



ANNUAL REPORT 2016



AEON CREDIT SERVICE

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CORPORATE PHILOSOPHY AND MISSION

OUR CORPORATE PHILOSOPHY is to support customers lifestyle and enable each individual to maximize future opportunities through effective use of credit.

As a reflection of this philosophy, **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 at 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.

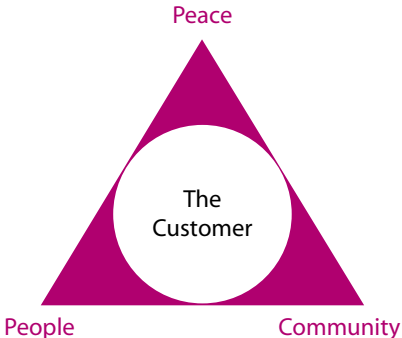
Today the business of the Company has expanded to include issuance of Credit Cards, Easy Payment schemes, Personal Finance schemes, Insurance business and other services. The Company currently has 5 Regional Offices, 60 branches and Service Centres located in major shopping centres and towns and a network of more than 11,000 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 4.0 million card members for the various products and more than 3,300 staff in service with the Company.

AEON Credit is a subsidiary of AEON Financial Service Co., Ltd. Japan ("AFSJ"), 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 25.25 million card members in Japan. It is one of the biggest credit card issuers and 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 300 subsidiaries and affiliated companies. AEON Group operates not only in Japan but also in Southeast Asia, China and India. At AEON, our eternal mission as a corporate group is to benefit our customers and our operations are thus customer-focused to the highest degree.

AEON's most basic and abiding principles are the pursuit of peace, respect for humanity and contribution to local communities through customer-centred 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 services and ever-lasting innovative spirit.



AEON Basic Principles

Peace : AEON is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.

People : AEON is a corporate group that respects human dignity and values personal relationships.

Community : AEON is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

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.



2015 EVENTS

PROMOTIONAL CAMPAIGNS & CONTESTS

CHINESE NEW YEAR "RM88,888 CASH REBATE CONTEST" PRIZE GIVING CEREMONY

During the financial year, the Company carried out the Chinese New Year "RM88,888 Cash Rebate Contest" sales campaign from 26 January 2015 to 1 March 2015. The contest, which was open to all credit card customers of the Company to promote retail spending, attracted more than 30,000 contest entries. Fifty three winners took home prizes in the form of cash rebates, worth from RM888 to the grand prize of RM8,888.



"OH-SEM PERAYAAN 2015 CAMPAIGN"

In line with the Company's festival celebration themed promotions, AEON Credit carried out the "Oh-Sem Perayaan 2015 Campaign" from June to August 2015. The Campaign was open to all AEON Credit product customers. One hundred winners took home shopping vouchers, electrical appliances and digital products worth RM440,000/- in total. The top forty grand prize and special prize winners won one year worth of grocery shopping vouchers worth RM6,000/- each and electrical appliances and digital products sponsored by Toshiba Malaysia and Senheng Electric (KL) Sdn Bhd respectively.

SPONSORSHIP

PURPLE LEAGUE BADMINTON LEAGUE 2015 SPONSORSHIP

In line with the Company's commitment to support local community, the Company sponsored RM300,000 to Ampang Jaya Badminton Club ("AJBC") for the AJBC Malaysia Junior Development Programme. AJBC was one of 12 premier clubs that participated in the Malaysia Purple League, a platform for Malaysians interested in pursuing badminton professionally to hone their skills and to increase the local players' talent pool. During the season, badminton legends Zhao Jian Hua and He Guo Quan participated as coaches to the Club. Games were broadcasted on Astro Live TV sports channel to several Asian and European countries between November 2015 and January 2016.



2015 EVENTS (continued)

AWARDS

AEON CREDIT TAKES HOME TWO AWARDS IN THE EDGE BILLION RINGGIT CLUB 2015 CORPORATE AWARDS

The Company received two awards at The Edge Billion Ringgit Club 2015 Corporate Awards event, taking home the “Most Profitable Company” and “Highest Profit Growth Company” awards under Finance Sector awards category. The annual event is organised by The Edge Media Group to bestow recognition to Malaysia’s biggest and best listed companies in terms of highest profit growth, return on equity and stock price performance over three years. The shortlisted companies are further evaluated on Corporate Responsibility efforts.



PRODUCT LAUNCH



LAUNCH OF AEON BIG VISA PAYWAVE CREDIT CARD

AEON Credit launched the AEON BiG Visa payWave Credit Card on 19 November 2015 nationwide. Featuring one of the highest rebate value in the market, the card is also integrated with the AEON BiG Member Card Programme that allows customers to accumulate reward points when shopping at all AEON BiG retail stores. The Visa payWave function enhances retail experience by reducing waiting time at the checkout counters for customers purchasing items for all AEON retail outlets and certain other merchants for amounts below specified threshold.

EXPANSION OF AEON CREDIT BRANCH NETWORK

FIVE NEW BRANCHES OPENED

During the financial year, the Company expanded its branch network in Peninsular and East Malaysia with the opening five branches in Penang, Perak, Sabah and Sarawak. The new branches will enable the Company to service the increasing customer demand nationwide for personal finance schemes and credit card products, provide ATM services and strengthen local support for retail merchants offering AEON Credit’s easy payment schemes for vehicle financing and purchase of consumer goods. An official opening ceremony was also held for the Sibu branch in Sarawak on 9 January 2016, marking the opening of the Company’s 60th branch.



CORPORATE RESPONSIBILITY

AEON Credit is committed to supporting and enhancing the wellbeing of the community it serves. The Company and its employees participate in Corporate Responsibility Activities ("CR") 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 contribute both directly and indirectly to a positive business environment.

CARING FOR THE ENVIRONMENT

TREE PLANTING ACTIVITIES AT AEON MALL SHAH ALAM

Continuing the tradition of caring for the environment and recognising the tremendous impact of trees towards improving air and water quality, the Company once again participated in a tree planting activity at the AEON Mall Shah Alam pre-opening ceremony in January 2016. With participation from over 850 staff from AEON Group, more than 13,000 plants comprising of fruit trees, palm trees herbs and flowers were planted around the vicinity of the mall.





Blood Donation Campaign

Give the gift that keeps on living
Donate Blood.

Date: 21st October 2015 (Wednesday)
Time: 10am to 4pm
Venue: Level 20, Big Training room

 AEON CREDIT SERVICE

COMMUNITY CONTRIBUTION

AEON CREDIT BLOOD DONATION DRIVE

Blood donation is a gift that saves lives, helping patients with life threatening conditions and those undergoing medical procedures. The Company organised a blood donation drive in support of the National Blood Bank (Pusat Darah Negara) in October 2015 with participation of more than 200 staff.



CORPORATE RESPONSIBILITY (continued)

MALAYSIAN AEON FOUNDATION

Established in June 2004, "With All Our Hearts" Malaysian AEON Foundation ("MAF") is the charity arm of the AEON Group in Malaysia.

The mission of MAF is:-

1. To be continuously involved in fund-raising activities and events for the benefit of Malaysians, irrespective of race, religion and creed, with focus on the needs of children.
2. To provide financial aid to those with the greatest needs, especially in the areas of education, living environment and medical assistance and to provide activity-based resources to help guide people away from today's social ills.
3. To give children the opportunity to discover their self-worth and develop their full potential so that they may live a more meaningful life in the future.



SABAH EARTHQUAKE RELIEF

On 5 June 2015, Ranau district in Sabah was struck by an earthquake measuring 6.0 on the Richter scale which killed 18 people and injured numerous others on Mount Kinabalu. Until September 2015, tremors were also felt in Labuan, Lawas, Limbang, and in Miri, Sarawak as well as Bandar Seri Begawan in Brunei. In collaboration with the MAF, AEON Credit initiated a donation drive between 19 June and 15 July 2015 to support the relief efforts in Ranau. Further, volunteers from the Company's Kota Kinabalu office personally delivered aid to the mountain guides at the Ranau relief centre.

NEPAL EARTHQUAKE DONATION DRIVE

An earthquake struck Nepal on 25 April 2015, killing over 9,000 people and injuring more than 23,000 people. The earthquake measuring 7.8 on the Richter scale left hundreds of thousands of people homeless, decimating entire villages and wiping out several UNESCO World Heritage sites in the Kathmandu Valley. A donation drive involving customers and employees was initiated by companies under AEON Group in Malaysia in collaboration with MAF. A total sum of RM100,000/- was contributed to Nepal's Prime Minister Disaster Relief Fund through Embassy of Nepal in Kuala Lumpur.



CORPORATE RESPONSIBILITY (continued)



"BUKA PUASA SINAR KASIH RAMADHAN 2015" FAST BREAKING

On 4 July 2015, MAF organised a "Buka Puasa Sinar Kasih Ramadan 2015" fast breaking charity event for 100 orphans and 20 single mothers at AEON Mall Bukit Tinggi, Klang. Each child received clothes, shoes, towels and stationeries and spending money of RM200/-. The event also included recreational activities and a fast breaking dinner with participation from local celebrities and artistes from Media Prima.

MALAYSIAN AEON FOUNDATION 11TH CHARITY GALA DINNER 2015

The Company participated in MAF 11th Charity Gala Dinner on 9 October 2015, themed "Bringing Colours to your Heart" as a symbolic metaphor to providing a better future to the less fortunate. The event generated gross proceeds of RM1.6 million with AEON Credit and its business partners contributing RM250,000 to MAF in cash, sponsorship of dinner tables and lucky draw prizes. Numerous business partners and vendors of companies under AEON Group in Malaysia also sponsored the event and contributed generously to MAF. Donations were then channelled to various deserving individuals, organisations and schools for education support, medical expenses and disaster relief efforts.



"LIGHTS OF LOVE" DEEPAVALI CHARITY EVENT

In November 2015, MAF collaborated with the Kassim Chin Humanity Foundation ("KCHF") to organise the "Lights of Love" Deepavali celebration at AEON Mall Taman Equine in Selangor. KCHF was founded to improve the lives of poor children from the ages of 15 years and above around Malaysia and ASEAN region by providing educational opportunity through vocational training. More than 100 KCHF children spent the day with AEON Credit volunteer members and received RM200/- spending money each. Recreational activities which included 'kolam' making competition were also held with winning groups receiving gift hampers.

CORPORATE RESPONSIBILITY (continued)

"SPREAD YOUR LOVE" CHINESE NEW YEAR CELEBRATION 2016

In January 2016, MAF organised the "Spread Your Love" Chinese New Year celebration. Continuing MAF's mission to touch the hearts of underprivileged children during major festive seasons, 160 children from six children homes from Perak were invited to join in the charity event held at AEON Mall Klebang, which included shopping spree for necessities, lion dance performance and other activities. Each child received a RM200/- "angpow" from MAF.



HUMAN RESOURCE DEVELOPMENT & WORKPLACE DIVERSITY

AEON Credit recognizes workforce diversity as an important asset contributing to the Company's business success. The Company taps into the diverse backgrounds, experiences and perspectives of its human resources in providing excellent customer service to an equally diverse market through its products and services. During the financial year, the Company carried out training and development programmes for all levels of staff in various areas to enhance level of skills and leadership quality for career development. These efforts also complement management's succession planning in the Company to identify and develop internal talent with potential to fill key business leadership positions.



5 YEAR FINANCIAL HIGHLIGHTS

	FYE2016 RM'000	FPE2015 RM'000	FYE2014 RM'000	FYE2013 RM'000	FYE2012 RM'000
STATEMENT OF PROFIT OR LOSS					
Revenue	965,234	871,600	672,762	467,127	344,269
Profit before tax	301,591	289,269	233,875	181,107	128,061
Profit after tax	228,222	215,726	175,352	134,126	95,607
STATEMENT OF FINANCIAL POSITION					
Assets					
Plant and equipment	52,076	45,234	46,599	41,036	27,452
Investments	24,239	18,555	5,542	5,542	1,283
Deferred tax assets	39,043	24,693	11,040	5,057	4,128
Receivables	3,630,038	2,811,030	2,034,533	1,189,825	568,276
Total non-current assets	3,745,396	2,899,512	2,097,714	1,241,460	601,139
Receivables, deposits, prepayments and derivative financial assets	2,284,861	1,975,119	1,657,003	1,187,561	959,435
Cash and bank balances	67,250	48,668	12,569	6,404	4,416
Total current assets	2,352,111	2,023,787	1,669,572	1,193,965	963,851
Total assets	6,097,507	4,923,299	3,767,286	2,435,425	1,564,990
Equity					
Share capital	72,000	72,000	72,000	72,000	60,000
Share premium	44,012	44,012	44,012	44,012	56,147
Reserves	668,806	563,700	429,552	313,195	225,087
Equity attributable to shareholders of the Company	784,818	679,712	545,564	429,207	341,234
Perpetual notes and sukuk	276,000	276,000	100,000	-	-
Total equity	1,060,818	955,712	645,564	429,207	341,234
Liabilities					
Borrowings	4,214,649	2,965,526	2,113,455	1,191,934	877,603
Total non-current liabilities	4,214,649	2,965,526	2,113,455	1,191,934	877,603
Payables, accruals and derivative financial liabilities	113,584	118,709	143,798	124,999	105,763
Borrowings	693,528	856,141	840,908	670,499	228,591
Taxation	14,928	27,211	23,561	18,786	11,799
Total current liabilities	822,040	1,002,061	1,008,267	814,284	346,153
Total liabilities	5,036,689	3,967,587	3,121,722	2,006,218	1,223,756
Total equity and liabilities	6,097,507	4,923,299	3,767,286	2,435,425	1,564,990
STATISTICS					
Net earnings per share (sen) *	149.02	145.64	121.77	102.84	73.30**
Net dividends per ordinary share (sen)	59.45	57.00	46.30	35.50	30.00
Net assets per share (RM) ***	5.45	4.72	3.79	2.98	2.84

Note:-

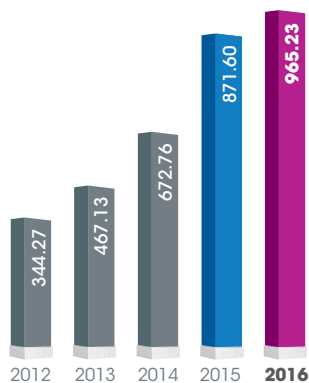
* Earnings per share has been calculated based on weighted average number of ordinary shares outstanding in the respective year.

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

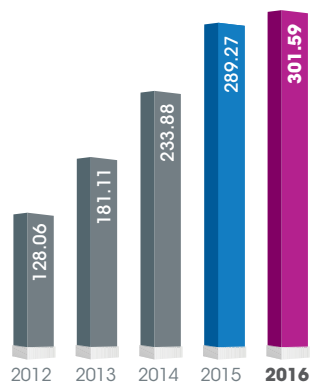
*** Net assets per share has been calculated with exclusion of perpetual notes.

