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**6. FUTURE FINANCIAL INFORMATION**


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**6.1 Profit Forecast**

Our Directors forecast that our profit forecast for the FYE 2008 will be as follows:

FYE	<b>Forecast 2008 RM 000</b>
Revenue	<u>157,738</u>
PBT	41,790
Taxation	<u>(11,290)</u>
PAT	<u>30,500</u>
Number of Shares assumed in issue (000)	120,000
<u>Basic/Diluted EPS*</u>	
Gross EPS <sup>(1)</sup> (sen)	34.83
Net EPS <sup>(2)</sup> (sen)	25.42
<u>PE Multiple</u>	
Net PE Multiple <sup>(3)</sup> (times)	9.84
Interest cover <sup>(4)</sup> (times)	2.80

**Notes:**

\* *Gross EPS and Net EPS on a diluted basis are the same as Basic Gross EPS and Net EPS respectively, as there were no potential Shares assumed to be issued upon completion of our IPO.*

(1) *Computed based on PBT divided by the number of Shares assumed in issue.*

(2) *Computed based on PAT divided by the number of Shares assumed in issue.*

(3) *Computed based on the IPO Price divided by Net EPS.*

(4) *Computed based on our forecast profit from operations of RM65.001 million divided by the forecast finance cost of RM23.204 million for the FYE 2008.*

Please refer to Section 6.5 of this Prospectus for detailed information on the principal assumptions upon which the profit forecast has been prepared.

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**6. FUTURE FINANCIAL INFORMATION (Cont'd)**

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**6.2 Dividend Forecast and Policy**

Our Board intends to declare and pay dividends of not less than 30% of our PAT in respect of the FYE 2008, amounting to not less than 7.63 sen per Share less tax. Based on the corporate tax rate of 26% for the FYE 2008, the corresponding net dividend payout will be not less than 5.65 sen per Share. This would result in a gross dividend cover and net dividend cover (computed based on Basic Gross EPS/Basic Net EPS per Share over gross/net dividend per Share respectively) of approximately 4.56 times and 4.50 times respectively. Correspondingly, based on the IPO Price of RM2.50, the gross dividend yield and net dividend yield is approximately 3.05% and 2.26% respectively, while the gross dividend rate and net dividend rate is approximately 15.26% and 11.30% respectively.

**Our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.**

Our Directors will consider the following general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends.

- (i) the level of our cash and level of indebtedness;
- (ii) required and expected interest expense, cash flows, our profits and return on equity and retained earnings;
- (iii) our expected results of operations and future level of operations;
- (iv) the availability of tax credits to frank dividends, where applicable; and
- (v) our projected levels of capital expenditure and other investment plans.

Nonetheless, future dividends may be waived if:

- (i) our Company is in a loss position for the relevant financial year;
- (ii) our Company has insufficient cashflows to meet any dividend payment;
- (iii) our Company has insufficient tax credits for distribution of dividends, where applicable; or
- (iv) our Company requires further capital for our business expansion.

You should note that all foregoing statements are merely statements of our present intention and are not legally binding statements in respect of the future dividends or dividends payable pursuant thereto, and are subject to modification (including reducing the pay-out ratio or amending or repealing the dividend policy) at our Directors' sole and absolute discretion.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

## 6. FUTURE FINANCIAL INFORMATION (*Cont'd*)

### 6.3 Sensitivity Analysis

The forecast of our Company for the FYE 2008 is sensitive to three (3) key variables; sales volume, allowance for bad and doubtful debts and finance costs. As these key variables are areas that are material and are subject to a high probability of variation or high degree of uncertainty, sensitivity analysis has been prepared based on these key variables.

Due care should be taken in interpreting the sensitivity analysis set out below. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the profit forecast for the FYE 2008. In practice, changes in variables may offset each other or may be additive, and it is likely that our Company would respond to any adverse change in one variable by taking action to minimise the net effect on our Company's results.

The principal bases and assumption upon which the sensitivity analysis on our forecast PAT has been made are as follows:

- (i) The selected variable will vary  $\pm 5\%$ ,  $\pm 10\%$  and  $\pm 15\%$  from the base case; and
- (ii) All other components are assumed to remain constant/ unchanged.

The following scenario attempts to show the impact on our PAT resulting from variations in:

- (a) the sales volume for our Easy Payment Scheme, Personal Financing Scheme and credit card business ("Financing Business"). Sales volume represents total transaction amount for financing under the Easy Payment Scheme and Personal Financing Scheme, and in the case of credit card, refers to total transaction amount for credit card retail transactions and cash advance transactions using the credit cards issued by our Company;
- (b) the allowance for bad and doubtful debts for the Financing Business; and
- (c) the finance costs incurred for the Financing Business.

#### (A) Variation in Sales Volume for the Financing Business

FYE	Forecast 2008	
	RM 000	%
+15%	36,320	119.08
+10%	34,400	112.79
+5%	32,420	106.30
Base case PAT	30,500	100.00
-5%	28,540	93.57
-10%	26,580	87.15
-15%	24,640	80.79

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**6. FUTURE FINANCIAL INFORMATION (Cont'd)**


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**(B) Variation in Allowance for Bad and Doubtful Debts for the Financing Business**

FYE	Forecast 2008	
	RM 000	RM 000
+15%	26,710	87.57
+10%	27,973	91.71
+5%	29,237	95.86
Base case PAT	30,500	100.00
-5%	31,763	104.14
-10%	33,027	108.29
-15%	34,290	112.43

**(C) Variation in Finance Costs Incurred for the Financing Business**

FYE	Forecast 2008	
	RM 000	%
+15%	27,652	90.66
+10%	28,601	93.77
+5%	29,551	96.89
Base case PAT	30,500	100.00
-5%	31,450	103.11
-10%	32,399	106.23
-15%	33,349	109.34

**Comments**

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 6.5 of this Prospectus and assumes all other variables remain unchanged save for the 5%, 10% and 15% upward and downward variation in the sales volume for the Financing Business, allowance for bad and doubtful debts for the Financing Business and finance costs incurred for the Financing Business.

**6.4 Directors' Analysis and Commentary on Our Profit Forecast**

Our Directors have reviewed and analysed the bases and assumptions used in arriving at our profit forecast for the FYE 2008. Our Directors are of the opinion that the profit forecast is fair and reasonable in light of the future plans, strategies and prospects of our Company as set out in Section 11 of this Prospectus, the future prospects of our industry as set out in Section 10 of this Prospectus and after taking into consideration the expected level of gearing, liquidity, capital expenditure and working capital requirements of our Company.

Premised on the foregoing, our Directors believe that we will be able to achieve the profit forecast for the FYE 2008. The profit forecast has been prepared on bases and accounting principles consistent with those previously adopted in the preparation of our audited financial statements for the FYE 2007 and five (5)-month period ended 20 July 2007.

Nevertheless, these bases and assumptions cover future periods for which there are inherent risks, and therefore, should be treated with caution. These bases and assumptions are subject to significant uncertainties and contingencies, which are often outside our control. Therefore, certain assumptions used in the preparations of the profit forecast may differ significantly from the actual situation after the date of this profit forecast.

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6. FUTURE FINANCIAL INFORMATION (*Cont'd*)

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6.5 Reporting Accountants' Letter on AEON Credit's Profit Forecast for the FYE 2008



**KPMG (Firm No. AF 0758)**  
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Internet www.kpmg.com.my

The Board of Directors  
AEON Credit Service (M) Berhad  
Level 7, Setia 1  
15, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur

Our ref.: A8/TCDS/MWK/JCPP

16 October 2007

Dear Sirs

**Reporting accountants' letter on the profit forecast for the financial year ending 20 February 2008**

We have reviewed the profit forecast of AEON Credit Service (M) Berhad ("AEON Credit" or the "Company") for the financial year ending 20 February 2008, as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing AI 3400 : The Examination of Prospective Financial Information applicable to the review of forecast. The profit forecast has been prepared for inclusion in the Prospectus to be dated 16 November 2007 in connection with the listing of AEON Credit on the Main Board of Bursa Malaysia Securities Berhad and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the profit forecast is, in all material aspects, properly prepared on the basis of the assumptions made by the Directors of AEON Credit and is presented on a basis consistent with the accounting policies adopted and disclosed by AEON Credit in its audited financial statements for the financial year ended 20 February 2007. The Directors of AEON Credit are solely responsible for the preparation and presentation of the profit forecast and the assumptions on which the profit forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

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6. FUTURE FINANCIAL INFORMATION (*Cont'd*)

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Subject to the matters stated in the preceding paragraphs:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of AEON Credit, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit forecast; and
- (ii) in our opinion, the profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors of AEON Credit and is presented on a basis consistent with the accounting policies adopted and disclosed by AEON Credit in its audited financial statements for the financial year ended 20 February 2007.

Yours faithfully

A handwritten signature of 'KPMG' in black ink.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Shiang'.

**Chong Dee Shiang**  
Partner  
Approval Number: 2782/09/08(J)

## 6. FUTURE FINANCIAL INFORMATION (Cont'd)

## Appendix I

## AEON Credit Service (M) Berhad ("AEON Credit")

## Profit Forecast For The Financial Year Ending 20 February 2008 Together With Underlying Bases and Assumptions

The Directors of AEON Credit forecast that the profit forecast of AEON Credit for the financial year ending 20 February 2008 will be as follows:

	Forecast 20 February 2008 RM'000
Revenue	<u>157,738</u>
Profit before taxation	41,790
Taxation	(11,290)
Profit after taxation	<u>30,500</u>
Number of ordinary shares of RM0.50 each in AEON Credit ("AEON Credit Shares") assumed in issue ('000)	120,000 <sup>(i)</sup>
Net earnings per share ("EPS") <sup>(ii)</sup> (sen)	25.42
Net PE Multiple <sup>(iii)</sup> (times)	9.84

**Notes:**

- (i) Based on the enlarged issued and paid-up capital of 120,000,000 AEON Credit Shares assumed in issue on the assumption that the offer for sale and public issue will be completed by the financial year ending 20 February 2008.
- (ii) Net EPS is computed based on profit after taxation divided by the number of AEON Credit Shares assumed in issue.
- (iii) Net PE Multiple is computed based on the IPO Price of RM2.50 divided by Net EPS.



