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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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**AEON CREDIT SERVICE (M) BERHAD**

(Registration No. 199601040414 (412767-V))

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

**PART A**

- (I) **PROPOSED JOINT VENTURE BETWEEN AEON CREDIT SERVICE (M) BERHAD AND AEON FINANCIAL SERVICE CO., LTD. TO UNDERTAKE THE BUSINESS OF A DIGITAL ISLAMIC BANK ("PROPOSED JOINT VENTURE"); AND**
- (II) **PROPOSED BONUS ISSUE OF 255,307,690 NEW ORDINARY SHARES IN AEON CREDIT SERVICE (M) BERHAD ("AEON CREDIT SHARES") ("BONUS SHARES") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 1 AEON CREDIT SHARE HELD BY THE ENTITLED SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE")**

**PART B**

**INDEPENDENT ADVICE LETTER FROM PUBLIC INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF AEON CREDIT SERVICE (M) BERHAD IN RELATION TO THE PROPOSED JOINT VENTURE**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser for Part A*



**AmInvestment Bank**

**AmInvestment Bank Berhad**

(Registration No.: 197501002220 (23742-V))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

*Independent Adviser for Part B*



**PUBLIC INVESTMENT BANK BERHAD**

(Registration No. 197401002880 (20027-W))  
A Participating Organisation Of Bursa Malaysia Securities Berhad  
(Wholly-owned Subsidiary Of Public Bank Berhad)

The Extraordinary General Meeting ("EGM") of AEON Credit Service (M) Berhad will be conducted on a virtual basis through live streaming and online remote voting using the Remote Participation and Electronic Voting facilities from the Broadcast Venue at Grand Studio Room, Level 1, Wyndham Grand Bangsar, 1, Jalan Pantai Baharu, Jaya Tower 3, 59200 Kuala Lumpur, Malaysia on Monday, 16 October 2023 at 10.00 a.m.. Notice of EGM together with the Proxy Form are enclosed in this Circular which are available to be downloaded from the Company's website at <https://www.aeoncredit.com.my>.

Please complete and lodge the Proxy Form in accordance with the instructions thereon as soon as possible to the office of the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or at Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> (for individual shareholders only) or via e-mail to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) (for Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee only) not later than forty-eight (48) hours before the time and date set for holding the EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so but if you do so, your proxy shall be precluded from attending the EGM. The completed Proxy Form must be deposited/lodged before the lodgement cut-off date and time stated below:-

Last date and time for lodging the Proxy Form : Saturday, 14 October 2023 at 10.00 a.m.

Date and time of the EGM : Monday, 16 October 2023 at 10.00 a.m. or at any adjournment thereof.

This Circular is dated 29 September 2023

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

<b>Act</b>	: Companies Act 2016
<b>ACSD</b>	: ACS Digital Berhad (Registration No. 202201026163 (1471860-K)), the joint venture company established by the Parties in Malaysia to undertake the Digital Banking Business
<b>ACSD Share(s) or Share(s)</b>	: Ordinary share(s) in ACSD
<b>AEON Credit or Company</b>	: AEON Credit Service (M) Berhad (Registration No. 199601040414 (412767-V))
<b>AEON Credit Group or Group</b>	: AEON Credit and its subsidiary
<b>AEON Credit Share(s)</b>	: Ordinary share(s) in our Company
<b>AEON Group</b>	: Collectively, AEON CO., LTD, Japan and its subsidiaries
<b>AFS</b>	: AEON Financial Service Co., Ltd. (Registration No. 010001010887), the parent company of our Company
<b>AmInvestment Bank or Principal Adviser</b>	: AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V)), being the Principal Adviser for the Proposals
<b>Approval Letter</b>	: Letter from BNM to our Company dated 29 April 2022 on the approval by MOF of the grant of a digital Islamic banking licence by the MOF to the consortium, comprising of our Company, AFS and MoneyLion
<b>BNM</b>	: Bank Negara Malaysia
<b>Board</b>	: Board of Directors of our Company
<b>Bonus Shares</b>	: 255,307,690 new AEON Credit Shares to be issued pursuant to the Proposed Bonus Issue
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
<b>CBA</b>	: Central Bank of Malaysia Act 2009
<b>Circular</b>	: This circular dated 29 September 2023 in relation to the Proposals
<b>Digital Banking Business</b>	: The business of a digital Islamic bank

