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.

#### (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 reviewed, and adjusted as appropriate at the end of the reporting period.

### (d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) 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.

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

For financing receivables ("loan(s)"), 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 pledged to secure the loan and is measured as the difference between the carrying amount of the loan and the present value of the expected future cash flows discounted at original EIR of the loan.

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

##### *Collectively assessed allowance*

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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) 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 (known as 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 or cash-generating unit.

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

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 financial year in which the reversals are recognised.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) 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.

#### (g) Revenue recognition

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

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/Profit Rate ("EIR") method.

The EIR is a method of calculating the amortised cost of financing receivables ("receivable(s)") 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 receivable or, when appropriate, a shorter period to the net carrying amount of the receivable.

##### ***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.

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.

#### (h) Operating lease

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

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) 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.

### (j) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 temporary differences arising from 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 be applied 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

### (k) 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.

### (l) 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

<i>Cost</i>	<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 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/ 21 February 2011	6,734	58,628	1,853	3,522	11,678	82,415
Additions	695	10,384	-	101	1,355	12,535
Disposals	-	(8)	-	-	-	(8)
Write-off	(7)	(57)	-	(1)	(147)	(212)
At 20 February 2012	7,422	68,947	1,853	3,622	12,886	94,730
<b><i>Accumulated depreciation</i></b>						
At 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/ 21 February 2011	5,777	37,900	1,437	3,176	9,988	58,278
Charge for the year	570	7,146	253	212	1,023	9,204
Disposals	-	(3)	-	-	-	(3)
Write-off	(5)	(57)	-	(1)	(138)	(201)
At 20 February 2012	6,342	44,986	1,690	3,387	10,873	67,278
<b><i>Carrying amounts</i></b>						
At 20 February 2010	1,337	17,207	722	407	2,374	22,047
At 20 February 2011/ 21 February 2011	957	20,728	416	346	1,690	24,137
At 20 February 2012	1,080	23,961	163	235	2,013	27,452

**4. INVESTMENTS**

	2012 RM'000	2011 RM'000
<b>Available-for-sale</b>		
<b>At cost</b>		
Unquoted shares outside Malaysia	1,283	1,797

Included in investments as at 20 February 2012 is an investment of RM 512,000 (2011: Nil) in AEON Credit Service India Private Limited ("ACSI"), a company incorporated in India, representing 100% equity interest of the total issued and paid-up share capital of ACSI. ACSI has yet to commence its operation.

Although the Company owns 100% equity interest in ACSI, ACSI has been under the control and management of the immediate holding company, AEON Credit Service Co., Ltd (ACSL) since its incorporation. It is also the intention of ACSL to subscribe for future shares to be issued by ACSI such that it will become the holding company of ACSI. Accordingly, the Directors are of the opinion that ACSI should not be consolidated into the financial statements of the Company. Thus, consolidated financial statements are not presented in relation to the investment in ACSI.

**5. DEFERRED TAX ASSETS / (LIABILITIES)*****Recognised deferred tax assets / (liabilities)***

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Plant and equipment	-	-	(5,503)	(3,488)	(5,503)	(3,488)
Hedging reserve	2,623	214	-	-	2,623	214
Allowance for impairment losses	2,064	1,467	-	-	2,064	1,467
Recognition of interest income/ profit revenue	3,307	-	-	-	3,307	-
Provision for bonus and others	1,637	-	-	-	1,637	-
<b>Net tax assets/(liabilities)</b>	<b>9,631</b>	<b>1,681</b>	<b>(5,503)</b>	<b>(3,488)</b>	<b>4,128</b>	<b>(1,807)</b>

Deferred tax assets and liabilities 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.

**Movement in temporary differences during the year**

	At 21 February 2010 RM'000	Recognised in profit or loss (Note 15) RM'000	Recognised in other comprehensive income (Note 16) RM'000	At 20 February 2011 RM'000	Recognised in profit or loss (Note 15) RM'000	Recognised in other comprehensive income (Note 16) RM'000	At 20 February 2012 RM'000
Plant and equipment	(3,173)	(315)	-	(3,488)	(2,015)	-	(5,503)
Hedging reserves	(217)	-	431	214	-	2,409	2,623
Allowance for impairment losses	2,104	(637)	-	1,467	597	-	2,064
Recognition of interest income/ profit revenue	-	-	-	-	3,307	-	3,307
Provision for bonus and others	-	-	-	-	1,637	-	1,637
	(1,286)	(952)	431	(1,807)	3,526	2,409	4,128



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 6. RECEIVABLES AND DEPOSITS

	Note	2012 RM'000	2011 RM'000
<b>Non-current</b>			
Financing receivables		568,276	407,377
<b>Current</b>			
Financing receivables		1,851,880	1,371,949
Less: Unearned carrying charges		(326,407)	(236,970)
Allowance for impairment losses	6.1	(33,997)	(26,475)
	6.2	1,491,476	1,108,504
Less: Financing receivables (Non-current portion)		(568,276)	(407,377)
Financing receivables (Current portion)		923,200	701,127
Other receivables and deposits		30,441	30,221
Related company	6.3	104	-
		953,745	731,348

**6.1** During the year, financing receivables amounting to RM56,492,000 (2011: RM50,049,000) was written off against the allowance for impairment losses.

**6.2** Included in financing receivables is an amount of RM779,107,000 (2011: RM560,915,000) relating to the Company's easy payment and personal financing schemes based on Islamic principles.

