




ANNUAL REPORT 2014



AEON CREDIT SERVICE

Contents

3	Introduction to AEON Credit Service (M) Berhad
4	Milestones over the Years
6	2013 Events
9	Corporate Responsibility
12	5 Year Financial Highlights
14	Share Price
15	Corporate Information
16	Chairman's Statement
18	Managing Director's Operations Review
20	Profile of Directors



25	Senior Management
26	Statement on Corporate Governance
38	Audit Committee Report
40	Terms of Reference of the Audit Committee
43	Statement on Risk Management and Internal Control
46	Other Information
47	Financial Statements
103	Analysis of Shareholdings
105	Notice of Annual General Meeting
	Proxy Form

Corporate Vision and Mission

OUR CORPORATE VISION

is to establish AEON as a leading brand in the 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, 51 branches and Service Centres located in major shopping centres and towns and a network of more than 9,000 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 1.4 million cardmembers for the various products and more than 2,400 staff in service with the Company.

AEON Credit is a subsidiary of AEON Financial Service Co., Ltd. Japan (AFSJ), (formerly known as AEON Credit Service Co., Ltd.), which is listed on the First Section of the Tokyo Stock Exchange. AFSJ is mainly involved in the issuance of credit cards, and it currently has more than 23.45 million card members in Japan. It is one of the biggest credit card issuers and a leading consumer credit provider in Japan.

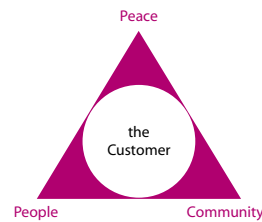


AFSJ is in turn part of the AEON Group of Companies (AEON Group), a global retail and financial services group. AEON Group consists of more than 250 subsidiaries and affiliated companies. AEON Group operates not only in Japan but also in Southeast Asia, China and North America. The fundamental principle of AEON is its "customer-centered approach." AEON's mission is to contribute to customers.

AEON's most basic and abiding principles are the pursuit of peace, respect for humanity, and contribution to local communities through customer-centered initiatives. Under these principles, we are determined to achieve global management standards.

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

[AEON Commitment]



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

AEON Basic Principles

AEON abides by the unchanging principles of "pursuit of peace, respect for humility 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 humility.
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



4 | 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

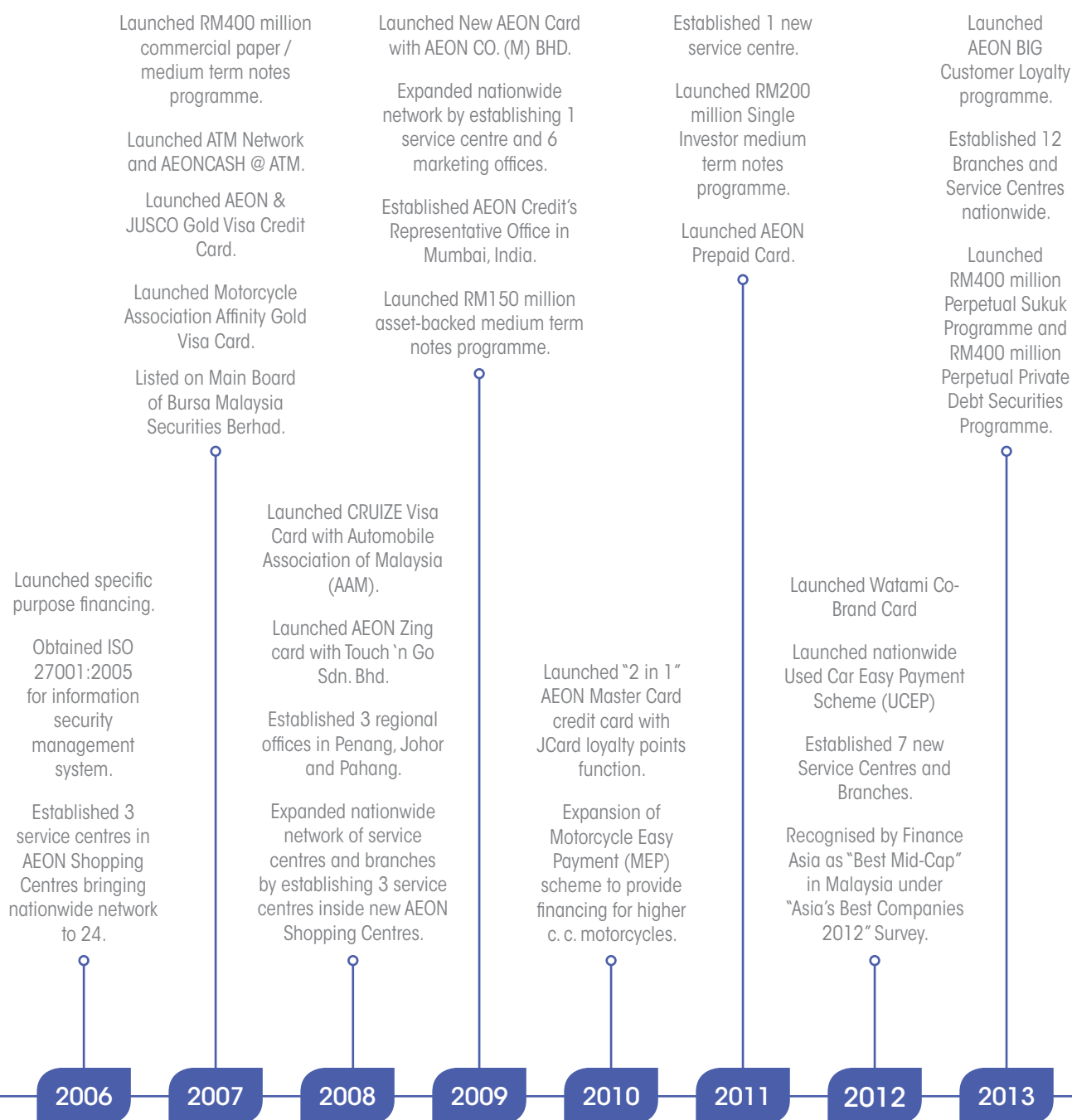
Started insurance sales business.

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.



2013 Events

AEON Financial Service Co. Ltd formed in Japan

AEON Credit Service Co. Ltd, a holding company of AEON's financial business was restructured to AEON Financial Service Co. Ltd, a bank holding company on 1 April 2013. In conjunction with the establishment of AEON Financial Service Co. Ltd, we had launched a "Win A Fabulous Japan Trip" campaign from May to August 2013. During the campaign, 50 lucky winners of Credit Card and Easy Payment customers won a fabulous trip to either Tokyo or Osaka.



Annual General Meeting

The Company held its sixteenth Annual General Meeting of shareholders on 18 June 2013 at Istana Hotel Kuala Lumpur. Salient details of the Company's business performance for FYE2013 were presented to shareholders, and the Board addressed various queries from shareholders pertaining to the Company's business and financial performance.



Investor Relations Presentation

Analyst and fund manager presentation seminars were held during the year to update investors on the Company's performance and growth prospects, coinciding with the announcement of the Company's interim results for the six months ended 20 August 2013 and the financial year ended 20 February 2013.



Launching of Mobile Application for customers

As part of the Company's ongoing efforts for customer service enhancement, a mobile phone application was launched during the year. Customers are able to access information on latest promotions, benefits enhancement, product and branch network information and customer service functions for various products with user friendly interface.



Expansion of AEON Credit Branch Network

The Company had established twelve new branches and service centres during the financial year in Kuala Lumpur, Selangor, Johor and Penang, including at AEON Big (M) Sdn Bhd and AEON Co. (M) Bhd shopping centres, bringing the total number of branches to 50 as at February 2014. The branch network expansion will serve to enhance the market penetration for the Company's products and provide customer service to local area customers.



Issuance of Perpetual Notes

The Company issued Perpetual Notes amounting to RM100 million at par in November 2013, under a perpetual private debt securities programme of up to RM400.0 million in nominal value. The Perpetual Notes are classified as equity in accordance with applicable accounting standards, resulting in increase of the Company's Capital Adequacy Ratio against financing receivables as at 20 February 2014 from 15.3% to 18.1%.



2013 Events (continued)

"Thank You day" at AEON Co. and AEON Big shopping centres

In December 2013, the Company launched "Thank You day" and other benefits at AEON Co. (M) Bhd and AEON Big (M) Sdn Bhd shopping centres nationwide for credit card customers, to promote card member loyalty. Customers are able to enjoy an additional 5% discount on all purchases made with the credit card issued by the Company on a selected day every month, subject to certain terms and conditions.

AEON CREDIT SERVICE

APPLY FOR AEON CREDIT CARD TODAY!

MORE REWARDS

10th of the month
Double points
@ AEON Stores & AEON BIG

20th of the month
5% rebate
@ AEON Stores

28th of the month
5% rebate
@ AEON BIG

Last day of the month
5% rebate
@ Any Petrol Station

Thank You Day	Double Points Day	Petrol Rebate Day
5% Rebate	Up to 4x Point Every RM1	5% Rebate

AEON MEMBER Day	AEON MEMBER Fiesta	AEON MEMBER Privilege Day	Spend at AEON
2% Rebate	Extra 500 Points	2.5x Points Every RM1	2x Points Every RM1

Launching of loyalty card with AEON Big (M) Sdn Bhd

AEON Credit entered into a business collaboration with AEON Big (M) Sdn Bhd during the year to manage a customer loyalty programme targeting customers at AEON Big shopping centres nationwide, where the Company is the issuer of the loyalty (member) card. The accumulated customers' database since launching of the loyalty programme in November 2013 has exceeded the 1 million mark currently.



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 Corporate Responsibility (CR) activities and social welfare through internal and external activities towards preservation of the environment, charity and community contribution as well as employee training and development programmes. This in turn will indirectly contribute to a positive business environment.

PRESERVATION OF ENVIRONMENT

AEON Group continued to organise various tree planting initiatives in Malaysia and in other countries, recognizing the importance of trees to our ecosystem. Trees combat the greenhouse effect caused by global warming, arising from the burning of fossil fuels and destruction of rainforests. One such tree planting activity was carried out in conjunction with the opening of AEON Big Kluang in September 2013, with participation of AEON Group staff and students from nearby schools.



COMMUNITY CONTRIBUTION ACTIVITIES OF AEON CREDIT

Blood donation event

Blood donation is a gift that saves lives, helping patients with life-threatening conditions and those undergoing medical or surgical procedures. The Company organised a blood donation event at its Head Office to support the national blood bank (Pusat Darah Negara) in January 2014 with participation of 134 staff.



Corporate Responsibility (continued)

COMMUNITY CONTRIBUTION ACTIVITIES OF AEON CREDIT (CONTINUED)

Assistance to the handicapped



The Company continued to collaborate with the Selangor & Federal Territory Motorcycle & Scooter Dealers Association during a Chinese New Year celebration event in February 2014, by donating side carts to handicapped individuals to support their use of motorcycles.

MALAYSIAN AEON FOUNDATION ("MAF")

"With All Our Hearts" Malaysian AEON Foundation ("MAF") is the charity arm of the AEON Group in Malaysia. The Foundation, established in June 2004, marks its 10th anniversary in 2014.

Through the constant support and encouragement of customers and business partners of AEON Group in Malaysia as well as members of the public, MAF has raised millions of ringgit over the years, which have been donated to various organisations and needy individuals or spent on other community contributions. The mission of MAF is as follows:-

1. To be continuously involved in fund-raising activities and events for the benefit of all Malaysians, irrespective of race, religion and creed, with special focus on the needs of Malaysian children;
2. To provide financial aid to those with the greatest needs, especially in the areas of education, living environment and medical assistance. We also aim to provide activity-based resources to guide people away from today's social ills; and
3. To give children 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.



Fund Raising Activities of MAF

The main fund raising event organised annually by MAF for its planned activities and charitable contributions is the Charity Gala Dinner, which was held in August 2013 at the Sunway Resort Hotel and Spa. The dinner, with the theme "Paint Me with Music and Love", was graced by the presence of Y.B. Dato' Sri Hasan bin Malek, Minister of Domestic Trade, Co-operatives and Consumerism. Other sources of fund raising for MAF include donations from AEON Group companies in Malaysia, business partners supporting MAF, charity sales and loose coins collected from customers by AEON Co. (M) Bhd retail stores. AEON Credit donated a sum of RM100,000/- to MAF during the year.



MALAYSIAN AEON FOUNDATION ("MAF") (CONTINUED)

Basic Education Support (BEST) Project

The MAF continued with further initiatives in 2013 under the Basic Education Support (BEST) project to assist selected rural area schools, with a total sum of RM180,000/- allocated to three schools in Orang Asli settlement areas near Tapah and Kampar in Perak. The funds were for the improvement of school infrastructure facilities, computer room equipment and books for the libraries at the schools, to create a more conducive learning environment for the students.

Humanitarian Aid and Relief Efforts

The MAF provided humanitarian aid to victims affected by major floods in East Coast of Peninsular Malaysia in December 2013, contributing daily necessities and rice cookers, electric kettles etc. worth RM120,000/- at relief centres in Pahang, Terengganu and Johor.

Meanwhile, the MAF also carried out a donation drive to raise funds for victims of Typhoon Haiyan, a tropical cyclone which devastated certain regions in Philippines in November 2013. A total sum of RM100,000/- was raised from nationwide customers, business partners and staff of AEON Group companies operating in Malaysia, and presented to Mercy Humanitarian Fund in December 2013.



Charitable Contributions and Activities of MAF

Throughout the year, MAF made various contributions for charitable causes including to orphanages, old folks homes, spastic children's home, school libraries and to meet or partially meet the medical expenses of certain poor children having serious illness or disease. Various activities were also organised for children from orphanages, especially in conjunction with festive celebrations such as Hari Raya, Chinese New Year, Deepavali and Christmas. The total amount of contributions made and charity events' expenses of MAF for 2013 was approximately RM1.7 million.



5 Year Financial Highlights

	FYE2014 RM'000	FYE2013 RM'000	FYE2012 RM'000	FYE2011 RM'000	FYE2010 RM'000
STATEMENT OF COMPREHENSIVE INCOME					
Revenue	672,762	467,127	344,269	269,610	248,408
Profit before tax	233,875	181,107	128,061	85,024	72,226
Profit after tax	175,352	134,126	95,607	63,429	54,275
STATEMENT OF FINANCIAL POSITION					
Assets					
Plant and equipment	46,599	41,036	27,452	24,137	22,047
Investments	5,542	5,542	1,283	1,797	1,797
Receivables	2,034,533	1,189,825	568,276	407,377	360,704
Deferred tax assets	11,040	5,057	4,128	-	-
Total non-current assets	2,097,714	1,241,460	601,139	433,311	384,548
Receivables, deposits, prepayments and derivative financial assets	1,657,003	1,187,561	959,435	736,526	622,484
Cash and bank balances	12,569	6,404	4,416	5,649	3,161
Total current assets	1,669,572	1,193,965	963,851	742,175	625,645
Total assets	3,767,286	2,435,425	1,564,990	1,175,486	1,010,193
Equity					
Share capital	72,000	72,000	60,000	60,000	60,000
Share premium	44,012	44,012	56,147	56,147	56,147
Reserves	429,552	313,195	225,087	166,070	134,315
Equity attributable to shareholders of the Company	545,564	429,207	341,234	282,217	250,462
Perpetual notes	100,000	-	-	-	-
Total equity	645,564	429,207	341,234	282,217	250,462
Liabilities					
Borrowings	2,113,455	1,191,934	877,603	594,742	460,041
Deferred tax liabilities	-	-	-	1,807	1,782
Total non-current liabilities	2,113,455	1,191,934	877,603	596,549	461,823
Payables, accruals and derivative financial liabilities	143,798	124,999	105,763	55,577	44,453
Borrowings	840,908	670,499	228,591	238,302	246,631
Taxation	23,561	18,786	11,799	2,841	6,824
Total current liabilities	1,008,267	814,284	346,153	296,720	297,908
Total liabilities	3,121,722	2,006,218	1,223,756	893,269	759,731
Total equity and liabilities	3,767,286	2,435,425	1,564,990	1,175,486	1,010,193
STATISTICS					
Net earnings per share (sen) *	121.77	102.84	73.30 **	52.86	45.23
Net dividends per ordinary share (sen)	46.30	35.50	30.00	19.88	16.88
Net assets per share (RM) ***	3.79	2.98	2.84	2.35	2.09

Note:-

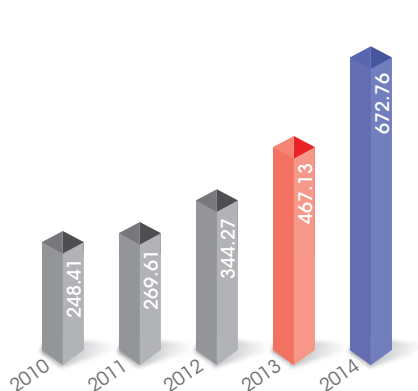
* Earnings per share has been calculated based on weighted average number of ordinary shares outstanding in the respective year.

** Previous year's earnings per share has been restated to reflect the bonus issue implemented in FYE 2013.

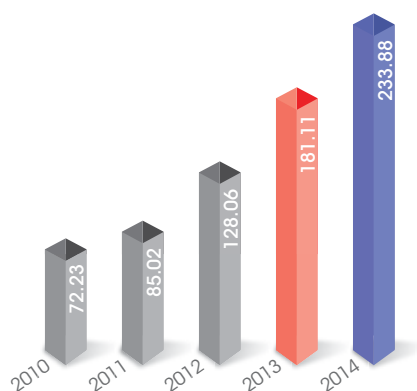
*** Net assets per share has been calculated after excluding perpetual notes.