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**DEFINITIONS (CONT'D)**

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<b>Director</b>	: A director of our Company and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:  (i) a director of AEON Credit, its subsidiary or holding company; and (ii) a chief executive of AEON Credit, its subsidiary or holding company.
<b>EGM</b>	: Extraordinary General Meeting
<b>Entitled Shareholders</b>	: Our shareholders whose names appear in the Record of Depositors of our Company on the Entitlement Date
<b>Entitlement Date</b>	: A date, to be determined later by the Board, on which the names of our shareholders must appear in the Record of Depositors of our Company, in order to be entitled to receive the Bonus Shares
<b>EPS</b>	: Earnings per share
<b>Equity Condition</b>	: At least 30% of the shares in ACSD are to be held by Malaysian(s), with priority given to Bumiputera shareholders to be complied within a period of 5 years from the commencement of business and operation of the digital Islamic bank (which is scheduled to take place not later than 8 April 2024), namely by 7 April 2029
<b>FPE</b>	: Financial period ended
<b>FSA</b>	: Financial Services Act 2013
<b>FYE</b>	: Financial year(s) ended
<b>IFSA</b>	: Islamic Financial Services Act 2013
<b>Interested Directors</b>	: The directors of our Company who are deemed interested in the Proposed Joint Venture, namely Daisuke Maeda and Mitsugu Tamai as disclosed in Section 12 of Part A of this Circular
<b>Interested Major Shareholders</b>	: AFS and AEON CO., LTD., being the major shareholders of our Company, who is deemed interested in the Proposed Joint Venture, as disclosed in Section 12 of Part A of this Circular
<b>Last Traded Price</b>	: Last traded price of AEON Credit Share as at 15 June 2023, being the latest practicable day prior to printing of this Circular
<b>Listing Requirements</b>	: Main Market Listing Requirements of Bursa Securities
<b>LPD</b>	: 30 August 2023, being the latest practicable date prior to the printing of this Circular
<b>Market Day</b>	: A day on which Bursa Securities is open for trading in securities
<b>MoneyLion</b>	: MoneyLion Inc. (EIN No. 85-0849243)
<b>MOF</b>	: Minister of Finance, Malaysia
<b>NA</b>	: Net assets

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**DEFINITIONS (CONT'D)**

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<b>Non-interested Directors</b>	: All Directors of our Company other than the Interested Directors as detailed in Section 12 of Part A of this Circular
<b>Non-interested Shareholders</b>	: All shareholders of our Company other than the Interested Major Shareholders as detailed in Section 12 of Part A of this Circular
<b>Party</b>	: Referred to our Company or AFS collectively referred to as “ <b>Parties</b> ”
<b>PAT</b>	: Profit after taxation
<b>Proposals</b>	Collectively, Proposed Bonus Issue and Proposed Joint Venture
<b>Proposed Bonus Issue</b>	: The proposed bonus issue of 255,307,690 Bonus Shares, to be credited as fully paid, on the basis of 1 Bonus Share for every 1 existing AEON Credit Share held on the Entitlement Date
<b>Proposed Joint Venture</b>	: The proposed joint venture between our Company and AFS to undertake the Digital Banking Business
<b>PIVB or Public Investment Bank or Independent Adviser</b>	: Public Investment Bank Berhad (Registration No.: 197401002880 (20027-W)), being the Independent Adviser for the Proposed Joint Venture
<b>Record of Depositors</b>	: A record of securities holders established and maintained by Bursa Depository
<b>Shareholders’ Agreement</b>	: Conditional shareholders’ agreement entered into between our Company and AFS on 14 July 2023 to regulate the rights and obligations of the Parties in respect of ACSD to engage in the Digital Banking Business
<b>Subscription Price</b>	: Proposed subscription by our Company in ACSD of 175 million ACSD Shares for RM175 million cash consideration as detailed in Section 2.4 of Part A of this Circular
<b>TEBP</b>	: Theoretical ex-bonus share price
<b>VWAP</b>	: Volume weighted average price

**CURRENCIES**

<b>JPY</b>	: Japanese Yen
<b>RM</b>	: Ringgit Malaysia

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

All references to “**our Company**” in this Circular are to AEON Credit Service (M) Berhad. All references to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company. All references to “**you**” in this Circular are to our shareholders.

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**DEFINITIONS (CONT'D)**

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Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved.

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## EXECUTIVE SUMMARY

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This is an executive summary highlighting salient information relating to the Proposals. The information is derived from and should be read in conjunction with the full text of this Circular. You are advised to read and consider carefully the contents of this Circular (including the appendices of this Circular) before voting at our Company's forthcoming EGM to be convened.