5 YEAR FINANCIAL HIGHLIGHTS (continued)

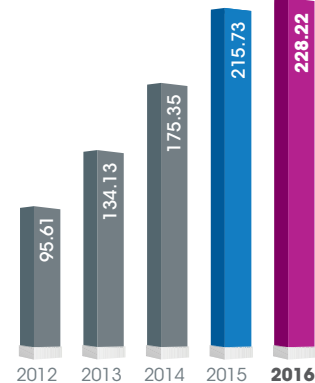
REVENUE
(RM Million)



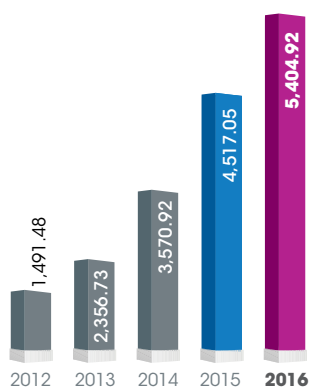
PROFIT BEFORE TAX
(RM Million)



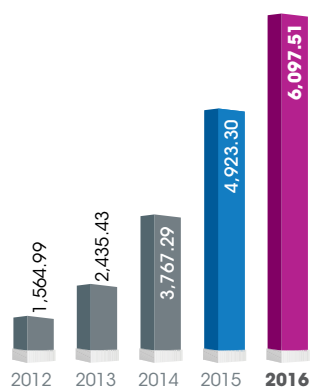
PROFIT AFTER TAX
(RM Million)



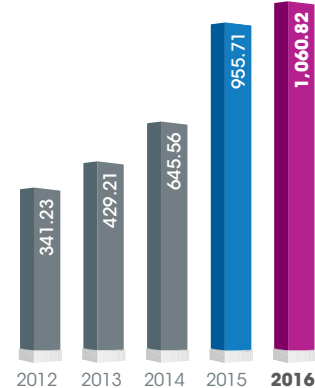
FINANCING RECEIVABLES
(RM Million)



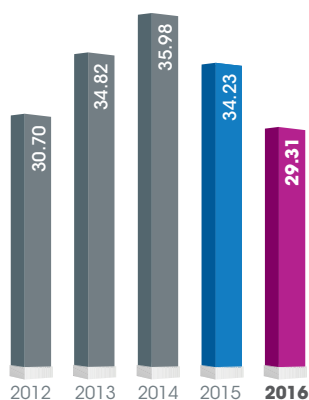
TOTAL ASSETS
(RM Million)



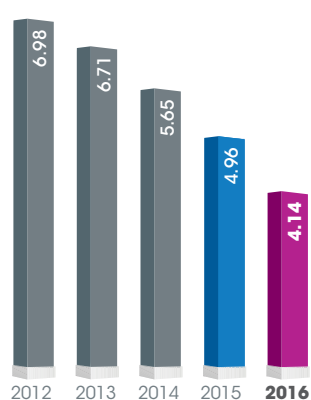
TOTAL EQUITY
(RM Million)



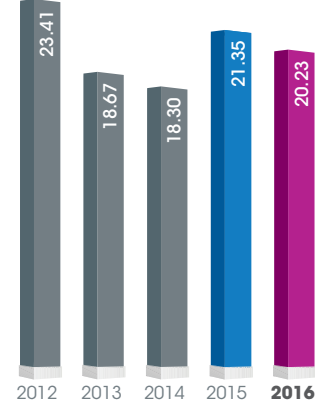
RETURN ON EQUITY
(%)



RETURN ON ASSETS
(%)

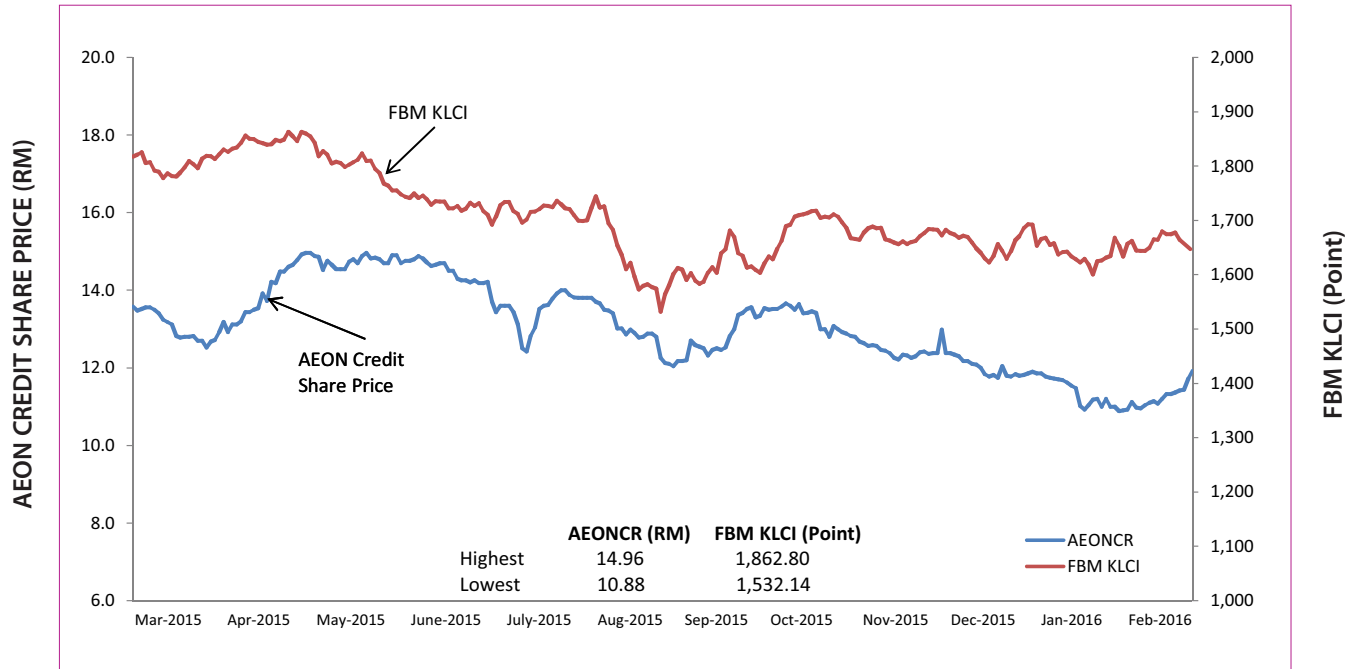


CAPITAL ADEQUACY RATIO
(%)

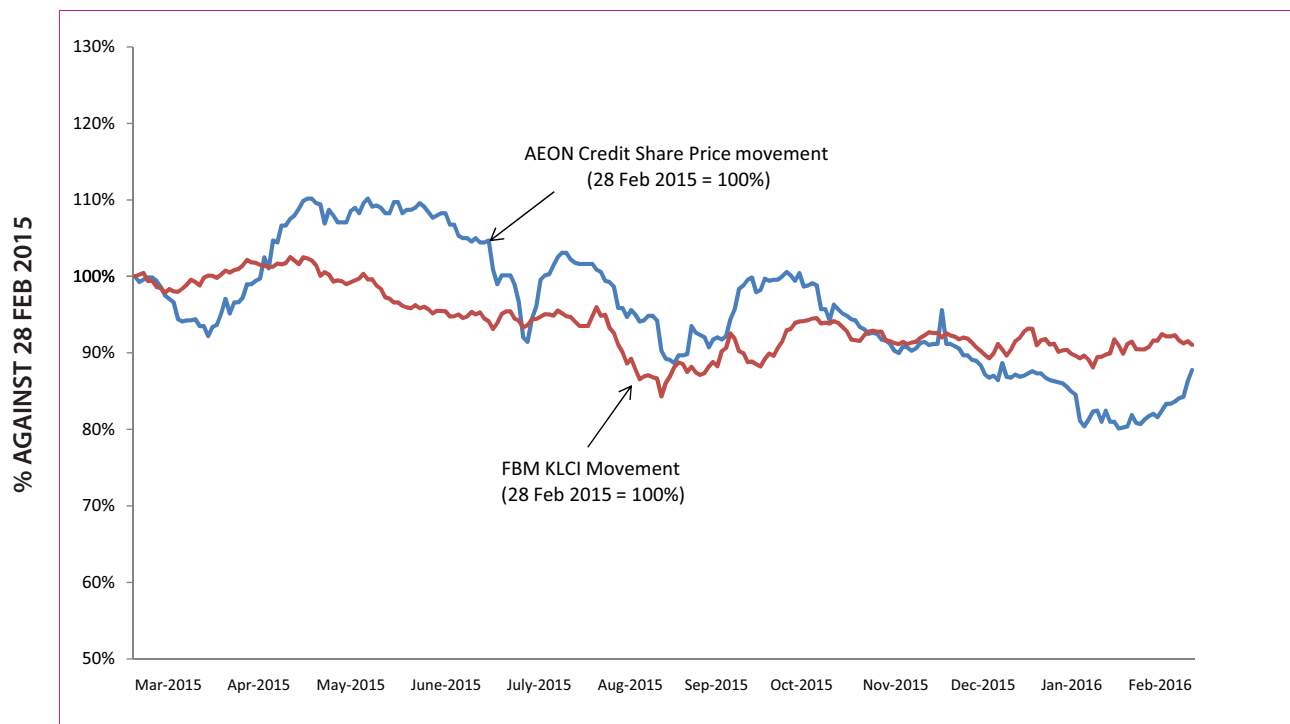


SHARE PRICE

AEON CREDIT SHARE PRICE VS. FBM KLCI (01-03-15 TO 29-02-16)



AEON CREDIT SHARE PRICE MOVEMENT VS. FBM KLCI MOVEMENT (01-03-15 TO 29-02-16)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Abdullah bin Mohd Yusof
(Chairman)

Mr. Kenji Fujita
(Managing Director)

Datuk Ramli bin Ibrahim

Dato' Md Kamal bin Ismaun

Mr. Ng Eng Kiat

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

Mr. Lee Kit Seong

Ms. Lee Tyan Jen

Mr. Kiyoaki Takano
(appointed on 25 June 2015)

Mr. Nuntawat Chotvijit
(appointed on 25 June 2015)

Mr. Yasuhiro Kasai
(retired on 16 June 2015)

Mr. Takayuki Araki
(retired on 16 June 2015)

Mr. Hiroaki Kobayashi
(retired on 16 June 2015)

SECRETARIES

Ms. Tai Yit Chan
(MAICSA 7009143)

Ms. Choong Lee Wah
(MAICSA 7019418)

REGISTERED OFFICE

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8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
T: +603-7720 1188
F: +603-7720 1111

HEAD OFFICE

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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: +603-7849 0777
F: +603-7841 8151 / 8152

WEBSITE

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
CIMB Bank Berhad
CIMB Islamic Bank Berhad
Citibank Berhad
Deutsche Bank (Malaysia) Berhad
Malayan Banking Berhad
Maybank Islamic Berhad
Mizuho Bank, Ltd.
Mizuho Bank (M) Berhad
RHB Bank Berhad
RHB Islamic Bank Berhad
Sumitomo Mitsui Banking Corporation
Standard Chartered Saadiq Berhad

CORPORATE CALENDAR

Notice of Annual General Meeting	25 May 2015
Annual General Meeting	16 June 2015
Payment of Dividend (Interim)	Book Closure – 22 Oct 2015 Payment – 4 Nov 2015
Payment of Dividend (Final)	Book Closure – 28 June 2016 Payment – 15 July 2016
First Quarter Results Announcement	25 June 2015
Second Quarter Results Announcement	6 October 2015
Third Quarter Results Announcement	22 December 2015
Fourth Quarter Results Announcement	21 April 2016

CHAIRMAN'S STATEMENT



AEON Credit continued to record asset growth during the year under review for its consumer financing operations under a stable economic environment, despite weaker consumer sentiment in 2015 which contributed to lower rate of growth compared to the preceding year. The Company registered a net profit of RM228.22 million, an increase of 5.8% from the previous period, with growth in vehicle financing and personal financing operations which mitigated decrease in new financing for consumer durables. Correspondingly, earnings per share has increased from 145.64 sen in the previous financial period to 149.02 sen in the year ended 29 February 2016.

Introduction

On behalf of the Board of Directors, I am pleased to present AEON Credit Service (M) Berhad ("AEON Credit" or "the Company") Annual Report and Audited Financial Statements for the financial year ended 29 February 2016.

While global growth moderated in 2015 amid heightened international financial market volatility and decline in global commodity prices, the Malaysian economy grew by 5.0% (2014: 6.0%), supported by continued expansion of domestic demand, primarily driven by the private sector. Private consumption continued to expand, albeit at a more moderate pace as households adjusted their spending to the higher cost of living arising from the implementation of Goods and Services Tax (GST) and the depreciation in the ringgit. Nevertheless, household spending was supported by continued income growth and stable labour market conditions as well as other factors such as support from the Bantuan Rakyat 1Malaysia (BR1M) scheme and savings derived from lower domestic fuel prices during the year.

Review of Performance

AEON Credit continued to record asset growth during the year under review for its consumer financing operations under a stable economic environment, despite weaker consumer sentiment in 2015 which contributed to lower rate of growth compared to the preceding year. The Company registered a net profit of RM228.22 million, an increase of 5.8% from the previous period, with growth in vehicle financing and personal financing operations which mitigated decrease in new financing for consumer durables. Correspondingly, earnings per share has increased from 145.64 sen in the previous financial period to 149.02 sen in the year ended 29 February 2016.

The Company established a 7-year Islamic Commercial Papers Programme of RM1 billion in nominal value in the financial year, for issuance of Islamic Commercial Papers (Sukuk Murabahah) based on the Shariah principle of Murabahah (via a Tawarruq arrangement), to diversify funding options for further asset growth of the Company. Total borrowings of AEON Credit as at February 2016 was RM4.91 billion compared to RM3.82 billion in the preceding year, primarily in the form of term loans/financing and revolving credits from local banks and offshore banks in Labuan.

CHAIRMAN'S STATEMENT (continued)

Further details on the performance of the Company are set out in the Review of Operations section in this Annual Report.

Dividend

The Board of Directors has recommended a final single-tier dividend payment of 29.60 sen per share, totaling RM42.62 million. This would result in total dividend payout ratio of 37.5% of the net profit for FYE 2016, including the interim dividend paid during the financial year. The total dividends for the year of 59.45 sen per share represents an increase of 4.3% from total net dividends of 57.00 sen paid out for the last financial period ended 28 February 2015.

Sustainability and Environmental, Social and Governance ("ESG") Practices

In December 2015, Bursa Malaysia informed the Company that AEON Credit has met the globally recognised standards for inclusion in the FTSE4Good Bursa Malaysia Index, which is designed to measure the performance of companies demonstrating good Environmental, Social and Governance ("ESG") practices. The areas for evaluation include risk management, corporate governance, customer responsibility, health and safety, business practices related to environmental impact etc.

Appropriate ESG practices are core components of long term sustainability framework and culture of the Company, and also serve to enhance brand image of AEON Credit in the market. Investors are increasingly concerned with the management of ESG risks in their portfolios, and the Company's membership in the FTSE4Good Bursa Malaysia Index is deemed to send an effective message about the Company's commitment to responsible business practices.

Looking forward

The international economic and financial landscape is likely to remain challenging in 2016 and will be a key factor that will influence the prospects of the Malaysian economy, with the GDP growth forecast at 4.0% - 4.5% in 2016. Domestic demand will remain as the key driver of growth, and while private consumption growth is expected to moderate, household spending will continue to be supported by the growth in income and employment, and the additional households' disposable income from Government measures announced during the 2016 Budget Recalibration. The external sector is expected to remain resilient in 2016 and Malaysia's export performance is projected to remain positive despite subdued commodity prices, in line with modest improvement in external demand.

In line with the Company's philosophy to support customers lifestyle and enable each individual to maximize future opportunities through effective use of credit, AEON Credit shall continue to maintain responsible lending practices and robust affordability assessment. The Company shall focus on improving product and customer segment portfolio mix in seeking asset growth and higher returns on financing receivables. The Board expects AEON Credit to be able to maintain its financial performance in the year ending 28 February 2017 based on stable business environment projected.

Acknowledgement

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

I would like to extend my gratitude to Mr. Yasuhiro Kasai, Mr. Hiroaki Kobayashi and Mr. Takayuki Araki, who retired from the Board at the Company's last Annual General Meeting, for their services and valuable contributions.

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

REVIEW OF OPERATIONS

Total revenue for the financial year of RM965.23 million represented growth of 10.7% from total revenue of RM871.60 million in previous financial period ended 28 February 2015. Total transaction and financing volume of RM3.62 billion for the year represented growth of 6.2% from the previous period. Profit before tax ("PBT") recorded for the year of RM301.59 million was 4.3% higher than RM289.27 million PBT in the previous period. There was an improvement in overall asset quality with lower non-performing loans ("NPL") ratio of 2.47% as at February 2016 compared to 2.76% in February 2015.