5 Year Financial Highlights (continued)

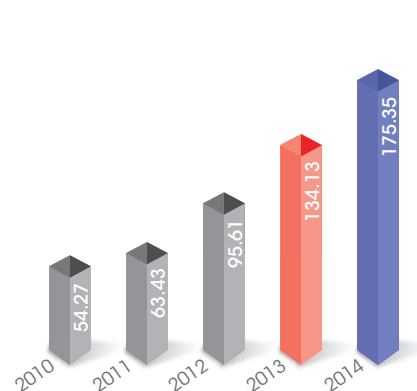
REVENUE
(RM MILLION)



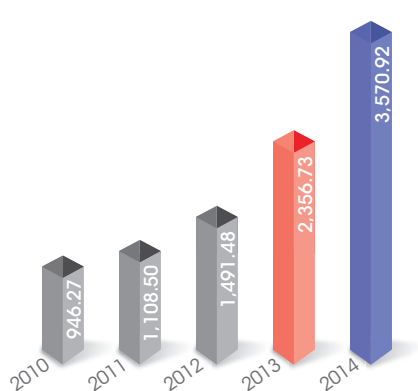
PROFIT BEFORE TAX
(RM MILLION)



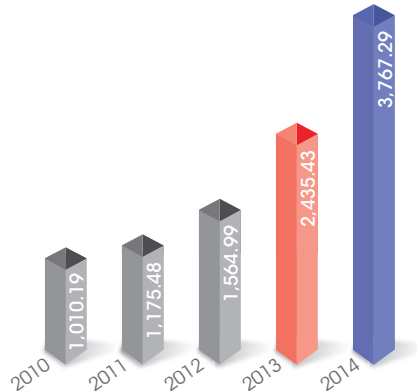
PROFIT AFTER TAX
(RM MILLION)



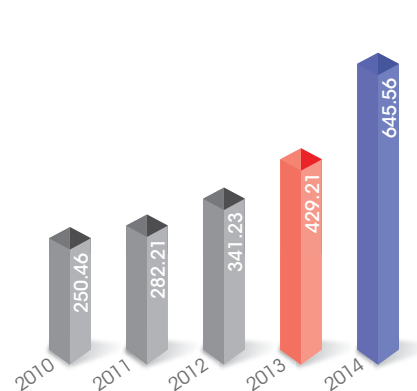
FINANCING RECEIVABLES
(RM MILLION)



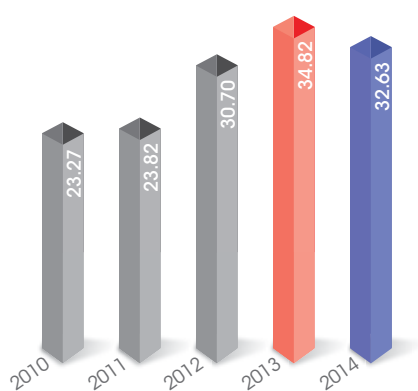
TOTAL ASSETS
(RM MILLION)



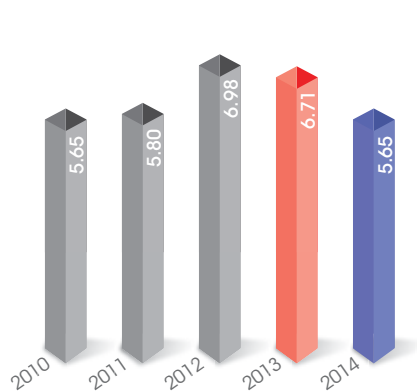
SHAREHOLDERS' FUNDS
(RM MILLION)



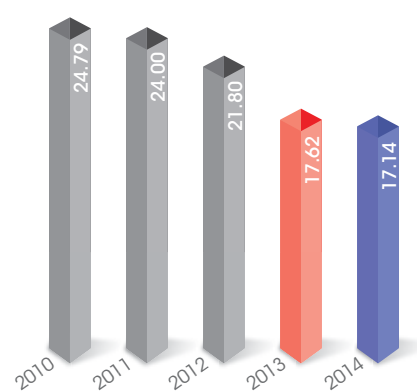
RETURN ON EQUITY
(%)



RETURN ON ASSETS
(%)

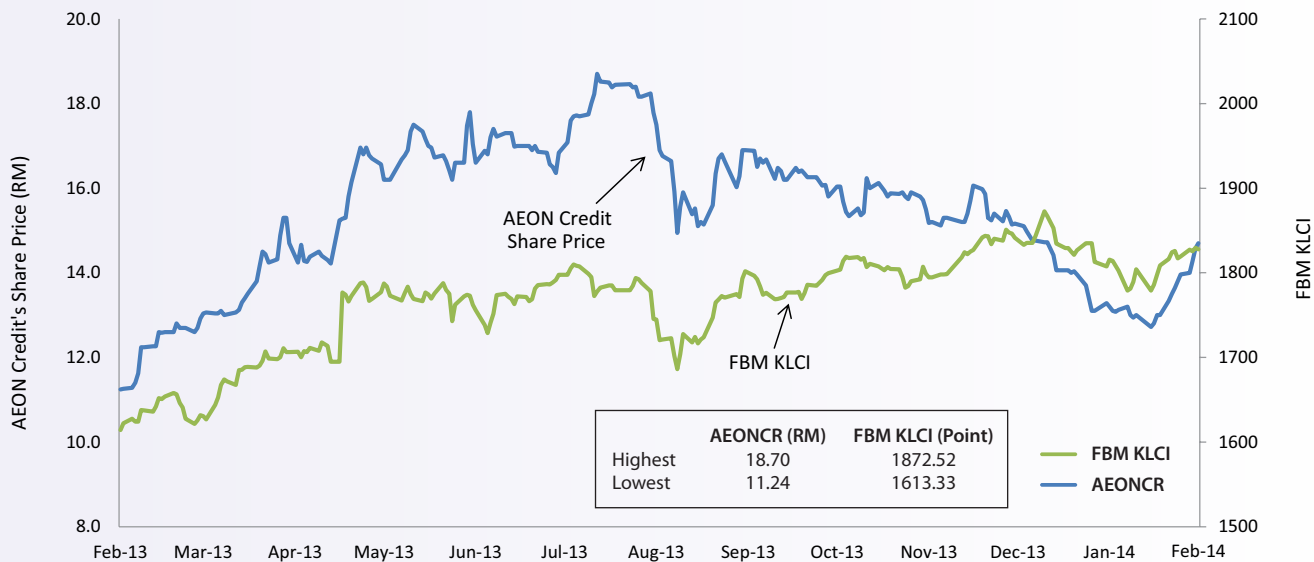


CAPITAL ADEQUACY RATIO
(%)

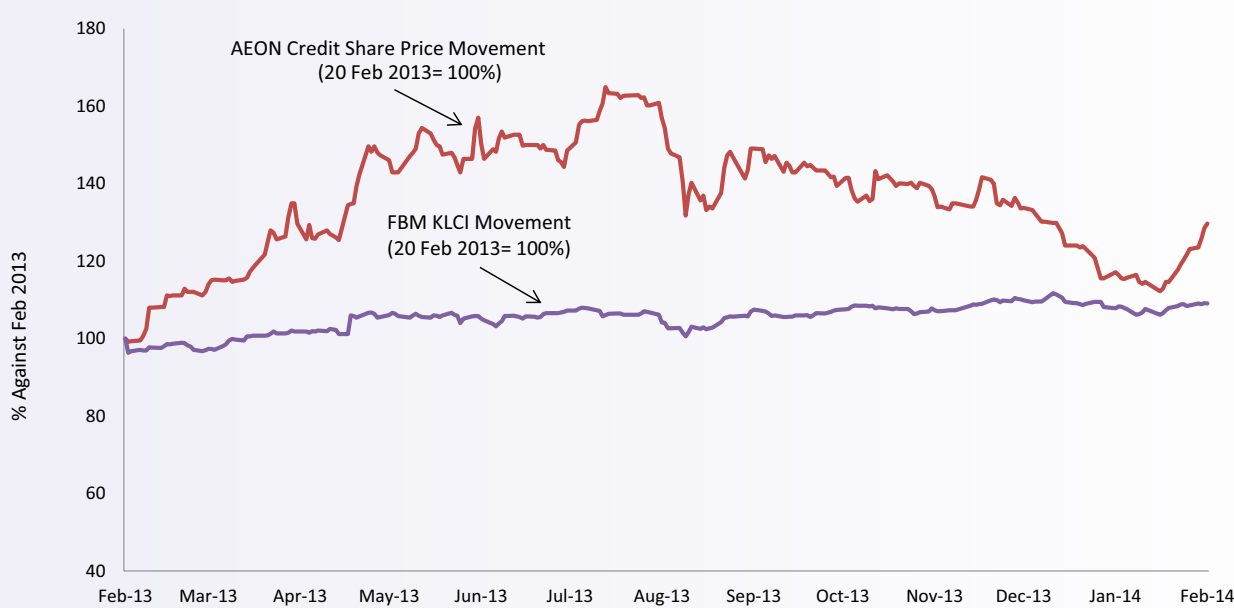


Share Price

AEON Credit Share Price vs. FBM KLCI (21-02-13 to 20-02-14)



AEON Credit Share Price Movement vs. FBM KLCI Movement (21-02-13 to 20-02-14)



BOARD OF DIRECTORS

Dato' Abdullah bin Mohd Yusof
(Chairman)

Mr. Yasuhiro Kasai
(Managing Director)

Datuk Ramli bin Ibrahim

Dato' Md Kamal bin Ismaun

Mr. Ng Eng Kiat

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

Mr. Jun Suzuki

Mr. Masanori Kosaka
(appointed on 19 June 2013)

Mr. Kenji Fujita
(appointed on 19 June 2013)

Ms. Lee Tyan Jen
(appointed on 1 July 2013)

Mr. Masao Mizuno
(retired on 18 June 2013)

Mr. Clarence Chai
(resigned on 24 December 2013)

SECRETARIES

Ms. Tai Yit Chan
(MAICSA 7009143)

Ms. Choong Lee Wah
(MAICSA 7019418)

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
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.
Level 6, Symphony House,
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

STOCK EXCHANGE LISTING

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

STOCK NAME: AEONCR
STOCK CODE: 5139

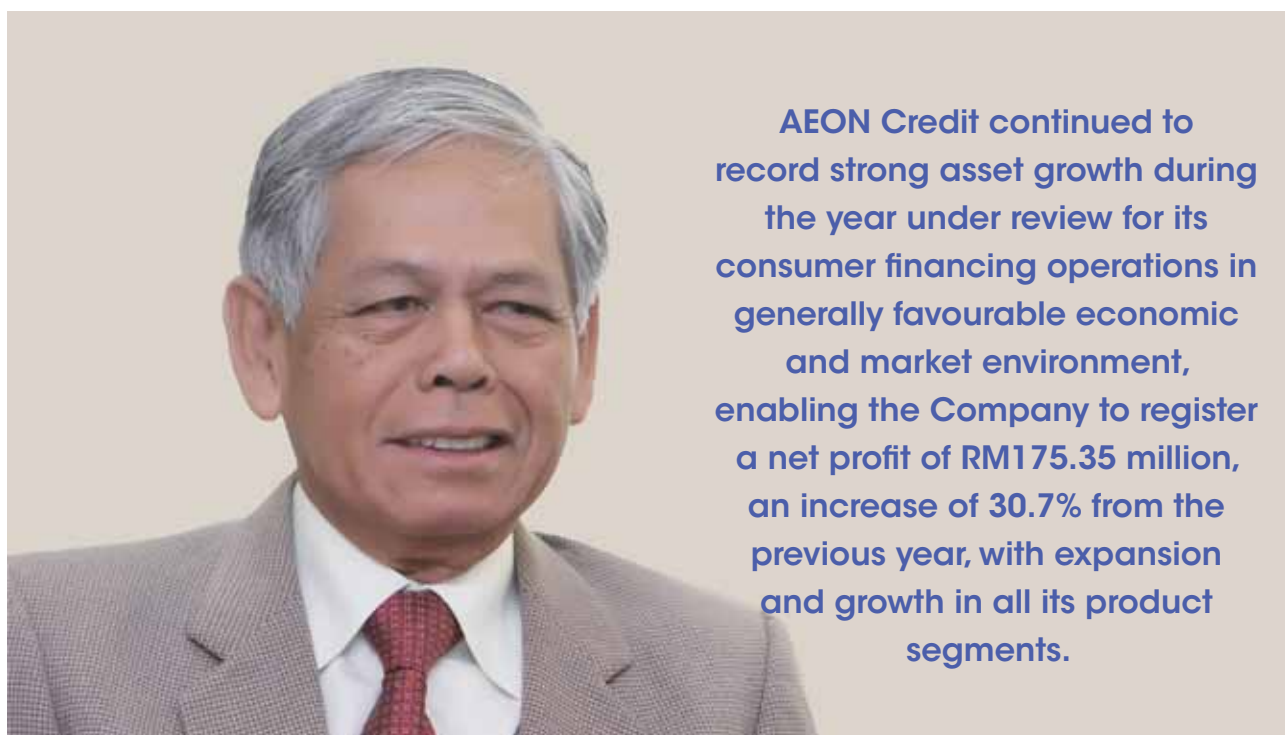
PRINCIPAL BANKERS

Affin Islamic Bank Berhad
Al Rajhi Banking & Investment Corporation
(Malaysia) Berhad
Bank of Tokyo-Mitsubishi UFJ (M) Berhad
Bank of Tokyo-Mitsubishi UFJ, Ltd.
CIMB Bank Berhad
CIMB Islamic Bank Berhad
Citibank Berhad
Deutsche Bank (Malaysia) Berhad
Malayan Banking Berhad
Mizuho Bank, Ltd.
National Bank of Abu Dhabi Malaysia
Berhad
RHB Bank Berhad
RHB Islamic Bank Berhad
Sumitomo Mitsui Banking Corporation

Corporate Calendar

Notice of Annual General Meeting	27 May 2013
Annual General Meeting	18 June 2013
Payment of Dividend (Final)	Book Closure – 02 July 2014 Payment – 16 July 2014
Payment of Dividend (Interim) Payment – 30 December 2013	Book Closure – 13 December 2013
First Quarter Results Announcement	17 June 2013
Second Quarter Results Announcement	18 October 2013
Third Quarter Results Announcement	19 December 2013
Fourth Quarter Results Announcement	16 April 2014

Chairman's Statement



Introduction

On behalf of the Board of Directors, I am pleased to present AEON Credit Service (M) Berhad ("AEON Credit") Annual Report and Audited Financial Statements for the financial year ended 20 February 2014.

Despite the weaker external environment, the Malaysian economy continued to expand by 4.7% in 2013 (2012: 5.6%), driven by continued strong growth in domestic demand. Domestic demand remained resilient throughout the year, led by robust private sector activity. Private consumption remained strong, supported mainly by favourable employment conditions and wage growth. This was also supported by Government transfers to low and middle income households and continued access to financing for creditworthy borrowers.

Review of Performance

AEON Credit continued to record strong asset growth during the year under review for its consumer financing operations in generally favourable economic and market environment, enabling the Company to register a net profit of RM 175.35 million, an increase of 30.7% from the previous year, with expansion and growth in all its product segments. Correspondingly, earnings per share has increased from 102.84 sen in FYE2013 to 121.77 sen in FYE2014.

While the Company's rate of growth has moderated compared to the previous year, the quantum of growth for both assets and results for the year has been sustained at higher level than preceding year, with expansion in customer database, merchant network and branch network nationwide, supported by various marketing initiatives during the period under review. Although average yield on the financing portfolio was slightly lower from increased volume of vehicle financing at lower pricing, the return on assets (ROA) for all portfolios remained satisfactory in line with the Company's strategy for portfolio diversification. Despite increase in operating cost ratio for the year primarily arising from higher ratio of impairment loss provision on financing receivables, it is noted that the non-performing loans (NPL) ratio remained within the risk tolerance limit, considering the risk/returns trade-off for various products and target customers.

Issuance of Perpetual Notes

During the year under review, the Company established two programmes under the Capital Markets and Services Act 2007 for purpose of issuance of securities to increase capital of the Company. The programmes comprise a perpetual private debt securities programme of up to RM400.0 million in nominal value for proposed issuance of unrated subordinated perpetual notes ("Perpetual Notes") and a perpetual Sukuk programme based on the Shariah principle of Musharakah of up to RM400.0 million in nominal value for the issuance of unrated subordinated perpetual Sukuk.

Issuance of RM100 million in nominal value of Perpetual Notes was completed in November 2013. The Perpetual Notes, which are perpetual in nature with no contractual maturity date, are classified as equity in accordance with applicable accounting standards and included as capital for the computation of the Company's Capital Adequacy Ratio ("CAR"). Further to issuance of the Perpetual Notes, the Company's CAR against financing receivables as at 20 February 2014 had increased to 18.1%. The salient features of the Perpetual Notes are disclosed in the Audited Financial Statements.

The funds raised under both the programmes and other future debt/equity capital raising exercises will serve to sustain the future business growth of the Company while meeting regulatory requirements on minimum capital.

Dividend

The Board of Directors has recommended a final single tier dividend payment of 24.00 sen per share, totaling RM34.56 million. This would result in total dividend payout ratio of 38.0% of the net profit for FYE2014, including the interim dividend paid during the year. The total dividends for the year of 46.3 sen per share represents an increase of 30.4% from total net dividends of 35.5 sen paid out for the last financial year.

Looking forward

The Malaysian economy is expected to expand by 4.5%-5.5% in 2014 based on conservative growth forecast by Bank Negara, considering risks from the global economy and external factors. Domestic demand will remain the key driver of growth, albeit at a more moderate pace. Notwithstanding the moderation in domestic demand, the underlying fundamentals of the Malaysian economy remain strong. Private consumption will be underpinned by healthy labour market conditions and sustained income growth. While the environment will continue to be challenging, the economy could also register stronger growth performance if the pace of global recovery exceeds expectations.

While the debt servicing capacity of households remains satisfactory with generally low delinquencies in 2013, the pre-emptive measures introduced by Bank Negara since 2010 to curb increasing household indebtedness, thereby reducing the vulnerability of lower income households, are appropriate and timely. Controlling of unsustainable increase in household debt is imperative, given annual growth rate of 12.7% over a ten year period to reach ratio of 86.8% against GDP as at end of 2013.

AEON Credit shall continue to maintain responsible lending practices and robust affordability assessments whilst seeking asset growth. The Company expects to maintain its performance in 2014 although a lower growth rate is expected against background of potentially lower economic growth in the macro environment. The Company's long term strategy is to provide a wide range of financial services meeting the needs of a wide spectrum of customers, including consumers from the lower socio economic group as well as certain segment of small business owners who may be underserved by the main stream banking players, offering competitive and flexible product pricing to cater for different product segments, and for customers having different risk profiles.

Acknowledgement

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

I would like to extend my gratitude to Mr. Masao Mizuno, who retired as a Director at the Company's last AGM for his service and valuable contribution. Meanwhile, Mr. Clarence Chai resigned from the Board in December 2013 to take up new challenges, and the Board records its appreciation for his contribution as an Executive Director since 2006.

I also welcome Mr. Masanori Kosaka, Mr. Kenji Fujita and Ms. Lee Tyan Jen who were appointed as Directors during the year. The Board will benefit from the combined expertise and wealth of experience of the three Directors. Mr. Kenji Fujita and Ms. Lee Tyan Jen will serve the Company as Executive Directors to strengthen the management team.