## 6. FUTURE FINANCIAL INFORMATION (Cont'd)

## Appendix I

## AEON Credit Service (M) Berhad ("AEON Credit")

## Profit Forecast For The Financial Year Ending 20 February 2008

The principal bases and assumptions upon which the profit forecast has been prepared are as follows:

## A. Listing

The listing exercise of AEON Credit will involve the following:

## (i) Offer for Sale

In conjunction with the listing of AEON Credit, AEON Credit Service Co., Ltd will undertake an offer for sale of 20,000,000 AEON Credit Shares at an offer price of RM2.50 to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

## (ii) Public Issue

Public issue of 22,000,000 new AEON Credit Shares at an issue price of RM2.50 per AEON Credit Share ("Public Issue"). The Public Issue involves the following:

- (a) 6,000,000 AEON Credit Shares to be made available for application by the Malaysian public, whereby 30% of the 6,000,000 AEON Credit Shares will be set aside for Bumiputera investors;
- (b) 15,500,000 AEON Credit Shares to be made available for application by the Bumiputera investors approved by MITI; and
- (c) 500,000 AEON Credit Shares to be made available for application by eligible Directors, employees and business associates of AEON Credit.

## B. Specific assumptions

## 1. Easy Payment schemes and Personal Financing schemes

- (i) The average instalment period and interest/profit rate are expected to be as follows:

Product	Average finance period (in months)	Average interest/profit rate per month
General Easy Payment ("GEP")	20	1.32% - 1.35%
Motorcycle Easy Payment ("MEP")	36	1.25% - 1.28%
Personal Financing ("PF")	18	1.27% - 1.30%





## 6. FUTURE FINANCIAL INFORMATION (Cont'd)

## Appendix I

- (ii) The growth rate of sales volume<sup>1</sup> for each product against the previous financial year is assumed as follows:

Product	Growth rate
GEP	18%
MEP	21%
PF	75%

<sup>1</sup> Sales volume refers to total transaction amount for financing under the GEP, MEP and PF Scheme.

## 2. Credit card

- (i) Finance charges imposed on customers for credit purchase and cash advance are assumed at 1.40% and 1.50% per month respectively.
- (ii) The growth rate of credit card sales volume<sup>2</sup> against the previous financial year is assumed as follows:

Type of credit card transaction	Growth rate
Credit purchase	17%
Cash advance	-22%

- (iii) The following estimates are made in respect of the credit card business:

Credit card active ratios	60%
Revolving ratio	87%

<sup>2</sup> Sales volume refers to total transaction amount for credit card retail transactions and cash advance transactions using the credit cards issued by the Company.

3. There will be no significant variation in the level of allowance required for bad and doubtful debts during the forecast period. Allowance for doubtful debts will be made based on the current policy which is as follows:

Overdue 2	(>48 days overdue)	General allowance is made based on management's judgement and past experience judgement
Overdue 3 and above	(>78 days overdue)	100% allowance on balance amount

4. The average financing cost of AEON Credit is assumed to be at 4.97% per annum.
5. Depreciation is based on existing assets as well as new capital expenditure to be incurred which is forecast at RM19.41 million.
6. Corporate tax rate is assumed to be at 26% while the effective tax rate is forecast at 27.02%.



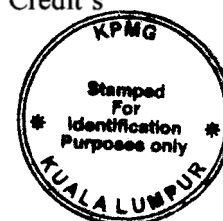
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**6. FUTURE FINANCIAL INFORMATION (Cont'd)**

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**Appendix I****C. General assumptions**

1. There will be no significant changes in the current principal activities of AEON Credit.
2. There will be no significant changes in the existing senior management and operational policies, which will adversely affect AEON Credit.
3. There will be no significant changes to the prevailing economic and political conditions in Malaysia and elsewhere that will have direct or indirect effects on the operations of AEON Credit or the markets in which it operates.
4. There will be no significant changes to present legislation or Government regulations, tax rates and basis of taxation in Malaysia which will adversely affect the operations of AEON Credit or the markets in which it operates.
5. There will be no significant changes in the accounting policies required to be adopted by AEON Credit.
6. There will be no major disruption in the operations and there will be no other events and abnormal factors which will adversely affect the operations of AEON Credit.
7. Existing financing facilities will remain available to AEON Credit and interest rates will not change significantly from those presently prevailing. In addition, AEON Credit will be able to obtain financing facilities at prevailing interest rates.
8. There will be no significant changes in the prevailing inflation and exchange rates of foreign currencies.
9. There will be no major industrial disputes or any other abnormal factors or changes that will significantly affect AEON Credit's operations or sales at their forecast levels or disrupt their planned operations.
10. Capital expenditure program will be implemented and incurred on schedule and there will be no material acquisitions or disposal of property, plant and equipment other than those in the forecast.
11. There will be no significant changes in administration and overhead expenses in AEON Credit other than those in the forecast.
12. There will be no significant variation in the level of allowance required for bad and doubtful debts during the forecast period in relation to the forecast business volume and existing trade receivables, based on current policy to make full provision for accounts overdue by more than 78 days. There will be no significant changes in the performance of the customers' accounts which will adversely affect AEON Credit's performance.



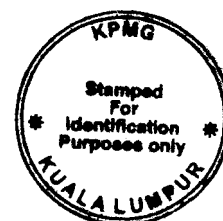
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6. FUTURE FINANCIAL INFORMATION (Cont'd)

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Appendix I

13. There will be no material contingent liabilities arising during the forecast period, which may adversely affect the forecast. AEON Credit will not be engaged in any material litigation and there will be no legal proceedings which will affect AEON Credit's activities or performance or give rise to additional contingent liabilities which may materially affect the results of AEON Credit.
14. Sites identified for opening of new branches or AEON Spots or relocation of existing ones will generally be available within the time frame set and there will be no significant changes to any part of the expansion or relocation plans which will materially affect the sales at their forecast levels.



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**7. HISTORICAL FINANCIAL INFORMATION**

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Set forth below are our income statements for each of the three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007, our proforma balance sheets as at 20 July 2007 and our proforma cash flow statement for the five (5)-month period ended 20 July 2007 (collectively, "Proforma Financial Information") which we have prepared below for illustrative purposes only. Our Proforma Financial Information has been derived from our Company's audited financial information.

There has been no audit qualification on our audited financial statements for all the financial years/periods under review. Our Proforma Financial Information has been prepared in accordance with the applicable approved accounting standards in Malaysia and has been reviewed by our Reporting Accountant, Messrs. KPMG. The bases and accounting policies used for the purpose of preparing our Proforma Financial Information are consistent with those adopted in the preparation of the audited financial statements of our Company for the five (5)-month period ended 20 July 2007.

You should read the financial information presented below together with the Reporting Accountants' Letter on the Proforma Financial Information and the related appendices and notes thereto as disclosed in Section 7.5 of this Prospectus and our Management's Discussion and Analysis of Financial Condition and Results of Operations as disclosed in Section 8 of this Prospectus.

Save as disclosed in this Prospectus, our Company's financial performance, position and operations are not affected by any of the following as at the Latest Practicable Date:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Company's financial performance, position and operations;
- (ii) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position;
- (iii) material commitments for capital expenditure;
- (iv) unusual or infrequent events or transactions or any significant economic changes that have materially affected our Company's financial performance, position and operations; and
- (v) substantial increase in revenue attributable to prices, volume of goods/services being sold, the introduction of new products/services or any other factors.

**7.1 Income Statements**

We have prepared our income statements below for illustrative purposes only, based on our Company's respective audited financial statements for each of the past three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007. Our income statements below have been prepared in accordance with the applicable approved accounting standards in Malaysia. The bases and accounting policies used for the purpose of preparing our income statements below are consistent with those adopted in the preparation of the audited financial statements of our Company for the five (5)-month period ended 20 July 2007. The income statement for the five (5)-month period ended 20 July 2006 has not been audited and has been prepared for illustrative purposes only as a comparison to the income statement for the five (5)-month period ended 20 July 2007.

## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

We advise you to read our income statements together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Financial Information as disclosed in Section 7.5 of this Prospectus.

	←----- Audited ----->			Unaudited	Audited
	←----- FYE ----->			5-month period ended	
	2005	2006	2007	2006	2007
	RM 000	RM 000	RM 000	RM 000	RM 000
<b>Continuing operations</b>					
Revenue	43,574	69,119	116,043	42,781	58,170
Other income	7,572	13,794	25,156	8,426	13,589
Staff costs	(13,186)	(21,552)	(35,170)	(13,969)	(18,155)
Depreciation of plant and equipment	(2,188)	(4,314)	(9,048)	(3,512)	(4,187)
Operating expenses	(19,087)	(29,013)	(51,415)	(19,447)	(26,294)
Operating profit	16,685	28,034	45,566	14,279	23,123
Finance costs	(5,082)	(8,741)	(18,021)	(6,132)	(9,126)
<b>PBT</b>	11,603	19,293	27,545	8,147	13,997
Taxation	(3,397)	(5,787)	(7,843)	(2,446)	(3,804)
<b>PAT</b>	8,206	13,506	19,702	5,701	10,193
No. of Shares assumed in issue immediately prior to the IPO (000)	98,000	98,000	98,000	98,000	98,000
<u>Profit Margin</u>					
Net Profit Margin (%)	18.83	19.54	16.98	13.33	17.52
<u>Basic/Diluted EPS<sup>(1)</sup></u>					
Gross EPS (sen) <sup>(1)</sup>	11.84	19.69	28.11	8.31	14.28
Net EPS (sen) <sup>(1)</sup>	8.37	13.78	20.10	5.82	10.40
<u>Other selected financial data/ratios</u>					
Capital expenditure (RM 000)	6,466	16,230	14,296	7,515	3,705
EBITDA (RM 000)	18,873	32,348	54,614	17,791	27,310
Interest cover <sup>(2)</sup> (times)	3.28	3.21	2.53	2.33	2.53
Trade receivables turnover period (days)	323	357	307	324	334
Trade payables turnover period (days)	14	15	13	13	11

### Notes:

- (1) *Our Basic Gross EPS and Basic Net EPS for each of the financial years/periods under review have been computed based on our PBT and PAT for the respective financial years/periods divided by the number of Shares assumed in issue immediately prior to the IPO. Gross EPS and Net EPS on a diluted basis are the same as Basic Gross EPS and Basic Net EPS respectively, as there were no potential Shares assumed to be issued throughout the financial years/periods under review.*
- (2) *Computed based on profit from operations divided by finance costs.*
- (3) *There were no exceptional and extraordinary items during the financial years/periods under review.*

## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### 7.2 Proforma Balance Sheets

We have prepared our proforma balance sheets below for illustrative purposes only, based on our Company's audited balance sheet as at 20 July 2007 to show the effects of our Listing Scheme on the assumption that certain events had been effected on that date. Our proforma balance sheets below have been prepared in accordance with the applicable approved accounting standards in Malaysia. The bases and accounting policies used for the purpose of preparing our proforma balance sheets are consistent with those adopted in the preparation of the audited financial statements of our Company as at 20 July 2007.

