

16. INDEPENDENT MARKET RESEARCHER LETTER

*(Prepared for inclusion in this Prospectus)*

**17 OCT 2007**

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



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Dear Sirs

**EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (“EXECUTIVE SUMMARY”) FOR AEON CREDIT BERHAD (“AEON CREDIT” OR “THE COMPANY”)**

Dun & Bradstreet (D&B) Malaysia Sdn Bhd (“D&B Malaysia”) has prepared an Independent Market Research report (“Report”) dated 21 February 2007, of which the Executive Summary dated ~~17 OCT 2007~~ which contains extracts updated from the said Report has been prepared for inclusion in the Prospectus to be dated **16 NOV 2007** pursuant to the listing of AEON Credit on the Main Board of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the consumer credit services industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, Government literatures, in-house databases, Internet research and online databases.

D&B Malaysia has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary between the date hereof and the issue date of the Prospectus or after the issue of the Prospectus and before the issue of securities offered pursuant to the Prospectus, then D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

For and on behalf

**Dun & Bradstreet (D&B) Malaysia Sdn Bhd**

**Tan Sze Chong**  
Managing Director

**Dun & Bradstreet (D&B) Malaysia Sdn Bhd**

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## EXECUTIVE SUMMARY

### 1 THE CONSUMER CREDIT SERVICES INDUSTRY

#### 1.1 INDUSTRY BACKGROUND

The consumer credit services industry took off in a big way in Malaysia only after the end of the 1997/1998 financial crisis. Apart from the conducive and fundamental demand factors such as economic growth, the key factor that drove the growth of consumer credit services was the structural shift within the financial services sector itself to consumer banking business, in order to mitigate the adverse financial impact experienced during the financial crisis period due to heavy reliance on corporate and property sectors. Other contributing factors include the Malaysian Government's regulatory realignment to stimulate domestic consumption in an effort to reduce exposure to the uncertainties in the external environment<sup>1</sup>, gradual banking sector liberalisation resulting in greater participation of foreign players in the domestic market, as well as reduction in minimum monthly repayment for credit cards, lower minimum income requirement for loan and credit card applications. As a result, the industry boomed, as reflected in the growth of consumption credit from a mere RM2.6 billion in 1996 to RM100.3 billion in 2006.

#### 1.2 INTRODUCTION

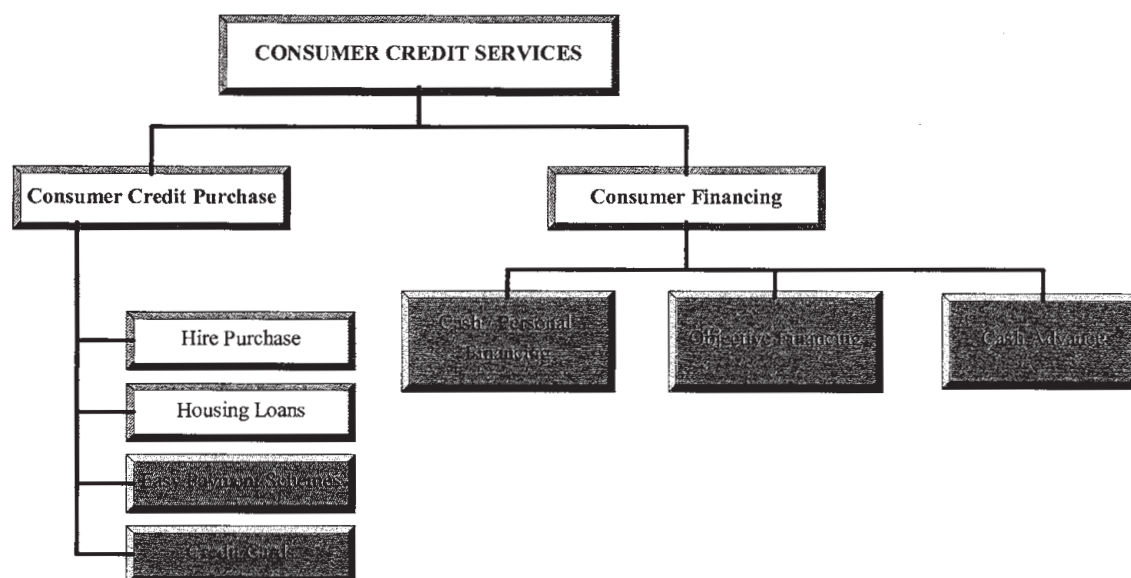
Consumer credit can be generally defined as short-term loans to individuals for the purchase of goods used primarily for personal, family, or household purposes. Such goods are not intended for resale or further use in the production of other products. The consumer credit services industry can generally be classified under two (2) broad types of credit services, namely consumer credit purchase and consumer financing. These services are offered by both financial institutions, namely local and foreign commercial banks, and non-financial institutions that comprise small- to medium-scale private limited companies involved in the marketing and provision of various types of consumer credit services.

<sup>1</sup> External environment encompasses the broad general environment, the global competitive environment and the global marketplace within which countries operate. This involves conditions, trends and forces that are essentially uncontrollable and beyond a country's boundaries, yet might affect a country.



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Figure 1: Consumer Credit Services, by Type



Note:

For the purpose of this study, the Report shall focus on the highlighted areas as shown above, within which AEON Credit is operating.

Source: D&B Malaysia Research

#### A) CONSUMER CREDIT PURCHASE

Consumer credit purchase or instalment credit refers to consumer credit services catered for purchases of consumer products and services. Such credit services are offered to assist general consumers purchase and use, but not necessarily have ownership rights to products that are purchased using this means. Products are typically consumer goods and/or services, and other major items such as cars and properties, and these can be obtained through consumer credit purchase services such as hire purchase, housing loans, easy payment schemes and credit cards.

#### B) CONSUMER FINANCING

Apart from credit purchases, individuals could obtain cash financing through personal loans and cash financing schemes offered by banks and consumer credit companies. Besides that, individuals can opt for objective financing, where the underlying objective for a loan is clearly defined and agreed upon by both parties before the loan is granted. Cash advance using credit cards is also gaining popularity since the introduction of credit card facilities.



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### **1.3 INDUSTRY LIFE CYCLE**

While data related specifically to the industry discussed is not available, the essence of enormous growth experienced by the consumer credit services industry in the past decade is captured in the growth of consumption credit. The percentage of private consumption financed through consumption credit has grown from just 2.2% in 1996 to 42.0% in 2006. This constitutes a Compounded Annual Growth Rate (“CAGR”) of 34.3%. Consumption credit grew at a phenomenal rate particularly post 1997/1998 financial crisis (9.9% in 1998) due to the gradual liberalisation of the financial sector. From the consumer credit perspective, the critical factors contributing to the impressive growth include improved accessibility to consumer credit via expansion in branch network and merchant tie-ups, increase in household income, substantial reduction in poverty rates that subsequently elevated the section of the community that was previously below the credit worthiness line and an overall social shift towards a more affluent lifestyle.

The industry has also evolved drastically throughout this period by diversifying products and services offered to expand market boundaries and offering value-added services to retain competitive edge. These include recent product innovations such as motorcycle purchase through easy payment schemes and motor insurance financing plans as well as the introduction of loyalty cards.



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## 1.4 INDUSTRY DYNAMICS

### 1.4.1 MARKET PERFORMANCE & TRENDS

Consumer credit experienced phenomenal growth over the past few years, supported by ample liquidity available in the system, low interest rate environment, positive consumer sentiments as well as increased access to banks' financing and on the supply side, aggressive expansion by banking sector into consumer banking as part of their risk management strategy. Credit granted to households as a percentage of total credit to private sector increased from 22.9% in 1999 to 31.4% by the end of 2005<sup>2</sup>, mainly resulting from stagnant or decreasing credit granted to the corporate sector. Between 2001 and 2005, the local household credit market grew at an annual average rate of 17.1%, the third highest in the emerging Asian countries after China and Indonesia.