Financing receivables amounting to RM214,000,000 (2011: RM214,000,000) have been sold under the asset backed medium term notes securitised funding programme (Note 9.3). Based on the terms of the transaction, the said receivables shall not be de-recognised from the statement of financial position of the Company.

**6.3** The amount due from related company is unsecured, interest free and repayable on demand.

## 7. CASH AND CASH EQUIVALENTS

	2012 RM'000	2011 RM'000
Deposits placed with licensed banks	52	50
Cash and bank balances	4,364	5,599
	4,416	5,649

**8. SHARE CAPITAL AND RESERVES****8.1 Share capital**

	Amount 2012 RM'000	Number of shares 2012 '000	Amount 2011 RM'000	Number of shares 2011 '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

**8.2 Share premium**

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

**8.3 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.

**8.4 Retained earnings**

During the year, the Company has fully utilised its Section 108 tax credit and has adopted the single tier company income tax system.

**9. BORROWINGS**

	Note	2012 RM'000	2011 RM'000
<b>Non-current</b>			
Term loans/financing (unsecured)	9.1	507,607	219,802
Medium term notes (unsecured)	9.2	219,996	274,940
Asset backed medium term notes (secured)	9.3	150,000	100,000
		877,603	594,742
<b>Current</b>			
Bank overdrafts (unsecured)	9.1	902	992
Revolving credits (unsecured)	9.1	87,861	17,000
Term loans/financing (unsecured)	9.1	34,926	45,947
Medium term notes (unsecured)	9.2	69,979	109,402
Commercial paper (unsecured)	9.2	34,923	14,961
Asset backed medium term notes (secured)	9.3	-	50,000
		228,591	238,302

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 9. BORROWINGS (CONTINUED)

### 9.1 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, standby letters of credit from various financial institutions or on clean basis.

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

	2012 RM'000	2011 RM'000
<b>Revolving credits</b>		
Ringgit Malaysia	22,000	17,000
Japanese Yen	28,092	-
U.S. Dollar	37,769	-
	87,861	17,000
<b>Term loans/financing</b>		
Ringgit Malaysia	99,000	129,000
Japanese Yen	34,926	79,496
U.S. Dollar	408,607	57,253
	542,533	265,749

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

### 9.2 Medium term notes and commercial paper

	2012 RM'000	2011 RM'000
<b>Medium term notes</b>		
Nominal value	290,000	385,000
Discount	-	(548)
Deferred issuance cost	(25)	(110)
Carrying amount as at 20 February	289,975	384,342
	2012 RM'000	2011 RM'000
<b>Commercial paper</b>		
Nominal value	35,000	15,000
Discount	(77)	(39)
Carrying amount as at 20 February	34,923	14,961

The above represents RM250 million (2011: RM345 million) of bank guaranteed Islamic Medium Term Notes ("Islamic MTN"), RM40 million (2011: RM40 million) of bank guaranteed Conventional Medium Term Notes ("Conventional MTN") and RM35 million (2011: RM15 million) of bank guaranteed Islamic Commercial Paper ("Islamic CP").

**9. BORROWINGS (CONTINUED)****9.2 Medium term notes and commercial paper (continued)**

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

	<b>Total RM'000</b>	<b>Less than 1 year RM'000</b>	<b>1 - 2 years RM'000</b>	<b>2 - 3 years RM'000</b>
<b>2012</b>				
Islamic MTN	250,000	30,000	220,000	-
Conventional MTN	40,000	40,000	-	-
Islamic CP	35,000	35,000	-	-
	325,000	105,000	220,000	-
<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

**9.3 Asset backed medium term notes**

	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Nominal value	150,000	150,000

The above represents RM150 million (2011: RM150 million) asset backed medium term notes. The asset backed medium term notes have been extended for two years and the notes are redeemable by 18 June 2015.

The asset backed medium term notes are secured by financing receivables amounting to RM214 million (2011: RM214 million) (Note 6.2).

**10. PAYABLES AND ACCRUALS**

	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
<b>Trade</b>			
Trade payables		46,007	26,863
Related company	10.1	1,550	973
		47,557	27,836
<b>Non-trade</b>			
Other payables and accruals		33,311	26,087
Immediate holding company	10.1	191	176
Related companies	10.1	38	33
		33,540	26,296
		81,097	54,132

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

**10. PAYABLES AND ACCRUALS (CONTINUED)**
**10.1 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.

**11. REVENUE**

	2012 RM'000	2011 RM'000
Revenue from easy payment, personal financing based on Islamic principles and credit card business:		
Interest income, profit revenue and finance charges	274,034	217,872
Fee income	70,235	51,738
	344,269	269,610

**12. OPERATING PROFIT**

	2012 RM'000	2011 RM'000
<b>Operating profit is arrived at after crediting:</b>		
Bad debts recovered	17,698	13,646
Dividend income from:		
Investment		
- Unquoted shares outside Malaysia	40	47
Gain on disposal of investment	742	-
Gain on disposal of plant and equipment	-	6
<b>and after charging:</b>		
Allowance for impairment losses	64,014	52,249
Auditor remuneration:		
Audit fees		
- KPMG Malaysia	127	127
Non-audit fees		
- KPMG Malaysia	478	118
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	5,720	5,100
- Wages, salaries and others	66,415	56,971
Plant and equipment written off	11	3
Rental expense in respect of:		
- Office premises	6,647	6,818
- Motor vehicles	7	6
- Office equipment	283	201