Financial Review

AEON Credit continued to register growth in consumer financing business operations and net profit in the financial year ended 29 February 2016 despite weaker consumer sentiment post GST implementation in April 2015.

Total revenue for the financial year of RM965.23 million represented growth of 10.7% from total revenue of RM871.60 million in previous financial period ended 28 February 2015. Stronger growth was realised in vehicle financing and personal financing portfolios compared to other products. Total transaction and financing volume of RM3.62 billion for the year represented growth of 6.2% from the previous period. Profit before tax ("PBT") recorded for the year of RM301.59 million was 4.7% higher than RM289.27 million PBT in the previous period.

Total financing receivables as at end of February 2016 was RM5.40 billion, representing growth of 19.7% from RM4.52 billion at end of February 2015. The portfolio mix for receivables as at end of the financial year recorded increased share for vehicle financing at 59.0% (2015: 55.9%) of total financing receivables, comprising car financing' receivables which had increased to 28.7% (2015: 23.5%) share of total portfolio and motorcycle financing' receivables at 30.3% (2015: 32.4%) share. Meanwhile, share of financing receivables for consumer durables, personal financing and credit card portfolios were 8.5% (2015: 12.3%), 21.7% (2015: 18.8%) and 9.8% (2015: 11.7%) respectively.

There was an improvement in overall asset quality with lower non-performing loans ("NPL") ratio of 2.47% as at February 2016 compared to 2.76% in February 2015. Correspondingly, net credit cost ratio of 4.28% per annum was slightly lower compared with 4.43% per annum in the preceding period. The lower credit cost ratio reflects slight improvement in collection ratios from credit recovery in various ageing bands for most products compared to the preceding financial period. The Company continued to place strong focus on monitoring of asset quality and review of credit policies while seeking asset growth in the year.

Increase in annual operating expenses (excluding impairment loss on financing receivables) in the financial year by 9.1% is generally in tandem with growth in business, and at lower rate than growth of financing receivables and revenue for the year by 19.7% and 10.7% respectively. Margin of PBT against revenue for the year was lower at 31.2% compared to 33.2% in the previous period, mainly due to the higher ratio of impairment loss provision against revenue for the year, arising from lower gross average yield on total portfolio. Average funding cost for the year was higher marginally by 0.04% per annum compared to the preceding period ended February 2015 due mainly to increase in market interest rate in 2015.

REVIEW OF OPERATIONS (continued)

Increase in other operating income by 58.5% to RM89.97 million compared with previous period is arising mainly from increase in bad debts recovered by 73.1%, with strong emphasis by management on efforts towards minimising net credit cost.

The Return on Assets ("ROA") on average total assets at 4.1% for the year under review has decreased compared with ROA of 5.0% in the previous period mainly due to lower average gross yield of 18.9% (2015: 21.0%) per annum for the year, based on ratio of total revenue to average financing receivables in the year. The lower gross yield is attributable to increase in financing receivables at lower rate of finance charge to customers, primarily superbike and car financing portfolios, which constitute 42.7% (2015: 36.0%) of total financing receivables at end of the year.

Operational Review

Total credit card transactions volume of RM947.67 million for the financial year was higher than preceding period by 3.4% in a competitive market environment, while the number of principal cards in circulation of approximately 197,000 as at February 2016 had increased by 10.6% from end of February 2015, with focus on recruitment of new card customers in middle and higher income groups. In November 2015, the Company launched the AEON BiG Visa credit card in collaboration with AEON Big (M) Sdn Bhd, which operates the AEON Big shopping centres nationwide. The new card, which incorporates the AEON BiG reward points' function, is expected to support the future growth of the Company's credit card business.

The Easy Payment and Personal Financing schemes recorded 7.2% annual growth in financing volume to RM2.67 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. Despite weaker consumer sentiment generally in 2015, the Company was able to sustain growth in vehicle financing and personal financing operations during the year based on its business strategy, resulting in 73.9% and 20.8% growth in personal financing and superbike easy payment transaction volume respectively from previous period, while car financing operations recorded lower growth rate of 11.4%. The maximum financing amount for personal financing was also increased to RM100,000/- in the year compared to RM50,000/- previously. Meanwhile, there was a decrease in transactions for consumer durables' financing in the year, especially since April 2015. Annual transaction volume growth was recorded in most of the regions in Malaysia where the Company is operating.

The Company continued to expand its branch network to total of 60 branches currently, including 5 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 nationwide, 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

While consumer sentiment has improved slightly in early 2016 and economic growth of 4.0 – 4.5% has been forecast for 2016, the Company remains cautious on growth prospects in financial year ending February 2017. Nevertheless, AEON Credit believes that the financial performance of the Company in the fiscal year ending February 2017 can be sustained through the implementation of its business plans and strategies, and focus on right market segments.

The key focus areas for the year include asset quality management via improved credit analysis, credit evaluation and credit management, continued efforts on utilisation of customers' database for cross selling, digitalisation of branch operations for improved customer experience and satisfaction, expansion of AEON Credit branch and merchant network nationwide, and expansion of SME financing business.

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,

Kenji Fujita
Managing Director

PROFILE OF DIRECTORS



DATO' ABDULLAH BIN MOHD YUSOF

Chairman and Independent Non-Executive Director
(77, Malaysian, Male)

Dato' Abdullah bin Mohd. Yusof was appointed the Chairman of AEON Credit 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 five (45) 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 several private limited companies. He is currently the Chairman of the Nomination Committee and the Remuneration Committee.

He has attended all five (5) Board meetings held during the year ended 29 February 2016. He holds 30,180 ordinary shares directly in the Company and 51,000 ordinary shares indirectly in the Company.



MR. KENJI FUJITA

Managing Director
(47, Japanese, Male)

Mr. Kenji Fujita was appointed as an Executive Director of AEON Credit on 19 June 2013 and as Managing Director of the Company on 23 June 2014. 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 AFSJ and was appointed as Executive Director of AEON Financial Service (Hong Kong) Co., Ltd. in June 2012, prior to his transfer to the Company in June 2013. He does not hold any directorship in any other public or public listed company.

He has attended all five (5) Board meetings held during the year ended 29 February 2016. He does not hold any shares in the Company.

PROFILE OF DIRECTORS (continued)



DATUK RAMLI BIN IBRAHIM Independent Non-Executive Director (76, Malaysian, Male)

Datuk Ramli bin Ibrahim was appointed as a Non-Executive Director of AEON Credit 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 ("MIA"). He has approximately thirty (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 1995 to 2000 and as a Non-Executive Director of a commercial bank in Malaysia from 1996 to 2014. Currently, he sits on the Board of Directors of several private limited companies. 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 has attended all five (5) Board meetings held during the year ended 29 February 2016. He holds 100,000 ordinary shares directly in the Company.



DATO' MD KAMAL BIN ISMAUN Independent Non-Executive Director (68, Malaysian, Male)

Dato' Md. Kamal bin Ismaun was appointed as a Non-Executive Director of AEON Credit 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, Remuneration and Nomination Committees. He does not hold any directorship in any other public or public listed company.

He has attended all five (5) Board meetings held during the year ended 29 February 2016. He holds 6,000 ordinary shares directly in the Company.

PROFILE OF DIRECTORS (continued)



MR. NG ENG KIAT

**Independent Non-Executive Director
(63, Malaysian, Male)**

Mr. Ng. Eng Kiat was appointed as a Non-Executive Director of AEON Credit on 7 August 2007. He is a member of the MIA, Malaysian Institute of Certified Public Accountants ("MICPA") and a fellow member of the Chartered Tax Institute of Malaysia and Australia. He has more than thirty five (35) 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 and a member of the Remuneration Committee. He does not hold any directorship in any other public or public listed company.

He has attended all five (5) Board meetings held during the year ended 29 February 2016. He holds 12,000 ordinary shares directly in the Company.



MR. NUNTAWAT CHOTVIJIT

**Non-Independent Non-Executive Director
(46, Thai, Male)
(appointed on 25 June 2015)**

Mr. Nuntawat Chotvijit was appointed as a Non-Executive Director of AEON Credit on 25 June 2015. He holds a Bachelor's Degree in Economics, from Chiangmai University, Thailand and obtained a Master of Business Administration degree from Griffith University, Australia in 1997. He began his career as a Marketing representative in the Bangchak Petroleum Public Company Limited in 1994. In 1999 he joined Siam A&C Co., Ltd., as a Marketing Supervisor and later in 2000, he moved to Cetelem (Thailand) Co., Ltd., as Key Account Manager. He left to join Thai Smart Card Co., Ltd. as Deputy General Manager in 2003 before joining Payment Solution Co., Ltd., Thailand as Head of Strategic Alliance in 2005. In 2006 he joined AEON Thana Sinsap (Thailand) PLC, as Vice President of Credit Card Division and Marketing Department and was promoted to Senior Vice President of the Marketing Department in 2009. In 2011, he was transferred to the Marketing Development Department and was appointed as Director of AEON Thana Sinsap (Thailand) PLC in June 2014. He does not hold any directorship in any other public or public listed company.

He has attended two (2) Board meetings held during the year ended 29 February 2016. He does not hold any shares in the Company.

PROFILE OF DIRECTORS (continued)



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

Executive Director
(49, Malaysian, Male)

Mr. Krishnappan A/L S.P.S. Singaram was appointed as an Executive Director of AEON Credit on 7 June 2005. He obtained the Certified Public Accountant qualification from the MICPA in 1994 and is currently a member of both MICPA and the 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 and assumed current role as Head of Corporate Governance Division in April 2016. He does not hold any directorship in any other public or public listed company.

He attended all five (5) Board meetings held during year ended 29 February 2016. He holds 108,000 ordinary shares directly in the Company.



MR. LEE KIT SEONG

Executive Director
(47, Malaysian, Male)

Mr. Lee Kit Seong was appointed as an Executive Director for AEON Credit on 1 July 2014. He obtained the Chartered Certified Accountant qualification from The Association of Chartered Certified Accountants ("ACCA") in 1996 and is currently a member of ACCA and the MIA. He began his career with Kassim Chan & Co (now known as Deloitte Touche Tohmatsu) in 1996. He left to join Rashid Hassain Securities Sdn. Bhd. as an Accountant in 1997 before joining Affin Securities Sdn. Bhd (now known as Affin Investment Bank) as a Finance & Account Senior Manager in 2000. Thereafter, he left Affin Securities Sdn. Bhd to join the Company in 2006 as Senior Manager of Finance Group. In 2009, he left the Company to join OSK Investment Bank as Senior Vice President, Finance Group and re-joined the Company in 2012 as Assistant General Manager, Finance & Admin Group. In April 2014, he was appointed as Chief Financial Officer and Head of Finance & Administration Division and assumed current role as Head of Corporate Management Division in April 2016. He does not hold any directorship in any other public or public listed company.

He has attended all five (5) Board meetings held during year ended 29 February 2016. He does not hold any shares in the Company.

PROFILE OF DIRECTORS (continued)



MS. LEE TYAN JEN
Executive Director
(41, Malaysian, Female)

Ms. Lee Tyan Jen was appointed as an Executive Director of AEON Credit 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, Head of Credit Card Division and Head of Business Operations Division before assuming her current position as Head of Customer Service & Operation Division in April 2016. She does not hold any directorship in any other public or public listed company.

She has attended all five (5) Board meetings held during year ended 29 February 2016. She holds 23,774 ordinary shares directly in the Company.



MR. KIYOAKI TAKANO
Executive Director
(52, Japanese, Male)
(appointed on 25 June 2015)

Mr. Kiyoaki Takano was appointed as an Executive Director of AEON Credit on 25 June 2015. He obtained a Bachelor's Degree in Social Welfare from Tohoku Fukushi University, Japan in 1986. He started his career as an Officer in AEON Credit Service Co., Ltd., Japan in 1986 in the Sales and Marketing Department and in March 2000, he was transferred to the Product Development Department. He was later promoted to be Assistant General Manager and General Manager in the Sales & Marketing Department in 2002 and 2007 respectively. In 2010, he was transferred to the Bank Agency Business as General Manager prior to his secondment to Digital Direct Co., Ltd. in 2011. Later, in 2013 he was seconded to AEON Link Co., Ltd, Japan as General Manager until he was appointed as Managing Director of AEON Link Co., Ltd, Japan in 2014, serving until March 2015. Currently, he is the Head of Sales and Marketing Division of the Company. He does not hold any directorship in any other public or public listed company.

He has attended two (2) Board meetings held during the year ended 29 February 2016. He holds 36,000 ordinary shares directly in the Company.

Note : All directors (page 18 to 22) do not have any family relationship with any Director and/or major shareholder of the Company, any conflict of interest with the Company, or any conviction for offences within the past 10 years, except for traffic offences, if any.

SENIOR MANAGEMENT



MR. KENJI FUJITA
Managing Director



**MR. KRISHNAPPAN A/L
S.P.S. SINGARAM**
Senior General Manager
Head of Corporate Governance Division



MS. LEE TYAN JEN
Senior General Manager
Head of Customer Service &
Operation Division



MR. LEE KIT SEONG
Senior General Manager
Head of Corporate Management
Division



MR. KIYOAKI TAKANO
General Manager
Head of Sales & Marketing
Division



MR. JOSEPH CHONG
Deputy General Manager
Head of Product Finance Group



MR. AJITH A/L JAYARAM
Deputy General Manager
Head of Corporate Strategy Group



MR. HAU KOK PECK
Assistant General Manager
Head of Market Development &
E-Money Group



MR. FAIZUL HAMZAH
Assistant General Manager
Head of Unsecured Loan Group



MR. CHEN HENG GUAN
Assistant General Manager
Head of Vehicle Financing Group



MR. TOSHIMITSU KURE
Assistant General Manager
Head of Information Technology
Group



MR. TAN SZE CHENG
Assistant General Manager
Deputy Head of Information
Technology Group



MR. PHANG CHEE CHONG
Assistant General Manager
Head of Internal Audit Group



MR. POON KAI CHONG
Assistant General Manager
Head of Credit Management Group



MS. ALINA TEOH
Assistant General Manager
Head of Human Resources
Management Group



MR. TAKAAKI OSHITATE
Assistant General Manager
Head of E-Money Department

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 and Paragraph 15.25 of the MMLR during the financial year ended 29 February 2016. 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 COC 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 which was revised on 5 May 2016 has been published on the Company's website at www.aeonmalaysia.com.my for reference of shareholders and other stakeholders.

STATEMENT ON CORPORATE GOVERNANCE (continued)

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) Enterprise-wide risk management framework and risk strategy;
- (c) Raising or restructuring of equity or debt capital and bank borrowings;
- (d) New investments, divestments, establishment of subsidiaries or joint ventures, and any other corporate exercise which requires approval of shareholders;
- (e) Acquisition or disposal of significant assets outside the ordinary course of business;
- (f) Acquisition of equipment or assets exceeding threshold under management approval;
- (g) Quarterly financial results and annual financial statements; and
- (h) Appointment of new Directors, including setting the relevant terms of service and level of remuneration.

The management team, led by the Managing Director ("MD") and assisted by four (4) 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 COC. The report on activities pertaining to corporate responsibilities are set out on pages 6 to 9 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, five (5) Executive Directors including the MD and four (4) Non-Executive Directors. The Directors' profiles are presented on pages 18 to 22 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 requires 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.

STATEMENT ON CORPORATE GOVERNANCE (continued)

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 ("NC"), 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.