The Board also wishes to thank all our valued shareholders, business associates, bankers and 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

Total revenue for the financial year of RM672.76 million represented growth of 44.0% from RM467.13 million in previous year. Meanwhile, financing receivables as at end of the fiscal year recorded growth of 51.5% from previous year, with increased share for vehicle financing at 48.4% of total portfolio (2013: 40.1%). Overall asset quality remained satisfactory with non-performing loans (NPL) ratio of 2.14% as at February 2014.



Financial Review

AEON Credit Service (M) Berhad continued to sustain business growth in the year ended 20 February 2014.

Total revenue for the financial year of RM672.76 million represented growth of 44.0% from RM467.13 million in previous year. Similar to the previous year, stronger growth was recorded in vehicle financing, while lower rate of growth was maintained for other products. Total transaction and financing volume of RM3.24 billion for the year represented growth of 31.4% from the previous year. Profit before tax (PBT) recorded for the year of RM233.88 million was 29.1% higher than RM181.11 million PBT in the previous year.

The financing receivables as at end of FYE2014 was RM3.57 billion, representing growth of 51.5% from RM2.36 billion in the previous financial year. The portfolio mix for receivables as at end of the financial year recorded increased share for vehicle financing at 48.4% of total portfolio (2013: 40.1%), including car financing portfolio which had increased to 15.3% share of total portfolio (2013: 8.3%) and motorcycle financing at 33.1% share (2013: 31.8%). Meanwhile, share of financing receivables for consumer durables, personal financing and credit card were 15.6% (2013: 19.0%), 21.6% (2013: 22.6%) and 14.4% (2013: 18.3%) respectively.

Overall asset quality remained satisfactory with non-performing loans (NPL) ratio of 2.14% as at February 2014, despite slight deterioration compared to NPL ratio of 1.73% in February 2013. Net credit cost ratio of 4.09% per annum was higher compared to 3.35% per annum in the preceding year. The Company has recorded deterioration in quality of financing receivables in second half of 2013, primarily attributable to higher credit risk taken arising from certain flexibility in credit policies since early 2013 and increasing cost of living affecting certain customer segments.

Measures taken to improve the quality of receivables and credit management include strengthening of credit policies and criteria including debt service ratio (DSR) for various customer segments and implementation of revised credit scorecard. These measures have contributed to lower annualised net credit cost of 4.03% in Q4 compared to 4.65% in Q3 of the financial year. The net returns on the portfolio remained satisfactory with average ROA and ROE for the year of 5.7% and 32.6% respectively based on the net profit for the year, after taking into account the issuance of RM100 million of Perpetual Notes during the financial year i.e. the Perpetual Notes are treated as part of the total equity.

Increase in annual operating costs in FYE2014 by 47.5% is generally in tandem with financing receivables growth of 51.5% in the year. Margin of profit before tax (PBT) against revenue for the year was lower at 34.8% compared to 38.8% in the previous year. The higher operating costs and lower PBT ratio is mainly attributable to higher impairment loss provision on financing receivables while other costs were generally managed in line with business growth. Average funding cost in February 2014 was lower marginally compared to February 2013 due to new funding at competitive rates in the year from both off shore and domestic sources.

Managing Director's Operations Review (continued)

Other operating income recorded of RM38.99 million for the year was 15.8% 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

The Company's principal credit cards in circulation as at February 2014 had increased by 9.9% from the previous year based on database marketing efforts, various promotions carried out and enhancement of card benefits, in a competitive market environment. Total credit card transactions volume of RM897.81 million represents growth of 15.2% against the previous year, realised from both increase in card member base as well as higher average card usage amount.

The Easy Payment and Personal Financing schemes recorded a 38.9% annual growth in financing volume to RM2.345 billion for the year under review, as the Company continued to gain support from participating merchants for its product financing schemes and consumers in general for the various financial products offered. The Company continued to focus on growth in car financing operations through expansion of network of merchants offering the product nationwide, resulting in 135% growth in financing volume from previous year. Motorcycle financing scheme also recorded strong growth at 58.4% increase in transactions from previous year while lower growth was recorded for consumer durables' financing, personal financing and credit card operations. Continued growth in business volume was recorded in all the regions in Malaysia where the Company is operating.

In July 2013, regulatory measures were implemented to further promote a sound and sustainable household sector. The measures include limiting the maximum tenure for personal financing to 10 years, prohibiting the offering of pre-approved personal financing products and requirement for credit providers to observe a prudent debt service ratio in their credit assessment that preserves sufficient financial buffers to protect households against rising costs and unexpected adverse events. While the Company does not offer any personal financing product for tenure of 10 years or longer, the new regulations had limited impact on the personal financing operations of the Company as the Company revised its credit guideline and credit processing policies to meet requirements on debt service ratio and ensure that necessary information and documents were obtained.

Meanwhile, the Company entered into a business collaboration with AEON Big (M) Sdn Bhd during the year to manage a customer loyalty programme targeting customers at AEON Big shopping centres nationwide, with the Company being the issuer of the loyalty (member) card and provider of system and database management services. The accumulated customers' database since launching of the loyalty programme in November 2013 has exceeded the 1 million mark currently, providing an additional source of recurring non-risk asset based income to the Company from transactions of the programme members.

The Company continued to expand its branch network to total of 50 branches currently, including 12 branches opened in various locations during the year, to facilitate greater market reach to consumers as well as to provide customer service. These include branches opened at AEON Big (M) Sdn Bhd and AEON Co. (M) Bhd shopping centres, in line with the Company's continued collaboration with retail chain stores under the AEON Group to provide financial services to mutual customers.

Future Plans

The economic environment in 2014 may be more challenging than 2013. Nevertheless, the Company targets to maintain performance in the current fiscal year through business strategies to capitalise on available market opportunities. The key focus areas for the year include enhanced utilisation of customers' database for effective marketing/cross selling, including the newly acquired customers for the AEON Big loyalty programme, promoting AEON credit cards to be the No. 1 credit card used by customers at AEON Group retail outlets in Malaysia, expansion of AEON Credit branch network and number of active merchants, expansion of SME financing business and increase in fee business volume.

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 business sustainability and performance of the Company going forward.

Yours sincerely,

Yasuhiro Kasai
Managing Director

Profile of Directors



DATO' ABDULLAH BIN MOHD YUSOF

Chairman and Independent Non-Executive Director
(75, 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 and Zelan Berhad, all of which are companies listed on Bursa Securities. He also sits on the Board of Directors of THR Hotel (Selangor) Bhd. and several private limited companies. He is currently the Chairman of the Nomination Committee and also serves as a member of the Remuneration 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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended all five (5) Board meetings held during the financial year ended 20 February 2014. He holds 210,180 ordinary shares directly in the Company and 92,000 ordinary shares indirectly in the Company.

MR. YASUHIRO KASAI

Managing Director
(43, 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. 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. Prior to his appointment as the Managing Director of the Company, he was the Head of Operation Management Division. He does not hold any directorship 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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended all five (5) Board meetings held during the financial year ended 20 February 2014. He holds 108,000 ordinary shares directly in the Company.



MR. MASANORI KOSAKA

Non-Independent Non-Executive Director

(58, Japanese) (appointed on 19 June 2013)

Mr. Masanori Kosaka was appointed as a Non-Executive Director of AEON Credit Service (M) Berhad on 19 June 2013. He obtained a Bachelor's Degree in Law from Kyoto Sangyo University, Japan in 1979. He began his career in AEON Co., Ltd., Japan in 1979 and was subsequently transferred to AEON Financial Service Co., Ltd., Japan (AFSJ) in 1981. In 1996, he was appointed as an Executive Director of AFSJ, where he served in various capacities over the years. Subsequently, he was appointed as Managing Director of AEON Credit Service (Asia) Co., Ltd. in 2002. In 2011 he was transferred back to AFSJ as a Director before his appointment as President of AEON Insurance Service Co., Ltd., Japan in 2012. He is currently serving as Managing Director of AEON Financial Service (Hong Kong) Co., Ltd. (formerly known as AEON Credit Holdings (Hong Kong) Co., Ltd) since April 2013 and as Chairman of the Board of Directors of AEON Thana Sinsap (Thailand) PLC since June 2013. He also serves as Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. He does not hold any directorship in any other public or public listed company except AEON Thana Sinsap (Thailand) PLC.

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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended two (2) Board meetings held during the financial year ended 20 February 2014. He does not hold any shares in the Company.

MR. JUN SUZUKI

Non-Independent Non-Executive Director

(45, Japanese)

Mr. Jun Suzuki was appointed as a Non-Executive Director of AEON Credit Service (M) Bhd on 20 June 2012. He obtained a Bachelor's Degree in E-Commerce from Sapporo Gakuin University, Japan in 1991. He began his career at OMC Card, Inc. in April 1991 before joining AEON Financial Service Co., Ltd Japan (AFSJ) in 1998. He was subsequently promoted as Manager of Accounting and Finance Division, General Manager of Accounting Division and General Manager of Accounting and Finance Division of AFSJ. In 2012, he was transferred to AEON Thana Sinsap (Thailand) PLC where he was appointed as Executive Director in June 2012. In May 2013, he was appointed as a Director of AEON Financial Service (Hong Kong) Co., Ltd. (formerly known as AEON Credit Holdings (Hong Kong) Co., Ltd), where he assumed role as Executive Director upon his transfer in August 2013. He also serves as a member of the Remuneration and Nomination Committees. He does not hold any directorship in any other public or public listed company except AEON Thana Sinsap (Thailand) PLC.

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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended three (3) Board meetings held during the financial year ended 20 February 2014. He does not hold any shares in the Company.





DATUK RAMLI BIN IBRAHIM
Independent Non-Executive Director
(74, 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 Directors of several other unlisted public and private limited companies including Measat Global Berhad. He also serves as a member of the Audit and Nomination Committees. He does not hold any directorship 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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended all five (5) Board meetings held during the financial year ended 20 February 2014. He holds 135,500 ordinary shares directly in the Company.

DATO' MD KAMAL BIN ISMAUN
Independent Non-Executive Director
(66, 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 hold any directorship 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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended all five (5) Board meetings held during the financial year ended 20 February 2014. He holds 6,000 ordinary shares directly in the Company.



MR. NG ENG KIAT

Independent Non-Executive Director
(61, 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 hold any directorship 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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended all five (5) Board meetings held during the financial year ended 20 February 2014. He holds 12,000 ordinary shares directly in the Company.

MR. KENJI FUJITA

Executive Director
(45, Japanese) (appointed on 19 June 2013)

Mr. Kenji Fujita was appointed as an Executive Director of AEON Credit Service (M) Berhad on 19 June 2013. He obtained a Bachelor's Degree in Arts & Humanity from Yamaguchi University, Japan in 1992 and a Master of Business Administration (MBA) degree from International University of Japan in 2009. He began his career in AEON Co., Ltd., Japan in 1992 and was subsequently transferred to AEON Co. (M) Bhd in 1997. He served in the Business Development function, MD Office and Shopping Centre (SC) Development functions over the years before he was appointed as the General Manager of SC Development in 2005. From 2007 until early 2012, he was managing the Human Resource, Administration, Finance and Executive Office functions in AEON CO., Ltd., Japan and AEON Stores (Hong Kong) Co., Ltd., Hong Kong. In March 2012, he was transferred to AEON Financial Service Co., Ltd., Japan (AFSJ) where he served as General Manager, Asian Business Division until his appointment as Executive Director of AEON Financial Service (Hong Kong) Co., Ltd. (formerly known as AEON Credit Holdings (Hong Kong) Co., Ltd.) in June 2013. In April 2014, he was appointed as Head of Sales & Marketing Division in the Company. He does not hold any directorship 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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He has attended two (2) Board meetings held during the financial year ended 20 February 2014. He does not hold any shares in the Company.





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

Executive Director
(47, 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 the 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 re-designated as the Head of Finance, Legal and Administration Division in April 2010. In April 2013, he was made the Head of Corporate Services Division before assuming current role as Head of Legal and Compliance Division in April 2014. He does not hold any directorship 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 does he have any conviction for offences within the past 10 years, except for traffic offences, if any.

He attended all five (5) Board meetings held during the financial year ended 20 February 2014. He holds 108,000 ordinary shares directly in the Company.

MS. LEE TYAN JEN

Executive Director
(39, Malaysian) (appointed on 1 July 2013)



Ms. Lee Tyan Jen was appointed as an Executive Director of AEON Credit Service (M) Berhad on 1 July 2013. She obtained a Bachelor's Degree in Business Administration from University of South Alabama, USA in 1996. She joined the Company in 1998 as an Officer in the Credit Assessment Department. Subsequently, she was promoted to various positions in the Credit Assessment function and was appointed as Assistant General Manager of the Company in 2006, heading the Credit Assessment Department. In 2008, she was promoted as General Manager and served as Head of the Credit Operations Division and Head of Credit Card Division before assuming her current position as Head of Business Operations Division in April 2014. She does not hold any directorship in any other public or public listed company.

She 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 does she have any conviction for offences within the past 10 years, except for traffic offences, if any.

She has attended two (2) Board meetings held during the financial year ended 20 February 2014. She holds 23,774 ordinary shares directly in the Company.

Senior Management

MR. YASUHIRO KASAI
Managing Director



MR. KENJI FUJITA
Senior General Manager
Head of Sales & Marketing Division



MS. LEE TYAN JEN
Senior General Manager
Head of Business Operations Division



**MR. KRISHNAPPAN
A/L S.P.S SINGARAM**
Senior General Manager
Head of Legal & Compliance Division



MR. LEE KIT SEONG
Assistant General Manager
Head of Finance and Admin Group



MR. SHUNJI TERAURA
General Manager
Head of New Business Development Division



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



MS. NG SOO LEE
Assistant General Manager
Head of Human Resources Group



MR. TAN KEAN WOOL
Assistant General Manager
Head of Credit Management Group



MR. JOSEPH CHONG KIM LEN
Assistant General Manager
Head of New Credit Business Development Group



MR. AJITH A/L JAYARAM
Assistant General Manager
Head of Consumer Credit Group



MR. HAU KOK PECK
Assistant General Manager
Head of E-Business Group



MR. CHEN HENG GUAN
Assistant General Manager
Head of Easy Payment Group



MR. MASAKI WATANABE
Assistant General Manager
Head of Credit Policy Group



MR. FAIZUL HAMZAH
Assistant General Manager
Head of Quality Management Group



Statement on Corporate Governance

The Board of Directors ("The Board") of AEON Credit Service (M) Berhad (the "Company") is committed towards ensuring the high standards of corporate governance embodied in the Malaysian Code on Corporate Governance 2012 ("Code") are maintained by the Company in managing its business affairs and meeting expectations of various stakeholders. In addition to the Code, the corporate governance practices and operations of the Company comply with or are guided by the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and AEON Group's Code of Conduct ("COC").

The Board considers that the Company's corporate governance framework and practices, as set out in this Statement, serve to strengthen the Company's sustainability, organisational effectiveness and drive a high-performance culture within the Company.

This Statement outlines the key aspects of how the Company has applied and taken into account the Principles enumerated under the Code during the financial year ended 20 February 2014. Where there are gaps in the Company's observation of any of the Recommendations of the Code, these are disclosed herein with explanations.

A. THE BOARD OF DIRECTORS

Board Roles and Responsibilities

The Board is responsible for the stewardship of the business and affairs of the Company on behalf of the shareholders with a view of enhancing the long-term value of their investment. The overall principal roles and responsibilities of the Board are as follows:

- (a) Develop, review and revise the Company's long-term strategic plans;
- (b) Provide clear objectives and policies to senior management for operations;
- (c) Oversee the conduct and proper management of the Company's businesses, including succession planning;
- (d) Ensure establishment of appropriate risk management framework and adequate management information and internal control system of the Company;
- (e) Ensure the Company's strategies promote sustainability, with attention given to environmental, social and governance aspects of business;
- (f) Review and approve the Company's annual budget and business plan;
- (g) Review and approve Related Party Transactions; and
- (h) Approve transactions and activities outside the discretionary powers of senior management, subject to shareholders' approval where necessary.

The Board has established a Board Charter as a key point of reference to clarify the roles and responsibilities of the Board. The Board Charter is subject to review by the Board from time to time to ensure relevance and compliance, incorporating the following areas, amongst others:

- (a) Roles of the Board and Committees
- (b) Board composition and Terms of Reference
- (c) Appointment, Re-election and Resignation of Directors
- (d) Code of Ethics and Code of Conduct for Directors and employees
- (e) Board and Board Committee Proceedings
- (f) Remuneration and Benefits for Directors
- (g) Training and Development
- (h) Annual Board Assessment

The Board Charter has been published on the Company's website at www.aeonmalaysia.com.my for reference of shareholders and other stakeholders.

The Board reserves certain powers for itself and delegates other matters to the Executive Directors and Senior Management. The schedule of matters reserved for the Board's decision includes, amongst others, review and approval of the following:

- (a) Business strategy and annual business plan/budget;
- (b) Raising or restructuring of equity or debt capital and bank borrowings;
- (c) New investments, divestments, establishment of subsidiaries or joint ventures, and any other corporate exercise which requires approval of shareholders;

A. THE BOARD OF DIRECTORS (CONTINUED)

Board Roles and Responsibilities (continued)

- (d) Acquisition or disposal of significant assets outside the ordinary course of business;
- (e) Quarterly financial results and annual financial statements; and
- (f) Appointment of new Directors

The management team, led by the Managing Director ("MD") and assisted by three (3) other Executive Directors, is responsible for the day-to-day management of the Company and is accountable to the Board. Various powers are further delegated to the management team of the Company based on the Company's Authority Matrix, which is also subject to periodic review based on changes in organisation structure and business requirements for efficient decision making.

The Board is further committed to ensuring the Company's strategies promote sustainability as encapsulated in AEON Group's basic principles of "pursuit of peace, respect for humanity and contribution to local communities", with the customer's point of view as its core. Environmental and community responsibilities and concerns are integral to the way in which the Company conducts its business, as set out in AEON Group's Code of Conduct Commitment. The report on activities pertaining to corporate responsibilities are set out on pages 9 to 11 of the Annual Report.

Board Composition and Balance

There is clear division of responsibilities between the Chairman and the MD, where the MD is also the Chief Executive Officer, to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making. The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The MD, supported by the Executive Management team, implements the Company's strategic plans, policies and decision adopted by the Board and oversees the operations and business development of the Company.