We advise you to read the proforma balance sheets together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Financial Information as disclosed in Section 7.5 of this Prospectus.

	Audited 20 July 2007 RM 000	Proforma I After IPO RM 000	Proforma II After Proforma I and Proposed utilisation of proceeds RM 000
<b>Assets</b>			
Plant and equipment	22,885	22,885	25,885
Investment	1,026	1,026	1,026
Receivables	192,918	192,918	192,918
<b>Total non-current assets</b>	<b>216,829</b>	<b>216,829</b>	<b>219,829</b>
Receivables, deposits and prepayments	395,965	395,965	395,965
Cash and bank balances	2,255	57,255	10,255
<b>Total current assets</b>	<b>398,220</b>	<b>453,220</b>	<b>406,220</b>
<b>Total assets</b>	<b>615,049</b>	<b>670,049</b>	<b>626,049</b>
<b>Equity</b>			
Share capital	49,000	60,000	60,000
Share premium	15,000	59,000	56,000
Retained earnings	47,024	47,024	47,024
<b>Total equity attributable to shareholders of the Company</b>	<b>111,024</b>	<b>166,024</b>	<b>163,024</b>
<b>Liabilities</b>			
Borrowings (unsecured)	287,070	287,070	287,070
Deferred tax liabilities	1,435	1,435	1,435
<b>Total non-current liabilities</b>	<b>288,505</b>	<b>288,505</b>	<b>288,505</b>
Payables and accruals	39,306	39,306	39,306
Borrowings (unsecured)	170,653	170,653	129,653
Taxation	5,561	5,561	5,561
<b>Total current liabilities</b>	<b>215,520</b>	<b>215,520</b>	<b>174,520</b>
<b>Total liabilities</b>	<b>504,025</b>	<b>504,025</b>	<b>463,025</b>
<b>Total equity and liabilities</b>	<b>615,049</b>	<b>670,049</b>	<b>626,049</b>
NTA (RM 000)	111,024	166,024	163,024
Number of AEON Credit Shares in issue (000)	98,000	120,000	120,000
NTA per Share (RM)	1.13	1.38	1.36

## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### Proforma I – IPO

Proforma I reflects our Company's audited balance sheet as at 20 July 2007 after the incorporation of our IPO comprising of:

- (i) an Offer for Sale of 20,000,000 Offer Shares to be offered by the Offeror to the Bumiputera investors approved by the MITI. The Offer for Sale has no impact on our Company's proforma balance sheets; and
- (ii) a Public Issue of 22,000,000 Public Issue Shares to be allocated to (a) the Malaysian public, citizens, companies, co-operatives, societies and institutions, whereby 30% of the 6,000,000 Public Issue Shares will be set aside for Bumiputera investors; (b) Bumiputera investors approved by the MITI; and (c) our eligible Directors, employees and business associates,

at the IPO Price of RM2.50 per Offer/Public Issue Share.

### Proforma II – Proposed Utilisation of Proceeds

Proforma II reflects our Company's balance sheet after the occurrence of Proforma I and after the incorporation of the proposed utilisation of the proceeds from the Public Issue.

The proceeds from the Public Issue are expected to be utilised as follows:

	<b>RM 000</b>
Asset investment	3,000
Repayment of bank borrowings	41,000
Working capital	8,000
Estimated listing expenses <sup>(1)</sup>	3,000
	<u>55,000</u>

#### Notes:

- (1) *The estimated listing expenses of RM3 million is in relation to our Public Issue will be set off against our share premium account.*
- (2) *The Offer for Sale would not have any effect on our proforma balance sheets as:*
  - (i) *the Offer Share represents Shares that are already in existence prior to the IPO; and*
  - (ii) *the proceeds to be derived from the Offer for Sale will be received in entirety by the Offeror whilst all listing expenses in relation to the Offer for Sale would be borne by the Offeror.*

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## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### Effects on Share Capital, Share Premium and Retained Earnings

The effects of the transactions and proposals set forth under Proforma I and II on our share capital, share premium and retained earnings are as follows:

	Number of shares (000)	Share capital RM 000	Share premium RM 000	Retained earnings RM 000	Shareholders' funds RM 000
As at 20 July 2007	98,000	49,000	15,000	47,024	111,024
Public Issue	22,000	11,000	44,000	-	55,000
<b>After Proforma I</b>	120,000	60,000	59,000	47,024	166,024
Proposed utilisation of proceeds from the Public Issue	-	-	*(3,000)	-	(3,000)
<b>After Proforma II</b>	120,000	60,000	56,000	47,024	163,024

*Note:*

\* Listing expenses of RM3 million in relation to the Public Issue will be set off against our share premium account.

### 7.3 Proforma Cash Flow Statement

We have prepared our proforma cash flow statement below for illustrative purposes only, based on our Company's audited financial statements for the five (5)-month period ended 20 July 2007. Our proforma cash flow statement for the five (5)-month period ended 20 July 2007 has been prepared in accordance with the applicable approved accounting standards in Malaysia. The bases and accounting policies used for the purpose of preparing our proforma cash flow statement below are consistent with those adopted in the preparation of the audited financial statements of our Company for the five (5)-month period ended 20 July 2007. The proforma cash flow statement for the five (5) -month period ended 20 July 2006 has not been audited and has been prepared for illustrative purposes only as a comparison to the proforma cash flow statement for the five (5)-month period ended 20 July 2007.

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**7. HISTORICAL FINANCIAL INFORMATION (Cont'd)**


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We advise you to read the proforma cash flow statements together with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the Proforma Financial Information as disclosed in Section 7.5 of this Prospectus.

<b>5-month period ended 20 July</b>	<b>Unaudited 2006 RM 000</b>	<b>2007 RM 000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
PBT	8,147	13,997
Adjustments for:		
Depreciation of plant and equipment	3,512	4,187
Finance costs	6,132	9,126
Operating profit before working capital changes	<u>17,791</u>	<u>27,310</u>
(Increase)/Decrease in working capital:		
Changes in receivables, deposits and prepayments	(109,933)	(43,861)
Changes in payables and accruals	6,491	1,045
Cash used in operations	<u>(85,651)</u>	<u>(15,506)</u>
Income taxes paid	(1,241)	(1,796)
Finance costs paid	(4,631)	(10,414)
Net cash used in operating activities	<u>(91,523)</u>	<u>(27,716)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Acquisition of plant and equipment	(7,515)	(6,705)
Net cash used in investing activity	<u>(7,515)</u>	<u>(6,705)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the Public Issue	-	55,000
Payment of listing expenses	-	(3,000)
Repayment of bank borrowings	-	(141,194)
Proceeds from term loans/financing, revolving credits and medium term notes	101,068	134,821
Dividends paid to ordinary shareholders of the Company	(2,760)	(3,334)
Net cash generated from financing activities	<u>98,308</u>	<u>42,293</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(730)</b>	<b>7,872</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>615</b>	<b>2,072</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>(115)</u></b>	<b><u>9,944</u></b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	825	10,255
Bank overdraft	(940)	(311)
	<u>(115)</u>	<u>9,944</u>

## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

### 7.4 Working Capital, Borrowings, Contingent Liabilities, Material Capital Commitment, Material Litigation and Financial Risk Management

#### 7.4.1 Working Capital

Our primary source of funds is derived from net cash flows from financing activities. Our Company's proforma cash flow for the five (5)-month period ended 20 July 2007 and cash flow for the FYE 2007 and a brief discussion on our proforma cash flow for the five (5)-month period ended 20 July 2007 and cash flow for the FYE 2007 are set forth below:

	FYE 2007	5-month period ended 20 July 2007
	RM 000	RM 000
Net cash used in operating activities	(180,772)	(27,716)
Net cash used in investing activity	(14,296)	(6,705)
Net cash generated from financing activities <sup>(1)</sup>	196,525	42,293
Net increase in cash and cash equivalents	1,457	7,872
Cash and cash equivalents at the beginning of year	615	2,072
Cash and cash equivalents at the end of year	<u>2,072</u>	<u>9,944</u>

**Note:**

- (1) *Apart from the proceeds from the Public Issue that were received in full (on the assumption that the Public Issue were completed by December 2007), the net cash generated from financing activities is mainly attributable to proceeds received from our Company's term loans/financing, revolving credits and medium term notes.*

#### **Five (5)-month period ended 20 July 2007**

##### **Net cash used in operating activities**

For the five (5)-month period ended 20 July 2007, net cash used in our operating activities of approximately RM27.716 million is mainly attributable to the continued growth in our trade receivables arising from new financing to consumers exceeding the repayment on existing accounts.

##### **Net cash used in investing activities**

For the five (5)-month period ended 20 July 2007, net cash used in our investing activities of approximately RM6.705 million is mainly on fixed asset investments including:

- (i) investment on systems and infrastructure for the credit card business and other operations and branch network expansion in the five (5)-month period ended 20 July 2007; and
- (ii) investment financed from the proceeds from the Public Issue on upgrading Interactive Voice Response/PABX systems, ATM/cash deposit machine equipment, gateway server implementation for branches, credit card systems, new AEON-Spot renovations and other assets and systems.