**Table 1: Emerging Asian Countries: Growth of Household Credit Consumption, 2001 – 2005**

| % annual change | 2001 | 2002 | 2003 | 2004 | 2005 | 5-Year average<br>2001 - 2005 |
|-----------------|------|------|------|------|------|-------------------------------|
| Hong Kong SAR   | 2.9  | -1.5 | -4.1 | 1.0  | 2.0  | 0.1                           |
| Korea           | 28.0 | 28.5 | 1.9  | 6.1  | 9.9  | 14.9                          |
| Singapore       | 9.8  | 4.1  | 17.4 | 7.7  | 3.3  | 8.5                           |
| Taiwan          | -0.6 | 4.0  | 11.9 | 18.0 | 12.8 | 9.2                           |
| China           | 63.9 | 52.8 | 47.3 | 26.3 | 10.3 | 40.1                          |
| Indonesia       | 36.3 | 35.7 | 33.8 | 37.8 | 27.9 | 34.3                          |
| Malaysia        | 14.5 | 23.3 | 11.8 | 20.7 | 15.2 | 17.1                          |
| Thailand        | 7.5  | 7.9  | 20.9 | 14.7 | 19.7 | 14.1                          |

*Source: International Monetary Fund ("IMF") – Asia & Pacific Regional Economic Outlook, May 2006*

The local credit card industry has experienced remarkable growth, in terms of both the number of cards in circulation and transacted amounts, with a year-on-year ("yoy") increase of 11.2% and 19.1% recorded as at end of June 2007, respectively. Loans disbursed to this segment increased by 19.6% to RM26.9 billion in the first half of 2007 (January – June 2006: RM22.5 billion)<sup>3</sup>, driven primarily by product innovation, the growth of Internet as a shopping medium that largely relies on credit cards as a method of payment, aggressive marketing campaigns and expansion of the formal financial sector into previously unbanked market segments.

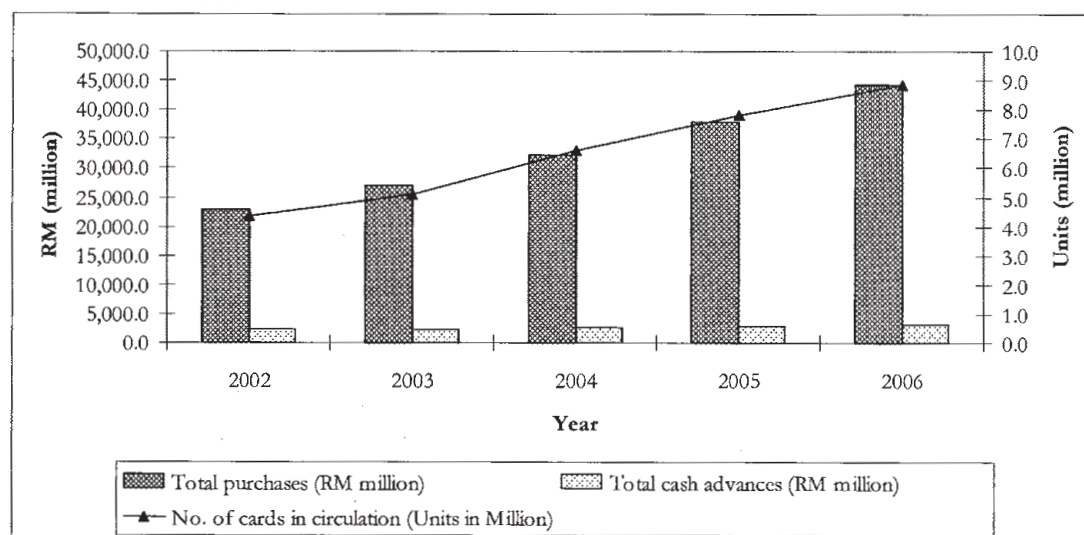
<sup>2</sup> Source: IMF – *Global Financial Stability Report, September 2006*

<sup>3</sup> Source: Bank Negara Malaysia ("BNM") *Monthly Statistical Bulletin, July 2007*



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**Figure 2: Total Credit Card Purchases & Cash Advance Transactions, 2002 – 2006**



Source: BNM Monthly Statistical Bulletin, December 2006

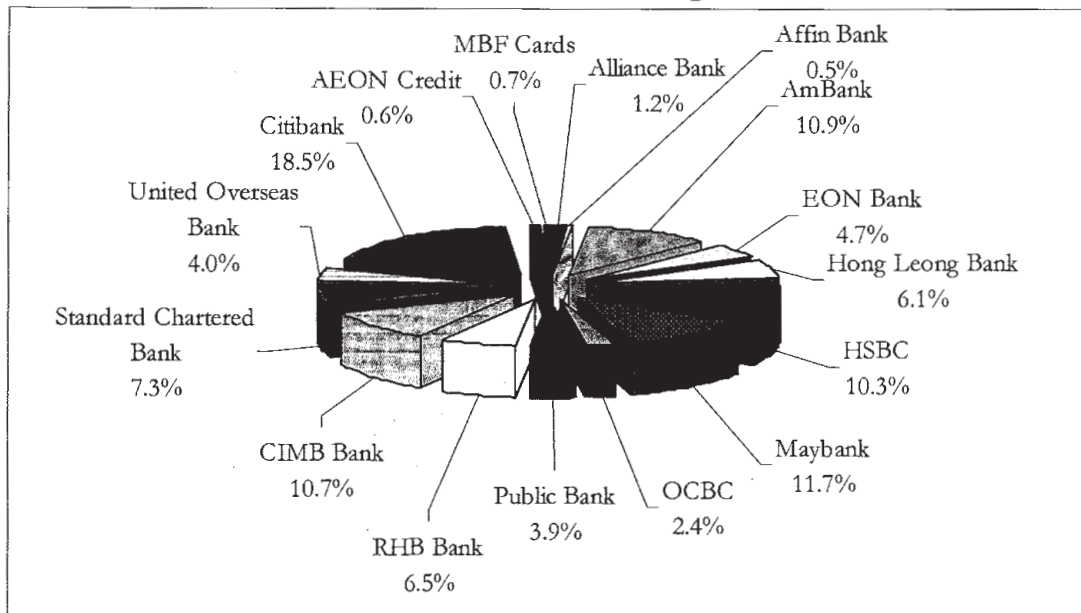
The total number of credit cards in circulation has more than doubled since end-2001, registering a robust CAGR of about 18%. In 2006, about 1.01 million cards were issued, bringing the total number of credit cards in circulation to 8.8 million, with a combined credit limit of RM71.3 billion. At present, there are a total of 16 credit card issuers in Malaysia, 14 of which are bank-backed. In terms of total outstanding credit card balances amounting to about RM19.7 billion in 2006<sup>4</sup>, foreign banks such as Citibank Berhad, HSBC Bank Malaysia Berhad, Standard Chartered Bank Malaysia Berhad and OCBC Bank (Malaysia) Berhad collectively control about 42.5% of the market, while leading local banks such as Malayan Banking Berhad, AmBank (M) Berhad and CIMB Bank Berhad collectively have an estimated 33.3% share of the market.