The Board recognizes the importance of independence and objectivity in the decision making process. In line with the Code and to enable a balance of power and authority in the Board, the Board Charter was adopted such that the Board should comprise a majority of Independent Directors in the event the Chairman of the Board is a Non-Independent Non-Executive Director.

The Board currently consists of ten (10) members, comprising one (1) Chairman who is a Non-Executive Director, four (4) Executive Directors including the MD and five (5) Non-Executive Directors. The Directors' profiles are presented on pages 20 to 24 of the Annual Report.

The Chairman and three (3) of the Non-Executive Directors are Independent Directors of the Company. This complies with Paragraph 15.02(1) of the MMLR of Bursa Securities which required at least two (2) or one third (1/3) of the Board of the Company, whichever is the higher, to be 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 Company's Independent Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment taking into account the interest not only of the Company, but also of the shareholders, employees, customers and communities in which the Company conducts business. The Board, via the Nomination Committee, assesses each Director's independence to ensure ongoing compliance with this requirement annually.

Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decision in any matter concerning the Company is required to immediately disclose to the Board such conflict of interest or potential conflict of interest and to abstain from participating in any discussion or voting on the matter.

Statement on Corporate Governance (continued)

A. THE BOARD OF DIRECTORS (CONTINUED)

Board Composition and Balance (continued)

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors based on criteria set out in the MMLR of Bursa Securities and criteria developed by the Nomination Committee. None of the Independent Directors has served in such capacity for tenure exceeding nine (9) years since listing of the Company on the Main Board of Bursa Securities in December 2007, in relation to recommendation under the Code on tenure of an Independent Director.

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. The Board is well represented by individuals with diverse professional backgrounds and experience in the areas of law, finance and accounting, audit and taxation, commerce and public service. 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 current number of Independent Directors is deemed as ideal to provide the necessary check and balance to the Board's decision making process, through objective participation in Board deliberations and the exercise of independent judgement. Meanwhile, the Board has no immediate plans to implement a gender diversity policy although the Board considers that gender is not a bar to Board appointment. The latter has been made evident in 2013 by virtue of the appointment of Ms. Lee Tyan Jen as an Executive Director of the Company after due evaluation by the Nomination Committee and the Board. The Board is of the view that Directors' appointments are dependent solely on the candidate's skills, experience, core competencies and personal qualities.

Supply of and Access to Information

The Board and the respective Board Committees are supplied with and granted access to timely information which allows them to discharge their responsibilities effectively and efficiently. They are furnished with Board papers and reports providing updates on financial, operational, regulatory, risk management, audit matters and corporate plans, developments and results prior to Board or respective Board Committees' meetings to facilitate informed discussion and decision-making during meetings.

Other information shall be furnished to Directors from time to time for review and consideration of matters reserved specifically for the Board's decision. Procedures are in place for the Board or Board members to seek independent professional advice in the course of fulfilling their responsibilities, at the Company's expense, in accordance with established procedures set out in the Board Charter in furtherance of their duties.

The Board or Board Committees may invite senior management staff to attend the Board or Board Committees' meetings to brief or present to the Board or Board Committee on the business operations and performance.

Directors have unrestricted access to the advice and services of the appointed Company Secretaries, both of whom are qualified persons as members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Directors are regularly updated and advised by the Company Secretaries on new statutory guidelines and regulatory requirements such as updates on MMLR of Bursa Securities from time to time and their impact and the implication on the Company and Directors in carrying out their fiduciary duties and responsibilities. The Company 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 the MMLR of Bursa Securities.

Deliberations during the Board and Board Committees' Meetings were properly minuted and documented by the Company Secretaries.

Statement on Corporate Governance (continued)

A. THE BOARD OF DIRECTORS (CONTINUED)

Board and Board Committees Meetings

Board and Board Committees meetings are conducted in accordance with a structured agenda. The agenda for each Board and Board Committees meeting and the relevant reports and Board and Board Committees papers are forwarded to the Board and Board Committees generally five (5) days prior to the Board and Board Committees meeting to allow the Directors and Board Committees 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 ended 20 February 2014, the Board met five (5) times where it deliberated and considered a variety of matters, inclusive of financial results, operations' performance, risk management and matters requiring decision of the Board. The details of Directors' attendance are as follows:

No.	Name of Director	Number of Board meetings attended/held during the Directors' term in office
1.	Dato' Abdullah bin Mohd Yusof <i>Independent Non-Executive Director (Chairman)</i>	5/5
2.	Mr. Yasuhiro Kasai <i>Managing Director</i>	5/5
3.	Mr. Masanori Kosaka (appointed on 19 June 2013) <i>Non-Independent Non-Executive Director</i>	2/2
4.	Datuk Ramli bin Ibrahim <i>Independent Non-Executive Director</i>	5/5
5.	Dato' Md Kamal bin Ismaun <i>Independent Non-Executive Director</i>	5/5
6.	Mr. Ng Eng Kiat <i>Independent Non-Executive Director</i>	5/5
7.	Mr. Jun Suzuki <i>Non-Independent Non-Executive Director</i>	3/5
8.	Mr. Krishnappan A/L S.P.S. Singaram <i>Executive Director</i>	5/5
9.	Mr. Kenji Fujita (appointed on 19 June 2013) <i>Executive Director</i>	2/2
10.	Ms. Lee Tyan Jen (appointed on 1 July 2013) <i>Executive Director</i>	2/2
11.	Mr. Masao Mizuno (retired on 18 June 2013) <i>Non-Independent Non-Executive Director</i>	1/3
12.	Mr. Clarence Chai (resigned on 24 December 2013) <i>Executive Director</i>	3/5

The Directors do not participate in the deliberations on matters in which they have a material personal interest, and abstain from voting on such matters. The Directors are aware that they must notify the other Board members of their interest in contracts that is in conflict, or appears to be in conflict with an interest of the Company by disclosing the nature and extent of that interest during Board meetings.

The Board's decisions are recorded in the meeting minutes and the draft minutes of meetings are made available to all Board members before the confirmation of the minutes at the next meeting.

Statement on Corporate Governance (continued)

A. THE BOARD OF DIRECTORS (CONTINUED)

Board and Board Committees Meetings (continued)

In order to enable Directors to sustain active participation in board deliberations, the Directors have access to continuing education programmes or trainings. The Directors have devoted sufficient time to update their knowledge and enhance their skills by attending trainings, conferences, seminars, forums and workshops, details as set out in page 30 of this Statement.

Continuing Education and Training of Directors

All Directors have completed the Mandatory Accreditation Program as prescribed by Bursa Securities. The Board fully supports the need for its members to further enhance their skills and knowledge on relevant new laws and regulations and changing commercial risks to keep abreast with the developments in the economy, industry, technology and the changing business environment within which the Company operates. Throughout their period in office, the Directors are continually updated on the Company's business and the regulatory requirements. During the financial year ended 20 February 2014, the relevant training programmes, seminars, forums and workshops attended by the Directors of the Company were on the following topics:

Title of Seminar / Workshops / Courses

- 2014 Malaysian Budget and Other Tax Developments
- AEON Group Management Development Programme
- Audit and Risk Committee Chairmen Forum
- Audit planning and documentation
- Drafting Board Charter and Terms of Reference for Board Committee and Role of Nominating Committee for PLCs
- Ethics and Board of Directors
- IFRS Master Class 2013
- KPMG Malaysian Tax Summit
- Legal Framework and Regulations
- Management Code of Conduct Training
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- National Tax Conference
- Structuring tax efficient investments via holding companies
- Transfer pricing on intra group financial assistance
- Update on MFRS and IC Interpretations effective for financial periods commencing on 1st July, 2012 and 1st January, 2013

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.

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 ("NC"), taking into account the required mix of skills, experience and other qualities of Board members, prior to making a recommendation to the Board of the Company.

The Directors observe the recommendation of the Code that they are required to notify the Chairman of the Board before accepting any new directorships and to indicate the time expected to be spent on the new appointment. Generally, Directors are at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Company and do not adversely affect the Director's performance as a member of the Board.

Statement on Corporate Governance (continued)

A. THE BOARD OF DIRECTORS (CONTINUED)

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. Pursuant to Section 129 (6) of the Companies Act, 1965, Directors who are over the age of seventy (70) shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

The performance of those Directors who are subject to re-appointment and re-election at the AGM will be assessed by the NC whose recommendations will be submitted to the Board for decision on such proposed re-appointment and/or re-election to be tabled to shareholders for approval at the AGM.

Directors' Remuneration

The Remuneration Committee ("RC") recommends to the Board the framework and remuneration package of the Managing Director and other Executive Directors after annual review exercise while the determination of the remuneration of the Non-Executive Directors is a matter to be decided by the Board as a whole.

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. Further, the remuneration package is structured so as to link rewards to the achievement of corporate and individual performance. The fees of the Non-Executive Directors depend on their contribution to the Company in terms of their responsibilities and time spent as well as their level of knowledge and experience.

The Directors' remuneration for the financial year ended 20 February 2014 are broadly categorised into the following bands:

	Executive	Number of Directors Non-Executive	Total
Below RM50,000		3	3
RM50,001 to RM100,000		2	2
RM100,001 to RM150,000		1	1
RM150,001 to RM200,000	1		1
RM200,001 to RM250,000		1	1
RM300,001 to RM350,000	2		2
RM450,001 to RM500,000	1		1
RM500,001 to RM550,000	1		1
RM1,000,001 to RM1,050,000	1		1
TOTAL	6	7	13

Note: The table above includes three directors who resigned/retired during the financial year

Statement on Corporate Governance (continued)

A. THE BOARD OF DIRECTORS (CONTINUED)

Directors' Remuneration (continued)

The details of the aggregate remuneration of the Directors for the financial year ended 20 February 2014, categorised into appropriate components are as follows:-

	Executive Directors	Non-Executive Directors	Total (RM)
Fees	-	519,000	519,000
Salaries, bonus and other contributions	2,625,177	-	2,625,177
Benefits-in-kind	194,336	-	194,336
TOTAL	2,819,513	519,000	3,338,513

The Board has chosen to disclose the remuneration in bands pursuant to the MMLR as separate and detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of the Company's governance.

Uphold integrity in financial reporting by Company

The Board has established an Audit Committee, comprising wholly Non-Executive Directors, all of whom are Independent, with Mr. Ng Eng Kiat as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities are set out on pages 38 to 42 of this Annual Report. One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial reports announced to Bursa Securities and the annual statutory financial statements.

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures, via the Audit Committee, in assessing the suitability and independence of the external auditors. Such procedures entail the provision of written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

B. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATIONS

The Board is aware that a key element of good corporate governance is the effective communication and dissemination of clear, relevant and comprehensive information which is readily accessible by the Company's shareholders. It also recognises the importance of maintaining transparency and accountability to shareholders.

The Company's quarterly/annual financial performance and corporate developments in the Company have been promptly announced to all shareholders through disclosures to Bursa Securities, accessible through both the stock exchange website (www.bursamalaysia.com) and the Company's own website (www.aeonmalaysia.com.my). Further updates of the Company's activities, product launching and operations are also disseminated through dialogues with analysts, fund managers and investors as well as press releases from time to time. Investor relations and corporate information are available from the Company's website, including information on the Company's products, services and promotions.

This Annual Report is another main channel of comprehensive communications with shareholders on the financial results, operations, prospects, activities undertaken and state of corporate governance in the Company. A dedicated Investor Relations e-mail contact (IR@aeonmalaysia.com.my) has also been made available for shareholders to submit queries or comments on any issue of concern.

B. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATIONS (CONTINUED)

The AGM has been the main forum of dialogue for shareholders to raise their concerns and provide feedback to the Board on the Company's performance and direction. A presentation will be made by the management during the AGM on the Company's performance and major activities during the year under review. The Board encourages participation at AGM and will generally carry out resolutions by show of hands except for resolution(s) on Related Party Transaction(s) (where shareholders voting is by way of poll), unless otherwise demanded by shareholders in accordance with the Articles of Association of the Company.

C. ACCOUNTABILITY, AUDIT AND RISK MANAGEMENT

Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Company'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, to ensure completeness, accuracy and adequacy prior to release to Bursa Securities.

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

The Directors are responsible for ensuring that financial statements, as set out in pages 53 to 99 of this Annual Report, are drawn up in accordance with accounting standards approved by the Malaysian Accounting Standards Board (MASB), the provisions of the Companies Act, 1965, and the requirements of Bursa Securities 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 of its results and cash flows 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 are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

Related Party Transactions

At the Sixteenth AGM of the Company held on 18 June 2013, the Company obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions of a revenue or trading nature. All related party transactions are reviewed by the Audit Committee on quarterly basis.

An internal compliance framework is in place to ensure that the Company meets its obligations under the MMLR pertaining to related party transactions. Procedures have been established by the Company to ensure that all related party transactions are undertaken on an arm's length basis and on normal commercial terms, consistent with the Company's usual business practices and policies, which are generally not more favourable than those generally available to the public, where applicable, and are not detrimental to the minority shareholders. Details of the procedures are set out in the Circular to shareholders dated 28 May 2014 for renewal of the aforesaid mandate.

All recurrent related party transactions entered into by the Company during the financial year ended 20 February 2014 are disclosed in Note 21 of the financial statements on page 81 to 82 of the Annual Report 2014.

Statement on Corporate Governance (continued)

C. ACCOUNTABILITY, AUDIT AND RISK MANAGEMENT (CONTINUED)

Risk Management and Internal Control

The Board is responsible for setting up and maintaining an effective risk management framework and sound internal control system, to identify, evaluate, control, monitor and report the principal business risks faced by the Company on an ongoing basis. The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

In line with the Code and the MMLR, the Board has established an internal audit function that reports directly to the Audit Committee. The scope of work covered by the internal audit function during the financial year under review is provided in the Statement on Risk Management and Internal Control of this Annual Report.

Whistle Blowing Policy

The Company has also established a whistle blowing channel, identified as AEON Hotline, under the Code of Conduct to be complied with by staff and management. Employees can raise genuine concerns without fear, on anonymous basis or otherwise, on areas such as unethical practices, illegal activities, breach of regulations, financial/accounting fraud etc. The issues raised through the AEON Hotline, an Intranet communication channel, are investigated and resolved with strict confidentiality by the Company.

Datuk Ramli bin Ibrahim is the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders on matters relating to corporate governance of the Company.

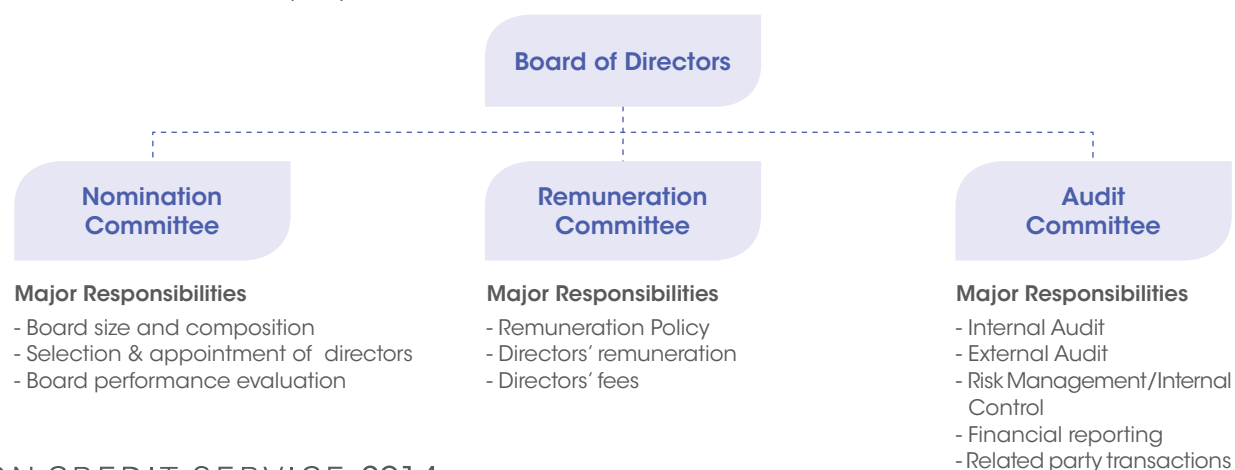
Relationship with Auditors

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 where issues are discussed. The Audit Committee meets with the external auditors to discuss the audit plan, audit findings and the Company's financial statements. The external auditors also meet with the Audit Committee of the Company at least twice a year without the presence of the Executive Directors and Management. Further, the external auditors are invited to attend the AGM and answer any shareholders enquiries relating to the audit of the financial statements.

The relationship between the Board and external auditors is also formalised through the Audit Committee's terms of reference.

D. BOARD COMMITTEES

The Board is assisted by its Committees, which have been established under defined terms of reference, in accordance with the MMLR of Bursa Securities 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 following diagram provides a brief overview of the three main Board Committees of the Company:



D. BOARD COMMITTEES (CONTINUED)

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 38 to page 42 of the Annual Report.

Nomination Committee

The Company's Nomination Committee ("NC") is comprised of five (5) members, all of whom are Non-Executive Directors, with a majority being Independent. The current NC Chairman is independent and able to contribute effectively to the NC in view of his vast boardroom experience.

The NC 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. A selection process for new appointees to the Board as recommended by the Nomination Committee has been adopted by the Board. In evaluating the suitability of candidates, the NC considers the following factors before recommending to the Board for appointment:

- skills, knowledge, expertise and experience;
- time commitment to effectively discharge his/her role as a director
- character, integrity and competence;
- boardroom diversity; and
- in the case of candidates for the position of Independent Non-Executive Director, the Committee shall also evaluate the candidate's ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

The NC has reviewed annually the size of Board, 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 NC also has assessed annually the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director, the effectiveness and performance of the Executive Directors, independence of Independent Directors, training courses required by the Directors and the character, experience, integrity, competence and time to effectively discharge the roles of Directors/Chief executive and is satisfied with the current composition and performance of the Board.