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**7. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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**Net cash generated from financing activities**

For the five (5)-month period ended 20 July 2007, net cash generated from financing activities was approximately RM42.293 million mainly due to the following:

- (i) gross proceeds arising from our Public Issue of RM55 million, of which RM3 million is incurred for listing expenses;
- (ii) net repayment of our borrowings for the five (5)-month period ended 20 July 2007 of RM6.373 million. We have repaid approximately RM141.194 million of our existing borrowings and expect to repay a further RM41 million from the proceeds from our Public Issue. Meanwhile, proceeds from bank borrowings and issuance of medium term notes during the five (5)-month period ended 20 July 2007 was approximately RM134.821 million; and
- (iii) payment of net dividends to ordinary shareholders of our Company amounting to RM3.334 million.

**FYE 2007****Net cash used in operating activities**

For the FYE 2007, net cash used in our operating activities of approximately RM180.772 million is mainly attributable to the continued growth in our trade receivables arising from new financing to consumers exceeding the repayment on existing accounts.

**Net cash used in investing activities**

For the FYE 2007, net cash used in our investing activities was approximately RM14.296 million mainly due to investment on systems and infrastructure for the credit card business and other operations and branch network expansion and renovations.

**Net cash generated from financing activities**

For the FYE 2007, net cash generated from financing activities was approximately RM196.525 million mainly due to the following:

- (i) net proceeds from our borrowings for the FYE 2007 of RM174.845 million. We repaid approximately RM57.939 million of our existing borrowings and obtained approximately RM232.784 million from new borrowings and CP/MTN Programme during the FYE 2007;
- (ii) gross proceeds from Allotment I and Allotment II of RM26 million; and
- (iii) dividends paid to our shareholders amounting to RM4.320 million.

As at 20 September 2007, we have banking facilities amounting approximately RM389.5 million of which RM63.455 million has not been utilised.

We have further set up the CP/MTN Programme in the Malaysian debt capital market in January 2007, after obtaining the approval from the SC on 8 December 2006 to undertake the CP/MTN Programme. As at 20 September 2007, we had issued RM160 million nominal value medium term notes. We may issue the balance of the face value/nominal value of the CP/MTN amounting to RM240 million during the seven (7) years tenure of the CP/MTN Programme, which will expire in 2014.

## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

Our Board believes that, after taking into consideration our cash flow position shown above (which includes the expected proceeds from our Public Issue), banking facilities and debt capital market facilities currently available to us, our Company has sufficient working capital for a period of eighteen (18) months from the date of this Prospectus for our existing needs and foreseeable requirements.

### 7.4.2 Borrowings

As at 20 September 2007, our total outstanding borrowings, all of which are interest-bearing borrowings, amounted to approximately RM482.288 million.

The table below sets forth the details of our borrowings as at 20 September 2007:

	Denominated in foreign currency		Denominated in local currency	Total RM 000
	Amount USD 000	RM equivalent <sup>(1)</sup> RM 000	RM 000	
Short-term borrowings	10,290	37,651	157,393	195,044
Long-term borrowings	-	-	287,244	287,244
<b>Total borrowings</b>	<b>10,290</b>	<b>37,651</b>	<b>444,637</b>	<b>482,288</b>
Gearing ratio <sup>(2)</sup>				4.15

#### Notes:

(1) Computed based on the exchange rate of RM3.659:USD1.00.

(2) Computed based on our Company's total borrowings as at 20 September 2007 of RM482.288 million divided by our Company's shareholders' funds as at 20 September 2007 of RM116.335 million.

We have not defaulted on payments of either interest and/or principal sums in respect of any borrowings in the past, including the past financial year, seven (7)-month period ended 20 September 2007 and the subsequent period thereof immediately preceding the date of this Prospectus.

### 7.4.3 Contingent Liabilities

As at the Latest Practicable Date, our Board is not aware of any material contingent liabilities that upon materialisation, may have a material effect on our financial results/position.

### 7.4.4 Material Capital Commitment

Save as disclosed below, as at the Latest Practicable Date, our Board is not aware of any material capital commitment incurred by us that has not been provided for, which upon becoming enforceable, may have a material effect on our financial results/position.

RM 000

#### Approved and contracted for

Expenditure on acquisition of plant and equipment

700

We expect to fund the above material capital commitments through bank borrowings.

**7. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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**7.4.5 *Material Litigation***

As at the date of this Prospectus, we are not engaged in any material litigation, whether as plaintiff or defendant, and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

**7.4.6 *Financial Risk Management***

Save for certain borrowings denominated in the USD, our Company does not have a significant exposure to foreign exchange risk as our transactions and balances are substantially denominated in RM. As at 20 September 2007, our foreign borrowings amounted to USD10.29 million. Our Company adopts a policy of hedging all foreign exchange borrowings by entering into forward foreign exchange contracts upon initial drawdown of the facilities.

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## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

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### 7.5 Reporting Accountants' Letter on the Proforma Financial Information



**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Wisma KPMG  
Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur, Malaysia

Telephone +60 (3) 2095 3388  
Fax +60 (3) 2095 0971  
Internet www.kpmg.com.my

The Board of Directors  
AEON Credit Service (M) Berhad  
Level 7, Setia 1  
15, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur

Our ref.: A8/TCDS/MWK/JCPP

16 October 2007

Dear Sirs

**AEON Credit Service (M) Berhad (“AEON Credit” or the “Company”)  
Reporting accountants’ letter on the proforma financial information**

We report on the proforma financial information of AEON Credit as set out in Sections 7.1 to 7.3 of the Prospectus to be dated 16 November 2007 (“the Prospectus”). The proforma financial information have been prepared for illustrative purposes only on the basis of assumptions as set out in the attachment and after making certain adjustments to show:

- i) the financial results of AEON Credit for the three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007 that would have been if the listing of and quotation for the entire enlarged issued and paid-up share capital of AEON Credit on the Main Board of Bursa Malaysia Securities Berhad (“Listing”) as of the date of registration of the Prospectus had been in place since the beginning of the periods being reported on;
- ii) the financial position of AEON Credit as of 20 July 2007 that would have been if the Listing as of the date of registration of the Prospectus had been in place on that date, adjusted for the proceeds of the public issue and utilisation of funds; and
- iii) the cashflows of AEON Credit for the five (5)-month period ended 20 July 2007 that would have been if the Listing as of the date of registration of the Prospectus had been in place since the beginning of the five (5)-month period ended 20 July 2007.

The proforma financial information have been prepared for illustrative purposes only and, because of its nature, may not give a true picture of AEON Credit’s actual financial results, financial position and cashflows.

It is the responsibility solely of the Board of Directors of AEON Credit to prepare the proforma financial information. Our responsibility is to form an opinion on the proforma financial information and to report our opinion to you based on our work.

7. HISTORICAL FINANCIAL INFORMATION (Cont'd)



Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma financial information to the audited financial statements of AEON Credit for the three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007, and considering the evidence supporting the adjustments, and discussing the proforma financial information with the Directors of AEON Credit.

In our opinion,

- i) the proforma financial information have been properly prepared based on the audited financial statements of AEON Credit which were prepared in accordance with applicable approved accounting standards in Malaysia;
- ii) such basis is consistent with the accounting policies (as set out in Section 9 of the Prospectus) adopted by AEON Credit;
- iii) each material adjustment made to the information used in the preparation of the unaudited proforma financial information is appropriate for the purposes of preparing such proforma financial information; and
- iv) the proforma financial information have been properly prepared on the basis of assumptions stated in the accompanying statement.

Yours faithfully

A handwritten signature of the KPMG firm, written in black ink.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Shiang'.

**Chong Dee Shiang**  
Partner  
Approval Number: 2782/09/08(J)

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**7. HISTORICAL FINANCIAL INFORMATION (Cont'd)**

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**AEON Credit Service (M) Berhad  
(Incorporated in Malaysia)**

**Notes to the proforma financial information for the three (3) financial years ended  
20 February 2007 and five (5)-month period ended 20 July 2007**

**1. Basis of preparation of proforma financial information**

1.1 The proforma financial information have been prepared to illustrate:

- i) the financial results of AEON Credit for the three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007 that would have been if the Listing as of the date of registration of the Prospectus had been in place since the beginning of the periods being reported on;
- ii) the financial position of AEON Credit as of 20 July 2007 that would have been if the Listing as of the date of registration of the Prospectus had been in place on that date, adjusted for the proceeds of the public issue and utilisation of funds; and
- iii) the cashflows of AEON Credit for the five (5)-month period ended 20 July 2007 that would have been if the Listing as of the date of registration of the Prospectus had been in place since the beginning of the five (5)-month period ended 20 July 2007.

1.2 The proforma financial statements have been prepared based on the respective audited financial statements of AEON Credit for the three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007 and using the bases and accounting principles consistent with those adopted in the audited financial statements of AEON Credit, after giving effect to the proforma adjustments which are considered as appropriate.

1.3 The proforma financial statements have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results of operations and cash flows of AEON Credit.

1.4 The audited financial statements of AEON Credit for the three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007 were prepared in accordance with applicable approved accounting standards in Malaysia at that time.



## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

APPENDIX I

**AEON Credit Service (M) Berhad  
(Incorporated in Malaysia)****Income Statements for the three (3) financial years ended 20 February 2007  
and five (5)-month period ended 20 July 2006 and 20 July 2007**

The income statements of AEON Credit for the three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007 are prepared based on audited financial statements of AEON Credit respectively.

	Financial year ended 20 February			(Unaudited) (Audited) 5-month period ended 20 July	
	2005 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000
<b>Revenue</b>	43,574	69,119	116,043	42,781	58,170
Staff costs	(13,186)	(21,552)	(35,170)	(13,969)	(18,155)
Depreciation of plant and equipment	(2,188)	(4,314)	(9,048)	(3,512)	(4,187)
Operating expenses	(19,087)	(29,013)	(51,415)	(19,447)	(26,294)
Other income	7,572	13,794	25,156	8,426	13,589
<b>Operating profit</b>	16,685	28,034	45,566	14,279	23,123
Finance costs	(5,082)	(8,741)	(18,021)	(6,132)	(9,126)
<b>Profit before tax</b>	11,603	19,293	27,545	8,147	13,997
Tax expense	(3,397)	(5,787)	(7,843)	(2,446)	(3,804)
<b>Net profit for the year/period</b>	8,206	13,506	19,702	5,701	10,193

Number of ordinary shares of RM0.50 each in AEON Credit ("AEON Credit Shares") assumed in issue prior to the public issue ('000)<sup>(1)</sup>

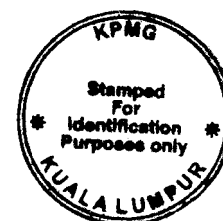
Net earnings per share ("EPS")<sup>(2)</sup> (sen)

Net profit margin (%)

98,000	98,000	98,000	98,000	98,000
8.37	13.78	20.10	5.82	10.40
18.83	19.54	16.98	13.33	17.52

**Notes:**

- <sup>(1)</sup> Based on the issued and paid-up share capital of 98,000,000 AEON Credit Shares immediately prior to the public issue.
- <sup>(2)</sup> Net EPS is computed based on net profit for the year/period divided by 98,000,000 AEON Credit Shares immediately prior to the public issue.
- <sup>(3)</sup> There were no extraordinary or exceptional items during the financial years/periods under review.