<sup>4</sup> Based on respective BNM-licensed credit card issuers that registered revenues arising from credit card operations for their fiscal year 2006



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**Figure 3: Market Share in terms of Outstanding Credit Card Balances, 2006\***



Note:

\* - Based on respective BNM-licensed credit card issuers' fiscal year 2006

Source: Respective card issuers' annual reports, Companies Commission of Malaysia and the Management of AEON Credit

### 1.4.2 DEMAND & SUPPLY CONDITIONS

Demand for consumer credit is expected to remain buoyant, driven by sustained increase in private consumption. In 2006, private consumption expenditure increased by 7.1% (2005: 8.7%)<sup>5</sup>. Despite concerns of rising inflation, consumer spending was supported by continued increase in household disposable income amidst year-end bonus payments, arising from sustained high commodity prices and strong export earnings. Labour market conditions also remained favourable and major consumption indicators point towards sustained consumer spending, such as strong growth registered for imports of consumption goods and credit card spending, as well as sustained growth in loans approved and disbursed for consumption purposes.

<sup>5</sup> Source: Economic Report 2007/2008



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Table 2: Key Economic Indicators, 2004 - 2008<sup>f</sup>

| % annual change                  | 2004   | 2005   | 2006   | 2007 <sup>e</sup> | 2008 <sup>f</sup> |
|----------------------------------|--------|--------|--------|-------------------|-------------------|
| Real GDP                         | 7.2    | 5.2    | 5.9    | 6.0               | 6.0-6.5           |
| Private consumption              | 9.8    | 8.7    | 7.1    | 9.0               | 7.9               |
| Unemployment (% of labour force) | 3.5    | 3.5    | 3.3    | 3.3               | 3.3               |
| Per capita income (RM)           | 17,577 | 18,966 | 20,841 | 22,345            | 23,864            |

Note:

<sup>e</sup> estimate; <sup>f</sup> forecast

Source: BNM; Economic Report 2007/2008

Supply of consumer credit in the medium term is expected to remain stable due to regulatory limitation as well as policy driven banking sector consolidation that act as a cap on the number of new players entering the market. However, the gradual liberalisation of the sector may result in, over a longer term, the entry of new foreign players and greater flexibility for foreign players already operating in Malaysia to expand their operations, contributing to increased competition.

### 1.4.3 COMPETITIVE ENVIRONMENT

The consumer credit services industry is competitive and rapidly changing, with the presence of a diverse range of players, from local and foreign financial institutions providing easy payment schemes via credit cards that are issued by them, retail stores that offer instalment plans for their own retail products, to credit services companies that provide a comprehensive range of consumer credit purchase and consumer financing services.

Players often differentiate themselves through value-added services, such as extended warranty, free delivery and installations, zero-cost product replacement guarantee and tie-up with banks and introduction of the loyalty card concept.

The products/services offered by industry players are also largely determined by the scope of business allowed under the licensing conditions and financial resources at its disposal. In this respect, bigger players, usually financial institutions, are able to offer a wider range of products/services through cross selling initiatives while smaller players tend to cater to niche markets and tie-up with large numbers of merchants to increase product exposure.





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## **1.5 BARRIERS TO ENTRY**

The major barriers to entry into the consumer credit services industry include:

- capital/labour intensiveness;
- industry knowledge;
- proven track record; and
- licensing and certification requirements.

## **1.6 SUBSTITUTE PRODUCT / SERVICES**

The consumer credit services industry is faced with the threat of illegal moneylenders, namely those who are unlicensed and are not given exemption from the Ministry of Housing and Local Government (“MHLG”) under the Moneylenders Act, 1951. Similar to consumer credit services companies, these illegal moneylenders offer personal loans primarily in the form of cash financing to consumers. Illegal moneylenders, however, do not offer attractive features that are packaged with the borrower’s interest in mind. Instead, most of these, if not all, charge exorbitant interest rate which could be as high as 25% per month. Unless caught in a dire situation where an individual is strapped for cash, consumers normally approach licensed moneylenders and/or seek financial assistance from financial institutions and other types of consumer credit services companies.

The Malaysian Government has emphasised on the importance of financial education amongst consumers whereby it is stressed that consumers should acquire the knowledge that will enable them to evaluate products and services from competing consumer credit providers and make critical financial decisions that affect an individual’s ability to attain desirable assets through credit financing, yet maintain a good credit standing. The consumer credit services industry is set to be the preferred source for consumers to obtain credit services due to the availability of a wide array of products and services, coupled with the attractive interest rates and added benefits/privileges offered in a package.

There is no other direct threat of substitute products or services to the consumer credit services industry.



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## **1.7 GOVERNMENT LEGISLATIONS AND POLICIES**

The following legislations related to the consumer credit services industry:

- Payment Systems Act, 2003;
- Banking and Financial Institutions Act, 1989; and
- Moneylenders Act, 1951.

Meanwhile, there are presently no existing government incentives applicable to the consumer credit services industry, particularly for the non-financial institutions.

## **1.8 MARKET GROWTH FACTORS**

The evolution of the consumer credit services industry in Malaysia involves innovation and structural change in the financial sector, as a whole, and has been critical in providing expanded access to credit for the vast majority of consumers, including those of limited means.

### **1.8.1 DEVELOPMENT OF THE CONSUMER CREDIT SERVICES INDUSTRY**

Going forward, the growth of the consumer credit services industry depends largely on industry players' ability to diversify its products and innovate to meet the rapidly changing consumer preferences and demands driven by the rising purchasing power and lifestyle sophistication. In essence, service providers must keep track of consumption trend to identify potential new areas of growth, consistently expand business horizon through cross selling of services offered within the group or develop new point of sales to reach a wider audience and increase consumers' awareness. In addition, the liberalisation of the banking sector would be another growth catalyst to the industry as the entry of players comprising foreign multinationals with vast experience and huge financial resources is likely to drive product innovation and margin neutralisation initiatives in an increasingly competitive environment.

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## 1.8.2 CONTINUED GROWTH IN THE ASIAN ECONOMIES

The Malaysian economy is largely driven by export activity, which represents an estimated 117.1% of GDP in 2006<sup>6</sup>. In this regard, the continued growth of the global economy, particularly the Asian economies which account for 59.2% of Malaysian's export market in 2006<sup>7</sup>, is the key to the sustainability of domestic economic growth. Closer to home, member countries of the Association of South East Asian Nations ("ASEAN") are a major export market for Malaysia. In 2006, 25.8% of Malaysian manufactured goods were exported to ASEAN countries, out of which 65.8% were exported to Singapore<sup>8</sup>. In this respect, the economies of the ASEAN 5 countries (namely Indonesia, Malaysia, Philippines, Singapore and Thailand) remain favourable with a GDP growth of 5.7% in 2006 and an estimated GDP growth of 5.8% in 2007.

Table 3: Real GDP Growth of Selected Asian Countries, 2004 - 2008<sup>f</sup>

|                  | 2004 | 2005 | 2006 | 2007 <sup>e</sup> | 2008 <sup>f</sup> |
|------------------|------|------|------|-------------------|-------------------|
| <b>East Asia</b> |      |      |      |                   |                   |
| China            | 10.1 | 10.4 | 11.1 | 11.2              | 10.5              |
| Hong Kong SAR    | 8.6  | 7.5  | 6.8  | 5.5               | 5.0               |
| South Korea      | 4.7  | 4.2  | 5.0  | 4.3               | 4.8               |
| Taiwan           | 6.1  | 4.0  | 4.6  | 4.2               | 4.3               |
| <b>ASEAN 5</b>   |      |      |      |                   |                   |
| Indonesia        | 5.0  | 5.7  | 5.5  | 6.0               | 6.3               |
| Malaysia         | 7.2  | 5.2  | 5.9  | 6.0               | 6.0 – 6.5         |
| Philippines      | 6.2  | 5.0  | 5.4  | 5.8               | 5.8               |
| Singapore        | 8.8  | 6.6  | 7.9  | 7.0               | 5.7               |
| Thailand         | 6.3  | 4.5  | 5.0  | 4.5               | 4.8               |

Note:

<sup>e</sup> estimate; <sup>f</sup> forecast

Source: Economic Report 2007/2008

The increasing trend in credit consumption can also be seen from the growth in household debt. Over the period from 2000 to 2004, the volume of consumer loans across seven (7) major Asia Pacific economies grew at an average annual rate of 9.0%, relative to total loan growth of 5.2% and corporate credit growth of 2.6%<sup>9</sup>.