**13. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel compensations are as follow:

	2012 RM'000	2011 RM'000
Directors		
- Fees	434	406
- Remuneration	2,093	2,191
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	139	154
	2,666	2,751

**14. FINANCE COSTS**

	2012 RM'000	2011 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss		
- Bank overdrafts	100	134
- Revolving credits	635	1,621
- Term loans/financing and medium term notes	35,553	24,319
- Asset backed medium term notes	6,337	6,535
	42,625	32,609

**15. INCOME TAX EXPENSE*****Recognised in profit or loss***

	2012 RM'000	2011 RM'000
Current tax expense		
- Current year	32,310	20,402
- Under provision in prior year	3,670	241
Total current tax recognised in profit or loss	35,980	20,643
Deferred tax expense		
- Origination and reversal of temporary differences	254	1,256
- Over provision in prior year	(3,780)	(304)
Total deferred tax recognised in profit or loss	(3,526)	952
Total income tax expense	32,454	21,595

***Reconciliation of effective tax expense***

Profit before tax	128,061	85,024
Income tax calculated using Malaysian tax rate of 25%	32,015	21,256
Non-deductible expenses	549	402
	32,564	21,658
Over provision in prior year	(110)	(63)
	32,454	21,595

***Deferred tax recognised directly in other comprehensive income is as follows:***

Cash flow hedge reserves (Note 16)	(2,409)	(431)
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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

**16. OTHER COMPREHENSIVE INCOME**

	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
<b>2012</b>			
Cash flow hedge			
- Loss arising during the year	(9,659)	2,409	(7,250)
	(9,659)	2,409	(7,250)
<b>2011</b>			
Cash flow hedge			
- Loss arising during the year	(1,726)	431	(1,295)
	(1,726)	431	(1,295)

**17. DIVIDENDS**

Dividends recognised in the current year by the Company are:

	Sen per share (single tier/ net of tax)	Total amount RM'000	Date of payment
<b>2012</b>			
Interim 2012 ordinary	13.20	15,840	20 October 2011
Final 2011 ordinary	11.25	13,500	13 July 2011
Total		29,340	
<b>2011</b>			
Interim 2011 ordinary	8.63	10,350	20 October 2010
Final 2010 ordinary	9.00	10,800	13 July 2010
Total		21,150	

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 (single tier)	Total amount RM'000
Final ordinary	16.80	20,160

**18. EARNINGS PER ORDINARY SHARE****Basic earnings per ordinary share**

The calculation of basic earnings per share at 20 February 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2012 RM'000	2011 RM'000
Profit attributable to ordinary shareholders	95,607	63,429
	2012 '000	2011 '000
Weighted average number of ordinary shares at 20 February	120,000	120,000
	2012 Sen	2011 Sen
Basic earnings per ordinary share	79.67	52.86

There were no outstanding potential ordinary shares as at 20 February 2011 and 20 February 2012 respectively, accordingly, the diluted earnings per share is not presented.

**19. 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 as a single segment.

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.

Accordingly, segmental reporting is not presented.

**20. RELATED PARTIES****Identity of 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. Key management personnel comprise all the Directors of the Company. The key management personnel compensation is disclosed in Note 13.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 20. RELATED PARTIES (CONTINUED)

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

	2012 RM'000	2011 RM'000
<b>Related companies</b>		
<b>AEON Co. (M) Bhd.</b>		
<b>Customers' transactions via related company*</b>		
Sales through Easy Payment Schemes	6,102	7,916
Sales through AEON Credit Cards	103,569	83,621
<b>Revenue</b>		
Credit cards commission income	1,491	1,208
<b>Expenses</b>		
Convertible J-Card points charges	(1,755)	(1,416)
Office and promotion space rental	(1,618)	(1,726)
<b>AEON Credit Technology Systems (Philippines) Inc.</b>		
<b>Assets</b>		
IT systems development	(2,496)	(2,933)
<b>Immediate holding company</b>		
<b>AEON Credit Service Co. Ltd.</b>		
<b>Expenses</b>		
Corporate support fees	(1,717)	(1,376)

\* In the capacity as merchant of the Company.

Balances with immediate holding company and related companies are disclosed in Note 10. All transactions have been entered in the ordinary course of business and have been established based on negotiated terms.

### 21. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2012 RM'000	2011 RM'000
Less than one year	6,899	5,152
Between one and five years	7,961	1,774

The Company leases a number of service centres and office premises under operating leases. The leases typically run for a period of 2 to 3 years with an option to renew the lease after that date. Lease payments are increased at expiry of initial term to reflect market rentals.