The present size and composition of the Board is optimum and well balanced, in terms of the required mix of skills, experience and core competencies as well as need to safeguard the interests of the minority shareholders. 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, diversity of background and perspectives represented on the Board is considered with regard to Board appointments, which shall not be barred by virtue of gender, ethnicity and age of a candidate. The Board is of the view that Directors' appointments are dependent on a candidate's skills, experience, core competencies and personal qualities, regardless of gender, ethnicity, religion or age. Nevertheless, it is to be noted that the current composition of the Board includes persons from various ethnic groups across various age bands, and includes a female Executive Director.

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 NC. Recommendation 3.2 of the Code recommends that the tenure of an Independent Director should not exceed nine (9) years cumulatively. Dato' Abdullah bin Mohd Yusof, Datuk Ramli bin Ibrahim, Dato' Md Kamal bin Ismaun and Mr Ng Eng Kiat who have served as Independent Non-Executive Directors of the Company since listing of the Company on 12 December 2007, would be completing the service period of nine (9) years in such capacity in December 2016.

However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain a Director's status as Independent after having served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting. In justifying the decision, the NC is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria as independence.

Following a performance evaluation and assessment by the NC and deliberation at its meeting held in May 2016, Dato' Abdullah bin Mohd Yusof, Datuk Ramli bin Ibrahim, Dato' Md Kamal bin Ismaun and Mr Ng Eng Kiat, who will be completing service as Independent Directors of the Company for a cumulative term of 9 years during the financial year ending 28 February 2017 have been recommended by the Board to continue to act as Independent Directors of the Company subject to shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company. The reasons for the recommendation are set out in the Appendix I of the Notice of Nineteenth AGM.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Dato' Abdullah bin Mohd Yusof, Datuk Ramli bin Ibrahim and Dato' Md Kamal bin Ismaun have abstained from any deliberations or voting pertaining to their own independence at the NC and Board levels while Mr Ng Eng Kiat also abstained from deliberation and voting pertaining to his own independence at the Board level.

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 the MMLR from time to time, 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 Secretary. Minutes of the meetings and circular resolutions are maintained in the statutory register at the registered office of the Company, where other meeting documents are also kept.

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.

The Company Secretaries attend all Board and Board Committee's meetings and ensures that meetings are properly convened, and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained properly.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Board meetings are held at least on a quarterly basis. Additional meetings are held as and when required. During the financial year ended 29 February 2016, 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 (Chairman) - Independent Non-Executive Director	5/5
2.	Mr. Kenji Fujita - Managing Director	5/5
3.	Datuk Ramli bin Ibrahim - Independent Non-Executive Director	5/5
4.	Dato' Md Kamal bin Ismaun - Independent Non-Executive Director	5/5
5.	Mr. Ng Eng Kiat - Independent Non-Executive Director	5/5
6.	Mr. Krishnappan A/L S.P.S. Singaram - Executive Director	5/5
7.	Mr. Lee Kit Seong - Executive Director	5/5
8.	Ms. Lee Tyan Jen - Executive Director	5/5
9.	Mr. Kiyoaki Takano (appointed on 25 June 2015) - Executive Director	2/2
10.	Mr. Nuntawat Chotvijit (appointed on 25 June 2015) - Non-Independent Non-Executive Director	2/2
11.	Mr. Yasuhiro Kasai (retired on 16 June 2015) - Non-Independent Non-Executive Director	1/2
12.	Mr. Takayuki Araki (retired on 16 June 2015) - Non-Independent Non-Executive Director	2/2
13.	Mr. Hiroaki Kobayashi (retired on 16 June 2015) - Non-Independent Non-Executive Director	1/2

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)

Continuing Education and Training of Directors

All Directors have completed the Mandatory Accreditation Program as prescribed by Bursa Securities. Further, the Directors have devoted sufficient time to enhance their skills and knowledge to keep abreast with the developments in the economy, industry, technology, regulatory framework and the changing business environment within which the Company operates. During the financial year ended 29 February 2016, the relevant training programmes, seminars, forums and workshops attended by the Directors of the Company included the following topics:

Title of Seminar / Workshops / Courses

1. 2016 Budget and Tax Update Seminar
2. Advocacy Sessions on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers
3. AEON Group Management Development Programme
4. Business Process Analytics (External)
5. Building Effective Finance Function : From Reporting to Analytics to Strategic Output
6. Companies Act and Compliance Requirements (AFSJ)
7. Corporate Governance Director's Workshop : The Interplay between Corporate Governance ("CG"), Non-Financial Information (NFI) and Investment Decision
8. Environmental, Social and Governance Workshop for FTSE4Good Bursa Malaysia Index
9. FICO Asia Pacific Chief Risk Officers Forum 2015
10. Legal Knowledge Familiarization Seminar 2015
11. Malaysian Financial Reporting Standards ("MFRS") / Financial Reporting Standards Update 2015/2016 Seminar
12. National Tax Conference 2015

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.

The Company Secretaries circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Boards' reference. The External Auditors also briefed the Board members on any changes to the MFRS that affect the Company's financial statements during the year.

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 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)

Re-election of Directors

In accordance with the Company's Articles of Association, at every 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.

Uphold integrity in financial reporting by Company

The Board has established an Audit Committee ("AC"), comprising wholly of Non-Executive Directors, all of whom are Independent, with Mr Ng Eng Kiat as the Committee Chairman. Mr Ng Eng Kiat 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 Certified Practising Accountants, Australia. The composition of the AC, including its roles and responsibilities are set out on pages 37 to 42 of this Annual Report. One of the key responsibilities of the AC 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 report 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 AC, 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 has also been made available at ir_info@aeonmalaysia.com.my for shareholders to submit queries or comments on any issue of concern.

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 period 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.

STATEMENT ON CORPORATE GOVERNANCE (continued)

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 AC 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 the financial statements, as set out in pages 52 to 96 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 disclose 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 Eighteenth AGM of the Company held on 16 June 2015, the Company obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions of revenue or trading nature. All related party transactions are reviewed by the AC 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 27 May 2016 for renewal of the aforesaid mandate.

All recurrent related party transactions entered into by the Company during the financial year ended 29 February 2016 are disclosed in Note 21 of the financial statements on pages 80 to 81 of the Annual Report 2016.

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 in this Annual Report.

In line with the Code and the MMLR, the Board has established an internal audit function that reports directly to the AC. 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 in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Whistle Blowing Policy

The Company has also established a whistle blowing channel, identified as AEON Hotline, under the COC to be complied with by staff and management. Employees can raise genuine concerns without fear, on an 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.

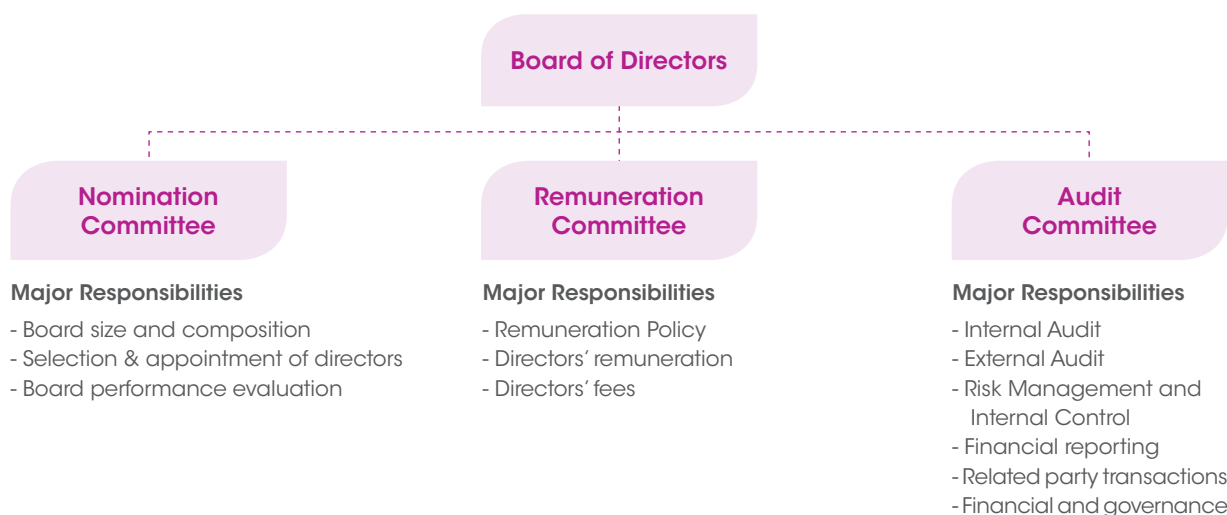
Datuk Ramli bin Ibrahim is the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders on matters relating to corporate governance of the Company.

Relationship with Auditors

The Board with the assistance of the AC maintains a formal and transparent relationship with the Company's external auditors through Board meetings and formal meetings where issues are discussed. The AC 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 AC 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.

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 AC, NC, and the Remuneration Committee. The following diagram provides a brief overview of the three main Board Committees of the Company:



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

STATEMENT ON CORPORATE GOVERNANCE (continued)

Audit Committee

The AC 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 AC 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 of the AC for the financial year under review are stated on pages 39 to 42 of the Annual Report.

Nomination Committee

The NC established by the Board comprises exclusively Non-Executive Directors with a majority of them being Independent Directors, with minimum of three (3) members. The NC is responsible for identifying and recommending suitable candidates to the Board for approval of appointment as Director of the Company, either to fill vacancies or as additions to meet the changing needs of the Company.

The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the NC or the Chairman of the NC. The Company Secretary shall also be designated as Secretary of the NC. Members of senior management may attend the meetings upon invitation by the Chairman of the NC.

Currently the NC comprises three (3) members, all of whom are Independent Directors. Details of the NC members and attendance at meetings held during the financial year ended 29 February 2016 are set out in the table 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. Takayuki Araki (retired on 16 June 2015) <i>- Non-Independent Non-Executive Director</i>	1/1
5.	Mr. Hiroaki Kobayashi (retired on 16 June 2015) <i>- Non-Independent Non-Executive Director</i>	0/1

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. The NC is also responsible for evaluation and recommendation to the Board on the appointment of the MD and Chief Financial Officer.

STATEMENT ON CORPORATE GOVERNANCE (continued)

A selection process for new appointees to the Board as recommended by NC 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 including gender diversity; and
- in the case of candidates for the position of Independent Non-Executive Director, the NC 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 the 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 has also 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 the 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.

The key activities undertaken by the NC in the financial year ended 29 February 2016 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 and review on the retirement of Directors by rotation and their eligibility for re-election. The NC has also reviewed, assessed and recommended to the Board the new appointments of Mr Nuntawat Chotvijit and Mr Kiyooki Takano as a Non-Executive Director and as an Executive Director respectively. The NC further recommended to the Board the appointment of Dato' Abdullah bin Mohd Yusof as the Chairman of the Remuneration Committee ("RC") and the appointment of Dato' Md Kamal bin Ismaun and Mr Ng Eng Kiat as members of the RC.

The NC evaluates and recommends to the Board appropriate training and development programmes for the Directors. Further, the NC has arranged for the induction of the newly appointed Directors to the Board to ensure they have comprehensive understanding of the nature of the business, current issues within the Company, corporate strategies and management of the Company as well as the expectations of the Board with regard to their contribution to the Company.

Remuneration Committee

The RC comprises three (3) members, all of whom are Independent 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 so as to ensure that the Company is able to attract and retain its Directors needed to manage the Company successfully. 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.

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.

STATEMENT ON CORPORATE GOVERNANCE (continued)

During the financial year ended 29 February 2016, two (2) RC meetings were 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.	Dato' Abdullah bin Mohd Yusof (Chairman) (appointed as Chairman of RC on 25 June 2015) - <i>Independent Non-Executive Director</i>	2/2
2.	Dato' Md Kamal bin Ismaun (appointed on 25 June 2015) - <i>Independent Non-Executive Director</i>	1/1
3.	Mr. Ng Eng Kiat (appointed on 25 June 2015) - <i>Independent Non-Executive Director</i>	1/1
4.	Mr. Takayuki Araki (retired on 16 June 2015) - <i>Non-Independent Non-Executive Director</i>	1/1
5.	Mr. Hiroaki Kobayashi (retired on 16 June 2015) - <i>Non-Independent Non-Executive Director</i>	0/1

Directors' Remuneration

The RC recommends to the Board the framework and remuneration package of the MD 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 of Executive Directors are structured according to the skills, experience and individual performance of the respective Director, and take into consideration the corporate performance as well as objective of attracting and retaining talent needed to manage the Company. Meanwhile, the fees of the Non-Executive Directors are determined with reference to the responsibilities, core competencies and experience of respective Director and contribution to the Company.

The Directors' remuneration for the financial year ended 29 February 2016 are broadly categorised into the following bands:

Remuneration Band	Number of Directors		
	Executive	Non-Executive	Total
Below RM 50,000	–	4	4
RM 100,001 to RM 150,000	–	3	3
RM 200,001 to RM 250,000	–	1	1
RM 400,001 to RM 450,000	1	–	1
RM 450,001 to RM 500,000	1	–	1
RM 500,001 to RM 550,000	2	–	2
RM 850,001 to RM 900,000	1	–	1
TOTAL	5	8	13

Note: Table above includes three directors who retired during the financial year.

STATEMENT ON CORPORATE GOVERNANCE (continued)

The details of the aggregate remuneration of the Directors for the financial year ended 29 February 2016, categorised into appropriate components are as follows:-

Category of Remuneration	Executive Directors	Non-Executive Directors	Total (RM)
Fees	–	519,000	519,000
Salaries, bonus and other contributions	2,441,003	–	2,441,003
Benefits-in-kind	377,517	–	377,517
TOTAL	2,818,520	519,000	3,337,520

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.

This Statement on Corporate Governance was approved by the Board of Directors of the Company on 5 May 2016.

AUDIT COMMITTEE REPORT

Membership and Meetings

The AC members are appointed by the Board from amongst its non-executive members. The AC 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 AC and Datuk Ramli bin Ibrahim are members of the Malaysian Institute of Accountants ("MIA").

During the financial year under review, the AC convened seven (7) meetings, including four (4) scheduled meetings. The attendance record of the members of the AC is as follows:

No.	Name of Director	Number of AC Meetings attended/held during the Directors' term in office
1.	Mr. Ng Eng Kiat (Chairman) - Independent Non-Executive Director	7/7
2.	Datuk Ramli bin Ibrahim - Independent Non-Executive Director	7/7
3.	Dato' Md Kamal bin Ismaun - Independent Non-Executive Director	7/7
4.	Mr. Takayuki Araki (retired on 16 June 2015) - Non-Independent Non-Executive Director	1/1

The Company Secretary, being the Secretary of the AC, was present at all the meetings. Upon invitation, representatives of the External Auditors, Messrs. KPMG, the Managing Director and the Heads of Corporate Management Division, Internal Audit and related management personnel also attended specific meetings. The Chairman of the AC reported to the Board on matters deliberated during the AC Meetings and minutes of AC Meetings were circulated to all the members of the Board.

Summary of Activities of the Audit Committee

The AC carried out its duties as set out in the terms of reference outlined in pages 39 to 42. During the year under review, the AC carried out the following main activities:

- Reviewed and approved the annual internal audit plan of the Internal Audit Group, including its audit strategy, scope, functions, competency, resource requirements and the necessary authority to carry out its work.
- 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 and deliberated reports issued by the External Auditors, Messrs. KPMG, Internal Audit Group and other external consultants on significant findings and remedial actions to be taken by Management to address all 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 and recommended the declaration of dividends to the Board of Directors for consideration and approval.
- Reviewed the incidence and nature of recurrent related party transactions and also reviewed the annual circular to shareholders in respect of the recurrent related party transactions of revenue and trading nature and recommended the same to the Board of Directors for consideration and approval.