Statement on Corporate Governance (continued)

D. BOARD COMMITTEES (CONTINUED)

Nomination Committee (continued)

During the financial year ended 20 February 2014, two (2) NC meetings were held. Details of the NC members and meeting attendance are set out below:

No.	Name of Director	Number of NC meetings attended/held during the Directors' term in office
1.	Dato' Abdullah bin Mohd Yusof (Chairman) <i>Independent Non-Executive Director</i>	2/2
2.	Datuk Ramli bin Ibrahim <i>Independent Non-Executive Director</i>	2/2
3.	Dato' Md Kamal bin Ismaun <i>Independent Non-Executive Director</i>	2/2
4.	Mr. Jun Suzuki <i>Non-Independent Non-Executive Director</i>	1/2
5.	Mr. Masao Mizuno (retired on 18 June 2013) <i>Non-Independent Non-Executive Director</i>	1/2
6.	Mr. Masanori Kosaka (appointed on 19 June 2013) <i>Non-Independent Non-Executive Director</i>	N/A

The key activities undertaken by the NC were review and assessment on the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, performance and contribution of each Director and effectiveness of the Board and Board Committees, evaluation of suitability of new Directors proposed to be appointed to the Board, review on the retirement of Directors by rotation and their eligibility for re-election and training needs of Directors. NC has also reviewed, assessed and recommended to the Board the new appointments of Mr. Masanori Kosaka, Mr. Kenji Fujita and Ms. Lee Tyan Jen as Directors of the Company and Mr. Masanori Kosaka as member of NC as well as Chairman of the Remuneration Committee.

The NC has arranged for the induction of the newly appointed Directors to the Board to ensure they have a full understanding of the nature of the business, current issues within the Company and corporate strategies as well as the structure and management of the Company.

Remuneration Committee

The Remuneration Committee ("RC") comprises three (3) members, all of whom are Non-Executive Directors.

The RC is responsible for reviewing annually and 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 RC 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.

Statement on Corporate Governance (continued)

D. BOARD COMMITTEES (CONTINUED)

Remuneration Committee (continued)

During the financial year ended 20 February 2014, one (1) RC meeting was held. Details of the RC members and meeting attendance are set out below:

No.	Name of Director	Number of RC meetings attended/held during the Directors' term in office
1.	Mr. Masanori Kosaka (Chairman) (appointed on 19 June 2013) <i>Non-Independent Non-Executive Director</i>	N/A
2.	Dato' Abdullah bin Mohd Yusof <i>Independent Non-Executive Director</i>	1/1
3.	Mr. Jun Suzuki <i>Non-Independent Non-Executive Director</i>	1/1
4.	Mr. Masao Mizuno (retired on 18 June 2013) <i>Non-Independent Non-Executive Director</i>	0/1

During the financial year, the key activities undertaken by the RC were to review and recommend to the Board the remuneration of the Managing Director and Executive Directors of the Company and the fees for the Non-Executive Directors to be proposed by the Board for shareholders' approval at the Company's AGM.

This Statement on Corporate Governance was approved by the Board of Directors of the Company on 8 May 2014.

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 six (6) 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)	6/6
2.	Datuk Ramli bin Ibrahim	Member (Independent Non-Executive Director)	6/6
3.	Dato' Md Kamal bin Ismaun	Member (Independent Non-Executive Director)	5/6

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 Heads of Finance & Admin Group, 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 Audit Committee Meetings were circulated to all the members 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 40 to 42. During the period under review, the Audit Committee carried out the following main activities:

- Reviewed and approved the annual internal audit plan of the Internal Audit Department, including its audit strategy, scope, functions, competency, resource requirements and the necessary authority to carry out its work.
- Reviewed and deliberated reports issued by the External Auditors, Messrs KPMG and Internal Audit Department on significant findings and remedial actions to be taken by Management to address the issues raised.
- Reviewed and recommended the quarterly unaudited financial results and the annual audited financial statements of the Company to the Board of Directors for consideration and approval.
- Reviewed with the External Auditors the scope of work 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, Risk Management 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.
- Monitored the compliance requirements in line with the new updates of Bursa Securities, Securities Commission, Malaysian Accounting Standards Board and other legal and regulatory bodies.
- Reviewed the risk identified by Risk Management Committee to ascertain the adequacy of action taken to address and mitigate the risks.
- Reviewed the risk management framework of the Company

Audit Committee Report (continued)

Summary of Activities of the Audit Committee (continued)

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 Executive Directors and 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 2014 was RM611,084.

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 remedial measures 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 incidence of fraud and other shortcomings.

3. MEMBERSHIP

The BOD shall appoint Committee members from amongst its members, comprising no fewer than 3 directors (all of whom must be Non-Executive Directors) 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 the 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 I 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 additional meetings may be called by the Chairman if necessary 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,
- e. Review internal audit reports and consider the significant findings and management responses and ensure significant findings have been adequately addressed by the management; and
- f. Review the risk management reports of the Company

Other BOD members and/or employees may attend 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 as 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.

Terms of Reference of the Audit Committee (continued)

6. RESPONSIBILITIES AND DUTIES

Pursuant to Paragraph 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.
- c. To consider the appointment of the External Auditors, the terms of reference of the said appointment and any question on resignation and dismissal of External Auditors before making a recommendation to the Board.
- d. Review and approve the non-audit services provided by the external auditors and/or its network firms to the Company for the financial year, including the nature of the non-audit services, fees for the non-audit services (individually and in aggregate) relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.
- e. Review the Internal Audit Charter to ensure that the internal audit function is independent of the activities it audits and to identify a head of internal audit who reports directly to the 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.
- f. 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.
- g. Review the adequacy of Company's risk management framework, monitor principal risks that affect the Company and evaluate risk management and mitigation measures in place.
- h. Review the adequacy, effectiveness and integrity of internal control system including risk management process, management information system, adequacy of resources and the internal and external auditors' evaluation of the system.
- i. Review and recommend corrective and preventive measures undertaken to remedy failings and/or weaknesses in the risk management process and internal control system.
- j. 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.
- k. 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.
- l. Review the appointment, transfer, dismissal of the Head of Internal Audit as well as to evaluate the performance of the Internal Audit function.
- m. Note resignations of internal audit senior staff members, and providing the resigning staff member an opportunity to submit his/her reasons for resigning.
- n. 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.
- o. Review any related party transactions and conflict of interest situation that may arise within the Company including any transaction, procedure or course of conduct that raises questions on management integrity.
- p. Prepare reports at least once a year, to BOD summarising the activities performed in fulfilling the Committee's responsibilities.
- q. Review the statement on the state of risk management and internal controls of the Company for inclusion in the Annual Report.
- r. Review any other financial and governance related matters that may be considered/requested by the BOD from time to time.

Statement on Risk Management and Internal Control

Introduction

The Board of Directors ("Board") recognises that risk management and internal control is about commitment to safeguard shareholders' investment and the company's assets.

The Board is committed to its responsibility of maintaining a sound system of risk management and internal control, covering financial and operating activities to safeguard shareholders' investment, the Company's assets and customers' interests. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Accordingly, the Board is pleased to provide the Statement on Risk Management and Internal Control ("Statement") prepared in accordance with the "Statement on Risk Management & Internal Control – Guidelines for Directors of Public Listed Issuers" issued by Bursa Malaysia Securities Berhad which outlines the processes to be adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the organisation.

This Statement outlines the processes that have been implemented to ensure the adequacy and integrity of the system of risk management and 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. 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.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, and managing significant risks that may affect the achievement of business objectives. The control structure and process which have been instituted throughout the organisation are updated and reviewed from time to time to suit the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of approval of this statement for inclusion in the annual report.

System of Internal Controls

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

Statement on Risk Management and Internal Control (continued)

Enterprise-wide Risk Management Framework

The Board is committed to operating within a system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The Enterprise-wide Risk Management Framework ("ERMF") is the overarching framework that sets out the Company's approach to risk management. It establishes the mechanisms and processes by which the Board directs the risk management function of the organisation, through setting the tone and expectations from the top, delegating its authority and monitoring compliance.

The purpose of the ERMF is to identify and set minimum requirements in respect of the main risks to achieving the company's strategic objectives and to provide reasonable assurance that internal controls are effective. The key elements of the company's system of risk management and internal control are set out in the risk management control frameworks relating to each of the company's Key Risks and in the organisation's operational risk policies and procedures. The ERMF is reviewed annually and approved by the Board.

The Board has established a management structure of the Company and clearly defined lines of responsibility, authority limits, and accountability aligned to business and operations requirements which support the maintenance of a strong control environment. It has extended the responsibilities of the Audit Committee include the assessment of internal controls through the Internal Audit function.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"), comprising members of key management team, with objective of assessment and management of the identified risks. Monthly meetings are held to address the various risk areas associated with the Company's business and operations including credit risk, operational risk, market risk and liquidity risk. The Company's exposure to risk events, impact arising and mitigation measures are presented and discussed at the said meetings. The effectiveness of the risk management system is monitored and evaluated by the Company's Risk Management Department, on an ongoing basis. Changes to policies and framework formulated to identify, measure and monitor various risk components shall be reviewed and recommended by the RMC to the Board. Additionally, the RMC assesses the adequacy of these risk management policies and ensures infrastructure, resources and systems are emplaced for risk management. Risk Management reports are presented to the Board on quarterly basis, highlighting the key risk areas, impact arising to the Company from risk events, changes to risk assessment evaluation, risk mitigation measures etc. for Board review and feedback.

Risk management policies, procedures and practices are updated regularly to ensure relevance and compliance with current/applicable laws and regulations, and are made available to all employees. The Company also adopted a whistle blowing policy, providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Company's policies and regulations in a secure and confidential manner.

The Company has established structure of "three lines of defense" for risk management: risk taking units (Business Units), risk control unit (Risk Management Department), and internal audit. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities, while the risk control unit is responsible for setting the risk management framework and developing related tools and methodologies. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

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.

Statement on Risk Management and Internal Control (continued)

Other key elements of Internal Controls

Other key elements of the processes established by the Board which provides effective internal control include:

- An annual business plan and budget are submitted to the Board for approval. Actual performances are reviewed against the targeted results on a quarterly basis for management response and action required, where applicable. The Board reviews regular reports from the management on the key operating statistics and risk management, and feedback on action required is furnished to the senior management team.
- The Company has in place written operating procedures in various areas of operations, which also incorporate risk management issues and are subject to periodic review and updated as and when necessary to improve on the control environment and operational efficiency.
- Various Management Committees at senior level have been established by Management to assist and support the Board to oversee areas such as business operations, risk management, system implementation and support, staff disciplinary issues etc. These include the Company's Executive Committee, Risk Management Committee, IT Steering Committee and Disciplinary Action Committee (under Human Resource function).
- 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.

All the above mentioned 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

There were no material contracts entered into by the Company (not being contracts entered into the ordinary course of business) involving Directors' and major Shareholders' interests which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year.

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 2014 was RM0.067 million, comprising advisory, review and tax services.

Financial Statements

48	Directors' Report
53	Statement of Financial Position
54	Statement of Profit or Loss and Other Comprehensive Income
55	Statement of Changes in Equity
56	Statement of Cash Flows
58	Notes to the Financial Statements
100	Statement by Directors
101	Statutory Declaration
102	Independent Auditors' Report

Directors' Report

for the year ended 20 February 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 20 February 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of easy payment schemes, personal financing schemes and issuance of credit cards under the 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	175,352
---------------------	---------

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review other than as disclosed in the financial statements.

DIVIDENDS

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

- a final ordinary dividend of 19.50 sen per ordinary share under the single tier system, totalling RM28,080,000 in respect of the financial year ended 20 February 2013 on 16 July 2013; and
- an interim ordinary dividend of 22.30 sen per ordinary share under the single tier system, totalling RM32,112,000 in respect of the financial year ended 20 February 2014 on 30 December 2013.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 20 February 2014 is 24.00 sen per ordinary share under the single tier system, totalling RM34,560,000. The proposed dividend will be recognised in the subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

DIRECTORS OF THE COMPANY

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

Dato' Abdullah bin Mohd Yusof
Yasuhiro Kasai
Datuk Ramli bin Ibrahim
Dato' Md Kamal bin Ismaun
Ng Eng Kiat
Krishnappan A/L S.P.S. Singaram
Jun Suzuki
Kenji Fujita (appointed on 19 June 2013)
Masanori Kosaka (appointed on 19 June 2013)
Lee Tyan Jen (appointed on 1 July 2013)
Masao Mizuno (retired on 18 June 2013)
Clarence Chai (resigned on 24 December 2013)

Directors' Report (continued)

for the year ended 20 February 2014

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 21.2.2013/ Date of Appointment*	Bought	Sold
The Company			
Direct interest:			
Dato' Abdullah bin Mohd Yusof	271,080	–	30,900
Yasuhiro Kasai	108,000	–	–
Datuk Ramli bin Ibrahim	162,000	–	26,500
Dato' Md Kamal bin Ismaun	6,000	–	–
Ng Eng Kiat	12,000	–	–
Krishnappan A/L S.P.S. Singaram	108,000	–	–
Lee Tyan Jen	23,774 [#]	–	–
Deemed interest:			
Dato' Abdullah bin Mohd Yusof - others*	102,000	–	10,000

	Number of ordinary shares		
	At 21.2.2013/ Date of Appointment*	Bought	Sold
Immediate holding company AEON Financial Service Co., Ltd.			
Direct interest:			
Yasuhiro Kasai	561	24	–
Jun Suzuki	1,945	–	–
Masanori Kosaka	9,596 [#]	–	–

	Number of ordinary shares of RM1.00 each		
	At 21.2.2013	Bought	Sold
Related company AEON CO. (M) BHD.			
Direct interest:			
Dato' Abdullah bin Mohd Yusof	526,000	–	–
Yasuhiro Kasai	800	–	–
Deemed interest:			
Dato' Abdullah bin Mohd Yusof - own	1,067,800	–	97,800
Datuk Ramli bin Ibrahim*	560,000	–	159,100

Directors' Report (continued)

for the year ended 20 February 2014

DIRECTORS' INTERESTS (CONTINUED)

Number of ordinary shares of THB1.00 each
At 21.2.2013/
Date of
Appointment# **Bought** **Sold** **At**
20.2.2014

Related company

AEON Thana Sinsap (Thailand) Plc.

Direct interest:

Masanori Kosaka

100,000# – – 100,000

Number of ordinary shares of PHP100 each
At 21.2.2013/
Date of
Appointment# **Bought** **Sold** **At**
20.2.2014

Related company

AEON Credit Service System (Philippines) Inc.

Direct interest:

Jun Suzuki

– 1 – 1

Masanori Kosaka

1# – – 1

Number of ordinary shares of THB4.50 each
At
21.2.2013 **Bought** **Sold** **At**
20.2.2014

Related company

ACS Capital Corporation Ltd.

Direct interest:

Jun Suzuki

– 1 – 1

Number of ordinary shares of HKD0.10 each
At 21.2.2013/
Date of
Appointment# **Bought** **Sold** **At**
20.2.2014

Related company

AEON Credit Service (Asia) Co., Ltd.

Direct interest:

Masanori Kosaka

110,000# – – 110,000

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

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES AND DEBENTURES

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

There were no issuance of debentures during the financial year.

ISSUE OF OTHER EQUITY INSTRUMENTS

During the financial year, the Company issued RM100,000,000 Perpetual Notes at par as disclosed in Note 9.3 to the financial statements. Subsequent to the financial year end, the Company further issued RM46,000,000 Perpetual Notes at par as disclosed in Note 26 to the financial statements.

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 financial statements 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 has been made for doubtful debts, and
- ii) any 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.

Directors' Report (continued)

for the year ended 20 February 2014

OTHER STATUTORY INFORMATION (CONTINUED)

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 2014 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.

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: 8 May 2014

Statement of Financial Position

as at 20 February 2014

	Note	2014 RM'000	2013 RM'000
Assets			
Plant and equipment	3	46,599	41,036
Investments	4	5,542	5,542
Deferred tax assets	5	11,040	5,057
Receivables	6	2,034,533	1,189,825
Total non-current assets		2,097,714	1,241,460
Receivables and deposits	6	1,595,737	1,179,825
Prepayments		8,422	7,736
Cash and cash equivalents	7	12,569	6,404
Derivative financial assets	8	52,844	-
Total current assets		1,669,572	1,193,965
Total assets		3,767,286	2,435,425
Equity			
Share capital		72,000	72,000
Share premium		44,012	44,012
Reserves		429,552	313,195
Equity attributable to shareholders of the Company		545,564	429,207
Perpetual notes		100,000	-
Total equity	9	645,564	429,207
Liabilities			
Borrowings	10	2,113,455	1,191,934
Total non-current liability		2,113,455	1,191,934
Borrowings	10	840,908	670,499
Payables and accruals	11	143,798	106,869
Derivative financial liabilities	8	-	18,130
Taxation		23,561	18,786
Total current liabilities		1,008,267	814,284
Total liabilities		3,121,722	2,006,218
Total equity and liabilities		3,767,286	2,435,425

The notes on pages 58 to 99 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 20 February 2014

	Note	2014 RM'000	2013 RM'000
Continuing operations			
Revenue	12	672,762	467,127
Staff costs		(130,545)	(91,085)
Depreciation on plant and equipment	3	(17,277)	(13,381)
Operating expenses		(232,866)	(153,542)
Other income		38,989	33,660
Operating profit	13	331,063	242,779
Finance costs	15	(97,188)	(61,672)
Profit before tax		233,875	181,107
Income tax expense	16	(58,523)	(46,981)
Profit for the year		175,352	134,126
Other comprehensive income, net of tax			
Cash flow hedge	17	2,677	(2,818)
Total other comprehensive income for the year, net of tax		2,677	(2,818)
Total comprehensive income for the year		178,029	131,308
Profit attributable to shareholders of the Company		175,352	134,126
Total comprehensive income attributable to shareholders of the Company		178,029	131,308
Basic earnings per ordinary share (sen)	19	121.77	102.84

The notes on pages 58 to 99 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 20 February 2014

	Note	Non-distributable				Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Perpetual notes RM'000	Hedging reserves RM'000	Retained earnings RM'000	
At 21 February 2012		60,000	56,147	-	(7,893)	232,980	341,234
Cash flow hedge (net of tax)		-	-	-	(2,818)	-	(2,818)
Profit for the year		-	-	-	-	134,126	134,126
Total comprehensive income for the year		-	-	-	(2,818)	134,126	131,308
Bonus shares issued		12,000	(12,000)	-	-	-	-
Bonus share issue expenses		-	(135)	-	-	-	(135)
Dividends to shareholders of the Company	18	12,000	(12,135)	-	-	-	(135)
		-	-	-	-	(43,200)	(43,200)
At 20 February 2013/21 February 2013		72,000	44,012	-	(10,711)	323,906	429,207
Cash flow hedge (net of tax)		-	-	-	2,677	-	2,677
Profit for the year		-	-	-	-	175,352	175,352
Total comprehensive income for the year		-	-	-	2,677	175,352	178,029
Perpetual notes issued		-	-	100,000	-	-	100,000
Perpetual notes issue expenses		-	-	-	-	(1,480)	(1,480)
Dividends to shareholders of the Company	18	-	-	100,000	-	(1,480)	98,520
		-	-	-	-	(60,192)	(60,192)
At 20 February 2014		72,000	44,012	100,000	(8,034)	437,586	645,564
		Note 9.1	Note 9.2	Note 9.3	Note 9.4	Note 9.5	

The notes on pages 58 to 99 are an integral part of these financial statements.