**22. CAPITAL COMMITMENT**

	2012 RM'000	2011 RM'000
<b>Capital expenditure commitments</b>		
<b>Plant and equipment</b>		
Contracted but not provided for	6,034	6,498

**23. FINANCIAL INSTRUMENTS****23.1 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>2012</b>				
<b>Financial assets</b>				
Investments	1,283	-	1,283	-
Financing receivables and other receivables	1,522,020	1,522,020	-	-
Cash and bank balances	4,416	4,416	-	-
	1,527,719	1,526,436	1,283	-
<b>2012</b>				
<b>Financial liabilities</b>				
Borrowings	(1,106,194)	(1,106,194)	-	-
Trade and other payables	(81,097)	(81,097)	-	-
Derivative financial liabilities	(24,666)	-	-	(24,666)
	(1,211,957)	(1,187,291)	-	(24,666)
<b>2011</b>				
<b>Financial assets</b>				
Investments	1,797	-	1,797	-
Financing receivables and other receivables	1,138,725	1,138,725	-	-
Cash and bank balances	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	(54,132)	(54,132)	-	-
Derivative financial liabilities	(1,445)	-	-	(1,445)
	(888,621)	(887,176)	-	(1,445)



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2012 RM'000	2011 RM'000
<b>Net gains/(losses) on:</b>		
Available-for-sale	782	47
Loans and receivables	297,953	231,007
Financial liabilities measured at amortised cost	(42,625)	(32,609)
	256,110	198,445

#### 23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

#### 23.4 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 RM566,505,000 (2011: RM453,000,000) are secured by vehicles of customers financed by the Company.

**23. FINANCIAL INSTRUMENTS (CONTINUED)****23.4 Credit risk (continued)****Credit quality and allowance for impairment losses**

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

	<b>Gross RM'000</b>	<b>Collective impairment losses RM'000</b>	<b>Net RM'000</b>
<b>2012</b>			
Not past due	1,383,319	(2,803)	1,380,516
Past due 18 - 47 days	89,221	(4,878)	84,343
Past due 48 - 77 days	25,620	(6,820)	18,800
Past due more than 78 days	27,313	(19,496)	7,817
	142,154	(31,194)	110,960
	1,525,473	(33,997)	1,491,476
		Note 23.4(i)	Note 23.4(ii)
<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 23.4(i)	Note 23.4(ii)

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

	<b>2012 RM'000</b>	<b>2011 RM'000</b>
At 21 February	26,475	24,275
Impairment loss recognised	78,963	65,697
Impairment loss reversed	(14,949)	(13,448)
Impairment loss written off	(56,492)	(50,049)
At 20 February	33,997	26,475

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

#### 23.4 Credit risk (continued)

- (iii) Included in net financing receivables is an amount of RM27,508,000 (2011 : RM23,145,000) 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:

	2012 RM'000	2011 RM'000
Not past due	23,724	19,348
Past due 18 - 47 days	2,434	2,572
Past due 48 - 77 days	1,193	1,079
Past due more than 78 days	157	146
	27,508	23,145

#### 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.

#### 23.5 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 operations, both from short term and long term perspective. Asset Liability Management (ALM) review on asset and liability maturity profile is performed on monthly basis to identify any maturity mismatch. The Company maintains high ratio of long term funding i.e. debt maturities after 12 months from the reporting date against total debt funding from all sources. This ratio significantly exceeds ratio of long term financing receivables based on customers' contracted terms of repayment and payment pattern for revolving credit limits granted.

**23. FINANCIAL INSTRUMENTS (CONTINUED)****23.5 Liquidity risk (continued)***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:

<b>2012</b>	<b>Carrying amount RM'000</b>	<b>Contractual interest rate/ coupon</b>	<b>Contractual cash flows RM'000</b>	<b>Under 1 year RM'000</b>	<b>1 - 2 years RM'000</b>	<b>2 - 5 years RM'000</b>	<b>More than 5 years RM'000</b>
<i>Financial assets</i>							
Cash and bank balances	4,416	-	4,416	4,416	-	-	-
Financing receivables	1,491,476	21.86%*	1,817,883	1,120,272	439,966	247,839	9,806
Other receivables	30,545	-	30,545	30,545	-	-	-
Investment	1,283	-	1,283	-	-	-	1,283
	1,527,720		1,854,127	1,155,233	439,966	247,839	11,089
<i>Financial liabilities</i>							
Bank overdraft	902	7.20%	902	902	-	-	-
Unsecured term loan/financing	542,533	3.13% to 4.75%	615,228	35,346	82,062	497,820	-
Unsecured medium term notes	289,975	3.89% to 4.30%	306,463	71,595	234,868	-	-
Unsecured commercial paper	34,923	3.60%	35,006	35,006	-	-	-
Unsecured revolving credits	87,861	2.50% to 3.75%	88,013	88,013	-	-	-
Asset backed medium term notes	150,000	4.33%	165,079	6,290	55,498	103,291	-
Trade and other payables	81,097	-	81,097	81,097	-	-	-
	1,187,291		1,291,788	318,249	372,428	601,111	-
<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
	1,146,171		1,383,142	891,553	345,565	143,240	2,784
<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	54,132	-	54,132	54,132	-	-	-
	887,176		954,772	299,448	187,864	467,460	-

*Maturity analysis of derivatives financial liabilities is disclosed in Note 23.7.*

*\*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)

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

#### 23.6 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.

##### 23.6.1 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. Most of the forward exchange contracts and cross currency interest rate swap contracts have maturities of 2 to 5 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:

		Denominated in	
	Note	USD RM'000	JPY RM'000
<b>2012</b>			
Inter-companies balances		-	(191)
Borrowings	(i)	(446,376)	(63,018)
<b>Net exposure</b>		(446,376)	(63,209)
<b>2011</b>			
Inter-companies balances		-	(197)
Borrowings	(i)	(57,253)	(79,496)
<b>Net exposure</b>		(57,253)	(79,693)

(i) The Company's foreign currency risk exposure primarily relates to its USD and JPY denominated bank borrowings. The carrying amount of such bank borrowings as at 20 February 2012 was RM509,394,000 (2011 : 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 remaining exposure to currency risk of the Company is not material and hence, sensitivity analysis is not presented.