AUDIT COMMITTEE REPORT (continued)

- Discussed and recommended to the Board of Directors for approval, the Statements on Corporate Governance, Risk Management and Internal Control and the AC activities report for inclusion in the annual report.
- 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.
- Reviewed the risks identified by the Risk Management Committee and to ascertain the adequacy of actions taken to address, mitigate and resolve such risks.
- Discussed and recommended to the Board of Directors for approval, the engagement of Deloitte Enterprise Risk Services Sdn Bhd to provide J-SOX consultancy services to the Company.
- Reviewed and discussed the revision of impairment loss estimation model.
- Reviewed and recommended the proposal on SAP Accounting System Project to the Board of Directors for consideration and approval.
- Conducted an annual assessment of the Internal Audit Group's scope, functions, competency and resources pursuant to the Main Market Listing Requirements of Bursa Securities.

For the financial year under review, the AC 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 Function and Summary of Activities

The Company has established an internal audit function which reports to the AC. The internal audit function serves as a governance control and provides the AC with independent and objective reports on the state of internal controls of the operating units within the Company. The Internal Audit Group's annual audit plan is approved by the AC. Total staff cost incurred in respect of the internal audit function during the financial year was RM1,188,170.

During the year under review, the Internal Audit Group 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 other shortcomings / deficiencies and made recommendations to improve their effectiveness. Internal Audit Group also followed up on the implementation of the agreed remedial measures and rectification of any shortcomings and the action status were also reported to the AC.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. INTRODUCTION

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

2. PRIMARY PURPOSE

The primary purpose of the AC is to assist the Board 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 risk management and 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 Board, 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 compliance, discipline and control which will prevent the incidence of fraud and other shortcomings.

3. MEMBERSHIP

The Board shall appoint AC 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 Board shall at all times ensure that all members of the AC should have working knowledge of finance and accounting and at least 1 member of the AC 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.

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

In the event of any vacancy resulting in non-compliance with requirements on composition of the AC and the election of an independent Chairman of the AC, the Company must fill the vacancy within 3 months.

The Nomination Committee ("NC") shall review the term of office and performance of the AC and each of its members annually to determine if their duties have been carried out in accordance with their terms of reference.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(continued)

4. MEETINGS

The AC 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 AC. 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 AC members. The minutes shall be circulated to the members of the Board and kept by the Secretary for the custody, production and inspection of such minutes.

The agenda for the meeting shall include the following:-

- a. Review the quarterly, interim or year end financial statements of the Company and respective announcements of the Company before submission to the Board for consideration and approval;
- b. Report and recommend to the Board 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 the Board approval;
- e. Review internal audit reports and consider the significant findings and management responses and ensure significant findings and/or concerns, if any, identified by internal audit in its reports have been adequately addressed by the management during the financial year;
- f. Review the risk management reports of the Company; and
- g. Discuss problem and reservations arising from the interim and final audits and any matter the external and internal auditor may wish to discuss (in the absence of management where necessary).

Other the Board members and/or employees may attend specific AC meetings at the invitation of the AC.

The Chairman shall report on each meeting to the Board summarising the AC's activities and the related significant results and findings.

The AC 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 Board.

5. AUTHORITY

The AC shall have the following authority as empowered by the Board:-

- 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 the AC.
- 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 ("MMLR"), after the matter has been reported to the Board.
- 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 AC 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 MMLR of Bursa Securities (or any other succession/ deletions/changes thereof), the following duties shall be discharged by the AC and the same shall be reported/recommended, where applicable to the Board:-

- 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/re-appointment of the external auditors, the terms of reference of the said appointment/re-appointment and any question on resignation and dismissal of external auditors before making a recommendation to the Board, and in making the determination of the appointment/re-appointment of the external auditors, in addition to the suitability factors as set out below:-
 - the adequacy of the experience and resources of the accounting firm
 - the persons assigned to the audit
 - the accounting firm's audit engagements
 - the size and complexity of the Company and its subsidiaries being audited and
 - the number and experience of supervisory and professional staff assigned to the particular audit.to also consider the performance of the external auditors and its independence such as:-
 - the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan
 - the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee and
 - whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.
- d. Review and approve the non-audit services provided by the external auditors and/or its network firms or its affiliates 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 work it audits and to identify a head of internal audit who reports directly to the AC. The Head of Internal Audit should have the relevant qualification and be responsible for providing assurance to the AC that the internal controls are operating effectively. 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 AC 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 risk management and 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.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (continued)

- n. Review the quarterly results and year end financial statements prior to approval by the Board focusing particularly on:-
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; 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 and the framework established.
- p. Prepare reports at least once a year, to the Board summarising the work performed in fulfilling the AC's responsibilities, functions and duties for the financial year.
- 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 Board from time to time.
- s. In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation or affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of the non-audit services rendered in the Company's annual report.

7. DISCLOSURE

The AC is required to prepare an AC Report at the end of each financial year for inclusion in the Annual Report of the Company. The AC Report shall include the following information:-

- a. Composition of the AC, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- b. Number of AC meetings held during the financial year and details of attendance of each AC member;
- c. Summary of the work carried out by the AC in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities; and
- d. Summary of the work of the internal audit function.

The AC shall also assist the Board in making the following additional statements in the Company's Annual Report:-

- a. Statement explaining the Board's responsibility for preparing the annual audited financial statements of the Company and its subsidiaries; and
- b. Statement about the state of risk management and internal controls of the Company and its subsidiaries.

8. WRITTEN TERMS OF REFERENCE

The AC must have its written terms of reference which deal with its authority and duties, and such information must be made available on the Company's website.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The 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 ("SORMIC") prepared in accordance with the "Statement on Risk Management & Internal Control – Guidelines for Directors of Public Listed Issuers" ("Guidelines") 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 SORMIC 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 ended 29 February 2016 and it has been prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Risk Management Committee ("RMC") being the delegated committee of the Board, is responsible for the preparation of the SORMIC in accordance with the Guidelines. Set out below is the SORMIC which has been prepared in accordance with the Guidelines.

Board Responsibilities

The Board has an overall responsibility for the Company's system of risk management and internal control to provide reasonable assurance of efficient operations, effective internal checks and compliance with laws and regulations.

The Board is assisted by the Company's Management in the implementation of the approved policies and procedures on risks and controls, in which the Company's 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 AC 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 financial 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 bi-annually by the management.

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. The Board has extended the responsibilities to assess the internal controls to AC through the Internal Audit function.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the 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 a 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 AC, assisted by the Internal Audit Group, provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls. The AC has an oversight function of all activities carried out by the Internal Audit Group.

The Internal Audit Group adopts a risk-based approach in preparing its audit strategy and plan. The Internal Audit Group 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 AC and the internal audit reports are tabled at the AC Meetings for review. Further, the Internal Audit Group 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 quarterly 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's core values and code of conducts are the essential guiding principles which are observed in all business dealings and sets out standards of good practice to be observed by all staff.
- A defined corporate decision authority matrix, corporate purchasing authority matrix and respective business units authority matrix with defined empowerment and authority serves as a framework in regulating all business activities and decisions within the Company.
- The Company has in place written operating procedures in various areas of operations, which also incorporate risk management issues and are subject to biannual 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, RMC, IT Steering Committee and Disciplinary Action Committee (under Human Resource function).
- The AC 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.
- The Company has been identified as a significant subsidiary of the holding corporation, AFSJ, for purposes of AFSJ's compliance with the Framework of Internal Controls over Financial Reporting ("Japanese Sarbanes-Oxley or J-SOX") pursuant to the Financial Instruments and Exchange Law of Japan. Based on the said requirements, management conducts evaluation of internal controls in the Company that have a significant and pervasive impact over financial reporting and internal controls corresponding to relevant specific processes. Thereafter, an external risk management consultant engaged by the Company conducts an annual assessment on the effectiveness of internal controls on financial reporting, and furnishes a report on related findings, if any.

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.

Conclusion

The Board is satisfied with the adequacy and effectiveness of the Company's risk management and internal control system. The Board has received assurance from the Managing Director and the Executive Director designated as Chief Financial Officer that the Company's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Company.

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 period.

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 29 February 2016 was RM208,000 comprising advisory, review and tax services.



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DIRECTORS' REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 29 February 2016.

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	228,222

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- i) a final ordinary dividend of 29.60 sen per ordinary share under the single tier system, totalling RM42,624,000 in respect of the financial period ended 28 February 2015 on 15 July 2015; and
- ii) an interim ordinary dividend of 29.85 sen per ordinary share under the single tier system, totalling RM42,984,000 in respect of the financial year ended 29 February 2016 on 4 November 2015.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 29 February 2016 is 29.60 sen per ordinary share under the single tier system, totalling RM42,624,000. The proposed dividend will be recognised in the subsequent financial year 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
Kenji Fujita
Datuk Ramli bin Ibrahim
Dato' Md Kamal bin Ismaun
Ng Eng Kiat
Krishnappan A/L S.P.S Singaram
Lee Tyan Jen
Lee Kit Seong
Nuntawat Chotvijit (appointed on 25 June 2015)
Kiyooki Takano (appointed on 25 June 2015)
Takayuki Araki (retired on 16 June 2015)
Hiroaki Kobayashi (retired on 16 June 2015)
Yasuhiro Kasai (retired on 16 June 2015)

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations of those who were Directors at financial 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 1.3.2015/ Date of appointment#	Bought	Sold	At 29.2.2016
The Company				
Direct interest:				
Dato' Abdullah bin Mohd Yusof	135,180	—	(105,000)	30,180
Datuk Ramli bin Ibrahim	130,000	—	(30,000)	100,000
Dato' Md Kamal bin Ismaun	6,000	—	—	6,000
Ng Eng Kiat	12,000	—	—	12,000
Krishnappan A/L S.P.S. Singaram	108,000	—	—	108,000
Lee Tyan Jen	23,774	—	—	23,774
Kiyooki Takano#	36,000	—	—	36,000
Deemed interest:				
Dato' Abdullah bin Mohd Yusof - others*	56,000	—	(5,000)	51,000

/————Number of ordinary shares————/				
	At date of appointment	Bought	Sold	At 29.2.2016
Ultimate holding company AEON Co., Ltd.				
Deemed interest:				
Kiyooki Takano*	100	—	—	100
Immediate holding company AEON Financial Service Co., Ltd.				
Direct interest:				
Kiyooki Takano	6,520	—	—	6,520
Deemed interest:				
Kiyooki Takano*	1,692	—	—	1,692

/————Number of ordinary shares of RM0.50 each————/				
	At 1.3.2015	Bought	Sold	At 29.2.2016
Related company AEON Co. (M) Bhd.				
Direct interest:				
Dato' Abdullah bin Mohd Yusof	2,080,000	—	(10,000)	2,070,000
Datuk Ramli bin Ibrahim	915,000	—	(515,000)	400,000
Deemed interest:				
Dato' Abdullah bin Mohd Yusof	3,500,000	—	(695,000)	2,805,000
Datuk Ramli bin Ibrahim*	500,000	—	(100,000)	400,000

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

DIRECTORS' REPORT (continued)

DIRECTORS' BENEFITS

Since the end of the previous financial period, no Director of the Company has received nor 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

There were no issuance of other equity instruments during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

Before the 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)

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 year 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 29 February 2016 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

Kenji Fujita

Kuala Lumpur,

Date: 5 May 2016

STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2016

	Note	2016 RM'000	2015 RM'000
Assets			
Plant and equipment	3	52,076	45,234
Investments	4	24,239	18,555
Deferred tax assets	5	39,043	24,693
Receivables	6	3,630,038	2,811,030
Total non-current assets		3,745,396	2,899,512
Receivables and deposits	6	1,790,244	1,753,322
Prepayments		16,393	8,876
Derivative financial assets	7	478,224	212,921
Cash and bank balances	8	67,250	48,668
Total current assets		2,352,111	2,023,787
Total assets		6,097,507	4,923,299
Equity			
Share capital		72,000	72,000
Share premium		44,012	44,012
Reserves		668,806	563,700
Equity attributable to ordinary equity holders of the Company		784,818	679,712
Perpetual notes and sukuk		276,000	276,000
Total equity	9	1,060,818	955,712
Liabilities			
Borrowings	10	4,214,649	2,965,526
Total non-current liability		4,214,649	2,965,526
Borrowings	10	693,528	856,141
Payables and accruals	11	113,584	118,709
Taxation		14,928	27,211
Total current liabilities		822,040	1,002,061
Total liabilities		5,036,689	3,967,587
Total equity and liabilities		6,097,507	4,923,299

The notes on pages 57 to 96 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Note	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Revenue	12	965,234	871,600
Staff costs		(158,182)	(150,421)
Depreciation of plant and equipment	3	(19,499)	(19,073)
Operating expenses		(412,706)	(332,323)
Other income		89,974	56,780
Operating profit	13	464,821	426,563
Finance costs	15	(163,230)	(137,294)
Profit before tax		301,591	289,269
Income tax expense	16	(73,369)	(73,543)
Profit for the year/period		228,222	215,726
Other comprehensive income, net of tax			
Cash flow hedge	17	(23,877)	(810)
Total other comprehensive income for the year/period, net of tax		(23,877)	(810)
Total comprehensive income for the year/period		204,345	214,916
Profit attributable to equity holders of the Company		228,222	215,726
Total comprehensive income attributable to equity holders of the Company		204,345	214,916
Basic earnings per ordinary share (sen)	19	149.02	145.64

The notes on pages 57 to 96 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2016

Note	/ Non-distributable /				Distributable	
	Share capital RM'000	Share premium RM'000	Perpetual notes and sukuk RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000
At 21 February 2014	72,000	44,012	100,000	(8,034)	437,586	645,564
Cash flow hedge (net of tax)	-	-	-	(810)	-	(810)
Profit for the period	-	-	-	-	215,726	215,726
Total comprehensive income for the period	-	-	-	(810)	215,726	214,916
Perpetual notes and sukuk issued	-	-	176,000	-	-	176,000
Perpetual notes and sukuk issue expenses	-	-	-	-	(745)	(745)
Distribution on perpetual notes (net of tax)	-	-	-	-	(6,007)	(6,007)
Dividends to shareholders of the Company	-	-	176,000	-	(6,752)	169,248
18	-	-	-	-	(74,016)	(74,016)
At 28 February 2015/ 1 March 2015	72,000	44,012	276,000	(8,844)	572,544	955,712
Cash flow hedge (net of tax)	-	-	-	(23,877)	-	(23,877)
Profit for the year	-	-	-	-	228,222	228,222
Total comprehensive income for the year	-	-	-	(23,877)	228,222	204,345
Distribution on perpetual notes (net of tax)	-	-	-	-	(13,631)	(13,631)
Dividends to shareholders of the Company	-	-	-	-	(85,608)	(85,608)
18	-	-	-	-	(85,608)	(85,608)
At 29 February 2016	72,000	44,012	276,000	(32,721)	701,527	1,060,818
	Note 9.1	Note 9.2	Note 9.3	Note 9.4		

The notes on pages 57 to 96 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Note	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Cash flows from operating activities			
Profit before tax		301,591	289,269
<i>Adjustments for:</i>			
Depreciation of plant and equipment	3	19,499	19,073
Finance costs		163,230	137,294
Gain on disposal of plant and equipment		(537)	(271)
Impairment loss on receivables		288,420	224,917
Write-off of plant and equipment	3	6	-
Operating profit before working capital changes		772,209	670,282
Changes in working capital:			
Receivables, deposits and prepayments		(1,151,867)	(1,159,454)
Payables and accruals		(11,968)	(26,203)
Derivative financial assets		(49,800)	3,701
Cash held on behalf of a related company		(3,305)	(5,683)
Cash used in operations		(444,731)	(517,357)
Finance costs paid		(156,288)	(136,180)
Income taxes paid		(88,312)	(81,275)
Net cash used in operating activities		(689,331)	(734,812)
Cash flows from investing activities			
Acquisition of plant and equipment	3	(26,710)	(17,758)
Subscription of equity shares		(5,684)	(13,013)
Proceeds from disposal of plant and equipment		900	321
Net cash used in investing activities		(31,494)	(30,450)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	18	(85,608)	(74,016)
Proceeds from bank borrowings		1,866,129	1,467,479
Repayment of bank borrowings		(976,656)	(698,801)
Repayment of asset backed medium term notes		(25,000)	(75,000)
Proceeds from issuance of perpetual notes		-	46,000
Proceeds from issuance of perpetual sukuk		-	130,000
Distribution paid to perpetual notes holders		(17,935)	(8,010)
Payment of perpetual notes issuance expenses		(100)	(1,345)
Net cash generated from financing activities		760,830	786,307
Net increase in cash and cash equivalents		40,005	21,045
Cash and cash equivalents at beginning of year/period		(31,769)	(52,814)
Cash and cash equivalents at end of year/period	(i)	8,236	(31,769)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2016

(continued)

NOTE TO STATEMENT OF CASH FLOWS

(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	2016 RM'000	2015 RM'000
Cash and bank balances		53,427	38,881
Deposits placed with licensed banks		13,823	9,787
<hr/>			
	8	67,250	48,668
Bank overdrafts	10	(50,026)	(74,754)
Cash held on behalf for a related company	8	(8,988)	(5,683)
<hr/>			
		8,236	(31,769)
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The notes on pages 57 to 96 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 corporations are AEON Financial Service Co., Ltd., and AEON Co., Ltd. respectively. Both corporations were incorporated in Japan.