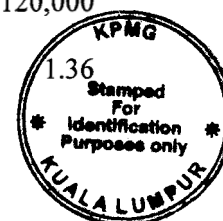
## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

APPENDIX II

**AEON Credit Service (M) Berhad**  
**(Incorporated in Malaysia)**  
**Proforma balance sheets as at 20 July 2007**

The proforma balance sheets of AEON Credit as set out below are provided for illustrative purposes only and to show the effects on AEON Credit as at 20 July 2007 had the Listing been effected on that date.

	<i>Note</i>	<i>Audited</i> 20 July 2007 RM'000	<i>Proforma I</i> After Public Issue RM'000	<i>Proforma II</i> After Proforma I and Proposed Utilisation of Proceeds RM'000
<b>Assets</b>				
Plant and equipment		22,885	22,885	25,885
Investment		1,026	1,026	1,026
Receivables		192,918	192,918	192,918
<b>Total non-current assets</b>		<u>216,829</u>	<u>216,829</u>	<u>219,829</u>
Receivables, deposits and prepayments		395,965	395,965	395,965
Cash and bank balances	2	2,255	57,255	10,255
<b>Total current assets</b>		<u>398,220</u>	<u>453,220</u>	<u>406,220</u>
<b>Total assets</b>		<u>615,049</u>	<u>670,049</u>	<u>626,049</u>
<b>Equity</b>				
Share capital	3	49,000	60,000	60,000
Share premium	3	15,000	59,000	56,000
Retained earnings	3	47,024	47,024	47,024
<b>Total equity attributable to shareholders of the Company</b>		<u>111,024</u>	<u>166,024</u>	<u>163,024</u>
<b>Liabilities</b>				
Borrowings (unsecured)		287,070	287,070	287,070
Deferred tax liabilities		1,435	1,435	1,435
<b>Total non-current liabilities</b>		<u>288,505</u>	<u>288,505</u>	<u>288,505</u>
Payables and accruals		39,306	39,306	39,306
Borrowings (unsecured)		170,653	170,653	129,653
Taxation		5,561	5,561	5,561
<b>Total current liabilities</b>		<u>215,520</u>	<u>215,520</u>	<u>174,520</u>
<b>Total liabilities</b>		<u>504,025</u>	<u>504,025</u>	<u>463,025</u>
<b>Total equity and liabilities</b>		<u>615,049</u>	<u>670,049</u>	<u>626,049</u>
Net tangible assets		111,024	166,024	163,024
Number of AEON Credit Shares in issue ('000)		98,000	120,000	120,000
Net tangible assets per share (RM)		1.13	1.38	



## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

## APPENDIX II

**AEON Credit Service (M) Berhad**  
**(Incorporated in Malaysia)**  
**Notes to the proforma balance sheets as at 20 July 2007**

## 1. Basis of preparation

The proforma balance sheets of AEON Credit have been prepared for illustrative purposes only and are based on the audited financial statements of AEON Credit as at 20 July 2007 as if the Listing had been effected on that date. The proforma balance sheets of AEON Credit, for which the Directors are solely responsible, have been prepared based on accounting policies and bases consistent with those normally adopted by AEON Credit.

## (a) Proforma I – Public Issue

## i) Offer for Sale

In conjunction with the listing of AEON Credit, AEON Credit Service Co., Ltd will undertake an offer for sale of 20,000,000 AEON Credit Shares at an offer price of RM2.50 to Bumiputera investors approved by the Ministry of International Trade and Industry (“MITI”).

The Offer for Sale has no impact to the proforma balance sheets.

## ii) Public Issue

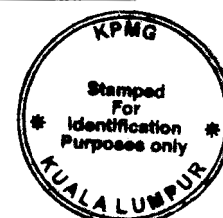
Public issue of 22,000,000 new AEON Credit Shares at an issue price of RM2.50 per AEON Credit Share (“Public Issue”). The Public Issue involves the following:

- 6,000,000 AEON Credit Shares to be made available for application by the Malaysian public, whereby 30% of the 6,000,000 AEON Credit Shares will be set aside for Bumiputera investors;
- 15,500,000 AEON Credit Shares to be made available for application by the Bumiputera investors approved by MITI; and
- 500,000 AEON Credit Shares to be made available for application by eligible Directors, employees and business associates of AEON Credit.

## (b) Proforma II – Proposed Utilisation of Proceeds from the Public Issue

Proposed utilisation of proceeds from the Public Issue is as follows:

	RM'000
Asset investment	3,000
Repayment of bank borrowings	41,000
Working capital	8,000
Estimated listing expenses	3,000
	55,000



## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

APPENDIX II

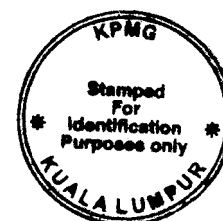
**AEON Credit Service (M) Berhad**  
**(Incorporated in Malaysia)**  
**Notes to the proforma balance sheets as at 20 July 2007 (continued)**

## 2. Movement of cash and bank balances

	<b>RM'000</b>
Balance at 20 July 2007	2,255
Proforma I – Public Issue	55,000
Balance after Proforma I	<u>57,255</u>
Proforma II – Proposed Utilisation of Proceeds from the Public Issue	
Less : Asset investment	(3,000)
Less : Repayment of bank borrowings	(41,000)
Less : Estimated listing expenses	(3,000)
Balance after Proforma II	<u><u>10,255</u></u>

## 3. Share Capital, Share Premium and Retained Earnings

	Number of shares (‘000)	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Shareholders' funds RM'000
Balance at 20 July 2007	98,000	49,000	15,000	47,024	111,024
Proforma I – Public Issue	22,000	11,000	44,000	-	55,000
Balance after Proforma I	120,000	60,000	59,000	47,024	166,024
Proforma II – Proposed Utilisation of Proceeds from the Public Issue	-	-	(3,000)	-	(3,000)
Balance after Proforma II	<u>120,000</u>	<u>60,000</u>	<u>56,000</u>	<u>47,024</u>	<u>163,024</u>



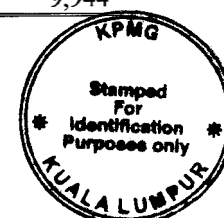
## 7. HISTORICAL FINANCIAL INFORMATION (Cont'd)

## APPENDIX III

**AEON Credit Service (M) Berhad**  
**(Incorporated in Malaysia)**  
**Proforma Cash Flow Statement as at 20 July 2007**

The proforma cash flow statement of AEON Credit have been prepared for illustrative purposes only and are based on the audited financial statements of AEON Credit as at 20 July 2007 as if the Listing had been effected on that date. The proforma cash flow statement of AEON Credit, for which the Directors are solely responsible, have been prepared based on accounting policies and bases consistent with those normally adopted by AEON Credit.

5-month period ended 20 July	(Unaudited)	
	2006 RM'000	2007 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	8,147	13,997
Adjustments for:		
Depreciation of plant and equipment	3,512	4,187
Finance costs	6,132	9,126
Operating profit before working capital changes	17,791	27,310
(Increase)/Decrease in working capital:		
Change in receivables, deposits and prepayments	(109,933)	(43,861)
Change in payables and accruals	6,491	1,045
Cash used in operations	(85,651)	(15,506)
Income taxes paid	(1,241)	(1,796)
Finance costs paid	(4,631)	(10,414)
<b>Net cash used in operating activities</b>	(91,523)	(27,716)
<b>Cash flows from investing activity</b>		
Acquisition of plant and equipment	(7,515)	(6,705)
<b>Net cash used in investing activity</b>	(7,515)	(6,705)
<b>Cash flows from financing activities</b>		
Proceeds from the Public Issue	-	55,000
Payment of listing expenses	-	(3,000)
Repayment of bank borrowings	-	(141,194)
Proceeds from term loans/ financing, revolving credits and medium term notes	101,068	134,821
Dividends paid to ordinary shareholders of the Company	(2,760)	(3,334)
<b>Net cash generated from financing activities</b>	98,308	42,293
<b>Net (decrease) / increase in cash and cash equivalents</b>	(730)	7,872
<b>Cash and cash equivalents at beginning of year</b>	615	2,072
<b>Cash and cash equivalents at end of year</b>	(115)	9,944
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	825	10,255
Bank overdrafts	(940)	(311)
	(115)	9,944



## 8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and results of operations for the past three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2006 and 2007.

Our financial statements for the past three (3) financial years ended 20 February 2007 and five (5)-month period ended 20 July 2007 are prepared in accordance with the approved accounting standards in Malaysia. The financial data for the five (5)-month period ended 20 July 2006 has not been audited and has been prepared for illustration purposes only as a comparison to the financial data for the five (5)-month month period 20 July 2007. You should read the financial information presented below together with our historical financial information as disclosed in Section 7 of this Prospectus and the Accountants' Report as disclosed in Section 9 of this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in Section 5 of this Prospectus.