**23. FINANCIAL INSTRUMENTS (CONTINUED)****23.6 Market risk (continued)****23.6.2 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 23.6.1(i). The management continuously seeks for alternative banking facilities, which provide competitive interest rates to finance its capital expenditure, financing and working capital requirements.

*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:

	2012 RM'000	2011 RM'000
<b>Fixed rate instruments</b>		
Financial liabilities	1,105,292	752,052
<b>Floating rate instruments</b>		
Financial liabilities	902	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>2012</b>		
Floating rate instruments	-	-
<b>2011</b>		
Floating rate instruments	(479)	479



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

#### 23.7 Hedging activities

##### Cash flow hedge

The Company has entered into forward exchange contract and cross currency interest rate swaps to hedge the cash flow risk in relation to the foreign currency denominated borrowings of RM523,537,250 (2011: RM137,337,000). The forward exchange contract and cross currency interest rate swap has the same nominal value of RM523,537,250 (2011: RM137,337,000) and is to be settled in full upon maturity.

The following table indicates the periods in which the cash flows associated with the forward exchange contract and cross currency interest rate swaps with carrying amount of RM24,666,000 (2011: 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>2012</b>				
Forward exchange contract and cross currency interest rate swaps (gross settled):				
Outflow	(588,804)	(122,351)	(47,008)	(419,445)
Inflow	537,797	108,651	35,431	393,715
	(51,007)	(13,700)	(11,577)	(25,730)
<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 RM7,250,000 (2011 : RM1,295,000) was recognised in other comprehensive income.

#### 23.8 Fair value of financial instruments

The carrying amounts of cash and bank balances, 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 2012 and 2011, the estimated fair value of financing receivables approximate their carrying amount.

**23. FINANCIAL INSTRUMENTS (CONTINUED)****23.8 Fair value of financial instruments (continued)**

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

	2012		2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2012</b>				
<b>Financial assets (non-current)</b>				
Investments	1,283	788	1,797	2,270
<b>Financial liabilities (non-current)</b>				
Term loans/financing (unsecured)	507,607	506,884	219,802	216,561
Medium term notes (unsecured)	219,996	221,550	274,940	274,646
Asset backed medium term notes (secured)	150,000	146,963	100,000	99,352

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 Asset 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:

	2012	2011
Derivatives	4.80%	4.33% - 5.43%
Borrowings	3.91%-4.80%	4.07% - 5.20%

**23.8.1 Fair value hierarchy**

Comparative figures have not been presented for 20 February 2011 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. FINANCIAL INSTRUMENTS (CONTINUED)

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

##### 23.8.1 Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2012</b>				
<b>Financial liabilities</b>				
<i>Current</i>				
Derivatives designated as hedging instrument	-	24,666	-	24,666
	-	24,666	-	24,666

### 24. 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 2012, the Company's strategy, which was unchanged from 2011, 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 2012 and at 20 February 2011 were as follows:

	2012 RM'000	2011 RM'000
Total borrowings (Note 9)	1,106,194	833,044
Less: Cash and bank balances (Note 7)	(4,416)	(5,649)
Net debt	1,101,778	827,395
Total equity	341,234	282,217
Debt-to-equity ratios	3.229	2.932

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.

## 25. SIGNIFICANT EVENT

On 9 March 2011, the Company subscribed for 750,000 ordinary shares of Rupees 10/- each representing 100% interest 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 RM512,000). This investment has been classified by the Board of Directors as other investment.

ACSI shall later undertake Non-banking Financial Company ("NBFC") business, with majority equity participation from immediate holding company, AEON Credit Service Co., Ltd. ("ACSL"), subject to regulatory approval in India. As disclosed in Note 4 of the financial statements, ACSI has been under the control and management of ACSL since its incorporation. Accordingly, the Directors are of the opinion that ACSI should not be consolidated into the financial statements of the Company. Hence, no consolidated financial statements are presented.

## 26. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFIT OR LOSSES

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, the Malaysian Institute of Accountants further issued another directive on the disclosure and prescribed format of presentation.

The breakdown of retained earnings of the Company as at the end of reporting period, into realised and unrealised earnings, pursuant to the directive are as follows:

	2012 RM'000	2011 RM'000
Total retained earnings of the Company:		
- Realised	228,852	168,520
- Unrealised	4,128	(1,807)
Total retained earnings as per Statement of Changes in Equity	232,980	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 45 to 80 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 2012 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 26 on page 81 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 2012



# 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 45 to 81 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 2012.

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

Before me:

**K. Nermala**  
**No. W378**

Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

## to the members of AEON Credit Service (M) Berhad

(Company No. 412767-V) (Incorporated in Malaysia)

### 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 2012, 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 45 to 80.

#### *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 2012 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 26 on page 81 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 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.