The financial statements were authorised for issue by the Board of Directors on 5 May 2016.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of 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 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 March 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 10, Amendments to MFRS 11, MFRS 14, Amendments to MFRS 119, Amendments to MFRS 127 and Amendments to MFRS 141 which are not applicable to the Company.
- from the annual period beginning on 1 March 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 March 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 March 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company will assess the financial impact that may arise from the adoption of MFRS 16.

(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.

(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 year in which the estimates are revised and in any future years 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).

NOTES TO THE FINANCIAL STATEMENTS

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the years 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 dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting year 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 that are measured at fair value 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

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

Financial assets (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(iii) Hedge accounting (continued)

Cash flow hedge (continued)

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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and equipment (continued)

(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 component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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 are 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 years 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 at the end of the reporting period, and adjusted as appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 impairment loss of the financial asset 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.

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 year. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment (continued)

(i) Financial assets (continued)

(c) *Investments*

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in 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 of disposal. 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 amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 year 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 year 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.

(iii) Perpetual sukuk

Perpetual sukuk are classified as equity. Distributions on perpetual sukuk are recognised in equity in the year 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 statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 year. EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the receivable or, when appropriate, a shorter year 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, processing fees and credit recovery charges. Fee income from credit card business comprises credit recovery charges, cash advance fees, transaction charges, annual fees, 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 year 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 year.

(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.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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 assets and liabilities 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 equity holders of the Company, less distribution on perpetual notes and perpetual sukuk, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to equity holders of the Company, less distribution on perpetual notes and perpetual sukuk, 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. Operating segment 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 to assess its performance, and for which discrete financial information is available.

(o) Fair value measurement

Fair value of an asset or a liability, except for share-based payment 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, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. PLANT AND EQUIPMENT

	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
Cost							
At 21 February 2014	9,260	101,086	2,847	4,905	19,329	5,471	142,898
Additions	571	9,448	1,258	173	182	6,126	17,758
Disposals	(2)	(463)	(1,257)	(23)	-	-	(1,745)
Write-off	(7)	-	(9)	(10)	-	-	(26)
Reclassification	68	5,011	-	20	5,103	(10,202)	-
At 28 February 2015/ 1 March 2015	9,890	115,082	2,839	5,065	24,614	1,395	158,885
Additions	385	17,199	624	125	731	7,646	26,710
Disposals	-	(5,643)	-	(225)	-	-	(5,868)
Write-off	(186)	(1,710)	-	(18)	(85)	-	(1,999)
Reclassification	136	1,774	-	-	4,009	(5,919)	-
At 29 February 2016	10,225	126,702	3,463	4,947	29,269	3,122	177,728
Accumulated depreciation							
At 21 February 2014	7,637	68,758	1,716	4,358	13,830	-	96,299
Charge for the period	773	14,632	453	499	2,716	-	19,073
Disposals	(2)	(413)	(1,257)	(23)	-	-	(1,695)
Write-off	(7)	-	(9)	(10)	-	-	(26)
At 28 February 2015/ 1 March 2015	8,401	82,977	903	4,824	16,546	-	113,651
Charge for the year	747	14,234	667	168	3,683	-	19,499
Disposals	-	(5,283)	-	(220)	(2)	-	(5,505)
Write-off	(184)	(1,709)	-	(20)	(80)	-	(1,993)
At 29 February 2016	8,964	90,219	1,570	4,752	20,147	-	125,652
Carrying amounts							
At 21 February 2014	1,623	32,328	1,131	547	5,499	5,471	46,599
At 28 February 2015/ 1 March 2015	1,489	32,105	1,936	241	8,068	1,395	45,234
At 29 February 2016	1,261	36,483	1,893	195	9,122	3,122	52,076

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INVESTMENTS

	2016 RM'000	2015 RM'000
At cost		
Unquoted shares	24,239	18,555

i) Subscription of shares in AEON Credit Service (Philippines) Inc.

Included in the investments as at 29 February 2016 is an investment of RM13,013,000 (2015: RM13,013,000) in AEON Credit Service (Philippines) Inc. ("ACSP"), a company incorporated in Philippines, which represents 10% equity interest of the total issued and paid-up ordinary share capital of ACSP.

On 7 January 2015, the Company subscribed for 10,000 common shares at par value of 1,000 Philippine pesos per share (approximately RM79 per share) and 154,500 irredeemable convertible preference shares at par value of 1,000 Philippine pesos per share (approximately RM79 per share) in ACSP for a total consideration of 164,500,000 Philippine pesos (approximately RM13,013,000).

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 ACSP is to provide financial services. ACSP currently offers hire purchase facilities.

ii) Investment in AEON Credit Service India Private Limited.

Included in the investments as at 29 February 2016 is an investment of RM10,455,000 (2015: 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.

On 18 May 2015, the Company subscribed for 10,000,000 ordinary shares of ACSI for 10 Rupees per share with total cash consideration of 100,000,000 Rupees (approximately RM5,684,000). The equity interest of the Company remained at 20% of the 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. On 4 February 2013, ACSI obtained the licence from the Reserve Bank of India to conduct non-banking financial activities in India.

5. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are attributable to the following:

	2016 RM'000	2015 RM'000
Plant and equipment	(4,727)	(7,278)
Hedging reserve	10,325	2,940
Impairment loss on receivables	9,861	10,821
Recognition of interest income/profit revenue	19,416	15,069
Provision for bonus and others	4,168	3,141
Net tax assets	39,043	24,693

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. DEFERRED TAX ASSETS (CONTINUED)

Movement in temporary differences during the year

	At 21 February 2014 RM'000	Recognised in profit or loss (Note 16) RM'000	Recognised in other comprehensive income (Note 17) RM'000	At 28 February 2015 RM'000	Recognised in profit or loss (Note 16) RM'000	Recognised in other comprehensive income (Note 17) RM'000	At 29 February 2016 RM'000
Plant and equipment	(7,737)	459	-	(7,278)	2,551	-	(4,727)
Hedging reserves	2,670	-	270	2,940	-	7,385	10,325
Impairment loss on receivables	3,459	7,362	-	10,821	(960)	-	9,861
Recognition of interest income/profit revenue	9,946	5,123	-	15,069	4,347	-	19,416
Provision for bonus and others	2,702	439	-	3,141	1,027	-	4,168
	11,040	13,383	270	24,693	6,965	7,385	39,043

6. RECEIVABLES AND DEPOSITS

	Note	2016 RM'000	2015 RM'000
Non-current			
Trade			
Financing receivables		3,630,038	2,811,030
Current			
Trade			
Total financing receivables		7,452,737	6,146,351
Less: Unearned carrying charges		(1,909,900)	(1,494,008)
Impairment loss on receivables	6.1	(137,921)	(135,298)
	6.2	5,404,916	4,517,045
Less: Financing receivables (Non-current)		(3,630,038)	(2,811,030)
Financing receivables (Current)		1,774,878	1,706,015
Non-trade			
Other receivables and deposits		10,438	42,663
Amount due from related companies and corporation	6.3	4,928	4,644
		15,366	47,307
		1,790,244	1,753,322

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. RECEIVABLES AND DEPOSITS (CONTINUED)

6.1 During the year, financing receivables amounting to RM285,797,000 (2015: RM181,068,000) was written off against the allowance for impairment losses.

6.2 Included in financing receivables are:

- i) an amount of RM4,419,672,000 (2015: RM3,457,154,000) relating to the Company's easy payment and personal financing schemes based on Islamic principles.
- ii) an amount of RM2,291,000 (2015: RM2,999,000) due from a related company which is subject to normal trade terms.
- iii) an amount of RM Nil (2015: RM38,736,000) of which have been sold under the asset backed medium term notes securitised funding programme as disclosed in Note 10.3 to the financial statements. On 18 June 2015, the Company fully repaid the asset backed medium term notes.

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

7. DERIVATIVE FINANCIAL ASSETS

	2016		2015	
	Nominal value RM'000	Assets/ (Liabilities) RM'000	Nominal value RM'000	Assets RM'000
Derivative used for hedging				
- Forward exchange contracts	50,700	(482)	26,272	706
- Cross currency swaps	2,326,173	478,706	1,651,928	212,215
	2,376,873	478,224	1,678,200	212,921

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 year and most of the cross currency swaps have maturities of more than one year after the end of the reporting year.

8. CASH AND BANK BALANCES

	29.2.2016 RM'000	28.2.2015 RM'000
Cash and bank balances	53,427	38,881
Deposits placed with licensed banks	13,823	9,787
	67,250	48,668

Deposits placed with licensed banks include RM8,988,000 (2015: RM5,683,000) held on behalf of a related company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CAPITAL AND RESERVES

9.1 Share capital

	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '000
Ordinary share of RM0.50 each Authorised	100,000	200,000	100,000	200,000
Issued and fully paid	72,000	144,000	72,000	144,000

9.2 Share premium

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

9.3 Perpetual notes and sukuk

	Note	2016 RM'000	2015 RM'000
Perpetual notes	a	146,000	146,000
Perpetual sukuk	b	130,000	130,000
At 29 / 28 February		276,000	276,000

(a) Perpetual notes

On 11 April 2014 and 21 April 2014, the Company issued perpetual notes amounting to RM46,000,000 in total. The salient features of the perpetual notes issued are as follows:

- (i) The distribution rate for the year of five (5) years from issuance date is 6.5% (2015: 6.5%) 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)

9.3 Perpetual notes and sukuk (continued)

(b) Perpetual sukuk

On 30 December 2014, the Company issued perpetual sukuk at par amounting to RM105,000,000. Subsequently on 16 February 2015, the Company further issued perpetual sukuk amounting to RM25,000,000.

The salient features of the perpetual sukuk issued are as follows:

- (i) The distribution rate for the year of five (5) years from issuance date is 6.5% 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 sukuk are perpetual in nature with no contractual maturity date. The Company has the option to redeem the perpetual sukuk 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 sukuk earlier upon the occurrence of defined accounting event, tax event, privatisation event and shareholder event;
- (vi) The redemption of the perpetual sukuk by the Company is subject to the prior approval of Bank Negara Malaysia;
- (vii) The holders of the perpetual sukuk do not have any voting rights in the Company; and
- (viii) The perpetual sukuk 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.

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.

10. BORROWINGS

	Note	2016 RM'000	2015 RM'000
Non-current			
Term loans/financing (unsecured)	10.1	4,014,649	2,765,526
Medium term notes (unsecured)	10.2	200,000	200,000
		4,214,649	2,965,526
Current			
Bank overdrafts (unsecured)	10.1	50,026	74,754
Revolving credits (unsecured)	10.1	200,634	387,890
Term loans/financing (unsecured)	10.1	442,868	368,497
Asset backed medium term notes (secured)	10.3	–	25,000
		693,528	856,141
		4,908,177	3,821,667

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. BORROWINGS (CONTINUED)

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 immediate holding corporation, standby letters of credit from various financial institutions or on clean basis.

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

	2016 RM'000	2015 RM'000
Revolving credits		
Ringgit Malaysia	150,000	359,000
U.S. Dollar	50,634	28,890
	200,634	387,890
Term loans/financing		
Ringgit Malaysia	1,609,999	1,260,000
U.S. Dollar	2,847,518	1,874,023
	4,457,517	3,134,023

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

10.2 Medium term notes

	2016 RM'000	2015 RM'000
Medium term notes – Single Investor MTN		
Nominal value	200,000	200,000

The above represents RM200,000,000 (2015: RM200,000,000) Single Investor MTN.

The redemption year for Medium term notes at its nominal value is as follows:

	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2016				
Single Investor MTN	200,000	–	200,000	–
2015				
Single Investor MTN	200,000	–	–	200,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. BORROWINGS (CONTINUED)

10.3 Asset backed medium term notes

	2016 RM'000	2015 RM'000
Nominal value	–	25,000

Commencing July 2013 onwards, the Company is required to settle the nominal value of the asset backed medium term notes via a monthly installment of RM6,250,000. Total repayment amounting to RM25,000,000 (2015: RM75,000,000) was made during the financial year.

The asset backed medium term notes were secured by financing receivables amounting to RM38,736,000 as at 28 February 2015 as disclosed in Note 6.2 to the financial statements. The security interest over the said financing receivables has been discharged during the financial year following the full repayment of the outstanding balance on 18 June 2015.

11. PAYABLES AND ACCRUALS

	Note	2016 RM'000	2015 RM'000
Trade			
Trade payables		31,560	47,652
Amount due to related companies	11.1	551	552
		32,111	48,204
Non-trade			
Other payables and accruals		76,586	64,706
Amount due to immediate holding corporation	11.2	4,275	4,717
Amount due to related companies and corporations	11.2	612	1,082
		81,473	70,505
		113,584	118,709

11.1 Related companies

The amounts due to related companies are subject to normal trade terms.

11.2 Immediate holding corporation, related companies and corporations

The amounts due to immediate holding corporation, related companies and corporations are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. REVENUE

	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Revenue from easy payment, personal financing based on Islamic principles and credit card business:		
Interest income, profit revenue and finance charges	835,802	761,733
Fee income	129,432	109,867
	965,234	871,600

13. OPERATING PROFIT

	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Operating profit is arrived at after crediting:		
Bad debts recovered	70,354	40,644
Gain on disposal of plant and equipment	537	271
and after charging:		
Auditors' remuneration:		
- Audit fees		
KPMG Malaysia	175	165
- Non-audit fees		
KPMG Malaysia	208	322
Depreciation on plant and equipment	19,499	19,073
Write-off of plant and equipment	6	-
Impairment loss:		
- Financing receivables	288,420	224,917
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	15,231	13,541
- Wages, salaries and others	142,951	136,880
Rental expense in respect of:		
- Office premises	15,145	13,702
- Motor vehicles	10	73
- Office equipment	474	439

14. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Directors:		
- Fees	519	519
- Remuneration	2,441	2,157
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	377	143
	3,337	2,819

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCE COSTS

	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Bank overdrafts	1,220	987
- Revolving credits	9,113	7,338
- Term loans/financing and medium term notes	152,712	127,380
- Asset backed medium term notes	185	1,589
	163,230	137,294

16. INCOME TAX EXPENSE

Recognised in profit or loss

	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Current tax expense		
- Current year/period	79,960	86,778
- Under provision in prior period/year	374	148
Total current tax recognised in profit or loss	80,334	86,926
Deferred tax expense		
- Origination and reversal of temporary differences	(6,965)	(13,783)
- Under provision in prior period/year	-	400
Total deferred tax recognised in profit or loss	(6,965)	(13,383)
Total income tax expense	73,369	73,543

Reconciliation of effective tax expense

Profit before tax	301,591	289,269
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	72,382	72,317
Tax effect of non-deductible expenses	613	678
	72,995	72,995
Under provision in prior period/year	374	548
	73,369	73,543

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

Cash flow hedge reserves (Note 17)	(7,385)	(270)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

17. OTHER COMPREHENSIVE INCOME

	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
2016			
Cash flow hedge			
- Loss arising during the year	(31,262)	7,385	(23,877)
2015			
Cash flow hedge			
- Loss arising during the period	(1,080)	270	(810)

18. DIVIDENDS

Dividends recognised in the current year/period by the Company are:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2016			
Interim 2016 ordinary	29.85	42,984	4 November 2015
Final 2015 ordinary	29.60	42,624	15 July 2015
		<u>85,608</u>	
2015			
Interim 2015 ordinary	27.40	39,456	21 October 2014
Final 2014 ordinary	24.00	34,560	16 July 2014
		<u>74,016</u>	

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

	Sen per share (single tier)	Total amount RM'000
Final 2016 ordinary	29.60	42,624

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per share is calculated by dividing the net profit after distribution on perpetual notes by the weighted average number of ordinary shares outstanding during the year.