<sup>6</sup> Source: Economic Report 2007/2008

<sup>7</sup> Source: BNM Annual Report 2006

<sup>8</sup> Source: BNM Annual Report 2006

<sup>9</sup> Source: BNM



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### **1.8.3 OPPORTUNITIES IN PENETRATING A WIDE CUSTOMER BASE**

The economic growth over the past two (2) decades lifted many households above the poverty line. For instance, the overall poverty rate fell from 8.5% in 1999 to just 5.7% in 2004. These households comprise the greater segment of the population with rapidly rising average household income. The mean household income of the middle 40% and bottom 40% of Malaysia's income group grew by 20.7% and 17.8% respectively in the period of 1999 to 2002<sup>10</sup>. Going forward, the anticipated economic expansion is expected to be sustained and will further benefit this segment of the Malaysian population through higher spending power.

### **1.8.4 INCREASING PRIVATE CONSUMPTION**

Private consumption is expected to increase further by 9.0% in 2007, exceeding the overall GDP growth rate for the ninth consecutive year<sup>11</sup>. Notwithstanding the sustained high consumption growth, Malaysia's nominal private consumption-to-GDP ratio of 46.4% (2005: 47.1%) continues to be one of the lowest in the world<sup>12</sup>. These indicators point to sustained increase in private consumption. Consumers are expected to benefit from higher income following the expected improvement in economy and employment condition, as well as higher primary commodity prices. As consumer sentiments remain positive and investor confidence gains momentum, domestic demand in real terms (excluding change in stocks) is projected to remain resilient, with a growth rate of 9.0% and a contribution of 7.6 percentage points to overall GDP growth in 2007 (2006: 7.0%; 5.8 percentage points).

Stable labour market conditions, a supportive credit environment and high commodity prices would continue to support favourable consumption expenditure. Private investment outlays are also envisaged to provide additional capacities in an environment of strong demand conditions. Given such positive income growth prospects, private consumption expenditure would remain a significant source of stimulus for GDP growth in 2007.

<sup>10</sup> Source: *Human Resources Development Review of Progress Made Under Eighth Malaysia Plan*

<sup>11</sup> Source: *Economic Report 2007/2008*

<sup>12</sup> Source: *Economic Report 2007/2008*



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### **1.8.5 SOCIAL CHANGES TOWARDS ACHIEVING A MORE AFFLUENT LIFESTYLE**

Consumers today tend to be better educated, more affluent, well-travelled, sophisticated and well-informed. Their exposure to foreign media and culture has altered their lifestyles and tastes. Fuelled by an increased demand for lifestyle goods, established medium-to-low-end consumer credit services companies have made their debut entrances within the Asian region.

Malaysia's relatively young working population, with a higher propensity to consume, will further underpin consumer demand. Therefore, consumption growth is expected to be driven mainly by income growth and demographic factors, with credit conditions playing a supportive role. Furthermore, the increasing number of working women is also a factor driving the progression to higher living standards. Contrary to relying on the male member as the sole breadwinner in the traditional family concept, working women now contribute significantly in increasing the average household income. These factors coupled with rapid economic growth over the past two (2) decades and the rise of middle income families with higher disposable income have led to an increasingly sophisticated lifestyle.

### **1.8.6 PROLIFERATION OF SHOPPING MALLS**

Currently, there are over 200 shopping malls in Malaysia with a total retail space of more than 7 million square metres<sup>13</sup>. More new shopping centres are expected to open for business, housing over 5,000 retailers. These new shopping centres are projected to be worth a market value of approximately RM9 billion<sup>14</sup>. The proliferation of shopping malls create opportunities for established retail chains to expand their sales and distribution network, which could translate into greater opportunities for consumer credit companies to benefit from higher sales volume and revenues generated through the availability of consumer credit services.

<sup>13</sup> Source: *Property Market Report by Ministry of Finance*

<sup>14</sup> Source: *Malaysian Association for Shopping and Highrise Complex Management*



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## **2 COMPETITIVE ANALYSIS & COMPANY POSITIONING**

The industry is dominated by local and foreign financial institutions, which have wider existing consumer base. In addition, their ability to be positioned as one-stop financial centres appeals in terms of consumer convenience. The regulatory environment however is still highly stringent, despite the gradual liberalisation of the industry which skews in favour of local players. For example, while there are no written regulations limiting the presence of foreign banks in Malaysia in terms of number of branches or products/services offered, in practicality, the approval for operations expansion by them are harder to obtain compared with their local peers.

Demand for consumer financing is driven by consumer income and demographics. The profitability of individual companies depends on the correct assessment of repayment likelihood and effective collection activities. Large companies have an advantage in using information technology to serve large portfolios of mortgage and credit card loans and also have access to cheaper sources of funds, but small companies can compete effectively in the cash lending or sales financing segments, where personal contact is more important. Furthermore, certain lucrative consumer financing companies such as hire purchase companies that offer financing schemes for durable goods such as motorcycles are exclusively reserved for local players only. As a result, competition is largely driven by products/services innovation to meet consumers' constantly evolving needs and ability to tap into the potential of cross-selling products/services. Meanwhile, smaller to medium-scale service providers, such as AEON Credit, Courts Mammoth Berhad ("Courts") and Singer (Malaysia) Sdn Bhd ("Singer Malaysia") are primarily involved in the offering of micro-financing services to cater to the wide target market comprising an array of retail customers, ranging from those located in rural and sub-urban areas, to major cities nationwide.



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## 2.1 COMPARATIVE PERFORMANCE OF PLAYERS

A summary of the principal activities of leading players within the consumer credit services industry in Malaysia is set out below:

**Table 4: Principal Activities of Selected Players**

| No. | Name of Company | Principal Activities  |
|-----|-----------------|---|
| 1.  | AEON Credit     | Provision of easy payment schemes and personal financing schemes and issuance of credit cards under international brand names of Visa and MasterCard. The Personal Financing Scheme and certain easy payment schemes are based on Islamic principles. |
| 2.  | Courts          | Retailing of electronic and electrical appliances and household furniture and furnishings.  |
| 3.  | Singer Malaysia | Marketing and selling of consumer durable products on cash, credit, hire purchase and equal payment schemes under the "Singer" trademark and other brands.  |

*Source: AEON Credit and Companies Commission of Malaysia*

Consumer credit companies offer loans to consumers in a niche segment of the consumer credit services industry. This segment involves borrowers who may have no credit history, often have low income and a higher debt-to-income ratio. Several broad product classes exist, such as retail products financing (typically easy payment schemes for furniture, household appliances, jewellery), unsecured cash loans (cash/personal financing), motorcycle financing, insurance financing and credit cards, and companies may participate in a number of them, or specialise in only one.

The easy payment scheme was pioneered by retailers to make the purchase of durable household goods more affordable to middle and lower income groups by staggering the payment over a period of time instead of a single bullet payment. Companies such as Courts and Singer Malaysia have ventured into the consumer credit services business to expand their core retail businesses. On the other hand, realising the sector potential, new players such as AEON Credit emerged with their core business in providing direct cash financing and indirect financing (such as easy payment schemes) to consumers via tie-ups with merchants.