### Income Statements

	<----- Audited ----->			Unaudited	Audited
	<-----FYE----->			5-month period ended	
	2005	2006	2007	20 July	
	RM 000	RM 000	RM 000	2006	2007
				RM 000	RM 000
<b>Continuing operations</b>					
Revenue	43,574	69,119	116,043	42,781	58,170
Other income	7,572	13,794	25,156	8,426	13,589
Staff costs	(13,186)	(21,552)	(35,170)	(13,969)	(18,155)
Depreciation of plant and equipment	(2,188)	(4,314)	(9,048)	(3,512)	(4,187)
Operating expenses	(19,087)	(29,013)	(51,415)	(19,447)	(26,294)
Operating profit	16,685	28,034	45,566	14,279	23,123
Finance costs	(5,082)	(8,741)	(18,021)	(6,132)	(9,126)
<b>PBT</b>	11,603	19,293	27,545	8,147	13,997
Taxation	(3,397)	(5,787)	(7,843)	(2,446)	(3,804)
<b>PAT</b>	8,206	13,506	19,702	5,701	10,193

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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**8.1 Overview**

We commenced our operations in 1997. In the early years, we were principally engaged in the provision of easy payment schemes. Although we started our business in the Easy Payment Scheme, we have expanded the Easy Payment Scheme and introduced new products and services such as the Personal Financing Scheme and credit card. In 2005, we received the approval from BNM to issue credit cards in Malaysia.

As our operations expanded, we have established thirteen (13) branches and thirteen (13) AEON-Spots in major towns and cities in Malaysia. Currently, our Company is principally involved in the Easy Payment Scheme, Personal Financing Scheme and credit card business. Our Easy Payment Scheme comprises products such as GEP Scheme and MEP Scheme. Details of each of our products are as follows:

**(i) GEP Scheme**

The GEP Scheme is a form of financing under the conventional factoring scheme whereby we provide the financial means to customers to purchase merchandise from appointed merchant(s) on an instalment basis for up to 36 months. Other benefits provided include competitive monthly interest rates, no requirement for collateral/guarantor, free insurance to cover all damages and losses, and extended warranty to the product purchased.

The GEP Scheme is available to consumers who purchase household merchandise and consumer products at over 4,300 appointed merchant outlets nationwide. Among our appointed merchant outlets are retailers which include Jusco, Senheng Electric, Carrefour, Tesco, Giant, Harvey Norman, OnKing, HSL Electrical & Electronics, Fella Design, Best Denki and Tomei. Our customers can purchase various items on instalments under the GEP Scheme, including electrical appliances, furniture, digital gadgets, personal computer, health equipment and musical instrument.

**(ii) MEP Scheme**

The MEP Scheme provides customers with high margin of financing, including a choice of zero down payments, for the purchase of motorcycles. The MEP Scheme is currently provided under the Islamic financing principle of Bai Bithaman Ajil and offers customers with an option for a longer instalment period of up to 48 months.

MEP Scheme is available to customers at over 700 appointed merchant outlets nationwide. Financing is provided for most of the major motorcycle brands in the market, which include Yamaha, Honda, Modenas, Suzuki, Kawasaki, MZ Motor, NAZA and Demark Motor.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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**(iii) Personal Financing Scheme**

We offer unsecured personal financing to our customers under the Islamic financing principle of Bai-Al-Inah. The Personal Financing Scheme involves our Company lending cash to our customers for their personal use. There are two (2) categories under the Personal Financing Scheme, namely AEON Cash and Specific Purpose Financing.

**(a) AEON Cash**

AEON Cash provides customers with financing from as low as RM1,000 to RM20,000 for a flexible instalment period of up to 36 months. No guarantor is typically required under the AEON Cash financing, except in certain circumstances.

**(b) Specific Purpose Financing**

Specific Purpose Financing involves financing of service-related products, such as car insurance premiums as well as travel and wedding packages.

**(iv) Credit Card**

We presently market two (2) types of credit cards in Malaysia, namely our AEON Credit Card and co-brand and affinity credit cards. Our AEON Credit Card is issued under either a Visa or MasterCard brand name. Our co-brand and affinity credit cards enable co-brand and affinity credit card members to enjoy special privileges while transacting using our co-brand and affinity credit cards with our co-brand merchants and affinity partners.

Please refer to Section 12 of this Prospectus for further details on our Company and our principal business activities and Section 11 of this Prospectus for further details of our operations.

**8.2 Revenue**

Our Company's revenue is principally derived from the following:

- (i) interest income from the GEP Scheme and conventional MEP Scheme;
- (ii) Islamic MEP Scheme income and Islamic Personal Financing Scheme income; and
- (iii) finance charges, cash advance fees, merchant discount and interchange fees from our credit card business.

Our revenue is solely derived from Malaysia.

Our Company's revenue from all the financing schemes is recognised on an accrual basis, which in the case of the Easy Payment Scheme and Personal Financing Scheme is calculated using the sum-of-digits method.



## 8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

The table below sets forth the breakdown of our Company's revenue by products/services and the percentages that they represent as a proportion of total revenue for the respective periods:

Revenue	FYE						5-month period ended 20 July			
	2005		2006		2007		2006		2007	
	RM 000	%	RM 000	%	RM 000	%	RM 000	%	RM 000	%
GEP Scheme interest revenue	31,251	71.73	39,923	57.76	48,350	41.66	19,179	44.83	21,464	36.90
Conventional MEP Scheme interest revenue	3,196	7.33	1,158	1.67	244	0.21	161	0.38	52	0.09
Islamic MEP Scheme revenue	5,052	11.59	20,892	30.23	40,913	35.26	14,140	33.05	22,886	39.34
Total MEP Scheme revenue	8,248	18.92	22,050	31.90	41,157	35.47	14,301	33.43	22,938	39.43
Personal Financing Scheme revenue	4,075	9.35	7,056	10.21	9,627	8.30	3,787	8.85	5,129	8.82
Credit card revenue	-	-	90	0.13	16,909	14.57	5,514	12.89	8,639	14.85
<b>Grand total</b>	<b>43,574</b>	<b>100.00</b>	<b>69,119</b>	<b>100.00</b>	<b>116,043</b>	<b>100.00</b>	<b>42,781</b>	<b>100.00</b>	<b>58,170</b>	<b>100.00</b>

### 8.2.1 GEP Scheme Interest Revenue

Interest revenue from the GEP Scheme ("GEP Scheme Revenue") represents 71.73%, 57.76%, 41.66%, 44.83% and 36.90% of our Company's total revenue for the FYE 2005, FYE 2006, FYE 2007, five (5)-month period ended 20 July 2006 and five (5)-month period ended 20 July 2007 respectively. Historically, our GEP Scheme Revenue constituted a majority of our revenue. Prior to the FYE 2004, our GEP Scheme Revenue constituted our Company's entire total revenue. Following the FYE 2004, as we introduced other financing products/services, GEP Scheme Revenue's contribution to our Company's total revenue has declined as we sought to diversify our revenue base. For the five (5)-month period ended 20 July 2007, our GEP Scheme Revenue comprises only 36.90% of our Company's total revenue.

We started off the GEP Scheme in 1997 and have expanded our merchant network to over 4,300 merchant outlets as at 30 September 2007. Our merchants for the GEP Scheme comprise, amongst others, major hypermarkets, departmental stores, electronic appliances retailers, furniture retailers and digital specialty stores.

The GEP Scheme has grown over the years as consumer acceptance and awareness of the GEP Scheme grew. In the early years of our business, we grew our GEP Scheme with the following strategies:

- (i) merchant network expansion;
- (ii) capitalising on our existing database by offering the AEON Express Card to our customers with good credit record, so that we can obtain higher repeat sales (financing) from the AEON Express Card members;
- (iii) continuous service improvements and enhancements which include improving credit approval time and branch expansion to broaden our reach to outstation customers; and
- (iv) conducting sales promotion of our products and services via our merchant network.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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Moving forward, we expect continued growth in revenue contribution from the GEP Scheme to our total revenue for the FYE 2008. We have planned to expand our market area and launch new products and services to enable our customers to obtain instant approval for financing application and seeking to expand our product category available for financing under the GEP Scheme.

**8.2.2 MEP Scheme Revenue**

The revenue from our Islamic MEP Scheme represents 11.59%, 30.23%, 35.26%, 33.05% and 39.34% of our total revenue for the FYE 2005, FYE 2006, FYE 2007, five (5)-month period ended 20 July 2006 and five (5)-month period ended 20 July 2007 respectively. The conventional MEP Scheme, which was phased out in the FYE 2005, shows decreasing interest revenue contribution of 7.33%, 1.67%, 0.21%, 0.38% and 0.09% of our Company's total revenue for the FYE 2005, FYE 2006, FYE 2007, five (5)-month period ended 20 July 2006 and five (5)-month period ended 20 July 2007 respectively. As such, revenue from our MEP Scheme, comprising the interest revenue from the conventional MEP Scheme and revenue from the Islamic MEP Scheme ("MEP Scheme Revenue") represents 35.47% of our Company's total revenue for the FYE 2007. Over the years, our Company's MEP Scheme has increasingly contributed to the revenue of our Company. Our MEP Scheme Revenue is derived from the MEP Scheme for financing the purchase of motorcycles for instalment periods of up to 48 months.

The MEP Scheme was initially launched in 2002 as a conventional financing scheme. During the FYE 2005, we introduced the present MEP Scheme under the Islamic principle of Bai Bithaman Ajil.

Our MEP Scheme has contributed positively to our total revenue mainly due to the following:

- (i) merchant network expansion;
- (ii) expansion and improvement in product and service offering to our customers under the MEP Scheme which include improvement in our credit approval times, branch network expansion to broaden our reach to our customers outstation and increasing the financing alternatives and longer instalment period; and
- (iii) acceptance and support from motorcycle dealers for our Company in providing financing for motorcycles purchased without the motorcycle dealers having to finance the motorcycles from its own cash flow.

Moving forward, we expect increased revenue contribution from the MEP Scheme to our total revenue for the FYE 2008. We have planned to further expand our network of merchants under the MEP Scheme including to suburban and rural area markets and venture further into the second hand motorcycle financing segment through our own existing merchant network.

**8.2.3 Personal Financing Scheme Revenue**

Revenue from our Personal Financing Scheme ("Personal Financing Scheme Revenue") makes up 9.35%, 10.21%, 8.30%, 8.85% and 8.82% of our total revenue for the FYE 2005, FYE 2006, FYE 2007, five (5)-month period ended 20 July 2006 and five (5)-month period ended 20 July 2007 respectively. Historically, Personal Financing Scheme Revenue have accounted for a small percentage of our total revenue.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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We commenced providing Personal Financing Scheme based on Islamic financing principles to consumers in 2004. We financed approximately RM8.452 million in the FYE 2004 when we commenced the Personal Financing Scheme business. Since FYE 2004, our financing amount under the Personal Financing Scheme had grown by 449.21% to RM46.419 million for the FYE 2007.