	2016 RM'000	2015 RM'000
Net profit attributable to equity holders	228,222	215,726
Distribution to the holders of perpetual notes, net of tax	(13,631)	(6,007)
Net profit attributable to ordinary equity holders	214,591	209,719
	2016 '000	2015 '000
Net profit attributable to ordinary equity holders (RM)	214,591	209,719
Weighted average number of ordinary shares (unit)	144,000	144,000
Basic earnings per share (sen)	149.02	145.64

There were no outstanding potential ordinary shares as at 29 February 2016 and 28 February 2015 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RELATED PARTIES (CONTINUED)

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

	2016 RM'000	2015 RM'000
Related companies		
AEON Co. (M) Bhd.		
Customers' transactions via related company*		
Sales through Easy Payment Schemes	5,990	7,193
Sales through AEON Credit Cards	102,518	107,842
Revenue		
Credit cards commission income	1,491	1,558
Expenses		
Convertible AEON-Card points purchased	(2,168)	(2,090)
Office and promotion space rental	(4,011)	(5,085)
AEON Big (M) Sdn. Bhd.		
Customers' transactions via related company*		
Sales through Easy Payment Schemes	2,601	2,783
Sales through AEON Credit Cards	1,288	439
Revenue		
Loyalty programme processing fee	5,516	5,717
Credit cards commission income	45	14
Expenses		
Office and promotion space rental	(2,095)	(1,702)
AEON Credit Service Systems (Philippines) Inc.		
Assets		
IT systems development cost	(4,087)	(3,414)
AEON Delight (Malaysia) Sdn. Bhd.		
Provision of financing		
Instalment scheme for purchase of equipment	–	2,021
Revenue		
Interest income from Easy Payment Schemes	184	178
Expenses		
Cleaning services	(544)	(421)
Immediate holding corporation		
AEON Financial Service Co., Ltd.		
Expenses		
Corporate support fees	(8,577)	(4,293)

* In the capacity as merchant of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2016 RM'000	2015 RM'000
Less than one year	9,372	12,523
Between one and five years	11,731	14,854

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

23. CAPITAL COMMITMENT

	2016 RM'000	2015 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	2,419	3,021

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
2016				
Financial assets				
Investments	24,239	–	24,239	–
Financing receivables and other receivables	5,420,282	5,420,282	–	–
Cash and bank balances	67,250	67,250	–	–
Derivative financial assets	478,224	–	–	478,224
	5,989,995	5,487,532	24,239	478,224
Financial liabilities				
Borrowings	(4,908,177)	(4,908,177)	–	–
Trade and other payables	(113,584)	(113,584)	–	–
	(5,021,761)	(5,021,761)	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	Derivatives used for hedging RM'000
2015				
Financial assets				
Investments	18,555	–	18,555	–
Financing receivables and other receivables	4,564,352	4,564,352	–	–
Cash and bank balances	48,668	48,668	–	–
Derivative financial assets	212,921	–	–	212,921
	4,844,496	4,613,020	18,555	212,921
Financial liabilities				
Borrowings	(3,821,667)	(3,821,667)	–	–
Trade and other payables	(118,709)	(118,709)	–	–
	(3,940,376)	(3,940,376)	–	–

24.2 Net gains and losses arising from financial instruments

	Year ended 29.2.2016 RM'000	21.2.2014 to 28.2.2015 RM'000
Net gains/(losses) on:		
Loans and receivables	747,168	687,327
Financial liabilities measured at amortised cost	(163,230)	(137,294)
	583,938	550,033

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.3 Financial risk management (continued)

(a) Financial risk management objectives and policies (continued)

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.

Quarterly reporting is made to Audit Committee and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

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 year, 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 RM3,215,848,000 (2015: RM2,561,058,000) 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 Review Department ("CPRD") undertakes regular and comprehensive analysis of credit portfolios and reports to the RMC on emerging credit issues.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

Credit quality and allowance for impairment losses

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

	Gross RM'000	Collective impairment losses RM'000	Net RM'000
29.2.2016			
Not past due	4,964,552	(6,061)	4,958,491
Past due 1 month	329,450	(12,715)	316,735
Past due 2 to 3 months	112,012	(22,317)	89,695
Past due more than 3 months	136,823	(96,828)	39,995
	578,285	(131,860)	446,425
	5,542,837	(137,921)	5,404,916

Note 24.4(a)

28.2.2015			
Not past due	4,175,337	(7,919)	4,167,418
Past due 1 month	262,600	(13,602)	248,998
Past due 2 to 3 months	85,987	(23,563)	62,424
Past due more than 3 months	128,419	(90,214)	38,205
	477,006	(127,379)	349,627
	4,652,343	(135,298)	4,517,045

Note 24.4(a)

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

	2016 RM'000	2015 RM'000
At 1 March /21 February	135,298	91,449
Impairment loss recognised	288,420	224,917
Impairment loss written off	(285,797)	(181,068)
At 29 February /28 February	137,921	135,298

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Credit risk (continued)

- (b) Included in net financing receivables is an amount of RM135,704,000 (2015: RM111,013,000) which are under renegotiated/restructured activities.

Renegotiated/restructured activities include extended payment arrangements, and the modification and deferral of payments. The Company have impaired RM32,193,000 (2015: RM15,972,000) of the renegotiated/restructured financing receivables. The status of renegotiated/restructured receivables are as follows:

	2016 RM'000	2015 RM'000
Not past due	91,422	83,885
Past due 1 month	24,552	17,377
Past due 2 to 3 months	12,250	7,246
Past due more than 3 months	7,480	2,505
	135,704	111,013

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 year, 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.

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 year, 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 year, there was no indication that the advances to the related company are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 year 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
2016							
Financial assets							
Cash and bank balances	67,250	-	67,250	67,250	-	-	-
Financing receivables	5,404,916	19.91%*	7,304,700	2,579,327	1,529,432	2,455,753	740,188
Other receivables and deposits	15,366	-	15,366	15,366	-	-	-
Investments	24,239	-	24,239	24,239	-	-	-
	5,511,771		7,411,555	2,686,182	1,529,432	2,455,753	740,188
Financial liabilities							
Bank overdraft	50,026	3.65%	50,031	50,031	-	-	-
Unsecured term loan/ financing	4,457,517	3.85% - 4.75%	4,997,676	455,574	486,508	4,055,594	-
Unsecured medium term notes	200,000	4.00%	209,826	-	209,826	-	-
Unsecured revolving credits	200,634	3.66%-3.74%	200,978	200,978	-	-	-
Trade and other payables	113,584	-	113,584	113,584	-	-	-
	5,021,761		5,572,095	820,167	696,334	4,055,594	-

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 year.

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
2015							
Financial assets							
Cash and bank balances	48,668	-	48,668	48,668	-	-	-
Financing receivables	4,517,045	19.57%*	6,011,054	2,062,232	1,447,052	2,016,631	485,139
Other receivables and deposits	47,307	-	47,307	47,307	-	-	-
Investments	18,555	-	18,555	-	-	-	18,555
	<u>4,631,575</u>		<u>6,125,584</u>	<u>2,158,207</u>	<u>1,447,052</u>	<u>2,016,631</u>	<u>503,694</u>
Financial liabilities							
Bank overdraft	74,754	3.65%	74,762	74,762	-	-	-
Unsecured term loan/ financing	3,134,023	3.85%-4.75%	3,531,546	375,250	437,409	2,718,887	-
Unsecured medium term notes	200,000	4.00%	217,848	-	-	217,848	-
Unsecured revolving credits	387,890	3.54%-3.85%	388,708	388,708	-	-	-
Asset backed medium term notes	25,000	4.21%	25,214	25,214	-	-	-
Trade and other payables	118,709	-	118,709	118,709	-	-	-
	<u>3,940,376</u>		<u>4,356,787</u>	<u>982,643</u>	<u>437,409</u>	<u>2,936,735</u>	<u>-</u>

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 year.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Market risk (continued)

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 year.

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 year was:

	Note	Denominated in USD RM'000	JPY RM'000
2016			
Inter-company balances		-	(3,985)
Borrowings	(i)	(2,898,152)	-
Net exposure		(2,898,152)	(3,985)
2015			
Inter-company balances		-	(5,170)
Borrowings	(i)	(1,902,913)	-
Net exposure		(1,902,913)	(5,170)

- (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 2016 was RM2,898,152,000 and RM3,985,000 (2015: RM1,902,913,000 and RM5,170,000) 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.

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 year 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.

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 (continued)

	Profit or loss			
	2016	2016	2015	2015
	10% increase RM'000	10% decrease RM'000	10% increase RM'000	10% decrease RM'000
JPY	(303)	303	(388)	388

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(j). 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 year was:

	2016 RM'000	2015 RM'000
Fixed rate instruments		
Financial liabilities	1,960,000	1,844,000
Floating rate instruments		
Financial liabilities	2,948,177	1,977,667

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 year 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 year 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			
	2016 100 bp increase RM'000	2016 100 bp decrease RM'000	2015 100 bp increase RM'000	2015 100 bp decrease RM'000
Floating rate instruments	(22,406)	22,406	(14,832)	14,832

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 RM2,376,872,000 (2015: RM1,678,199,000). The forward exchange contracts and cross currency interest rate swaps have the same nominal value of RM2,376,872,000 (2015: RM1,678,199,000) and are to be settled in full upon maturity.

The following table indicates the years in which the cash flows associated with the derivative financial assets with carrying amount of RM478,224,000 (2015: derivative financial assets with carrying amount of RM212,921,000) 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
2016				
Forward exchange contract and cross currency interest rate swaps (gross settled):				
Outflow	(2,669,245)	(325,232)	(292,236)	(2,051,777)
Inflow	2,467,872	261,171	233,005	1,973,696
	(201,373)	(64,061)	(59,231)	(78,081)

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.7 Hedging activities (continued)

Cash flow hedge (continued)

	Expected cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2015				
Forward exchange contract and cross currency interest rate swaps (gross settled):				
Outflow	(1,882,515)	(276,183)	(280,733)	(1,325,599)
Inflow	1,726,097	227,652	194,178	1,304,267
	(156,418)	(48,531)	(86,555)	(21,332)

During the financial year, a loss of RM23,877,000 (2015: loss of RM810,000) 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 year.

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 are 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
2016										
Financial assets										
Financing receivables										
- current	-	-	-	-	-	-	1,774,878	1,774,878	1,774,878	1,774,878
- non-current	-	-	-	-	-	-	3,778,374	3,778,374	3,778,374	3,630,038
Other receivables and deposits	-	-	-	-	-	-	15,366	15,366	15,366	15,366
Derivatives designated as hedging instruments	-	478,224	-	478,224	-	-	-	-	478,224	478,224
	-	478,224	-	478,224	-	-	5,568,618	5,568,618	6,046,842	5,898,506
Financial liabilities										
Term loans/ financing (unsecured)	-	-	-	-	-	-	3,978,216	3,978,216	3,978,216	4,014,649
Medium term notes (unsecured)	-	-	-	-	-	-	199,945	199,945	199,945	200,000
	-	-	-	-	-	-	4,178,161	4,178,161	4,178,161	4,214,649
2015										
Financial assets										
Financing receivables										
- current	-	-	-	-	-	-	1,706,015	1,706,015	1,706,015	1,706,015
- non-current	-	-	-	-	-	-	2,984,631	2,984,631	2,984,631	2,811,030
Other receivables and deposits	-	-	-	-	-	-	47,307	47,307	47,307	47,307
Derivatives designated as hedging instruments	-	212,921	-	212,921	-	-	-	-	212,921	212,921
	-	212,921	-	212,921	-	-	4,737,953	4,737,953	4,950,874	4,777,273
Financial liabilities										
Term loans/ financing (unsecured)	-	-	-	-	-	-	2,732,433	2,732,433	2,732,433	2,765,526
Medium term notes (unsecured)	-	-	-	-	-	-	190,981	190,981	190,981	200,000
Asset backed medium term notes (secured)	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	2,923,414	2,923,414	2,923,414	2,965,526

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 year.

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 year.

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 2016 and 2015 were as follows:

	2016 RM'000	2015 RM'000
Total borrowings (Note 10)	4,908,177	3,821,667
Less: Cash and bank balances (Note 8)	(67,250)	(48,668)
Net debt	4,840,927	3,772,999
Total equity	1,060,818	955,712
Debt-to-equity ratio	4.563	3.948

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

NOTES TO THE FINANCIAL STATEMENTS

(continued)

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

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

	2016 RM'000	2015 RM'000
Total retained earnings of the Company:		
- Realised	662,484	547,851
- Unrealised	39,043	24,693
Total retained earnings as per statement of changes in equity	701,527	572,544

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 52 to 95 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 29 February 2016 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 26 on page 96 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

Kenji Fujita

Kuala Lumpur,

Date: 5 May 2016

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Lee Kit Seong**, the Director primarily responsible for the financial management of AEON Credit Service (M) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 96 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 5 May 2016.

Lee Kit Seong

Before me:

Kalasagar Nair
No. W 513

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AEON CREDIT SERVICE (M) BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AEON Credit Service (M) Berhad, which comprise the statement of financial position as at 29 February 2016, 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 52 to 95.

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 29 February 2016 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AEON CREDIT SERVICE (M) BERHAD

(continued)

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 26 on page 96 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: 5 May 2016

Chan Kam Chiew

Approval Number: 2055/06/16(J)
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2016

Authorised Share Capital	:	RM 100,000,000
Paid-up share capital	:	RM 72,000,000
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	244	7.56	3,802	0.00
100 - 1,000	1,160	35.93	668,408	0.46
1,001 - 10,000	1,377	42.66	4,607,127	3.20
10,001 - 100,000	358	11.09	10,663,883	7.41
100,001 - 7,199,999 (*)	88	2.73	42,088,780	29.23
7,200,000 and Above (**)	1	0.03	85,968,000	59.70
TOTAL	3,228	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

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*	61.85

Notes:

* Deemed interested in the shares held by AEON Financial Service Co., Ltd and AEON Co. (M) Bhd. by virtue of Section 6A of the Companies Act, 1965.