Statement of Cash Flows

for the year ended 20 February 2014

	Note	2014 RM'000	2013 RM'000
Cash flows from operating activities			
Profit before tax		233,875	181,107
Adjustments for:			
Allowance for impairment losses		149,742	87,131
Depreciation of plant and equipment	3	17,277	13,381
Finance costs		97,188	61,672
Gain on disposal of plant and equipment		(4)	(231)
Operating profit before working capital changes		498,078	343,060
Changes in working capital:			
Receivables, deposits and prepayments		(1,411,047)	(936,806)
Payables and accruals		32,708	12,916
Cash used in operations		(880,261)	(580,830)
Finance costs paid		(93,259)	(59,111)
Income taxes paid		(60,622)	(39,984)
Net cash used in operating activities		(1,034,142)	(679,925)
Cash flows from investing activities			
Acquisition of plant and equipment	3	(22,840)	(27,025)
Acquisition of investment		-	(4,259)
Proceeds from disposal of plant and equipment		4	291
Net cash used in investing activities		(22,836)	(30,993)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	18	(60,192)	(43,200)
Proceeds from borrowings		1,770,838	977,930
Repayment of bank borrowings		(809,764)	(223,031)
Proceeds from perpetual notes		100,000	-
Payment of bonus share issue expenses		-	(135)
Payment of perpetual notes issue expenses		(878)	-
Net cash generated from financing activities		1,000,004	711,564

The notes on pages 58 to 99 are an integral part of these financial statements.

Statement of Cash Flows (continued)

for the year ended 20 February 2014

	Note	2014 RM'000	2013 RM'000
Net (decrease)/increase in cash and cash equivalents		(56,974)	646
Cash and cash equivalents at beginning of year		4,160	3,514
Cash and cash equivalents at end of year	(i)	(52,814)	4,160

(i) *Cash and cash equivalents*

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

	Note	2014 RM'000	2013 RM'000
Cash and bank balances		11,972	6,290
Deposits placed with licensed banks		597	114
	7	12,569	6,404
Bank overdrafts	10	(65,383)	(2,244)
		(52,814)	4,160

The notes on pages 58 to 99 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
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 the 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 Financial Service Co., Ltd., and AEON Co., Ltd. respectively. Both companies were incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors on 8 May 2014.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014 (continued)

- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 21 February 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for:
 - Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
 - Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
 - Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
 - IC Interpretation 21, *Leases*

which are not applicable to the Company.

- from the annual period beginning on 21 February 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for:
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
 - Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
 - Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
 - Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
 - Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

which are not applicable to the Company.

The initial application of the abovementioned standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

Notes to the Financial Statements (continued)

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs 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 a significant effect on the amounts recognised in the financial statements other than determination of the allowance for impairment losses as disclosed in Note 2(f)(i).

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

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises derivatives (except for a derivative that is a designated and 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(f)(i)).

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a designated and 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.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(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 expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset has been transferred to another party. 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. 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.

The 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 a component 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component 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. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leased assets

Operating lease

Leases where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on 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. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits placed with licensed banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(f) Impairment

(i) Financial assets

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Impairment (continued)****(i) Financial assets (continued)****(a) Financing receivables (continued)*****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 subject to individual or collective impairment assessment.

(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 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 financial 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 carried at cost shall not be reversed.

(ii) Other assets

The carrying amounts of other assets (except for deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(ii) Other assets (continued)

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.

(g) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(ii) Perpetual notes

Perpetual notes are classified as equity. Distributions on perpetual notes are recognised in equity in the period in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) 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.

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. 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 comprises cash advance fees, transaction charges, merchant commission and Visa / MasterCard 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.

(k) 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.

(l) 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 financial years.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

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.

(m) 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.

(n) 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.

(o) Fair value measurement

From 21 February 2013, the Company adopted MFRS 13, *Fair Value Measurement* which prescribed that the fair value of an asset or liability, except for share-based payments and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its most favourable use or by selling it to another market participant that would use the asset in its most favourable use.

In accordance with the transitional provision of MFRS 13, the Company applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Company's assets or liabilities other than the additional disclosures.

3. PLANT AND EQUIPMENT

Cost	Office equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work-in- progress RM'000	Total RM'000
At 21 February 2012	7,422	68,947	1,853	3,622	12,886	-	94,730
Additions	1,104	19,619	1,114	989	2,959	1,240	27,025
Disposals	-	-	(542)	-	-	-	(542)
Write-off	(12)	(366)	-	(19)	-	-	(397)
At 20 February 2013/ 21 February 2013	8,514	88,200	2,425	4,592	15,845	1,240	120,816
Additions	795	10,612	422	131	207	10,673	22,840
Disposals	-	(654)	-	-	-	-	(654)
Write-off	(61)	(8)	-	(35)	-	-	(104)
Reclassification	12	2,936	-	217	3,277	(6,442)	-
At 20 February 2014	9,260	101,086	2,847	4,905	19,329	5,471	142,898
Accumulated depreciation							
At 21 February 2012	6,342	44,986	1,690	3,387	10,873	-	67,278
Charge for the year	663	10,717	232	392	1,377	-	13,381
Disposals	-	-	(482)	-	-	-	(482)
Write-off	(12)	(366)	-	(19)	-	-	(397)
At 20 February 2013/ 21 February 2013	6,993	55,337	1,440	3,760	12,250	-	79,780
Charge for the year	705	14,083	276	633	1,580	-	17,277
Disposals	-	(654)	-	-	-	-	(654)
Write-off	(61)	(8)	-	(35)	-	-	(104)
At 20 February 2014	7,637	68,758	1,716	4,358	13,830	-	96,299
Carrying amounts							
At 21 February 2012	1,080	23,961	163	235	2,013	-	27,452
At 20 February 2013/ 21 February 2013	1,521	32,863	985	832	3,595	1,240	41,036
At 20 February 2014	1,623	32,328	1,131	547	5,499	5,471	46,599

Notes to the Financial Statements (continued)

4. INVESTMENTS

	2014 RM'000	2013 RM'000
At cost		
Unquoted shares	5,542	5,542

Included in the investments as at 20 February 2014 is an investment of RM4,771,000 (2013: RM4,771,000) in AEON Credit Service India Private Limited ("ACSI"), a company incorporated in India, which represents 20% equity interest of the total issued and paid-up share capital of ACSI.

Although the Company owns 20% equity interest of the total issued and paid-up share capital of ACSI, the Directors have determined that the investment should be designated as other investment as the Company does not have influence over its activities and distribution policy.

The principal activity of ACSI is to provide non-banking financial services. In February 2013, ACSI has obtained the license from the Reserve Bank of India to conduct non-banking financial activities in India.

5. DEFERRED TAX ASSETS

Recognised deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Plant and equipment	-	-	(7,737)	(8,197)	(7,737)	(8,197)
Hedging reserve	2,670	3,562	-	-	2,670	3,562
Allowance for impairment losses	3,459	2,092	-	-	3,459	2,092
Recognition of interest income/profit revenue	9,946	5,269	-	-	9,946	5,269
Provision for bonus and others	2,702	2,331	-	-	2,702	2,331
Net tax assets	18,777	13,254	(7,737)	(8,197)	11,040	5,057

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.

5. DEFERRED TAX ASSETS (CONTINUED)**Movement in temporary differences during the year**

	At 21 February 2012 RM'000	Recognised in profit or loss (Note 16) RM'000	Recognised in other comprehensive income (Note 17) RM'000	At 20 February 2013 RM'000	Recognised in profit or loss (Note 16) RM'000	Recognised in other comprehensive income (Note 17) RM'000	At 20 February 2014 RM'000
Plant and equipment	(5,503)	(2,694)	–	(8,197)	460	–	(7,737)
Hedging reserves	2,623	–	939	3,562	–	(892)	2,670
Allowance for impairment losses	2,064	28	–	2,092	1,367	–	3,459
Recognition of interest income/ profit revenue	3,307	1,962	–	5,269	4,677	–	9,946
Provision for bonus and others	1,637	694	–	2,331	371	–	2,702
	4,128	(10)	939	5,057	6,875	(892)	11,040

6. RECEIVABLES AND DEPOSITS

	Note	2014 RM'000	2013 RM'000
Non-current			
Financing receivables		2,034,533	1,189,825
Current			
Financing receivables		4,771,561	3,054,663
Less: Unearned carrying charges		(1,109,190)	(648,190)
Allowance for impairment losses	6.1	(91,449)	(49,739)
	6.2	3,570,922	2,356,734
Less: Financing receivables (Non-current portion)		(2,034,533)	(1,189,825)
Financing receivables (Current portion)		1,536,389	1,166,909
Other receivables and deposits		57,078	12,695
Related companies	6.3	2,270	221
		1,595,737	1,179,825

6.1 During the year, financing receivables amounting to RM108,032,000 (2013: RM71,389,000) was written off against the allowance for impairment losses.

6.2 Included in financing receivables is an amount of RM2,566,324,000 (2013: RM1,519,117,000) relating to the Company's easy payment and personal financing schemes based on Islamic principles.

Included in financing receivables is an amount of RM1,511,495 (2013: NIL) due from a related company which is subject to normal trade terms.

Financing receivables amounting to RM115,597,000 (2013: RM214,000,000) have been sold under the asset backed medium term notes securitised funding programme (Note 10.3). Based on the terms of the transaction, the said receivables have not been derecognised from the statement of financial position of the Company.

6.3 The amount due from related companies are non-trade in nature, unsecured, interest free and repayable on demand.

Notes to the Financial Statements (continued)

7. CASH AND CASH EQUIVALENTS

	2014 RM'000	2013 RM'000
Cash and bank balances	11,972	6,290
Deposits placed with licensed banks	597	114
	12,569	6,404

8. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Nominal value RM'000	2014 Assets RM'000	Liabilities RM'000	Nominal value RM'000	2013 Assets RM'000	Liabilities RM'000
Derivative used for hedging						
- Forward exchange contracts	246,038	1,381	-	10,764	-	20
- Cross currency swaps	1,194,585	51,463	-	644,585	-	(18,150)
	1,440,623	52,844	-	655,349	-	(18,130)

Forward exchange contracts and cross currency swaps are used to manage the foreign currency and interest rate exposures arising from the borrowings denominated in foreign currency. Forward contracts have maturities of less than one year after the end of the reporting period and most of the cross currency swaps have maturities of more than one year after the end of the reporting period.

9. CAPITAL AND RESERVES

9.1 Share capital

	Amount 2014 RM'000	Number of shares 2014 '000	Amount 2013 RM'000	Number of shares 2013 '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				
At 21 February	72,000	144,000	60,000	120,000
Bonus issue	-	-	12,000	24,000
At 20 February	72,000	144,000	72,000	144,000

In the previous financial year, the Company issued 24,000,000 new ordinary shares of RM0.50 each at par on the basis of one bonus share for five existing ordinary shares to entitled shareholders.

9. CAPITAL AND RESERVES (CONTINUED)**9.2 Share premium**

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

	2014 RM'000	2013 RM'000
At 21 February	44,012	56,147
Bonus shares issued	-	(12,000)
Bonus share issue expenses	-	(135)
At 20 February	44,012	44,012

9.3 Perpetual notes

	2014 RM'000	2013 RM'000
At 21 February	-	-
Issued during the year	100,000	-
At 20 February	100,000	-

In November 2013, the Company made its first issuance of the unrated subordinated conventional perpetual private debt securities ("Perpetual Notes") at par amounting to RM14.75 million under a perpetual private debt securities programme of up to RM400.00 million in nominal value ("Perpetual Private Debt Securities Programme") approved by the Securities Commission Malaysia in October 2013. Subsequently, a second issuance was made at par amounting to RM85.25 million.

The salient features of the Perpetual Notes issued are as follows:

- (i) The distribution rate for the period of five (5) years from issuance date is 6.5% (2013: Nil) per annum, with the distribution to be made on semi-annual basis in arrears;
- (ii) If the Company does not exercise its option to redeem at the end of the 5th year, the periodic distribution rate increases by 1% per annum above the prevailing distribution rate subject to a maximum of 20% per annum;
- (iii) The Company may defer part or all distribution, which shall then become due and payable on the next distribution date unless it is further deferred by the Company;
- (iv) The Perpetual Notes are perpetual in nature with no contractual maturity date. The Company has the option to redeem the Perpetual Notes on the date of the fifth anniversary of the date of issue and thereafter on each subsequent semi-annual distribution payment date;
- (v) The Company has the option to redeem the Perpetual Notes earlier upon the occurrence of defined accounting event, tax event, privatisation event and shareholder event;
- (vi) The redemption of the Perpetual Notes by the Company is subject to the prior approval of Bank Negara Malaysia;
- (vii) The holders of the Perpetual Notes do not have any voting rights in the Company; and
- (viii) The Perpetual Notes rank ahead of the Company's ordinary share capital and rank junior to the claims of all other present and future creditors of the Company.

Notes to the Financial Statements (continued)

9. CAPITAL AND RESERVES (CONTINUED)

9.4 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.

9.5 Retained earnings

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. The Company had opted for a single tier company income tax system and under the Act this option is irrevocable.

As such, the Company may distribute single tier exempt dividends to its shareholders out of its entire retained earnings.

10. BORROWINGS

	Note	2014 RM'000	2013 RM'000
Non-current			
Term loans/financing (unsecured)	10.1	1,888,455	891,934
Medium term notes (unsecured)	10.2	200,000	200,000
Asset backed medium term notes (secured)	10.3	25,000	100,000
		2,113,455	1,191,934
Current			
Bank overdrafts (unsecured)	10.1	65,383	2,244
Revolving credits (unsecured)	10.1	572,562	140,836
Term loans/financing (unsecured)	10.1	127,963	77,729
Medium term notes (unsecured)	10.2	–	219,999
Commercial paper (unsecured)	10.2	–	179,691
Asset backed medium term notes (secured)	10.3	75,000	50,000
		840,908	670,499
		2,954,363	1,862,433

10.1 Bank overdraft, revolving credits and term loans/financing

The bank overdrafts, revolving credits and term loans/financing 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.

10. BORROWINGS (CONTINUED)**10.1 Bank overdraft, revolving credits and term loans/financing (continued)**

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

	2014 RM'000	2013 RM'000
Revolving credits		
Ringgit Malaysia	324,800	130,000
U.S. Dollar	247,762	10,836
	572,562	140,836
	2014 RM'000	2013 RM'000
Term loans/financing		
Ringgit Malaysia	760,000	329,000
U.S. Dollar	1,256,418	640,663
	2,016,418	969,663

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

10.2 Medium term notes and commercial paper

	2014 RM'000	2013 RM'000
Medium term notes - Single Investor MTN		
Nominal value	200,000	200,000
Medium term notes - Bank Guaranteed		
Nominal value	-	220,000
Deferred issuance cost	-	(1)
	-	219,999
Commercial paper		
Nominal value	-	180,000
Discount	-	(309)
	-	179,691

The above represents RM200 million (2013: RM200 million) Single Investor MTN, RM Nil (2013: RM220 million) of bank guaranteed Islamic Medium Term Notes ("Islamic MTN"), and RM Nil (2013: RM180 million) of bank guaranteed Islamic Commercial Papers ("Islamic CP"). The RM400 million Islamic MTN and Islamic CP under the Bank Guaranteed Sukuk/Conventional Programme have expired on 31 January 2014.

Notes to the Financial Statements (continued)

10. BORROWINGS (CONTINUED)**10.2 Medium term notes and commercial paper (continued)**

The redemption periods for Medium term notes and Commercial papers at their nominal values are as follows:

	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2014				
Single Investor MTN	200,000	-	-	200,000
2013				
Single Investor MTN	200,000	-	-	200,000
Islamic MTN	220,000	220,000	-	-
Islamic CP	180,000	180,000	-	-
	600,000	400,000	-	200,000

10.3 Asset backed medium term notes

	2014 RM'000	2013 RM'000
Nominal value	100,000	150,000

The above represents RM100 million (2013: 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 RM115,597,000 (2013: RM214,000,000) (Note 6.2).

11. PAYABLES AND ACCRUALS

	Note	2014 RM'000	2013 RM'000
Trade			
Trade payables		77,592	61,474
Related company	11.1	720	311
		78,312	61,785
Non-trade			
Other payables and accruals		59,892	44,586
Immediate holding company	11.1	5,072	492
Related companies	11.1	522	6
		65,486	45,084
		143,798	106,869

Notes to the Financial Statements (continued)

11. PAYABLES AND ACCRUALS (CONTINUED)

11.1 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 terms.

12. REVENUE

	2014 RM'000	2013 RM'000
Revenue from easy payment, personal financing based on Islamic principles and credit card business:		
Interest income, profit revenue and finance charges	572,561	380,627
Fee income	100,201	86,500
	672,762	467,127

13. OPERATING PROFIT

	2014 RM'000	2013 RM'000
Operating profit is arrived at after crediting:		
Bad debts recovered	26,694	22,269
Gain on disposal of plant and equipment	4	231
and after charging:		
Auditors' remuneration:		
- Audit fees		
KPMG Malaysia	155	145
- Non-audit fees		
KPMG Malaysia	67	127
Depreciation on plant and equipment	17,277	13,381
Impairment loss:		
- Financing receivables	149,742	87,131
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	10,482	7,749
- Wages, salaries and others	120,063	83,336
Rental expense in respect of:		
- Office premises	10,695	8,456
- Motor vehicles	32	6
- Office equipment	398	351

Notes to the Financial Statements (continued)

14. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2014 RM'000	2013 RM'000
Directors:		
- Fees	519	446
- Remuneration	2,366	2,263
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	453	388
	3,338	3,097

15. FINANCE COSTS

	2014 RM'000	2013 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Bank overdrafts	1,530	665
- Revolving credits	9,320	1,377
- Term loans/financing and medium term notes	81,038	53,403
- Asset backed medium term notes	5,300	6,227
	97,188	61,672

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

	2014 RM'000	2013 RM'000
Current tax expense		
- Current year	65,678	47,371
- Over provision in prior year	(280)	(400)
Total current tax recognised in profit or loss	65,398	46,971
Deferred tax expense		
- Origination and reversal of temporary differences	(6,180)	24
- Over provision in prior year	(695)	(14)
Total deferred tax recognised in profit or loss	(6,875)	10
Total income tax expense	58,523	46,981

Notes to the Financial Statements (continued)

16. INCOME TAX EXPENSE (CONTINUED)

	2014 RM'000	2013 RM'000
Reconciliation of effective tax expense		
Profit before tax	233,875	181,107
Income tax calculated using Malaysian tax rate of 25%	58,469	45,277
Tax effect of non-deductible expenses	1,029	2,118
Over provision in prior year	59,498 (975)	47,395 (414)
	58,523	46,981
Deferred tax recognised directly in other comprehensive income is as follows:		
Cash flow hedge reserves (Note 17)	892	(939)

17. OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
2014			
Cash flow hedge - Profit arising during the year	3,569	(892)	2,677
2013			
Cash flow hedge - Loss arising during the year	(3,757)	939	(2,818)

18. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2014			
Interim 2014 ordinary	22.30	32,112	30 December 2013
Final 2013 ordinary	19.50	28,080	16 July 2013
Total		60,192	
2013			
Interim 2013 ordinary	16.00	23,040	22 October 2012
Final 2012 ordinary	16.80	20,160	13 July 2012
Total		43,200	

Notes to the Financial Statements (continued)

18. DIVIDENDS (CONTINUED)

After the reporting period, the following dividend was proposed by the Directors.