The Proposals can be summarised as set out below:-

- |   |   |
|---|---|
| <b>Proposed Joint Venture</b><br>(Section 2 of Part A of this Circular) | <p>: • On 30 June 2021, our Board announced that our Company and AFS had submitted a joint application to BNM for a digital banking licence. Subsequently, MoneyLion was included in the consortium and as the identified technology partner to develop and implement, amongst others, the software and information technology infrastructure for the proposed digital bank. After discussion with BNM, the joint application submitted to BNM was revised for a digital Islamic banking licence.</p> <p>• On 29 April 2022, our Company announced that we have been notified by BNM on the approval by the MOF of the grant of a digital Islamic banking licence to the consortium, comprising of our Company, AFS and MoneyLion.</p> <p>• On 30 September 2022, the Parties and MoneyLion reached an agreement to cease negotiations on MoneyLion's participation in the consortium, arising from MoneyLion's decision to focus on its operations in the United States. Consequently, the Parties as the remaining joint venture partners continued with the implementation of the operational readiness plan to establish the digital Islamic bank, subject to meeting regulatory requirements.</p> <p>• On behalf of our Board, AmlInvestment Bank announced that our Company has entered into Shareholders' Agreement dated 14 July 2023 with AFS, to regulate the rights and obligations of the Parties in respect of ACSD, established for purposes of engaging in the Digital Banking Business.</p> <p>• ACSD was incorporated by our Company on 19 July 2022 to undertake the Digital Banking Business.</p> <p>• Our Company had on 30 December 2022 transferred the entire ACSD Shares to AFS for a cash consideration of RM10,000. Following thereto, ACSD became a wholly-owned subsidiary of AFS. On the same date, AFS increased its shareholding in ACSD by subscribing for additional 139,990,000 ACSD Shares for a total subscription price of RM139,990,000, resulting in an increase of the paid-up capital of ACSD to RM140.0 million. On 25 August 2023, AFS subscribed for an additional 35,000,000 ACSD Shares for a total subscription price of RM35,000,000, resulting in an increase of ACSD's paid up capital to RM175.0 million as at the LPD.</p> <p>• The business and operations of ACSD will commence within 24 months from 8 April 2022 as stipulated in the Approval Letter, subject to the fulfilment of the licensing conditions as stipulated in the Approval Letter and BNM's satisfaction of the operational readiness review of ACSD to be conducted by BNM. Barring any unforeseen circumstances, the market launch of ACSD's banking business is expected to take place in the first quarter of 2024.</p> <p>• The proposed shareholding structure of the Parties in the Proposed Joint Venture prior to compliance with the Equity Condition shall be our Company: 50% and AFS: 50%.</p> |
|---|---|

	<ul style="list-style-type: none"> <li>The total investment outlay by our Company and AFS and eventual share capital for ACSD is estimated to be RM550 million (inclusive of the initial funding of RM350 million required for the Digital Banking Business) during the foundational phase of up to 5 years from commencement of the Digital Banking Business. Upon compliance with the Equity Condition, it is envisaged that the eventual equity structure in ACSD would be our Company : 35%, AFS : 35% and Malaysian shareholder(s) : 30%. The equity interest of the respective parties shall only be finalised at the point in time of complying with the Equity Condition.</li> <li>The salient terms of the Shareholders' Agreement are set out in <b>Appendix I</b> of this Circular.</li> </ul>
<b>Proposed Bonus Issue</b> (Section 3 of Part A of this Circular)	: Proposed bonus issue of 255,307,690 Bonus Shares on the basis of 1 Bonus Share for every 1 existing AEON Credit Share held at the Entitlement Date.
<b>Rationale</b> (Section 4 of Part A of this Circular)	<p><b>: Proposed Joint Venture</b></p> <p>The Proposed Joint Venture represents a timely opportunity for our Company to reach a wider pool of customers through ACSD. Through the Proposed Joint Venture, the Parties shall deploy their combined expertise in providing financial services and solutions to customers, especially the underserved and unserved market segments, adding dynamism to the banking landscape and contributing to the financial inclusion agenda in Malaysia.</p> <p>In addition, ACSD also intends to leverage on AEON Group's retail network in Malaysia to elevate the banking experience of target segments by offering a broader range of financial services and products of our Group. Our Company also expects that the Proposed Joint Venture would enable our Group as a whole, including ACSD, to have access to lower cost of funds via the deposits from the customers of ACSD.</p> <p><b>Proposed Bonus Issue</b></p> <p>To reward the existing shareholders of our Company for their continued support to our Company by allowing them to participate more in the equity of our Company in terms of the number of AEON Credit Shares held, whilst maintaining their percentage equity interest in our Company.</p> <p>To enhance the marketability and trading liquidity of AEON Credit Shares on the Main Market of Bursa Securities, thereby providing an opportunity for greater participation from a broader range of investors.</p>
<b>Risk factors for the Proposed Joint Venture</b> (Section 6 of Part A of this Circular)	<p>: The Digital Banking Business to be undertaken by ACSD is in a similar financial services sector as our Company and is exposed to similar inherent risks, such as credit risk, fraud risk, fluctuation in interest rate risk, competition, regulatory changes, economic and political changes and other operational risks. We will be exposed to the following risks in relation to the Proposed Joint Venture and the Digital Banking Business:-</p> <p>(i) <b>Diversion of financial resources from existing operations:</b> There can be no assurance that the anticipated benefits from the Proposed Joint Venture will be realised and that we will be able to generate sufficient revenue to offset the costs which would have been invested by us in the Proposed Joint Venture.</p>