### 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

#### **Ow Peng Li**

Approval Number: 2666/09/13(J)  
Chartered Accountant

Petaling Jaya,  
Date: 16 May 2012

# ANALYSIS OF SHAREHOLDINGS

## as at 8 May 2012

Authorised Share Capital : RM100,000,000  
 Paid-up Share Capital : RM60,000,000  
 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	46	2.17	610	0.00
100-1,000	808	38.19	602,770	0.50
1,001-10,000	936	44.23	3,854,698	3.22
10,001-100,000	262	12.39	8,572,022	7.14
100,001-5,999,999	63	2.99	35,329,900	29.44
6,000,000 and above	1	0.05	71,640,000	59.70
<b>Total</b>	<b>2,116</b>	<b>100</b>	<b>120,000,000</b>	<b>100</b>

### SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 8 MAY 2012

No. Name	Number of Shares			
	Direct Interest	%	Indirect Interest	%
1 AEON Credit Service Co., Ltd	71,640,000	59.70	-	-
2 AEON Co., Ltd	-	-	74,220,000* <sup>i</sup>	61.85
3 Aberdeen Asset Management PLC and its subsidiaries	8,389,500	6.99	-	-
4 Credit Suisse Group AG	-	-	8,389,500* <sup>ii</sup>	6.99
5 Mitsubishi UFJ Financial Group, Inc	-	-	8,389,500* <sup>iii</sup>	6.99
6 Aberdeen Asset Management Sdn Bhd	7,006,500	5.84	-	-

#### Notes:

\*<sup>i</sup> Indirect interest by virtue of its interest in AEON Credit Service Co., Ltd and AEON CO. (M) BHD. pursuant to Section 6A of the Companies Act, 1965

\*<sup>ii</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>iii</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' INTERESTS

No. Name	Number of Shares			
	Direct Interest	%	Indirect Interest	%
1 Dato' Abdullah bin Mohd Yusof	225,900	0.19	89,000*	0.07
2 Yasuhiro Kasai	90,000	0.08	-	-
3 Datuk Ramli bin Ibrahim	160,000	0.13	-	-
4 Dato' Md Kamal bin Ismaun	5,000	0.00	-	-
5 Ng Eng Kiat	10,000	0.01	-	-
6 Krishnappan A/L S.P.S. Singaram	90,000	0.08	-	-
7 Clarence Chai	22,000	0.02	-	-
8 Takatoshi Ikenishi	0	0.00	-	-
9 Tomoaki Saito	10,000	0.01	-	-
10 Naruhito Kuroda (Resigned on 15 May 2012)	530,000	0.44	-	-

### DIRECTOR INTEREST AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 8 May 2012

#### Notes:

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

**LIST OF THIRTY (30) LARGEST SHREHOLDERS AS AT 8 MAY 2012**

No.	Names	No of Shares	% of Shares held
1	AEON CREDIT SERVICE CO., LTD	71,640,000	59.70
2	HSBC NOMINEES (ASING) SDN BHD	3,605,200	3.00
	HSBC -FS 1 FOR APOLLO ASIA FUND LTD		
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD	2,908,300	2.42
	EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)		
4	AEON CO. (M) BHD	2,580,000	2.15
5	HSBC NOMINEES (ASING) SDN BHD	2,200,000	1.83
	EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.)		
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD	2,145,200	1.79
	EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)		
7	SIA TONG HOCK	1,812,000	1.51
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD	1,685,200	1.40
	PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E- BTR)		
9	HSBC NOMINEES (ASING) SDN BHD	1,342,600	1.12
	EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE- SGD)		
10	HSBC NOMINEES (ASING) SDN BHD	1,221,800	1.02
	EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC. (IPB CLIENT ACCT)		
11	CARTABAN NOMINEES (ASING) SDN BHD	1,032,600	0.86
	EXEMPT AN FOR BANK SARASIN AND CIE AG, SINGAPORE BRANCH (BSCSG) (AC CLIENT FRGN)		
12	HSBC NOMINEES (ASING) SDN BHD	827,100	0.69
	PNB PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC		
13	MAYBANK NOMINEES (ASING) SDN BHD	763,200	0.64
	DBS BANK FOR ONE NORTH CAPITAL - ASIA VALUE MASTER FUND (290017)		
14	AMSEC NOMINEES (TEMPATAN) SDN BHD	685,000	0.57
	ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD		
	RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)		
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD	587,000	0.49
	PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E- BTR)		
16	HSBC NOMINEES (TEMPATAN) SDN BHD	578,900	0.48
	HSBC (M) TRUSTEE BHD FOR HWANG SELECT OPPORTUNITY FUND (3969)		
17	NARUHITO KURODA	530,000	0.44
18	WONG CHEE LING	527,000	0.44
19	MAYBAN NOMINEES (TEMPATAN) SDN BHD		
	MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP (240218)	505,600	0.42
20	HSBC NOMINEES (ASING) SDN BHD	493,800	0.41
	HSBC BK PLC FOR FIRST STATE SINGAPORE AND MALAYSIA GROWTH FUND		
21	MOTOYA OKADA	480,000	0.40
22	YOSHIKI MORI	480,000	0.40
23	HDM NOMINEES (ASING) SDN BHD		
	DBS VICKERS SECS (S) PTE LTD FOR SERENDIP INVESTMENTS LIMITED	480,000	0.40
24	LEONG LI NAR	430,000	0.36
25	LEONG SOO KENG	367,000	0.31
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD	348,100	0.29
	ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)		
27	NG KIM MING	326,000	0.27
28	AMSEC NOMINEES (TEMPATAN) SDN BHD	320,000	0.27
	AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)		
29	NAHOORAMMAH A/P SITHAMPARAM PILLAY	300,000	0.25
30	HLB NOMINEES (TEMPATAN) SDN BHD	295,100	0.25
	PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG		
<b>TOTAL</b>		<b>101,496,700</b>	<b>84.58</b>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of AEON Credit Service (M) Berhad will be held at Ballroom A, 1st Floor of Renaissance Kuala Lumpur Hotel, Corner of Jalan Sultan Ismail and Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 19 June 2012 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 2012 together with the Reports of the Directors and Auditors thereon. | <b>Ordinary Resolution 1</b> |
| 2. To declare a single tier final dividend of 16.80 sen per ordinary share for the financial year ended 20 February 2012.   | <b>Ordinary Resolution 2</b> |
| 3. To approve the increase in Directors' Fees to RM434,000 for the financial year ended 20 February 2012 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. Takatoshi Ikenishi  | <b>Ordinary Resolution 4</b> |
| (ii) Mr. Clarence Chai  | <b>Ordinary Resolution 5</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 6</b> |
| 6. To re-appoint Datuk Ramli bin Ibrahim as Director pursuant to Section 129 (6) of the Companies Act, 1965.  | <b>Ordinary Resolution 7</b> |
| 7. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 8</b> |