Our Personal Financing Scheme has shown growth in contribution mainly due to the following:

- (i) our branch network expansion to broaden our reach to outstation customers;
- (ii) aggressive media promotion and advertisement; and
- (iii) continuous service improvements and enhancements which include improving credit approval time.

We expect that Personal Financing Scheme Revenue will grow and contribute to a higher percentage of our total revenue in the FYE 2008. In this regard, we have re-branded our Personal Financing Scheme as "AEON-Cash" in the market with more attractive terms to consumers, provided the convenience for customers to apply for the product at our AEON-Spots located in shopping centres, facilitated instant financing amount withdrawal by our Personal Financing Scheme customers via ATMs since March 2007 and are working towards expanding network of service merchants for specific purpose financing products.

**8.2.4 Credit Card Revenue**

Revenue from our credit card business ("Credit Card Revenue") constitutes 0.13%, 14.57%, 12.89% and 14.85% of our total revenue for the FYE 2006, FYE 2007, five (5)-month period ended 20 July 2006 and five (5)-month period ended 20 July 2007 respectively. We commenced our credit card business in 2005 after receiving BNM's approval to issue credit cards in Malaysia.

Despite the stiff competition in the credit card segment, we expect our Credit Card Revenue to grow and contribute to our total revenue for the FYE 2008. Moving forward, we plan to expand our credit card members base by continuing to convert our existing AEON Express Card members to credit card members, promoting our co-brand Jusco Credit Card through road shows at Jusco chain of departmental stores, entering into more co-branding and affinity collaborations with major retailers or business partners, promoting our gold credit card to middle and high income group customers and further developing an attractive privilege merchant network for our credit card members.

Please refer to Sections 10 and 11 of this Prospectus for further details on the consumer credit services industry and our financial services and Section 8.4 of this Prospectus for further discussion on our Company's year on year/period on period financial performance.

## 8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

### 8.3 Operating Profits

The table below sets forth the breakdown of our Company's PBT and PAT by products/services for the FYE 2005, FYE 2006 and FYE 2007, five (5)-month period ended 20 July 2006 and five (5)-month period ended 20 July 2007:

	<-----FYE----->			<---ended 20 July--->	
	2005 RM 000	2006 RM 000	2007 RM 000	2006 RM 000	2007 RM 000
<b>PBT/(Loss before taxation)</b>					
Easy Payment Scheme and Personal Financing Scheme	11,603	26,424	41,104	14,030	20,680
Credit card	-	(7,131)	(13,559)	(5,883)	(6,683)
Total	<u>11,603</u>	<u>19,293</u>	<u>27,545</u>	<u>8,147</u>	<u>13,997</u>
<b>PAT/(Loss after taxation)</b>					
Easy Payment Scheme and Personal Financing Scheme	8,206	18,499	29,409	9,981	15,056
Credit card	-	(4,993)	(9,707)	(4,280)	(4,863)
Total	<u>8,206</u>	<u>13,506</u>	<u>19,702</u>	<u>5,701</u>	<u>10,193</u>

Our Company commenced our credit card business in November 2005. For the FYE 2006, FYE 2007, five (5)-month period ended 20 July 2006 and five (5)-month period ended 20 July 2007, our Company recorded loss before taxation of RM7.131 million, RM13.559 million, RM5.883 million and RM6.683 million respectively for the credit card operations is mainly due to the low number of cards issued thus far and the corresponding low volume of card transactions in a competitive market environment i.e. we have not achieved required cost efficiency levels yet for break-even point and profitability. The expenses incurred include advertisement and promotion expense for promotional and market penetration efforts by AEON Credit as a new player in the credit card business, depreciation expense on asset investment for the credit card business which includes investment in branch expansion and relocation to accommodate our credit card business. We expect our credit card business to record its first profit-making financial year in the FYE 2010.

The higher loss before taxation incurred by our Company for the credit card business in the FYE 2007 as compared to the FYE 2006 and five (5)-month period ended 20 July 2007 as compared to five (5)-month period ended 20 July 2006 is mainly due to the higher allowance for doubtful debts. FYE 2007 was a useful "learning curve" experience for our Company in the Malaysian credit card market since launching of the product in 2005. Based on the knowledge gained during this period in terms of customer characteristics and spending and payment patterns and better understanding of the credit risk portfolio, we have implemented more stringent credit control measures to reduce the ratio of allowance for bad debts in the FYE 2008. These include stricter criteria and verification process for approval of new credit cards and approval parameters for card transactions. Our Company also continues to focus on maximising credit recovery through various channels including legal action against defaulters.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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For the financial years/periods under review, no analysis of PBT and PAT for the Easy Payment Scheme and Personal Financing Scheme were available as the expenses in respect of the Easy Payment Scheme and Personal Financing Scheme were shared. Please refer to Section 8.4 of this Prospectus for a year on year/period on period review of the financial performance of our Company.

**8.4 Year on Year/Period on Period Review****8.4.1 Five (5)-month Period Ended 20 July 2007 Compared to Five (5)-month Period Ended 20 July 2006**Revenue

Our revenue for the five (5)-month period ended 20 July 2007 increased by 35.97% from RM42.781 million in the five (5)-month period ended 20 July 2006 to RM58.170 million due to the increase in revenue for all our products/services.

Growth in our revenue for the Easy Payment Scheme and Personal Financing Scheme is mainly due to the following:

- (i) increase in revenue from the GEP Scheme by 11.91% from RM19.179 million in the five (5)-month period ended 20 July 2006 to RM21.464 million in the five (5)-month period ended 20 July 2007;
- (ii) increase in revenue from the MEP Scheme by 60.39% from RM14.301 million in the five (5)-month period ended 20 July 2006 to RM22.938 million in the five (5)-month period ended 20 July 2007; and
- (iii) increase in revenue from the Personal Financing Scheme by 35.44% from RM3.787 million in the five (5)-month period ended 20 July 2006 to RM5.129 million in the five (5)-month period ended 2007.

The factors contributing to the increase in revenue for the Easy Payment Scheme and Personal Financing Scheme are mainly due to the following:

- (i) greater market acceptance and demand for our financing products based on increased consumer awareness of the AEON Credit brand;
- (ii) continued expansion of our merchant network for the Easy Payment Scheme;
- (iii) advertising and promotion efforts by the Company for all products, with collaboration of merchants for the Easy Payment Scheme;
- (iv) continued trade receivables growth in the FYE 2007 which contributed to increased revenue in the five (5)-month period ended 20 July 2007;
- (v) contribution from three (3) new AEON-Spots opened in the FYE 2007 in major shopping centres and a branch in Miri, Sarawak;
- (vi) increase in the AEON Express Card member base for recurring transactions with customers having good payment records; and
- (vii) implementation of new services such as instant cash withdrawal for Personal Financing Scheme customers through our ATMs.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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Our revenue from the credit card business increased by 56.67% from RM5.514 million in the five (5)-month period ended 20 July 2006 to RM8.639 million in the five (5)-month period ended 20 July 2007 mainly due to card members growth during the FYE 2007 and five (5)-month period ended 20 July 2007, launch of our Gold credit card in early 2007 and promotion activities including telemarketing activities in collaboration with an insurance company.

Other income

Our other income increased by 61.27% from RM8.426 million in the five (5)-month period ended 20 July 2006 to RM13.589 million in the five (5)-month period ended 20 July 2007 mainly due to enhancement on credit management operations to realise higher revenues from charges on overdue accounts and higher recovery from accounts written off and higher processing fee income for the GEP Scheme arising from revision of rate in the FYE 2007.

Staff costs

Staff costs increased by 29.97% from RM13.969 million in the five (5)-month period ended 20 July 2006 to RM18.155 million in the five (5)-month period ended 20 July 2007 mainly due to the increase in the number of employees of 32.65% from 876 employees as at 20 July 2006 to 1,162 employees as at 20 July 2007. The higher manpower deployment in the business is in line with the business growth including our credit card business. The higher staff costs also reflect management efforts to retain our talented and skilled employees though improved compensation and welfare.

Depreciation of plant and equipment

Our depreciation charges increased by 19.22% from RM3.512 million in the five (5)-month period ended 20 July 2006 to RM4.187 million in the five (5)-month period ended 20 July 2007 mainly due to additional depreciation for the following:

- (i) ATM infrastructure including related branch renovations;
- (ii) New AEON Spots/branches opened in the FYE 2007; and
- (iii) IT systems enhancements and other asset investments in line with business growth.

Operating expenses

Our operating expenses increased by 35.21% from RM19.447 million in the five (5)-month period ended 20 July 2006 to RM26.294 million in the five (5)-month period ended 20 July 2007, which is generally in line with business growth except for fixed costs and semi variable costs. However, allowance for doubtful debts for the five (5)-month period ended 20 July 2007 was 70% higher than the corresponding period in 2006 due mainly to higher allowances for doubtful debts for the credit card business. Please refer to Section 8.3 of this Prospectus for further analysis of the allowance for doubtful debts of our credit card business.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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*Finance costs*

Finance costs increased by 48.83% from RM6.132 million in the five (5)-month period ended 20 July 2006 to RM9.126 million in the five (5)-month period ended 20 July 2007 mainly due to increase in borrowings in line with our Company's trade receivables growth. The average funding cost for the period was at similar level as the corresponding period in 2006.

*Profit before taxation*

Profit before taxation increased by 71.81% from RM8.147 million in the five (5)-month period ended 20 July 2006 to RM13.997 million in the five (5)-month period ended 20 July 2007 mainly due to the higher increase in revenue and other income as opposed to increase in staff costs, depreciation of plant and equipment, operating expenses and finance costs.

*Taxation*

Taxation increased by 55.52% from RM2.446 million in the five (5)-month period ended 20 July 2006 to RM3.804 million in the five (5)-month period ended 20 July 2007 mainly due to the increase in chargeable income. Our effective tax rate for the five (5)-month period ended 20 July 2007 was 27.18% and is higher than the statutory tax rate of 26% mainly due to the non-deductibility of certain expenses.