DIRECTORS' INTEREST AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name	Direct Interest	No of Shares %	Indirect Interest	%
1	Dato' Abdullah bin Mohd Yusof	30,180	0.02	51,000*	0.04
2	Dato' Ramli bin Ibrahim	100,000	0.07	-	-
3	Dato' Md Kamal bin Ismaun	6,000	0.00	-	-
4	Ng Eng Kiat	12,000	0.01	-	-
5	Kenji Fujita	-	-	-	-
6	Krishnappan A/L S.P.S Singaram	108,000	0.08	-	-
7	Lee Tyan Jen	23,774	0.02	-	-
8	Lee Kit Seong	-	-	-	-
9	Nuntawat Chotvijit	-	-	-	-
10	Kiyooki Takano	36,000	0.03	-	-

Note:

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

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2016

(continued)

LIST OF TOP THIRTY (30) SHAREHOLDERS

No.	Name	No of shares	shares held
1	AEON FINANCIAL SERVICE CO LTD	85,968,000	59.70%
2	AEON CO. (M) BHD.	3,096,000	2.15%
3	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	2,824,600	1.96%
4	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-BTR)	2,798,000	1.94%
5	SIA TONG HOCK	2,312,800	1.61%
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	2,171,700	1.51%
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	1,670,000	1.16%
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	1,480,000	1.03%
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	1,396,300	0.97%
10	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A. (2)	1,318,500	0.91%
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	1,014,100	0.70%
12	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK INTERNATIONAL OPPORTUNITIES FUND	745,040	0.52%
13	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	645,840	0.45%
14	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK EMERGING MARKETS OPPORTUNITIES FUND	631,100	0.44%
15	NARUHITO KURODA	615,000	0.43%
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR SAHAM AMANAH SABAH (ACC 2-940410)	597,500	0.41%
17	MOTOYA OKADA	576,000	0.40%
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT - HW FLEXI FUND (270519)	562,000	0.39%
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (CIMB-P 6939-404)	552,200	0.38%
20	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG GROWTH FUND	551,100	0.38%
21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG	526,560	0.37%
22	YOSHIKI MORI	526,000	0.37%
23	LEONG LI NAR	516,000	0.36%
24	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK GLOBAL OPPORTUNITIES FUND	503,480	0.35%
25	HLB NONIMEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG	474,700	0.33%
26	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	467,380	0.32%
27	DB (MALAYSIA) NOMINEE (TEMPATNA) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND	453,000	0.31%
28	WONG CHEE LING	447,500	0.31%
29	LEONG SOO KENG	440,400	0.31%
30	AMANAHRAYA TRUSTEES BERHAD AFFIN HWANG PRINCIPLED GROWTH FUND	432,000	0.30%
		116,312,800	80.77%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting ("19th AGM") of AEON Credit Service (M) Berhad will be held at Pullman Kuala Lumpur City Centre Hotel & Residences, Jalan Conlay, 50450 Kuala Lumpur on Tuesday, 21 June 2016 at 10.30 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 29 February 2016 together with the Reports of the Directors and Auditors thereon. | (Please refer to Note (i) of the Explanatory Notes) |
| 2. | To approve the payment of a final dividend of 29.60 sen per ordinary share of RM0.50 each under single-tier system in respect of the financial year ended 29 February 2016. | Ordinary Resolution 1 |
| 3. | To approve the Directors' Fees of RM519,000.00 for the financial year ended 29 February 2016 and payment thereof. | Ordinary Resolution 2 |
| 4. | To re-elect Dato' Md Kamal Bin Ismaun who is retiring in accordance with Article 129 of the Articles of Association of the Company. | Ordinary Resolution 3 |
| 5. | To re-elect Mr. Ng Eng Kiat who is retiring in accordance with Article 129 of the Articles of Association of the Company. | Ordinary Resolution 4 |
| 6. | To re-elect Mr. Kiyoaki Takano who is retiring in accordance with Article 134 of the Articles of Association of the Company. | Ordinary Resolution 5 |
| | Mr. Nuntawat Chotvijit who retires in accordance with Article 134 of the Articles of Association of the Company, has expressed his intention not to seek re-election at the 19 th AGM and will retain office until the conclusion of the 19 th AGM. | |
| 7. | To re-appoint Dato' Abdullah Bin Mohd Yusof as Director pursuant to Section 129(6) of the Companies Act, 1965. | Ordinary Resolution 6 |
| 8. | To re-appoint Datuk Ramli Bin Ibrahim as Director pursuant to Section 129(6) of the Companies Act, 1965. | Ordinary Resolution 7 |
| 9. | To re-appoint Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 8 |

As Special Business

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

- | | | |
|-----|---|-----------------------|
| 10. | Authority for Dato' Abdullah Bin Mohd Yusof to continue in office as Independent Non-Executive Director | Ordinary Resolution 9 |
| | "THAT authority be and is hereby given to Dato' Abdullah Bin Mohd Yusof who has served as an Independent Non-Executive Director of the Company for a cumulative term of nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012." | |

NOTICE OF ANNUAL GENERAL MEETING (continued)

- | | |
|---|--------------------------------------|
| <p>11. Authority for Datuk Ramli Bin Ibrahim to continue in office as Independent Non-Executive Director</p> <p>"THAT authority be and is hereby given to Datuk Ramli Bin Ibrahim who has served as an Independent Non-Executive Director of the Company for a cumulative term of nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012."</p> | <p>Ordinary Resolution 10</p> |
| <p>12. Authority for Dato' Md Kamal Bin Ismaun to continue in office as Independent Non-Executive Director</p> <p>"THAT authority be and is hereby given to Dato' Md Kamal Bin Ismaun who has served as an Independent Non-Executive Director of the Company for a cumulative term of nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012."</p> | <p>Ordinary Resolution 11</p> |
| <p>13. Authority for Mr. Ng Eng Kiat to continue in office as Independent Non-Executive Director</p> <p>"THAT authority be and is hereby given to Mr. Ng Eng Kiat who has served as an Independent Non-Executive Director of the Company for a cumulative term of nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with Malaysian Code of Corporate Governance 2012."</p> | <p>Ordinary Resolution 12</p> |
| <p>14. Proposed Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares</p> <p>"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue."</p> | <p>Ordinary Resolution 13</p> |
| <p>15. 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")</p> <p>"THAT, subject to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 27 May 2016 ("Circular") with the related parties mentioned therein which are necessary for the Company's day-to-day operations.</p> | <p>Ordinary Resolution 14</p> |

NOTICE OF ANNUAL GENERAL MEETING (continued)

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 entered into pursuant to the Proposed Shareholders' Mandate during the financial year with details on the nature and type of Recurrent Related Party Transactions, 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 of the Company following the forthcoming Annual General Meeting at which the Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the Annual General Meeting, the mandate is again renewed;
- ii) the expiration of the period within which the next Annual General Meeting 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 Companies Act, 1965); 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."

NOTICE OF ANNUAL GENERAL MEETING (continued)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the Nineteenth Annual General Meeting, a final dividend of 29.60 sen per ordinary share of RM0.50 each under singler-tier system in respect of the financial year ended 29 February 2016 will be paid to shareholders on 15 July 2016. The entitlement date for the said dividend shall be 28 June 2016.

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

- (a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 28 June 2016 in respect of transfers; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

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

Selangor Darul Ehsan

Date: 27 May 2016

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. 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.
3. 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.
4. 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.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2016 (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 the 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 9 – Authority for Dato’ Abdullah Bin Mohd Yusof to continue in office as Independent Non-Executive Director**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Dato’ Abdullah Bin Mohd Yusof, who has served as Independent Non-Executive Director of the Company for a cumulative term of nine years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the justification as set out in Appendix I.

(iii) **Ordinary Resolution 10 – Authority for Datuk Ramli Bin Ibrahim to continue in office as Independent Non-Executive Director**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Datuk Ramli Bin Ibrahim, who has served as Independent Non-Executive Director of the Company for a cumulative term of nine years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the justification as set out in Appendix I.

(iv) **Ordinary Resolution 11 – Authority for Dato’ Md Kamal Bin Ismaun to continue in office as Independent Non-Executive Director**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Dato’ Md Kamal Bin Ismaun, who has served as Independent Non-Executive Director of the Company for a cumulative term of nine years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the justification as set out in Appendix I.

(v) **Ordinary Resolution 12 – Authority for Mr. Ng Eng Kiat to continue in office as Independent Non-Executive Director**

The Board of Directors has via the Nomination Committee conducted an annual performance evaluation and assessment of Mr. Ng Eng Kiat, who has served as Independent Non-Executive Director of the Company for a cumulative term of nine years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the justification as set out in Appendix I.

(vi) **Ordinary Resolution 13 – Proposed Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares**

The Ordinary Resolution 13 proposed under item 14 of the Agenda is a general mandate for issuance of shares by the Company under Section 132D of the Companies Act, 1965. 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 Annual General Meeting of the Company.

This 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 acquisition(s).

NOTICE OF ANNUAL GENERAL MEETING (continued)

(vii) Ordinary Resolution 14 – Proposed Shareholders' Mandate

Ordinary Resolution 14 proposed, if passed, will allow the Company to enter into recurrent related party transactions in accordance with paragraph 10.09 of the MMLR of Bursa Securities 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 Company or affecting the business opportunities available to the Company. The proposed shareholders' mandate is subject to renewal on an annual basis.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

APPENDIX I

1. ORDINARY RESOLUTION NO. 9

- **Authority for Dato' Abdullah Bin Mohd Yusof to continue in office as Independent Non-Executive Director**

Justification

- a. he fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgment to the Board;
- b. his vast experience in the financial service and legal industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
- c. he has been with the Company for more than nine years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at Board meetings without compromising his independence and objective judgement;
- d. he has devoted sufficient time and efforts and attended all the Board meetings as well as meeting the Management prior to Board meetings for informed and balanced decision making;
- e. he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders; and
- f. the current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for continued stability and growth.

2. ORDINARY RESOLUTION NO. 10

- **Authority for Datuk Ramli Bin Ibrahim to continue in office as Independent Non-Executive Director**

Justification

- a. he fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgment to the Board;
- b. his experience in the audit and accounting industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
- c. he has been with the Company for more than nine years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at Audit Committee and Board meetings without compromising his independence and objective judgement;
- d. he has devoted sufficient time and efforts and attended all the Audit Committee and Board meetings as well as meeting the Management prior to Audit Committee and Board meetings for informed and balanced decision making;
- e. he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders; and
- f. the current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for continued stability and growth.

APPENDIX I (continued)

3. ORDINARY RESOLUTION NO. 11

- **Authority for Dato' Md Kamal Bin Ismaun to continue in office as Independent Non-Executive Director**

Justification

- a. he fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgment to the Board;
- b. his experience enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
- c. he has been with the Company for nine years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at Audit Committee and Board meetings without compromising his independence and objective judgement;
- d. he has devoted sufficient time and efforts and attended all the Audit Committee and Board meetings as well as meeting the Management prior to Audit Committee and Board meetings for informed and balanced decision making;
- e. he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders; and
- f. the current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for continued stability and growth.

4. ORDINARY RESOLUTION NO. 12

- **Authority for Mr. Ng Eng Kiat to continue in office as Independent Non-Executive Director**

Justification

- a. he fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgment to the Board;
- b. his experience in the audit and accounting industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
- c. he has been with the Company for nine years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at Audit Committee and Board meetings without compromising his independence and objective judgement;
- d. he has devoted sufficient time and efforts and attended all the Audit Committee and Board meetings as well as meeting the Management prior to Audit Committee and Board meetings for informed and balanced decision making;
- e. he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders; and
- f. the current independent directors are strong individuals demonstrating independence. Independence is a result of a director's state of mind and integrity and not dependent on years of service. The experience of the independent directors in the Company is valuable for determining the strategic direction for continued stability and growth.

PROXY FORM

AEON CREDIT SERVICE (M) BERHAD

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

No. of Shares	
CDS account No.	

I/We _____ NRIC/Company No. _____

of _____

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

NRIC No. _____

of _____

or failing him/her, _____

NRIC 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 Nineteenth Annual General Meeting of the Company to be held at Pullman Kuala Lumpur City Centre Hotel & Residences, Jalan Conlay, 50450 Kuala Lumpur on Tuesday, 21 June 2016 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 persons to be your proxy.

No.	Resolution	For	Against
ORDINARY BUSINESS			
Ordinary Resolution 1	Approval of the payment of a final dividend of 29.60 sen per ordinary share of RM0.50 each under single-tier system in respect of the financial year ended 29 February 2016.		
Ordinary Resolution 2	Approval of the Directors' Fees of RM519,000.00 for the financial year ended 29 February 2016 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. Kiyoaki Takano.		
Ordinary Resolution 6	Re-appointment of Dato' Abdullah Bin Mohd Yusof as Director pursuant to Section 129(6) of the Companies Act, 1965.		
Ordinary Resolution 7	Re-appointment of Datuk Ramli Bin Ibrahim as Director pursuant to Section 129(6) of the Companies Act, 1965.		
Ordinary Resolution 8	Re-appointment of Messrs. KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
Ordinary Resolution 9	Authority for Dato' Abdullah Bin Mohd Yusof to continue in office as Independent Non-Executive Director.		
Ordinary Resolution 10	Authority for Datuk Ramli Bin Ibrahim to continue in office as Independent Non-Executive Director.		
Ordinary Resolution 11	Authority for Dato' Md Kamal Bin Ismaun to continue in office as Independent Non-Executive Director.		
Ordinary Resolution 12	Authority for Mr. Ng Eng Kiat to continue in office as Independent Non-Executive Director.		
Ordinary Resolution 13	Proposed Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares.		
Ordinary Resolution 14	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 2016.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	Percentage	
Proxy 1		%
Proxy 2		%
Total		100%

Signature or Common Seal of Shareholder(s)

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 13 June 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 May 2016.



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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

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AEON Credit Branch Network

Northern Region

- Alor Setar
- AEON Big Alor Setar
- Raja Uda
- Penang Inderawasih
- AEON Queensbay
- AEON Mall Bukit Mertajam
- AEON Big Prai
- Ipoh
- AEON Ipoh Station 18
- AEON Seri Manjung
- AEON Mall Taiping
- AEON Mall Ipoh Klebang
- AEON Big Ipoh Midtown

Central Region

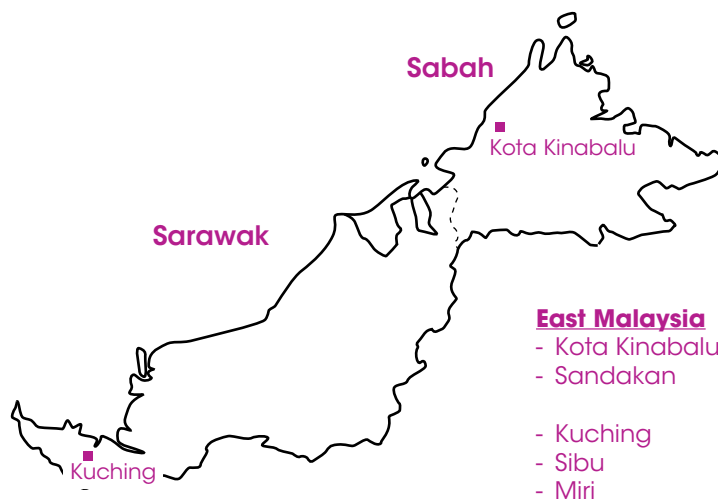
- Menara Olympia
- Setapak
- AEON Mid Valley
- AEON Metro Prima
- Bandar Sri Permaisuri
- AEON AU2
- AEON Big Mid Valley
- AEON Big Wangsa Maju
- Kajang
- USJ Subang
- Bangi
- AEON Bukit Tinggi
- AEON Bukit Raja
- AEON Taman Equine
- AEON Big Bukit Rimau
- AEON Big Section 23
- AEON Big Kota Damansara
- Seremban
- AEON Seremban 2

Eastern Region

- Kota Bharu
- Kuala Terengganu
- Kuantan
- Temerloh

Southern Region

- Melaka
- AEON Bandaraya Melaka
- Johor Bahru
- AEON Tebrau City
- AEON Mall Kulaijaya
- AEON Big Batu Pahat
- Batu Pahat
- AEON Bukit Indah
- AEON Big Kluang
- AEON Big Johor Bahru



East Malaysia

- Kota Kinabalu
- Sandakan
- Kuching
- Sibul
- Miri



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

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