	Sen per share (single tier)	Total amount RM'000
Final 2014 ordinary	24.00	34,560

This dividend will be recognised in the subsequent financial period upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

19. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	2014 RM'000	2013 RM'000
Profit attributable to ordinary shareholders	175,352	134,126
	2014 '000	2013 '000
Issued ordinary shares at 21 February	144,000	120,000
Effect of ordinary shares distributed during the period via a bonus issue	–	10,426
Weighted average number of ordinary shares at 20 February	144,000	130,426
	2014 Sen	2013 Sen
Basic earnings per ordinary share	121.77	102.84

There were no outstanding potential ordinary shares as at 20 February 2014 and 20 February 2013 respectively, accordingly, the diluted earnings per share is not presented.

20. OPERATING SEGMENTS

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

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

Accordingly, the segmental reporting used is equivalent to the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

21. 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.

Related parties also include key management personnel who 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 14.

Related party transactions have been entered into in the normal course of business under normal trade terms. Balances with immediate holding company and related companies are disclosed in Note 6 and Note 11. The significant related party transactions of the Company are shown below:

	2014 RM'000	2013 RM'000
Related companies		
AEON Co. (M) Bhd.		
Customers' transactions via related company*		
Sales through Easy Payment Schemes	7,077	6,469
Sales through AEON Credit Cards	101,607	104,440
Revenue		
Credit cards commission income	1,475	1,511
Expenses		
Convertible AEON-Card points charges	(2,120)	(1,827)
Office and promotion space rental	(3,001)	(2,198)
AEON Big (M) Sdn. Bhd.		
Customers' transactions via related company*		
Sales through Easy Payment Schemes	2,830	595
Revenue		
Loyalty programme processing fee	1,474	-
Expenses		
Office and promotion space rental	(668)	-
AEON Credit Service Systems (Philippines) Inc.		
(formerly known as AEON Credit Technology Systems (Philippines) Inc).		
IT systems development	(1,385)	(575)

Notes to the Financial Statements (continued)

21. RELATED PARTIES (CONTINUED)

	2014 RM'000	2013 RM'000
Related companies (continued)		
AEON Delight (Malaysia) Sdn. Bhd.		
Customers' transactions via related company*		
Sales through Easy Payment Schemes	1,534	-
Revenue		
Interest income from Easy Payment Schemes	8	-
Expenses		
Cleaning services	(331)	(14)
Immediate holding company		
AEON Financial Service Co., Ltd.		
Expenses		
Corporate support fees	(4,400)	(2,340)

* In the capacity as merchant of the Company.

22. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2014 RM'000	2013 RM'000
Less than one year	8,594	8,598
Between one and five years	2,810	6,846

The Company leases a number of service centres and office premises under operating leases.

23. CAPITAL COMMITMENT

	2014 RM'000	2013 RM'000
Capital expenditure commitments		
Plant and equipment		
Authorised but not contracted for	-	141
Contracted but not provided for	2,706	4,161

24. FINANCIAL INSTRUMENTS**24.1 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);
- (c) Financial liabilities measured at amortised cost (FL); and
- (d) Derivatives used for hedging.

	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000	Derivatives used for hedging RM'000
2014				
Financial assets				
Investments	5,542	-	5,542	-
Financing receivables and other receivables	3,630,270	3,630,270	-	-
Cash and cash equivalents	12,569	12,569	-	-
Derivative financial assets	52,844	-	-	52,844
	3,701,225	3,642,839	5,542	52,844
Financial liabilities				
Borrowings	(2,954,363)	(2,954,363)	-	-
Trade and other payables	(143,798)	(143,798)	-	-
	(3,098,161)	(3,098,161)	-	-
	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000	Derivatives used for hedging RM'000
2013				
Financial assets				
Investments	5,542	-	5,542	-
Financing receivables and other receivables	2,369,650	2,369,650	-	-
Cash and cash equivalents	6,404	6,404	-	-
	2,381,596	2,376,054	5,542	-
Financial liabilities				
Borrowings	(1,862,433)	(1,862,433)	-	-
Trade and other payables	(106,869)	(106,869)	-	-
Derivative financial liabilities	(18,130)	-	-	(18,130)
	(1,987,432)	(1,969,302)	-	(18,130)

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.2 Net gains and losses arising from financial instruments

	2014 RM'000	2013 RM'000
Net gains/(losses) on:		
Loans and receivables	549,714	402,265
Financial liabilities measured at amortised cost	(97,188)	(61,672)
	452,526	340,593

24.3 Financial risk management

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Company's activities and remains an important feature in all its business, operations, delivery channels and decision making processes. The extent to which the Company is able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Company's risk management function is independent of its operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to review by the Risk Management Committee ("RMC") prior to Management or Board approval.

The objectives of the Company's risk management activities are to:

- (i) Identify and monitor the various risk exposure and risk requirements;
- (ii) Ensure high risk activities are in accordance with the approved policies and the aggregate risk position is within the risk level approved by the Board of Directors; and
- (iii) Help to create shareholder value through proper allocation and management of risk, and facilitate the risk assessment of new business and products independently.

(b) Risk management framework

The Company employs an Enterprise-wide Risk Management Framework ("ERMF") to manage its risks effectively. The framework involves on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Company through the RMC. This framework provides the Board of Directors and management with a tool to anticipate and manage both existing and potential risks, taking into consideration the dynamic risk profiles, as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

(c) Risk organisation and reporting

The responsibility of risk management lies with the Board of Directors, which comprises executive and non-executive directors of the Company. In line with best practices, the Board of Directors determines the risk policy objectives for the Company, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the RMC which undertakes the oversight function for overall risk limit and ensures that the Company is within the risk appetite as established by the Board. The RMC also deliberates the implementation of the enterprise-wide risk management framework which addresses credit, market, operational and strategic risks within the policies established by the Board of Directors and recommending policy changes to the Board of Directors.

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.3 Financial risk management (continued)

(c) Risk organisation and reporting (continued)

Quarterly reporting is made to the Board by RMC on risk exposures, impact and mitigation measures, covering all areas of risk faced by the Company.

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

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Company due to the deterioration in credit worthiness of its borrowers and consequently their ability to discharge their contractual obligations to the Company. Credit risk remains the most significant risk to which the Company is exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The Company's exposure to credit risk arises principally from its financing receivables from customers and investment securities.

Receivables

(i) 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. Collateral is required for the business of financing vehicles. The Company does not require collateral in respect of the easy payment schemes, personal financing schemes and credit cards issuance business.

The Company has taken reasonable steps to ensure that receivables from customers that are neither past due nor impaired are stated at its realisable values.

The Company conducts periodical monitoring on credit exposure trend, asset quality by impaired loans, portfolio concentration analysis.

(ii) 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 RM1,760,266,000 (2013: RM960,397,000) are secured by vehicles of customers financed by the Company.

(iii) Credit risk reporting and monitoring

The Company's credit portfolios are monitored through monthly and/or adhoc reporting to ensure credit deterioration is promptly detected and mitigated through implementation of risk remediation strategies. Credit Policy and Method Group ("CPMG") undertakes regular and comprehensive analysis of credit portfolios and reports to the RMC on emerging credit issues.

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

(iv) Credit risk mitigation

All credit facilities are granted on the credit standing of the borrower, source of repayment, debt servicing ability and the collateral pledged. Personal guarantees are obtained when the borrower's credit worthiness is insufficient to justify granting facilities.

(v) Concentration risk

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company monitors various portfolios, to identify and assess risk concentrations. The credit portfolios are monitored and reviewed to identify, assess and guard against unacceptable risk concentrations.

Credit quality and allowance for impairment losses

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

	Gross RM'000	Collective impairment losses RM'000	Net RM'000
2014			
Not past due	3,324,448	(6,049)	3,318,399
Past due 18 - 47 days	194,401	(10,329)	184,072
Past due 48 - 77 days	65,905	(18,611)	47,294
Past due more than 78 days	77,617	(56,460)	21,157
	337,923	(85,400)	252,523
	3,662,371	(91,449)	3,570,922

Note 24.4(i)

2013			
Not past due	2,217,180	(4,566)	2,212,614
Past due 18 - 47 days	111,112	(5,743)	105,369
Past due 48 - 77 days	36,809	(9,938)	26,871
Past due more than 78 days	41,372	(29,492)	11,880
	189,293	(45,173)	144,120
	2,406,473	(49,739)	2,356,734

Note 24.4(i)

24. FINANCIAL INSTRUMENTS (CONTINUED)**24.4 Credit risk (continued)****Credit quality and allowance for impairment losses (continued)**

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

	2014 RM'000	2013 RM'000
At 21 February	49,739	33,997
Impairment loss recognised	186,727	114,169
Impairment loss reversed	(36,985)	(27,038)
Impairment loss written off	(108,032)	(71,389)
At 20 February	91,449	49,739

- (ii) Included in net financing receivables is an amount of RM59,878,000 (2013: RM38,032,000) 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:

	2014 RM'000	2013 RM'000
Not past due	46,824	31,908
Past due 18 - 47 days	8,235	4,048
Past due 48 - 77 days	4,372	1,914
Past due more than 78 days	447	162
	59,878	38,032

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.

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to a related company and it monitors the results of the related company regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the related company are not recoverable.

24.5 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's liquidity risk management practice is to maintain high quality and well diversified portfolios of liquid assets and source of funds under both normal business and stressed conditions. The Company maintains optimum ratio of long term funding, i.e. debts maturing after 12 months from the reporting date against total debts. This ratio significantly match the ratio of long term financing receivables determined based on customers' contracted terms of repayment and payment pattern for revolving credit limits granted.

The Treasury unit reviews the asset and liability maturity profile and identifies any maturity mismatch for escalation to the RMC which is responsible for the independent monitoring of the Company's liquidity risk profile. The RMC meets every month to discuss the liquidity risk and funding profile of the Company, and works closely with the Treasury unit on the surveillance of market conditions and stress testing analysis on liquidity positions.

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 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:

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2014							
Financial assets							
Cash and cash equivalents	12,569	-	12,569	12,569	-	-	-
Financing receivables	3,570,922	20.01%*	4,680,109	1,767,909	1,167,984	1,477,634	266,582
Other receivables	59,348	-	59,348	59,348	-	-	-
Investments	5,542	-	5,542	-	-	-	5,542
	3,648,381		4,757,568	1,839,826	1,167,984	1,477,634	272,124
Financial liabilities							
Bank overdraft	65,383	3.50%	65,383	65,383	-	-	-
Unsecured term loan/ financing	2,016,418	3.13% to 4.75%	2,299,392	131,488	371,583	1,672,264	124,057
Unsecured medium term notes	200,000	4.00%	226,024	-	-	226,024	-
Unsecured revolving credits	572,562	3.28% to 3.71%	573,688	573,688	-	-	-
Asset backed medium term notes	100,000	4.21%	103,292	78,077	25,215	-	-
Trade and other payables	143,798	-	143,798	143,798	-	-	-
	3,098,161		3,411,577	992,434	396,798	1,898,288	124,057

Maturity analysis of derivatives financial liabilities is disclosed in Note 24.7.

* 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 (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)**24.5 Liquidity risk (continued)***Maturity analysis (continued)*

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2013							
Financial assets							
Cash and cash equivalents	6,404	-	6,404	6,404	-	-	-
Financing receivables	2,356,734	20.15%*	3,004,924	1,247,803	794,485	875,251	87,385
Other receivables	12,916	-	12,916	12,916	-	-	-
Investments	5,542	-	5,542	-	-	-	5,542
	2,381,596		3,029,786	1,267,123	794,485	875,251	92,927
Financial liabilities							
Bank overdraft	2,244	3.50% to 7.20%	2,244	2,244	-	-	-
Unsecured term loan/ financing	969,663	3.13% to 4.75%	1,100,247	79,341	131,000	889,906	-
Unsecured medium term notes	419,999	4.05% to 4.30%	459,708	225,685	-	234,023	-
Unsecured commercial paper	179,691	3.67%	180,034	180,034	-	-	-
Unsecured revolving credits	140,836	3.51% to 3.78%	141,186	141,186	-	-	-
Asset backed medium term notes	150,000	4.21%	158,788	55,497	78,077	25,214	-
Trade and other payables	106,869	-	106,869	106,869	-	-	-
	1,969,302		2,149,076	790,856	209,077	1,149,143	-

Maturity analysis of derivatives financial liabilities is disclosed in Note 24.7.

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

24. FINANCIAL INSTRUMENTS (CONTINUED)**24.6 Market risk**

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movement in market variables such as interest rate, foreign exchange rates, equity pricing and other related macro economic factors that will eventually affect the Company's profitability, cash flows and capital preservation.

The Company's market risk management includes the monitoring of the fluctuations in net interest income or investment value due to changes in relevant risk factors. RMC monitors the exposure on monthly basis through reports and analysis with the support of the Treasury Unit.

In managing interest rate risk, the Company intends to maximise net interest income and net interest margin; and to minimise the significant volatility in relation to the Company's assets and liabilities.

24.6.1 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:

	Note	Denominated in USD RM'000	JPY RM'000
2014			
Inter-company balances		-	(5,520)
Borrowings	(i)	(1,504,180)	-
Net exposure		(1,504,180)	(5,520)
2013			
Inter-company balances		-	(492)
Borrowings	(i)	(651,499)	-
Net exposure		(651,499)	(492)

- (i) The Company's foreign currency risk exposure primarily relates to its USD bank borrowings and JPY denominated inter-company balances. The carrying amount of such bank borrowings as at 2014 was RM1,504,180,000 and RM5,520,000 (2013: RM651,499,000 and RM492,000) respectively. 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.

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis

No sensitivity analysis was presented for USD currency which is fully hedged.

A 10% strengthening or weakening of JPY at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rate, remained constant and ignores any impact of forecasted inter-company transactions.

Profit or loss

	10% increase RM'000	10% decrease RM'000
2014		
JPY	(414)	414

No sensitivity analysis was presented for year 2013 as the JPY currency risk exposure to the Company was not material.

24.6.2 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 24.6.1(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:

	2014 RM'000	2013 RM'000
Fixed rate instruments		
Financial liabilities	1,384,800	1,208,689
Floating rate instruments		
Financial liabilities	1,569,563	653,744

24. FINANCIAL INSTRUMENTS (CONTINUED)**24.6 Market risk (continued)****24.6.2 Interest rate risk (continued)***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
2014		
Floating rate instruments	(11,772)	11,772
2013		
Floating rate instruments	(4,903)	4,903

24.7 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 RM1,440,623,200 (2013: RM655,349,450). The forward exchange contracts and cross currency interest rate swaps have the same nominal value of RM1,440,623,200 (2013: RM655,349,450) and are to be settled in full upon maturity.

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 Hedging activities (continued)

Cash flow hedge (continued)

The following table indicates the periods in which the cash flows associated with the derivative financial assets with carrying amount of RM52,844,000 (2013: derivative financial liabilities with carrying amount of RM18,130,000) 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
2014				
Forward exchange contract and cross currency interest rate swaps (gross settled):				
Outflow	(1,607,508)	(370,158)	(227,496)	(1,009,854)
Inflow	1,547,243	340,226	211,665	995,352
	(60,265)	(29,932)	(15,831)	(14,502)
2013				
Forward exchange contract and cross currency interest rate swaps (gross settled):				
Outflow	(743,786)	(67,103)	(100,327)	(576,356)
Inflow	684,595	49,530	82,807	552,258
	(59,191)	(17,573)	(17,520)	(24,098)

During the year, a gain of RM2,677,000 (2013: loss of RM2,818,000) was recognised in other comprehensive income.

24.8 Fair value of financial instruments

Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the best estimates of fair values as at the end of the reporting period.

Quoted and observable market prices, where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on appropriate methodologies and assumptions on risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the corresponding fair value estimates.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132, *Financial Instruments: Presentation*, which requires the fair value information to be disclosed.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The different levels have been defined as follows:

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

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.8 Fair value of financial instruments (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2014										
Financial assets										
Receivables										
- current	-	-	-	-	-	-	1,595,737	1,595,737	1,595,737	1,595,737
- non-current	-	-	-	-	-	-	2,268,850	2,268,850	2,268,850	2,034,533
Derivatives designated as hedging instruments	-	52,844	-	52,844	-	-	-	-	52,844	52,844
	-	52,844	-	52,844	-	-	3,864,587	3,864,587	3,917,431	3,683,114
Financial liabilities										
Term loans/ financing (unsecured)	-	-	-	-	-	-	1,860,655	1,860,655	1,860,655	1,888,455
Medium term notes (unsecured)	-	-	-	-	-	-	199,939	199,939	199,939	200,000
Asset backed medium term notes (secured)	-	-	-	-	-	-	25,264	25,264	25,264	25,000
	-	-	-	-	-	-	2,085,858	2,085,858	2,085,858	2,113,455

Notes to the Financial Statements (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.8 Fair value of financial instruments (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total RM'000	RM'000	RM'000
2013							
Financial assets							
Receivables							
- current	-	-	-	-	1,179,825	-	1,179,825
- non-current	-	-	-	-	1,189,825	-	1,189,825
	-	-	-	-	2,369,650	-	2,369,650
Financial liabilities							
Derivatives designated as hedging instruments	-	18,130	-	18,130	-	18,130	18,130
Term loans/financing (unsecured)	-	-	-	-	883,646	883,646	891,934
Medium term notes (unsecured)	-	-	-	-	201,580	201,580	200,000
Asset backed medium term notes (secured)	-	-	-	-	99,022	99,022	100,000
	-	18,130	-	18,130	1,184,248	1,202,378	1,210,064

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.8 Fair value of financial instruments (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

Financial assets

The carrying amounts of cash and cash equivalents and short term receivables reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The fair value of derivatives designated as hedging instruments 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 value of financing receivables with remaining maturity of less than one year is estimated to approximate their carrying values. The fair value of financing receivables with maturities of more than one year have been determined by discounting the relevant cash flows using market rates at the end of reporting period.