*Profit after taxation*

Profit after taxation increased by 78.79% from RM5.701 million in the five (5)-month period ended 20 July 2006 to RM10.193 million in the five (5)-month period ended 20 July 2007 in line with the increase in PBT.

**8.4.2 FYE 2007 Compared to FYE 2006***Revenue*

Our revenue for the FYE 2007 increased by 67.89% from RM69.119 million in the FYE 2006 to RM116.043 million in the FYE 2007 due to the increase in revenue for all our products/services with significant growth in profit/interest income from the MEP Scheme and credit card business.

Growth in our revenue for the Easy Payment Scheme and Personal Financing Scheme is mainly due to the following:

- (i) increase in revenue from the GEP Scheme by 21.11% from RM39.923 million in the FYE 2006 to RM48.350 million in the FYE 2007;
- (ii) increase in revenue from the MEP Scheme by 86.65% from RM22.050 million in the FYE 2006 to RM41.157 million in the FYE 2007; and
- (iii) increase in revenue from the Personal Financing Scheme by 36.44% from RM7.056 million in the FYE 2006 to RM9.627 million in the FYE 2007.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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The factors contributing to the increase in revenue for the Easy Payment Scheme and Personal Financing Scheme are mainly due to the following:

- (i) greater market acceptance and demand for our financing products based on increased consumer awareness of the AEON Credit brand;
- (ii) continued expansion of our merchant network for the Easy Payment Scheme;
- (iii) advertising and promotion efforts by the Company for all products, with collaboration of merchants for the Easy Payment Scheme;
- (iv) continued trade receivables growth in the FYE 2006 which contributed to increased revenue in the FYE 2007;
- (v) contribution from seven (7) new branches and AEON-Spots opened in the FYE 2006 in major towns as well as four (4) new branches and AEON-Spots opened in the FYE 2007; and
- (vi) increase in the AEON Express Card member base for recurring transactions with customers having good payment records.

Our revenue from the credit card business increased by 18,687.78% from RM0.090 million in the FYE 2006 to RM16.909 million in the FYE 2007 mainly due to our Company's focus on credit card customer recruitment for AEON Credit Card and Jusco Credit Card and the full year revenue contribution from credit card interest earned during the FYE 2007 compared to revenue contribution from our credit card business for the FYE 2006 which was earned for a short period between the launch of our credit card business in November 2005 to the end of the FYE 2006.

Other income

Our other income increased by 82.37% from RM13.794 million in the FYE 2006 to RM25.156 million in the FYE 2007 mainly due to the increase in credit card annual fees revenue, higher amount realised from credit loss recovery and income from extended warranty commission on MEP Scheme.

Staff costs

Staff costs increased by 63.19% from RM21.552 million in the FYE 2006 to RM35.170 million in the FYE 2007 mainly due to the increase in the number of employees by 16.79% from 923 employees in the FYE 2006 to 1,078 employees in the FYE 2007 in line with the launch of our credit card business and the overall growth for all other financing products offered by our Company.

Depreciation of plant and equipment

Our depreciation charges increased by 109.74 % from RM4.314 million in the FYE 2006 to RM9.048 million in the FYE 2007 mainly due to full year depreciation charge of our credit card business assets purchased in the FYE 2006 and additional depreciation for the following:

- (i) enhancements to the credit card business information systems; and
- (ii) renovation, IT systems, furniture and other assets for our new branches and AEON-Spots set up during the FYE 2007, relocation of certain existing branches and branch expansion to support our credit card business growth.



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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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*Operating expenses*

Our operating expenses increased by 77.21% from RM29.013 million in the FYE 2006 to RM51.415 million in the FYE 2007 mainly due to the following:

- (i) overall business growth for all products including first full year of operations for the credit card business since launching in 2005;
- (ii) increase in allowance for doubtful debts by 150.95% from RM9.064 million in the FYE 2006 to RM22.746 million in the FYE 2007 mainly due to the charge of the first full financial year of allowance for doubtful debts of our credit card business. Please refer to Section 8.3 of this Prospectus for further analysis of the allowance for doubtful debts of our credit card business; and
- (iii) additional overhead costs related to our Company's network expansion during the financial year which include overhead costs relating to new branches and AEON-Spots.

*Finance costs*

Finance costs increased by 106.17% from RM8.741 million in the FYE 2006 to RM18.021 million in the FYE 2007 mainly due to the increase in borrowings in line with our Company's trade receivables growth. The average funding cost for the financial year was marginally higher at 4.95% per annum compared to 4.68% per annum in the previous year i.e. increase of only 0.27% although the increase in overnight policy rate (determined by BNM) between November 2005 to April 2006 was 0.8%. The higher growth rate for finance costs compared to growth of revenue was mainly due to lower gross interest margins on credit card receivables compared to Easy Payment Scheme and Personal Financing Scheme receivables. The credit card receivables as at end of the FYE 2007 was RM136.381 million compared to RM28.335 million as at end of the FYE 2006.

*Profit before taxation*

Profit before taxation increased by 42.77% from RM19.293 million in the FYE 2006 to RM27.545 million in the FYE 2007 mainly due to the higher increase in revenue and other income as opposed to increase in staff costs, depreciation of plant and equipment, other expenses and finance costs.

*Taxation*

Despite reduction in corporate tax rates for the FYE 2007, taxation increased by 35.53% from RM5.787 million in the FYE 2006 to RM7.843 million in the FYE 2007 mainly due to the increase in chargeable income. Our effective tax rate for the FYE 2007 was 28.47% and is higher than the statutory tax rate of 27% mainly due to the non-deductibility of certain expenses.

*Profit after taxation*

Profit after taxation increased by 45.88% from RM13.506 million in the FYE 2006 to RM19.702 million in the FYE 2007 in line with increase in PBT.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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**8.4.3 FYE 2006 Compared to FYE 2005**Revenue

Our revenue for the FYE 2006 increased by 58.62% from RM43.574 million in the FYE 2005 to RM69.119 million in the FYE 2006 due to the increase in revenue for all our products/services.

Growth in our revenue for the Easy Payment Scheme and Personal Financing Scheme is mainly due to the following:

- (i) increase in revenue from the GEP Scheme by 27.75% from RM31.251 million in the FYE 2005 to RM39.923 million in the FYE 2006;
- (ii) increase in revenue from the MEP Scheme by 167.34% from RM8.248 million in the FYE 2005 to RM22.050 million in the FYE 2006; and
- (iii) increase in revenue from the Personal Financing Scheme by 73.15% from RM4.075 million in the FYE 2005 to RM7.056 million in the FYE 2006.

Growth in our revenue for the Easy Payment Scheme and Personal Financing Scheme is mainly due to the following:

- (i) expansion in our merchant network outside Klang Valley;
- (ii) increase in the number of AEON Express Card member base from sales promotion activities; and
- (iii) aggressive marketing promotion activities which we had undertaken including newspaper advertisement, mail drop and direct mailing to AEON Express Card members.

Our Company recorded a new source of income from our credit card business which was launched during the FYE 2006. Our revenue from the credit card business of RM0.090 million represents only approximately 0.13% of our Company's total revenue for the FYE 2006 mainly due to the short period between the launch of our credit card business in November 2005 to the end of the FYE 2006.

Other income

Our other income increased by 82.17% from RM7.572 million in the FYE 2005 to RM13.794 million in the FYE 2006 mainly due to the increase in MEP Scheme handling fee arising from higher sales of MEP Scheme, collection charge in line with the increase in overdue debt recovery and contribution from insurance sale commission, a new source of income.

Staff costs

Staff costs increased by 63.45% from RM13.186 million in the FYE 2005 to RM21.552 million in the FYE 2006 mainly due to the increase in the number of employees of 71.24% from 539 employees in the FYE 2005 to 923 employees in the FYE 2006 in line with the launch of our credit card business and the increase in staff welfare and provision for bonus to our employees from the FYE 2006 to motivate our employees and retain our talented and skilled employees.

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**8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**

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Depreciation of plant and equipment

Our depreciation charges increased by 97.17% from RM2.188 million in the FYE 2005 to RM4.314 million in the FYE 2006 mainly due to additional depreciation for the following:

- (i) new computer equipment and software purchased for our credit card business and to enhance our information security systems; and
- (ii) new furniture and renovation cost for our new branches set up during the FYE 2006, relocation of certain existing branches and branch expansion for the launch of our credit card business.

Operating expenses

Our operating expenses increased by 52% from RM19.087 million in the FYE 2005 to RM29.013 million in the FYE 2006 mainly due to the following:

- (i) additional expenses incurred for our credit card business which includes participation fee charged by Visa and MasterCard, credit investigation fees to verify the credit worthiness and credit behaviour of applicants and card expenses associated with the issuance of credit cards to our customers;
- (ii) cost from our head office relocation in order to provide a larger working space for the commencement of our credit card business; and
- (iii) increase in rental expense attributable to the relocation of our head office and certain branch offices, new rental agreements entered into for setting up new branch offices and increase in rental for expansion of our certain existing branch offices to cater for our credit card business.

Finance costs

Finance costs increased by 72% from RM5.082 million in the FYE 2005 to RM8.741 million in the FYE 2006 mainly due to the increase in interest rates imposed by our lenders from a general increase in market interest rates and increase in interest-bearing borrowings in line with the growth in our sales and business.

Profit before taxation

Profit before taxation increased by 66.28% from RM11.603 million in the FYE 2005 to RM19.293 million in the FYE 2006 mainly due to the higher increase in revenue and other income as opposed to increase in staff costs, depreciation of plant and equipment, other expenses and finance costs.

Taxation

Taxation increased by 70.36% from RM3.397 million in the FYE 2005 to RM5.787 million in the FYE 2006 mainly due to the increase in chargeable income. Our effective tax rate for the FYE 2006 was 30% and is higher than the statutory tax rate of 28% mainly due to the non-deductibility of certain expenses.

Profit after taxation

Profit after taxation increased by 64.59% from RM8.206 million in the FYE 2005 to RM13.506 million in the FYE 2006 in line with increase in PBT.