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While AEON Credit, Courts and Singer Malaysia provide easy payment schemes, all of them offer different packages of credit services, as shown below:

**Table 5: Range of Services / Products of Selected Major Players**

| Name of Company | Easy Payment Scheme | Cash / Personal Financing | Objective Financing | Credit Card | Retail Products |
|-----------------|---------------------|---------------------------|---------------------|-------------|-----------------|
| AEON Credit     | *                   | *                         | *                   | *           |                 |
| Courts          | *                   |                           |                     |             | *               |
| Singer Malaysia | *                   |                           |                     |             | *               |

*Source: Companies website and Annual Reports*

With over 60 stores nationwide, Courts provides a variety of brand names in consumer electronics and furniture, but only provides one kind of credit service with two (2) options of repayment flexibility of up to 48 months instalments to their customers. As for Singer Malaysia, it has 125 outlets nationwide and sells a wide variety of products, including audio visual, sewing machines, furniture and home appliances, and provides services such as motorcycle financing and after-sales services, but it only provides one kind of credit service with the option of up to 36 months of instalments.

AEON Credit offers a comprehensive range of consumer credit services ranging from easy payment schemes, cash financing to other types of personal financing and credit cards. AEON Credit allows customers to purchase various kinds of products through its easy payment schemes under tie-ups with more than 5,000 merchant outlets. As for its Personal Financing Scheme, AEON Credit has an attractive array of credit products, such as AEON Cash, insurance financing and travel packages financing. Besides providing Easy Payment Scheme and Personal Financing Scheme, AEON Credit also provides credit card services to its customers and is expected to further increase market reach through added services such as speedy cash disbursement through ATM.





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## 2.2 MARKET SIZE

Currently, there is no publicly available industry statistics to substantiate the market share of the players within the consumer credit services industry in Malaysia. Furthermore, information on the market share for the players is also difficult to obtain and there are no statistics pertaining to the sales value of consumer credit services offered by non-financial institutions being compiled for general public consumption. Hence, it is difficult to ascertain the market share of AEON Credit.

The market size for consumer credit services is estimated at RM19.3 billion in 2006, with increasing demand for product and personal financing that do not require collateral and are generally more affordable to the average income earner. The increasing trend towards credit spending is further evidenced by higher credit card spending during the first half of 2007, which increased strongly by 19.4% (January – June 2006: 12.4%), respectively<sup>15</sup>. This indicates that consumers generally favour the purchase of goods and services using credit facilities that are made available by retail merchants and credit services companies.

In Malaysia, the consumer credit services players are diverse in their activities where many of them do not specialise or focus in the development of consumer credit services to their customers, but are also involved in retail as their core business or provide a wide range of other financial services that include investments, cash advances and easy payments through credit cards, insurance services, retirement savings and personal trust services. These companies include Courts, Singer Malaysia and financial institutions throughout Malaysia. As these companies do not segment their revenues into easy payment schemes, cash/personal financing, objective financing and credit cards, and other revenues, it is not meaningful to analyse the positioning of AEON Credit based on revenue or profitability comparison with these players. Furthermore, there is no comparable player in the market which operates on a similar business model as AEON Credit. AEON Credit is the first non-banking institution that was established with the objective of providing easy payment plans and personal financing services that cater to the vast consumer market. In October 2005, AEON Credit further achieved a significant milestone when it became the first non-financial institution in Malaysia to be granted approval by BNM to issue credit cards under its own line of credit.

<sup>15</sup> Source: BNM Monthly Bulletin, July 2007

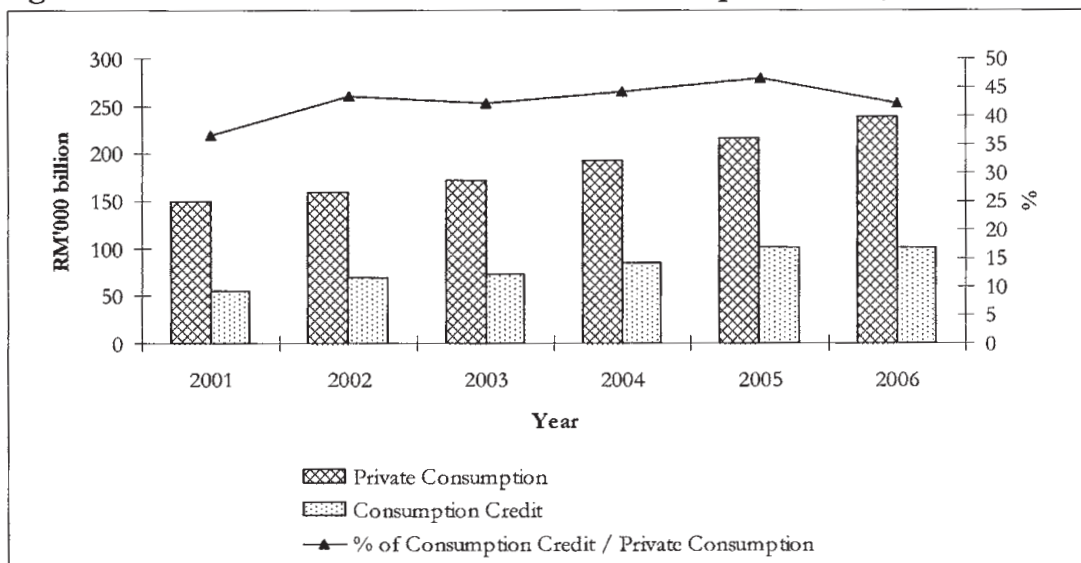


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### 2.3 CONTRIBUTION TO THE ECONOMIC GROWTH OF MALAYSIA

Post-Asian financial crisis, private consumption has become a major Malaysian economic growth driver partly due to flush liquidity in the system, low interest rate environment and on the supply side, realisation by financial institutions of the need to diversify their income base, which at that time was highly leveraged on corporate sector into consumer banking as part of risk management tool. The sustained increase in private consumption was in turn largely driven by availability of credit. In 1996, consumption credit was only RM2.6 billion, representing 2.2% of total private consumption. This amount grew rapidly to RM100.3 billion in 2006, or 42.0% of total private consumption.

**Figure 4: Increase in the Prominence of Consumption Credit, 2001 – 2006**



Source: BNM

Private consumption expenditure, in general, is expected to show increasing trends following the rise in aggregate income, albeit with a slight shift in consumption patterns. The rising proportion of household income set aside for the purchase of transport goods has overtaken that used for purchase of necessity goods such as food and clothing. This changing trend in expenditure during the period of 1993/1994 to 2004/2005 is believed to stem from higher ownership of vehicles as a result of rising incomes and the availability of attractive financing schemes. Private consumption expenditure shall continue to be of significance as a major growth determinant of Malaysia's domestic economic activities with its relatively stable performance and large contribution to the nation's GDP.



### Decide with Confidence

Higher disposable income, which arose from firm commodity prices, stronger export earnings, favourable demographic structure of the population, rising consumerism as well as high savings will provide the underlying support to private consumption, which is expected to moderately grow by 9.0% in 2007, as compared to 7.1% in 2006<sup>16</sup>.

## 3 CONCLUSION

Competition is expected to intensify within the consumer credit services industry with the impending financial sector liberalisation, as local financial institutions realign their strategies to shift their focus and resources towards expanding their involvement in the micro-financing segment. This could pose a potential threat to existing consumer credit services players as more financial institutions begin to offer similar consumer credit services to consumers. Despite the expected rise in competition, the consumer credit services market is set to offer huge opportunities for established players such as AEON Credit to increase their market penetration through their existing clientele base by adopting cross selling approaches and leveraging on the expertise and in-depth knowledge of the Malaysian private consumption trends and needs.