### As Special Business

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

8. **Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**
- "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."
- Ordinary Resolution 9**
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 28 May 2012 ("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 10**

**10. Proposed Amendments to the Articles of Association**

"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix I attached with the Annual Report for the financial year ended 20 February 2012 be and are hereby approved."

**Special Resolution**

**NOTICE OF DIVIDEND PAYMENT**

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Fifteenth Annual General Meeting, a single tier final dividend of 16.80 sen per ordinary share for the financial year ended 20 February 2012 will be paid to shareholders on 13 July 2012. The entitlement date for the said dividend shall be 28 June 2012.

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 2012 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: 28 May 2012



## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

### 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 is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2012 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### (i) Ordinary Resolution 9 – Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

The Company had, during its Fourteenth Annual General Meeting ("AGM") held on 14 June 2011, 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 9 proposed under item 8 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.

#### (ii) Ordinary Resolution 10 - Proposed Shareholders' Mandate

Resolution 10 proposed, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The proposed shareholders' mandate is subject to renewal on an annual basis.

#### (iii) Special Resolution - Proposed Amendments to the Articles of Association

The Special Resolution, if passed, will render the Articles of Association of the Company to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to update the Articles of Association of the Company to be consistent with the prevailing laws, guidelines or requirements of the relevant authorities.

## APPENDIX I

## SPECIAL RESOLUTION

## - Proposed Amendment to the Articles of Association

The Articles of Association of the Company are proposed to be amended in the following manner:

Article No.	Existing Articles		Amended Articles	
To amend Article 2 (1)	WORDS	MEANINGS	WORDS	MEANINGS
	Deposited Security	A security in the Company standing to the credit of a Securities Account and includes, securities in a Securities Account that is in suspense subject to the provisions of the Central Depositories Act.	Deposited Security	Shall have the meaning given in Section 2 of the <u>Securities Industry (Central Depositories) Act 1991.</u>
	Securities	Debentures, stocks, shares or other form of convertible securities of the Company and includes any right or option in respect thereof and the meaning assigned to it in the Central Depositories Act.	Securities	Shall have the meaning given in Section 2 (1) of the <u>Capital Markets and Services Act 2007.</u>
	Listing Requirements	Listing Requirements of the Exchange	Listing Requirements	<u>Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments to the same that may be made from time to time</u>
	New definition		Exempt Authorised Nominee	<u>An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.</u>
	New definition		Share Issuance Scheme	<u>Means a scheme involving a new issuance of shares to the employees</u>

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Article No.	Existing Articles	Amended Articles
To amend Article 16 (2)	<p><b>Restriction on issue</b></p> <p>Article 15 shall be subject to the following provisions:</p> <ol style="list-style-type: none"> <li>(1) the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;</li> <li>(2) no Director shall participate in a share scheme for employees unless the Members in general meeting have approved the specific allotment to such Director;</li> <li>(3) no shares shall be issued at a discount except in accordance with Section 59 of the Act; and</li> <li>(4) the rights attached to shares of a class other than ordinary shares shall be expressed in the resolution creating them.</li> </ol>	<p><b>Restriction on issue</b></p> <p>Article 15 shall be subject to the following provisions:</p> <ol style="list-style-type: none"> <li>(1) the Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;</li> <li>(2) no Director shall participate in <u>Share Issuance Scheme</u> unless the Members in general meeting have approved the specific allotment to such Director;</li> <li>(3) no shares shall be issued at a discount except in accordance with Section 59 of the Act; and</li> <li>(4) the rights attached to shares of a class other than ordinary shares shall be expressed in the resolution creating them.</li> </ol>
To amend Article 81	<p><b>Proxy Statement</b></p> <p>In every notice calling a general meeting, there shall appear with reasonable prominence a statement that a Member is entitled to appoint up to two (2) proxies to attend and vote in his place, that a proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company and that if a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.</p>	<p><b>Proxy Statement</b></p> <p>In every notice calling a general meeting, there shall appear with reasonable prominence a statement that a Member is entitled to appoint up to two (2) proxies to attend and vote <u>at a meeting of the Company, or at a meeting of any class of members of the Company</u> in his place, that a proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company and <u>there shall be no restriction as to the qualification of the proxy</u>. If a Member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.</p>