For investments, it was not practicable to estimate the fair value due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

Financial liabilities

The carrying amounts of short term payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

Fair value for long term borrowings 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.

Notes to the Financial Statements (continued)

25. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a strong capital base 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 the financial year, the Company has complied with the obligatory debt to equity ratio of less than 5.25:1. The debt-to-equity ratios in year 2014 and 2013 were as follows:

	2014 RM'000	2013 RM'000
Total borrowings (Note 10)	2,954,363	1,862,433
Less: Cash and cash equivalents (Note 7)	(12,569)	(6,404)
Net debt	2,941,794	1,856,029
Total equity	645,564	429,207
Debt-to-equity ratios	4.557	4.324

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

26. SUBSEQUENT EVENT

Subsequent to the financial year end, the Company made its third and fourth issuance of Perpetual Notes at par amounting to RM30,000,000 and RM16,000,000 respectively under its RM400,000,000 Perpetual Private Debt Securities Programme in April 2014.

Notes to the Financial Statements (continued)

27. 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:

	2014 RM'000	2013 RM'000
Total retained earnings of the Company:		
- Realised	426,546	318,849
- Unrealised	11,040	5,057
Total retained earnings as per statement of changes in equity	437,586	323,906

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 53 to 98 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 20 February 2014 and of its financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 27 on page 99 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: 8 May 2014

Statutory Declaration

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

I, **Lee Kit Seong**, the Officer 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 53 to 99 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 8 May 2014.

Lee Kit Seong

Before me:

Lee Chin Hin
No. W493

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 2014, and the statements of profit or loss and other 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 53 to 98.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Company as of 20 February 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 27 on page 99 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 Malaysian Financial Reporting Standards or International 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 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.

Other Matters

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 8 May 2014

Ow Peng Li

Approval Number: 2666/09/15(J)
Chartered Accountant

Analysis of Shareholdings

as at 30 April 2014

Authorised Share Capital : RM100,000,000
Paid-up share capital : RM72,000,000
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	155	5.25	3,306	0.00
100 - 1,000	1,055	35.71	611,889	0.43
1,001 - 10,000	1,309	44.31	4,424,572	3.07
10,001 - 100,000	353	11.95	10,746,913	7.46
100,001 - 7,199,999 (*)	81	2.74	42,245,320	29.34
7,200,000 and Above (**)	1	0.03	85,968,000	59.70
TOTAL	2,954	100.00	144,000,000	100.00

* Less than 5 % of issued holdings.

** 5 % and above of issued holdings.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2014

No.	Name	Direct Interest	No of Shares Indirect Interest	%
1	AEON FINANCIAL SERVICE CO., LTD	85,968,000	59.70	-
2	AEON CO., LTD	-	-	89,064,000*
3	ABERDEEN ASSET MANAGEMENT PLC AND ITS SUBSIDIARIES	8,393,100	5.82	-
4	MITSUBISHI UFJ FINANCIAL GROUP INC.	-	-	8,393,100**

Notes:

* Indirect interest by virtue of its interest in AEON Financial Service Co., Ltd and AEON CO. (M) Bhd, pursuant to Section 6A of the Companies Act, 1965.

** Mitsubishi UFJ Financial Group, Inc is deemed interested in the shares by virtue of Mitsubishi UFJ Financial Group, Inc's wholly owned subsidiary, Mitsubishi UFJ Trust & Banking Corp, holding more than 15% in Aberdeen Asset Management PLC.

DIRECTORS' INTEREST AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2014

No.	Name	Direct Interest	No of Shares Indirect Interest	%
1	Dato' Abdullah bin Mohd Yusof	210,180	0.15	92,000*
2	Yasuhiro Kasai	108,000	0.08	-
3	Datuk Ramli bin Ibrahim	135,500	0.09	-
4	Dato' Md Kamal bin Ismaun	6,000	0.00	-
5	Ng Eng Kiat	12,000	0.01	-
6	Krishnappan a/I S.P.S Singaram	108,000	0.08	-
7	Masanori Kosaka	-	-	-
8	Kenji Fujita	-	-	-
9	Jun Suzuki	-	-	-
10	Lee Tyan Jen	23,774	0.02	-

Note:

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

Analysis of Shareholdings (continued)

as at 30 April 2014

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2014

No.	Name	No of shares	% of shares held
1	AEON FINANCIAL SERVICE CO., LTD.	85,968,000	59.70%
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)</i>	3,403,200	2.36%
3	AEON CO. (M) BHD	3,096,000	2.15%
4	HSBC NOMINEES (ASING) SDN BHD <i>BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC</i>	2,824,600	1.96%
5	SIA TONG HOCK	2,324,300	1.61%
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)</i>	2,271,100	1.58%
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)</i>	2,072,400	1.44%
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-BTR)</i>	2,000,000	1.39%
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)</i>	1,496,800	1.04%
10	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR HWANG SELECT OPPORTUNITY FUND (3969)</i>	1,461,920	1.02%
11	HSBC NOMINEES (ASING) SDN BHD <i>BBH AND CO BOSTON FOR GRANDEUR PEAK INTERNATIONAL OPPORTUNITIES FUND</i>	1,056,340	0.73%
12	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)</i>	821,900	0.57%
13	HSBC NOMINEES (ASING) SDN BHD <i>BBH AND CO BOSTON FOR GRANDEUR PEAK GLOBAL OPPORTUNITIES FUND</i>	777,280	0.54%
14	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG</i>	739,260	0.51%
15	HSBC NOMINEES (ASING) SDN BHD <i>BBH AND CO BOSTON FOR GRANDEUR PEAK EMERGING MARKETS OPPORTUNITIES FUND</i>	644,400	0.45%
16	NARUHITO KURODA	636,000	0.44%
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB-PRINCIPAL EQUITY FUND</i>	594,700	0.41%
18	MOTOYA OKADA	576,000	0.40%
19	YOSHIKI MORI	576,000	0.40%
20	WONG CHEE LING	537,100	0.37%
21	LEONG LI NAR	516,000	0.36%
22	CHONG WAH SIN	506,200	0.35%
23	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BANK J.SAFRA SARASIN LTD, SINGAPORE BRANCH (BSCSG) (AC CLIENT FRGN)</i>	500,000	0.35%
24	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)</i>	499,000	0.35%
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>MAYBANK TRUSTEES BERHAD FOR MAAKL-HW FLEXI FUND (270519)</i>	490,200	0.34%
26	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (CIMB-P 6939-404)</i>	452,000	0.31%
27	LEONG SOO KENG	440,400	0.31%
28	HSBC NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE - SGD)</i>	430,000	0.30%
29	HDM NOMINEES (ASING) SDN BHD <i>DBS VICKERS SECS (S) PTE LTD FOR SERENDIP INVESTMENTS LIMITED</i>	426,000	0.30%
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>BANK NEGARA MALAYSIA NATIONAL TRUST FUND (CIMB)</i>	397,900	0.28%
TOTAL		118,535,000	82.32%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of AEON Credit Service (M) Berhad will be held at Prince Hotel & Residence Kuala Lumpur, Level 3, Prince Grand Ballroom, Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Thursday, 19 June 2014 at 10.30 a.m.

AGENDA

As Ordinary Business

- | | | |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 20 February 2014 together with the Reports of the Directors and Auditors thereon. | (Please refer to Note (i) of the Explanatory Notes) |
| 2. | To declare a single tier final dividend of 24.00 sen per ordinary share of RM0.50 each for the financial year ended 20 February 2014. | Ordinary Resolution 1 |
| 3. | To approve the increase in Directors' Fees from RM446,000 to RM519,000 for the financial year ended 20 February 2014 and payment thereof. | Ordinary Resolution 2 |
| 4. | To re-elect the following Directors retiring pursuant to Article 129 of the Articles of Association of the Company: | |
| | (i) Dato' Md Kamal bin Ismaun | Ordinary Resolution 3 |
| | (ii) Mr. Ng Eng Kiat | Ordinary Resolution 4 |
| 5. | To re-elect the following Directors retiring pursuant to Article 134 of the Articles of Association of the Company: | |
| | (i) Mr. Masanori Kosaka | Ordinary Resolution 5 |
| | (ii) Mr. Kenji Fujita | Ordinary Resolution 6 |
| | (iii) Ms. Lee Tyan Jen | Ordinary Resolution 7 |
| 6. | To re-appoint Dato' Abdullah bin Mohd Yusof as Director pursuant to Section 129 (6) of the Companies Act, 1965. | Ordinary Resolution 8 |
| 7. | To re-appoint Datuk Ramli bin Ibrahim as Director pursuant to Section 129 (6) of the Companies Act, 1965. | Ordinary Resolution 9 |
| 8. | To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 10 |

As Special Business

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

9. 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 11

Notice of Annual General Meeting (continued)

10. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and New Mandate for Additional 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 Section 2.2 of the Circular to Shareholders dated 28 May 2014 ("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 12

Notice of Annual General Meeting (continued)

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Seventeenth Annual General Meeting, a single tier final dividend of 24.00 sen per ordinary share of RM0.50 each for the financial year ended 20 February 2014 will be paid to shareholders on 16 July 2014. The entitlement date for the said dividend shall be 2 July 2014.

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 2 July 2014 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 2014

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 Company's Share Registrar Office at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 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 10 June 2014 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Notice of Annual General Meeting (continued)

EXPLANATORY NOTES

(i) Item 1 of Agenda – To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

(ii) Ordinary Resolution 11 – Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

The Company had, during its Sixteenth Annual General Meeting ("AGM") held on 18 June 2013, 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 11 proposed under item 9 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.

(iii) Ordinary Resolution 12 – Proposed Shareholders' Mandate

Ordinary Resolution 12 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.

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 Seventeenth Annual General Meeting of the Company to be held at Prince Hotel & Residence Kuala Lumpur, Level 3, Prince Grand Ballroom, Jalan Conlay, 50450 Kuala Lumpur, Malaysia, on Thursday, 19 June 2014 at 10.30 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

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

No.	Resolution	For	Against
ORDINARY BUSINESS			
Ordinary Resolution 1	Declaration of a single tier final dividend of 24.00 sen per ordinary share of RM0.50 each for the financial year ended 20 February 2014.		
Ordinary Resolution 2	Approval of the increase in Directors' Fees from RM446,000 to RM519,000 for the financial year ended 20 February 2014 and payment thereof.		
Ordinary Resolution 3	Re-election of Dato' Md Kamal bin Ismaun.		
Ordinary Resolution 4	Re-election of Mr. Ng Eng Kiat.		
Ordinary Resolution 5	Re-election of Mr. Masanori Kosaka.		
Ordinary Resolution 6	Re-election of Mr. Kenji Fujita.		
Ordinary Resolution 7	Re-election of Ms. Lee Tyan Jen.		
Ordinary Resolution 8	Re-appointment of Dato' Abdullah bin Mohd Yusof as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
Ordinary Resolution 9	Re-appointment of Datuk Ramli bin Ibrahim as Director pursuant to Section 129 (6) of the Companies Act, 1965.		
Ordinary Resolution 10	Re-appointment of Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
Ordinary Resolution 11	Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares.		
Ordinary Resolution 12	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and New Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature		

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

Dated this day of 2014.

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

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 Company's Share Registrar Office at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 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 10 June 2014 (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 Share Registrar
AEON CREDIT SERVICE (M) BERHAD (Company No.412767-V)
C/O Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301, Petaling Jaya
Selangor Darul Ehsan

Please fold here

Branches And Service Centres

CENTRAL REGION

Menara Olympia

Kajang

Shah Alam

Bandar Baru Bangi

Banting

USJ Taipan

Sri Gombak

Setapak

Melaka

Seremban

Taman Connaught

IOI Mall

Mid Valley

Sunway Pyramid

AEON Bukit Tinggi Shopping Centre

AEON Rawang Anggun Shopping Centre

AEON AU2 Shopping Centre

AEON Taman Equine Shopping Centre

AEON One Utama Shopping Centre

AEON Seremban 2 Shopping Centre

AEON Bandaraya Melaka Shopping Centre

AEON Bukit Raja Shopping Centre

AEON Metro Prima Shopping Centre

AEON BIG Kota Damansara Shopping Centre

AEON BIG MidValley Megamall

AEON BIG Bukit Rimau Shopping Centre

AEON BIG Jalan Kapar Shopping Centre

AEON BIG Wangsa Maju Shopping Centre

AEON BIG Seksyen 23 Shopping Centre

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

No. 8-G, Jalan Metro Avenue 2, Metro Avenue 43000 Kajang, Selangor

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

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

No.354, Jalan Sultan Abdul Samad, 42700 Banting, Selangor

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

No 14, Ground Floor, Jalan SG 1/2, Sri Gombak, 68100 Selangor

A-01-03, Blk A, Starparc Point, Jln Genting Klang, 53300 KL

No. 1336A & 1336A-1, Plaza Merdeka, 75000 Melaka

No. 525, Ground, 1st, 2nd, Floor, Jalan Bandar Senawang 16, Pusat Bandar Senawang, 70450 Seremban

No 29, Jalan Menara Gading, Taman Connaught, 56100 KL

Lot G00A5, Ground Floor (within AEON area), Batu 9, Jalan Puchong, Bandar Puchong Jaya, 47100 Selangor

2nd Floor, Unit AT3 (within AEON area), Mid Valley Megamall, Mid Valley City, Lingkaran Syed Putra, 59200 KL

Lot LL203(J)(within AEON area), Lot LL1.111, Sunway Pyramid, No. 3, Jalan PJS 11/15, Bandar Sunway, 46150 Petaling Jaya, Selangor

Lot S09, No 1, Persiaran Batu Nilam 1-KS6, Bandar Bukit Tinggi 2, 41200 Klang, Selangor

LF-01, First Floor, No 1, Persiaran Anggun, Taman Anggun, 48000 Rawang, Selangor

Lot G19, Ground Floor, No. 6, Jalan Taman Setiawangsa (Jln 37/56), AU2, Bandar Baru Ampang, Mukim Ulu Kelang, 54200 KL

Lot G27, No.2 Jalan Equine, Taman Equine, Bandar Putra Permai, 43300 Seri Kembangan, Selangor

Lot S125, 2nd Floor, Lot 1, Lebuhr Bandar Utama, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor

Lot F41, First Floor, No.112, Persiaran S2 B1, 70300 Seremban 2, Negeri Sembilan

2nd Floor, No.2, Jalan Lagenda, 75400 Melaka

Lot G26A, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor

G49B, No. 1, Jalan Metro Prima Kepong, 52100 KL

Lot F35 & F36, Persiaran Mohagani, 47810 Kota Damansara, Selangor

Lot G43, AT1 Mid Valley Megamall, Mid Valley City, 58000 KL

Lot F27, 2, Jalan Sungai Burung 32/68, Seksyen 32, 40460 Shah Alam, Selangor

Lot F1.02, No.2, Jalan Harmoni 3/KU3, Sungai Pinang, 41000 Klang, Selangor

Lot F2.20 & 2.21, 6, Jalan 8/27A, Section 5, 53300 Wangsa Maju, KL

Lot G.10 & G.11, Lot No. 10, Jalan Dividen 23/6, Seksyen 23, 40460 Shah Alam, Selangor

NORTHERN REGION

Penang, Inderawasih

Ipoh

Alor Setar

AEON Queensbay Mall Shopping Centre

AEON Seri Manjung Shopping Centre

AEON Ipoh Station Shopping Centre

AEON BIG Penang Prai

No. 37, Tingkat Kikik 7, Taman Inderawasih, 13600 Prai, Penang

No 28, Persiaran Greentown 1, Greentown Business Centre, 30450 Ipoh Perak

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

2F-52 Persiaran Bayan Indah, Sungai Nibong, 11900 Bayan Lepas, Pulau Pinang

Lot G59, Pusat Perniagaan Manjung Point 3, 32040 Seri Manjung, Perak

Lot G01, Ground Floor, No.2, Susuran Stesen 18, 31650 Ipoh, Perak

Lot F2.14A, 2929 Jalan Kelisa Emas 1, Seberang Jaya, 13700 Perai, Penang

SOUTHERN REGION

Johor Bahru

Batu Pahat

AEON Tebrau City Shopping Centre

AEON Bukit Indah Shopping Centre

AEON Kulaijaya Shopping Centre

AEON BIG Kluang Shopping Centre

AEON BIG Johor Bahru Shopping Centre

AEON BIG Batu Pahat Shopping Centre

Level 20, Johor Bahru City Square Office Tower, 106-108, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor

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

Lot S39, 2nd Floor, No 1, Jalan Desa Tebrau, 81100 Johor Bahru, Johor

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

Lot G23, Persiaran Indahpura Utama, 81000 Kulaijaya, Johor

Lot G10 & G10A, Lot 1284 Jalan Mersing, 86000 Kluang, Johor

Lot F2.A, Lot 138 Batu 7.5, Jalan Kota Tinggi, 81100 Pandan, Johor Bahru, Johor

Lot F1.14, No 1B, Jalan Persiaran Flora Utama, Taman Flora Utama, 83000 Batu Pahat, Johor

EASTERN REGION

Kuantan

Temerloh

Kuala Terengganu

Kota Bharu

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

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

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

Lot 69 & 70, Bangunan Yamud, Jalan Kebun Sultan, 15350 Kota Bharu, Kelantan

EAST MALAYSIA

Kuching

Miri

Kota Kinabalu

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

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

Lot A-3-G, Block A, KKTimes Square Signature Office, Off Coastal Highway, 88100 Kota Kinabalu, Sabah



AEON CREDIT SERVICE (M) BERHAD
(412767-V)

Level 29, Menara Olympia,
No 8, Jalan Raja Chulan,
50200 Kuala Lumpur, Malaysia
Tel : 603-2772 9000
Fax : 603-2711 4110

www.aeonmalaysia.com.my



Planting Seeds of Growth

We are AEON