Improved access to credit for consumers, and especially those more recent developments, has had significant benefits. Innovation and deregulation have vastly expanded credit availability to virtually all income classes. Access to credit has enabled families to purchase items, deal with emergencies and obtain goods and services. The key reason for the growth of individual consumption credit lies mainly in the change of people's psychology on consumption. Being optimistic about their future income, many Malaysians have generally accepted the practice of taking out loans. The increasing trend observed in credit spending does not only benefit consumers alone, but also helps to increase sales volumes for retailers and service providers, in that consumers are encouraged to purchase even when they do not have the funds to pay up-front for the goods and/or services.

<sup>16</sup> Source: *Economic Report 2007/2008*

17. DIRECTORS' REPORT

*(Prepared for inclusion in this Prospectus)*



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

Level 29, Menara Olympia, No. 8, Jalan Raja Chulan, 50200 Kuala Lumpur. Tel: 603-2772 9000  
P.O.Box 12754, 50788 Kuala Lumpur

**12 NOV 2007**

The Shareholders  
**AEON Credit Service (M) Berhad**

Dear Sir/Madam

On behalf of the Directors of AEON Credit Service (M) Berhad ("AEON Credit"), I report after due inquiry that during the period from 20 July 2007 (being the date to which the last audited financial statements of AEON Credit have been made up) to **12 NOV 2007** (being a date not earlier than fourteen (14) days before the issue of this Prospectus):

- (a) The business of AEON Credit has, in the opinion of the Directors, been satisfactorily maintained;
- (b) In the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of AEON Credit, which have adversely affected the trading or the value of the assets of AEON Credit;
- (c) The current assets of AEON Credit appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) There are no contingent liabilities by reason of any guarantees or indemnities given by AEON Credit;
- (e) There have been, since the last audited financial statements of AEON Credit, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in respect of any borrowings; and
- (f) Save as disclosed in this Prospectus, there have been, since the last audited financial statements of AEON Credit, no material changes in the published reserves or any unusual factors affecting the profit of AEON Credit.

Yours faithfully  
For and on behalf of the Board of Directors  
of **AEON CREDIT SERVICE (M) BERHAD**



Naruhito Kuroda  
Managing Director

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**18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS**

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**18.1 Related Party Transactions**

Under the Bursa Securities LR that are applicable to companies listed on the Main Board and Second Board, a “related party transaction” is a transaction entered into by a listed company or its subsidiaries that involves the interests, direct or indirect, of a related party. A “related party” of a listed company is:

- (i) a director; or
- (ii) a major shareholder having an interest in one or more voting shares in a company and the nominal amount of those shares is:
  - (a) equal to or more than 10% of the aggregate of the nominal amounts of all voting shares in the company; and
  - (b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company,

of the listed company or its subsidiaries or holding company or the subsidiaries of its holding company and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or major shareholder. Further, a related party includes a person connected with such director or major shareholder.

**18.1.1 Non-Recurrent Related Party Transactions**

Save for the provision of AEON Credit’s financing products and services to its directors and key management in the ordinary course of business for example issuance of credit card, there are no existing or potential non-recurrent related party transactions that we have entered into in respect of which rights and obligations are subsisting and/or proposed as at the date of this Prospectus.

**18.1.2 Recurrent Related Party Transactions**

Our Company, in the ordinary course of business, enters into transactions that are of revenue or trading in nature with related parties (“Recurrent Transactions”), which are necessary for our day-to-day operations. Our Directors confirm that such Recurrent Transactions are carried out and will be carried out on an arm’s length basis and on commercial terms which are not more favourable to the related parties than those generally available to third parties and which will not be detrimental to our minority shareholders.

We will make disclosures in our annual report of the aggregate value of transactions conducted based on the nature of Recurrent Transactions made, names of the related parties involved and their relationship with our Company during the financial year and in the annual reports for the subsequent financial years.

Set forth below are the Recurrent Transactions that we have entered into with our related parties for the past three (3) financial years ended 20 February 2007, five (5)-month period ended 20 July 2007 and our proposed related party transactions for the FYE 2008.

Save as disclosed below, there are no existing or potential Recurrent Transactions that we have entered into in respect of which rights and obligations are subsisting and/or proposed as at the date of this Prospectus.

## 18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

| Transacting parties     | Nature of relationship   | Nature of transaction   | Transaction value |        |        |                                   |           |
|-------------------------|--|---|-------------------|--------|--------|-----------------------------------|-----------|
|                         |  |   | FYE               |        |        | 5-month period ended 20 July 2007 | FYE 2008* |
|                         |  |   | 2005              | 2006   | 2007   |                                   |           |
| RM 000                  | RM 000   | RM 000  | RM 000            | RM 000 |        |                                   |           |
| AEON Credit and AEON Co | AEON Co is the 51%-owned subsidiary of AEON Japan, which in turn owns 45.28% equity interest in AEON Credit Japan. As at 30 September 2007, AEON Credit Japan owns 89.84% equity interest in AEON Credit prior to the Initial Public Offering. Upon completion of the Initial Public Offering, AEON Credit Japan will own 56.70% equity interest in AEON Credit. | Factoring of Easy Payment Scheme from AEON Co to AEON Credit  | 4,238             | 4,408  | 5,111  | 2,510                             | 6,024     |
|                         |  | Sales through credit card issued by AEON Credit   | -                 | 5,693  | 42,985 | 15,025                            | 36,060    |
|                         |  | Convertible J-Card points by AEON Credit for J-Card gift redemption given to cardholders who are also J-Card members of AEON Co | -                 | 52     | 393    | 129                               | 310       |
|                         |  | Rental of premises from AEON Co to AEON Credit for the use of shoplot in Jusco shopping centres                                 | -                 | 43     | 933    | 572                               | 1,553     |
|                         | Three (3) of our Directors, namely Dato' Abdullah bin Mohd Yusof, Naruhito Kuroda and Datuk Ramli bin Ibrahim, are also directors of AEON Co.  | Credit card commission receivable by AEON Credit from AEON Co for sales through credit cards                                    | -                 | 42     | 645    | 220                               | 528       |

**18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

| Transacting parties               | Nature of relationship   | Nature of transaction  | <-----Transaction value-----> |                |                |                                   |           |
|-----------------------------------|--|--|-------------------------------|----------------|----------------|-----------------------------------|-----------|
|                                   |  |  | <-----FYE----->               |                |                | 5-month period ended 20 July 2007 | FYE 2008* |
|                                   |  |  | 2005<br>RM 000                | 2006<br>RM 000 | 2007<br>RM 000 |                                   |           |
| AEON Credit and AEON Credit Japan | AEON Credit Japan is substantial shareholder of AEON Credit. As at 30 September 2007, AEON Credit Japan owns 89.84% equity interest in AEON Credit prior to the Initial Public Offering. Upon completion of the Initial Public Offering, AEON Credit Japan will own 56.70% equity interest in AEON Credit. | Reimbursement of personnel costs by AEON Credit to AEON Credit Japan in respect of staff (including certain of our Executive Directors) seconded to AEON Credit and IT system support services rendered by AEON Credit Japan through a staff based in Malaysia | 944                           | 794            | 1,297          | 436                               | 1,046     |
|                                   | Two (2) of our Directors, namely Yoshiki Mori and Kazuhide Kamitani, are also directors of AEON Credit Japan.  | Licensing fees paid by AEON Credit to AEON Credit Japan in respect of fraud detection and management system  | -                             | 8              | 49             | 26                                | 63        |

*Note:*\* *Estimated transaction value for the FYE 2008.***18.1.3 Transactions entered into that are unusual in their nature or conditions**

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets to which our Company was a party in respect of the past three (3) financial years ended 20 February 2007, five (5)-month period ended 20 July 2007 and the period from 21 July 2007 up to the Latest Practicable Date.