Article No.	Existing Articles	Amended Articles
To add Article 81A	<b>Rights of proxy to speak</b> <i>(New provision)</i>	<b>Rights of proxy to speak</b> <u>A proxy appointed to attend and vote at a meeting shall have the same rights as the member to speak at the meeting.</u>
To amend Article 98	<b>Vote</b> <p>and on a show of hands every Member shall have one (1) vote and on a poll every Member shall have one (1) vote for every share of which he is the holder. On a poll votes may be given either personally or by proxy or by attorney or by a duly authorised representative of a corporate Member. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.</p>	<b>Vote</b> <p>and on a show of hands every Member shall have one (1) vote and on a poll every Member shall have one (1) vote for every share of which he is the holder. On a poll votes may be given either personally or by proxy or by attorney or by a duly authorised representative of a corporate Member. A proxy shall be entitled to vote on a show of hands on any question at any general meeting. <u>If a Member appoints two (2) proxies, he must specify which proxy is entitled to vote on a show of hands as only one (1) of those proxies is entitled to vote on a show of hands.</u></p>
To amend Article 102 (2)	<b>Appointment of proxies</b> <p>(2) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account if holds with ordinary shares of the Company standing to the credit of the said Securities Account.</p>	<b>Appointment of proxies</b> <p><u>(2) Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.</u></p>
To add Article 138 (7)	<b>Vacation of Office</b> <i>(New provision)</i>	<b>Vacation of Office</b> <p><u>(7) is absent for more than 50% of the total board of directors' meetings held during a financial year, except when an exemption or waiver is obtained from the Exchange.</u></p>
To add Article 146A	<i>(New provision)</i>	<b>Meeting and proceedings of a committee</b> <p><u>The meetings and proceedings of any such committee shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article.</u></p>

[End of Appendix I]

# 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 Fifteenth Annual General Meeting of the Company to be held at Ballroom A, 1st Floor of Renaissance Kuala Lumpur Hotel, Corner of Jalan Sultan Ismail and Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 19 June 2012 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
	<b>ORDINARY BUSINESS</b>		
Ordinary Resolution 1	Adoption of Audited Financial Statements and Reports for the financial year ended 20 February 2012.		
Ordinary Resolution 2	Declaration of a single tier final dividend of 16.80 sen per ordinary share for the financial year ended 20 February 2012.		
Ordinary Resolution 3	Approval of the increase in Directors' Fees to RM434,000 for the financial year ended 20 February 2012 and payment thereof.		
Ordinary Resolution 4	Re-election of Mr. Takatoshi Ikenishi.		
Ordinary Resolution 5	Re-election of Mr. Clarence Chai.		
Ordinary Resolution 6	Re-appointment of Dato' Abdullah bin Mohd Yusof as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
Ordinary Resolution 7	Re-appointment of Datuk Ramli bin Ibrahim as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
Ordinary Resolution 8	Re-appointment of Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	<b>SPECIAL BUSINESS</b>		
Ordinary Resolution 9	Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares.		
Ordinary Resolution 10	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution	Proposed Amendments to the Articles of Association.		

[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 \_\_\_\_\_ 2012.

### NOTES:

- 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.
- A member is entitled to appoint up to two (2) proxies to attend and vote in his place, at the same meeting.
- 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.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 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.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2012 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

*Please fold here*

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

### 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

G00A5, Ground Floor, IOI Mall,  
Batu 9, Jalan Puchong,  
47100 Bandar Puchong Jaya, Selangor.

### TAMAN EQUINE SERVICE CENTRE

Lot G27, 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.8-G, Jalan Metro Avenue 2,  
Metro Avenue Kajang,  
43000 Kajang,  
Selangor, Malaysia.

### 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 F41, 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,  
2<sup>nd</sup> Floor, No.2,  
Jalan Lagenda,  
Taman I-Lagenda,  
75400 Melaka

### ONE UTAMA SERVICE CENTRE

Lot S125, 2nd Floor,  
Jusco 1 Utama Shopping Centre,  
No.1, Lebuhr Bandar Utama,  
Bandar Utama City Centre, Bandar Utama,  
47800 Petaling Jaya, Selangor.

### BANDAR BARU BANGI SERVICE CENTRE

No.21, Ground Floor,  
Jalan 9/9C, Section 9,  
43650 Bandar Baru Bangi, Selangor.

### BANTING SERVICE CENTRE

No.345, Jalan Sultan Abdul Samad,  
42700 Banting, Selangor.

### SUBANG SERVICE CENTRE

No.11-1G, Jalan USJ 10 -1C,  
47620 Subang Jaya, Selangor.

## SOUTHERN REGION

### SOUTHERN REGIONAL OFFICE & JOHOR BAHRU BRANCH

Suite 20.02, Level 20,  
Johor Bahru City Square  
106-108, Jalan Wong Ah Fook,  
8000 Johor Bahru

### 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 Bharu, Johor

### TEBRAU CITY SERVICE CENTRE

Lot S39, 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.28, Persiaran Greentown 1,  
Greentown Business Centre,  
30450 Ipoh, Perak.

### IPOH STATION 18 SERVICE CENTRE

Lot G01, Ground Floor,  
AEON Ipoh Station 18 Shopping Centre,  
No2, Susuran Stesen 18, Station 18  
31650 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

A-3-G, Block A, Times Square Signature Office,  
Off Coastal Highway,  
88100 Kota Kinabalu.



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**Planting Seeds of Growth**  
We are AEON