**18.1.4 Outstanding Loans and Guarantees**

There are no outstanding loans (including guarantees of any kind) made by our Company to or for the benefit of our related parties in respect of the past three (3) financial years ended 20 February 2007, five (5)-month period ended 20 July 2007 and the period from 21 July 2007 up to the Latest Practicable Date.

## 18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

## 18.1.5 Acquisition of assets within the past three (3) financial years and up to the date of this Prospectus

Save as disclosed below, none of our Directors or our substantial shareholders has any interest, direct or indirect, in the promotion of, or in any material assets which have been, within the past three (3) financial years ended 20 February 2007, five (5)-month period ended 20 July 2007 and the period from 21 July 2007 up to the Latest Practicable Date, acquired or disposed of by or leased to our Company or proposed to be acquired, disposed of by or leased to our Company.

| Transacting parties     | Nature of relationship   | Nature of transaction   | <-----Transaction value-----> |        |        |                                   |           |
|-------------------------|--|---|-------------------------------|--------|--------|-----------------------------------|-----------|
|                         |  |   | <-----FYE----->               |        |        | 5-month period ended 20 July 2007 | FYE 2008* |
|                         |  |   | 2005                          | 2006   | 2007   |                                   |           |
| RM 000                  | RM 000   | RM 000  | RM 000                        | RM 000 | RM 000 |                                   |           |
| AEON Credit and AEON Co | AEON Co is the 51%-owned subsidiary of AEON Japan, which in turn owns 45.28% equity interest in AEON Credit Japan. As at 30 September 2007, AEON Credit Japan owns 89.84% equity interest in AEON Credit prior to the Initial Public Offering. Upon completion of the Initial Public Offering, AEON Credit Japan will own 56.70% equity interest in AEON Credit. | Rental of premises from AEON Co to AEON Credit for the use of shoplot in Jusco shopping centres | -                             | 43     | 933    | 572                               | 1,553     |
|                         | Three (3) of our Directors, namely Dato' Abdullah bin Mohd Yusof, Naruhito Kuroda and Datuk Ramli bin Ibrahim, are also directors of AEON Co.  |   |                               |        |        |                                   |           |

**Note:**

\* Estimated transaction value for the FYE 2008.



## 18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

## 18.2 Conflict of Interests

## 18.2.1 Our Directors or substantial shareholders interest, directorships and/or shareholdings in other businesses and corporations carrying on a similar trade as that of our Company

Save as disclosed below, none of our Directors or substantial shareholders has any interest, direct or indirect, directorships and/or shareholdings in other businesses and corporations carrying on a similar trade as that of our Company which would give rise to a conflict of interest situation as at the Latest Practicable Date.

| Directors       | Company  | Shareholdings      |      |                    |   | Designation         | Principal activities  |
|-----------------|--|--------------------|------|--------------------|---|---------------------|---|
|                 |  | Direct             |      | Indirect           |   |                     |   |
|                 |  | No. of shares held | %    | No. of shares held | % |                     |   |
| Naruhito Kuroda | AEON Credit Japan                                      | 1,980              | #    | -                  | - | -                   | Issuance of credit cards and provision of consumer financing services   |
|                 | AEON Credit Service (ASIA) Co., Ltd ("AEON Credit HK") | 74,800             | 0.02 | -                  | - | -                   | Provision of consumer credit finance services which include issuance of credit cards, the provision of personal loan financing, hire purchase financing and vehicle financing |
|                 | AEON Thana Sinsap (Thailand) PLC ("AEON Thana Sinsap") | 100,000            | 0.04 | -                  | - | -                   | Provision of a variety of retail finance services, including hire purchase, credit card, personal loan and factoring services   |
|                 | PT AEON Credit Service Indonesia ("PT AEON Credit")    | -                  | -    | -                  | - | President Komisaris | Provision of consumer credit finance services which include hire purchase financing   |
| Yoshiki Mori    | AEON Japan   | 7,500              | #    | -                  | - | Director            | Provision of general merchandise store operations, specialty store operations, shopping centre developments and finance operations and other operations, via its subsidiaries |

## 18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

| Directors                 | Company  | Shareholdings      |      |                    |   | Designation                           | Principal activities  |
|---------------------------|--|--------------------|------|--------------------|---|---------------------------------------|---|
|                           |  | <-----Direct-----> |      | <---Indirect--->   |   |                                       |   |
|                           |  | No. of shares held | %    | No. of shares held | % |                                       |   |
| Yoshiaki Mori<br>(Cont'd) | AEON Credit Japan  | 42,126             | 0.08 | -                  | - | President and Chief Executive Officer | Issuance of credit cards and provision of consumer financing services   |
|                           | AEON Credit HK   | 280,000            | 0.07 | -                  | - | Chairman                              | Provision of consumer credit finance services which include the issuance of credit cards, the provision of personal loan financing, hire purchase financing and vehicle financing |
|                           | AEON Thana Sinsap  | 1,450,000          | 0.58 | -                  | - | Chairman                              | Provision of a variety of retail finance services, including hire purchase, credit card, personal loan, and factoring services  |
|                           | ACS Capital Corporation Ltd ("ACS Capital")                    | -                  | -    | -                  | - | Chairman                              | Leasing and debt factoring business   |
|                           | AEON Credit Card (Taiwan) Co., Ltd ("AEON Credit Card Taiwan") | -                  | -    | -                  | - | Chairman                              | Issuance of credit cards  |
| Kazuhide Kamitani         | AEON Credit Japan  | 12,645             | 0.02 | -                  | - | Senior Managing Director              | Issuance of credit cards and provision of consumer financing services   |
|                           | AEON Thana Sinsap  | 500,000            | 0.20 | -                  | - | Director                              | Provision of a variety of retail finance services, including hire purchase, credit card, personal loan, and factoring services  |

## 18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

| Directors                     | Company                            | <-----Shareholdings-----> |      |                    |   | Designation                        | Principal activities  |
|-------------------------------|------------------------------------|---------------------------|------|--------------------|---|------------------------------------|---|
|                               |                                    | <-----Direct----->        |      | <--Indirect-->     |   |                                    |   |
|                               |                                    | No. of shares held        | %    | No. of shares held | % |                                    |   |
| Kazuhide Kamitani<br>(Cont'd) | AEON Credit HK                     | 1,045,000                 | 0.25 | -                  | - | Director                           | Provision of consumer credit finance services which include the issuance of credit cards, the provision of personal loan financing, hire purchase financing and vehicle financing |
|                               | AEON Credit Card Taiwan            | -                         | -    | -                  | - | Director                           | Issuance of credit cards  |
| Datuk Ramli bin Ibrahim       | HSBC Bank Malaysia Berhad ("HSBC") | -                         | -    | -                  | - | Independent Non-Executive Director | Banking and related financial services which also include Islamic banking business.   |
| Yasuhiro Kasai                | AEON Credit Japan                  | 313                       | #    | -                  | - | -                                  | Issuance of credit cards and provision of consumer financing services   |
| Akitoshi Tsuchiya             | AEON Credit Japan                  | 922                       | #    | -                  | - | -                                  | Issuance of credit cards and provision of consumer financing services   |

*Note:*

# Less than 0.01%.

*Justification and/or steps taken to resolve the conflict of interest:*

- (a) **Naruhito Kuroda's** capacity as a President Komisaris of PT AEON Credit will not give rise to a conflict of interest due to his capacity as a Non-Executive Director in PT AEON Credit. In addition, PT AEON Credit and our Company operate in different geographical locations and hence, it will not give rise to a conflict of interest situation.

The daily operations of PT AEON Credit is managed by PT AEON Credit's personnel and he only attends the Board of Directors meeting and accordingly discharges his principal areas of responsibility as a director in PT AEON Credit.

Naruhito Kuroda's shareholdings in AEON Credit Japan, AEON Credit HK and AEON Thana Sinsap will not give rise to a conflict of interest situation as his shareholdings are not substantial and are for investment purposes only.

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**18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

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Our Board is of the opinion that his vast knowledge and experience of our industry and the consumer credit services industry, and of the corporate environment is a valuable addition to our Company and would only enhance our Board's capabilities in executing its duties.

In addition, Naruhito Kuroda has also given his undertaking that he will abstain from any deliberation at any of our Company's or PT AEON Credit's Board of Directors meeting in relation to any matter/transaction between our Company and PT AEON Credit (if any) which may give rise to issues of conflict.

- (b) **Yoshiki Mori's** capacity as a director of AEON Japan, AEON Credit Japan, AEON Credit HK, AEON Thana Sinsap, ACS Capital and AEON Credit Card Taiwan ("Interested Companies") will not give rise to a conflict of interest as the Interested Companies and our Company are operating in different geographical locations.

Yoshiki Mori has an executive role in his capacity as the President and Chief Executive Officer of AEON Credit Japan. Save for the foregoing, he does not participate in the management of daily operations of the Interested Companies, and he only attends the Board of Directors meeting and accordingly discharges his principal areas of responsibility as a director in the Interested Companies.

Yoshiki Mori's shareholdings in AEON Japan, AEON Credit Japan, AEON Credit HK and AEON Thana Sinsap will not give rise to a conflict of interest situation as his shareholdings are not substantial and are for investment purposes only.

Our Board is of the opinion that his vast knowledge and experience of our industry and the consumer credit services industry, and of the corporate environment is a valuable addition to our Company and would only enhance our Board's capabilities in executing its duties.

In addition, Yoshiki Mori has also given his undertaking that he will abstain from any deliberation at any of our Company's or the Interested Companies' Board of Directors meeting in relation to any matter/transaction between our Company and the Interested Companies (if any) which may give rise to issues of conflict.

- (c) **Kazuhide Kamitani's** capacity as a director of AEON Credit Japan, AEON Thana Sinsap, AEON Credit HK and AEON Credit Card Taiwan ("Interested Companies") will not give rise to a conflict of interest as the Interested Companies and our Company are operating in different geographical locations.

Kazuhide Kamitani has an executive role in his capacity as the Senior Managing Director of AEON Credit Japan. Save for the foregoing, he does not participate in the management of daily operations of the Interested Companies, and he only attends the Board of Directors meeting and accordingly discharges his principal areas of responsibility as a director in the Interested Companies.

Kazuhide Kamitani's shareholdings in AEON Credit Japan, AEON Credit HK and AEON Thana Sinsap will not give rise to a conflict of interest situation as his shareholdings are not substantial and are for investment purposes only.

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**18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**


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Our Board is of the opinion that his vast knowledge and experience of our industry and the consumer credit services industry, and of the corporate environment is a valuable addition to our Company and would only enhance our Board's capabilities in executing its duties.

In addition, Kazuhide Kamitani has also given his undertaking that he will abstain from any deliberation at any of our Company's or the Interested Companies' Board of Directors meeting in relation to any matter/transaction between our Company and the Interested Companies (if any) which may give rise to issues of conflict.

- (d) **Datuk Ramli bin Ibrahim's** ("Datuk Ramli") capacity as a director of HSBC will not give rise to a conflict of interest due to his capacity as an Independent Non-Executive Director in our Company as well as HSBC. Datuk Ramli is also not involved in the day-to-day operations of HSBC and of our Company and hence, will not give rise to a conflict of interest situation.

Our Board is of the opinion that his vast knowledge and experience of our industry, and of the corporate environment is a valuable addition to our Company and would only enhance our Board's capabilities in executing its duties.

In addition, Datuk Ramli has also given his undertaking that he will abstain from any deliberation at any of our Company's or HSBC's Board of Directors meeting in relation to any matter/transaction between our Company and HSBC (if any) which may give rise to issues of conflict.

- (e) **Yasuhiro Kasai's and Akitoshi Tsuchiya's** capacity as shareholders of AEON Credit Japan will not give rise to a conflict of interest as their shareholdings in AEON Credit Japan only represent less than 0.01% of the issued and paid-up share capital of AEON Credit Japan. Furthermore, AEON Credit Japan and our Company are operating in different geographical locations and hence, it will not give rise to a conflict of interest situation.

### 18.2.2 Monitoring and Oversight of Related Party Transactions and Conflict of Interest Situations

Related party transactions, by their very nature, involve a conflict of interest between us and the related parties with whom our Company has entered into such transactions. Any related party transaction or conflict of interest situation involving our Company (including any future related party transaction and conflict of interest situation) must be reviewed by our Audit Committee which would subsequently report to our Board for their further action. If any related party transaction involves any of:

- (a) our Directors and persons connected/related to them;
- (b) our substantial shareholders and persons connected/related to them; or
- (c) our Directors and substantial shareholders and persons connected/related to them,

then:

- (a) the relevant Director and persons connected/related to that Director;

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**18. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

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- (b) the substantial shareholder and persons connected/related to that substantial shareholder; or
- (c) the relevant Director and substantial shareholder and persons connected/related to them

are required to abstain from deliberation and/or voting at the relevant Board meeting and general meeting in deciding on the related party transaction.

Further, our Audit Committee periodically reviews the procedures set by us to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties, dealt at arm's length with our Company and are not to the detriment of our minority shareholders.

**18.3 Declaration by Advisers on Conflict of Interests**

**18.3.1 Declaration by CIMB**

CIMB would like to highlight the following:

- (i) CIMB Bank Berhad ("CIMB Bank"), a related party of CIMB, has granted to AEON Credit, total facilities of RM20 million comprising overdraft facility of RM5 million, revolving credit facility of RM7 million and term loan facility of RM8 million. As at 20 September 2007, the total amount owing by AEON Credit to CIMB Bank, including accrued interest, is RM15.986 million for the overdraft facility, revolving credit facility and term loan facility.

As at the Latest Practicable Date, AEON Credit has no intention of utilising the proceeds to be raised from the Public Issue to repay the above facilities granted by CIMB Bank.

- (ii) CIMB Bank has granted to AEON Credit foreign exchange contract limit facility of RM0.55 million.
- (iii) CIMB was appointed by AEON Credit as the Joint Principal Adviser, Joint Lead Arranger, Joint Lead Manager, Facility Agent, Security Agent and Issuing Agent for the CP/MTN Programmes.

CIMB is of the view that there is no conflict of interest in its capacity as the Adviser for our Company in relation to the IPO.

**18.3.2 Declaration by Wong Beh & Toh**

Wong Beh & Toh confirms that there is no conflict of interest in its capacity as the legal counsel for our Company in relation to the IPO.

**18.3.3 Declaration by KPMG**

KPMG confirms that there is no conflict of interest in its capacity as the auditors and reporting accountants for our Company in relation to the IPO.

**18.3.4 Declaration by D&B Malaysia**

D&B Malaysia confirms that there is no conflict of interest in its capacity as the independent market researcher for our Company in relation to the IPO.