	<p>(ii) <b>Completion and commencement of digital banking business risk:</b> In the event the conditions precedent in the Shareholders' Agreement is not fulfilled within the stipulated timeframe, the Proposed Joint Venture will not be completed. In addition, the commencement of the Digital Banking Business by ACSD will be within 24 months from 8 April 2022 as stipulated in the Approval Letter, subject to the fulfilment of the licensing conditions stipulated in the Approval Letter and BNM's satisfaction of the operational readiness review of ACSD conducted by BNM. There can be no assurance that BNM would be satisfied with the operational readiness of ACSD.</p> <p>(iii) <b>Dependence on technology:</b> Digital banking is highly dependent on, amongst others, the proper functioning of information technology systems, the Internet, as well as keeping pace with changes in technology, to operate and deliver products and services to customers. Any failures of the systems could disrupt the Digital Banking Business and adversely affect the operations and financial condition of ACSD and ultimately our Company.</p> <p>(iv) <b>Dependence on external technology and outsourced function service providers:</b> ACSD is utilising or will utilise the services of certain external technology and outsourced function service providers ("<b>external service providers</b>") for procurement, development and implementation of software/systems and for outsourced functions of the Digital Banking Business of ACSD. Notwithstanding that ACSD will put in place appropriate risk management policies and safeguards against dependency on such external service providers, including identification of alternative service providers, there is no assurance that any failure of such external service providers would not materially disrupt the Digital Banking Business.</p> <p>(v) <b>Regulatory risk in relation to digital banking industry:</b> The digital banking industry is highly regulated by BNM under the FSA, IFSA and CBA. Any breach under the FSA, IFSA or CBA will result in fines or potential revocation of the digital Islamic banking licence.</p>
<p><b>Approvals required</b> (Sections 10 and 11 of Part A of this Circular)</p>	<p><b>: Proposed Joint Venture</b></p> <p>The Proposed Joint Venture is subject to the following approvals:-</p> <p>(i) approval of MOF for the grant of a licence to carry on digital Islamic banking business in Malaysia under the IFSA which approval was obtained vide BNM's letter dated 29 April 2022;</p> <p>(ii) BNM approval for the equity structure of ACSD to be held by AFS and our Company in equal proportions of 50:50 respectively as well as for our Company to acquire or hold material interest in ACSD. This approval is pending as at the LPD;</p> <p>(iii) approval of our shareholders to be obtained at the forthcoming EGM; and</p> <p>(iv) our lenders' approval for the Proposed Joint Venture which has been obtained.</p>

	<p><b>Proposed Bonus Issue</b></p> <p>The Proposed Bonus Issue is subject to the following approvals:-</p> <ul style="list-style-type: none"> <li>(i) approval of Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market, which was obtained on 31 July 2023; and</li> <li>(ii) approval of our shareholders to be obtained at the forthcoming EGM.</li> </ul> <p>The Proposed Joint Venture and the Proposed Bonus Issue are not inter-conditional. The Proposals are not conditional upon any other corporate exercise/scheme which has been announced but not yet completed and/or any other corporate exercise/scheme to be undertaken by our Company.</p>
<p><b>Interests</b> (Section 12 of Part A of this Circular)</p>	<p><b>: Proposed Joint Venture</b></p> <p>Save for our Interested Directors and Interested Major Shareholders, none of the Directors, major shareholders of our Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Joint Venture.</p> <p><b>Proposed Bonus Issue</b></p> <p>None of our Directors, chief executive and/or major shareholders and/or persons connected with them have any interest, either direct or indirect, in the Proposed Bonus Issue, save for their respective entitlements as shareholders of our Company, which the Bonus Shares are also available to all other shareholders of our Company.</p>
<p><b>Directors' statement and recommendation</b> (Section 15 of Part A of this Circular)</p>	<p><b>: Proposed Joint Venture</b></p> <p>Our Board (save for the Interested Directors) after having considered all relevant aspects of the Proposed Joint Venture (including but not limited to the terms of the Proposed Joint Venture, basis of the Subscription Price, rationale and financial effects) as well as the independent advice by the Independent Adviser on the Proposed Joint Venture, is of the opinion that the Proposed Joint Venture is in the best interest of our Company.</p> <p>Accordingly, our Board (save for the Interested Directors) recommends you to vote in favour of the resolution in relation to the Proposed Joint Venture.</p> <p><b>Proposed Bonus Issue</b></p> <p>Our Board, after having considered all aspects of the Proposed Bonus Issue, including the rationale and financial effects of the Proposed Bonus Issue, is of the opinion that the Proposed Bonus Issue is in the best interest of our Company.</p> <p>Accordingly, our Board recommends you to vote in favour of the resolution in relation to the Proposed Bonus Issue.</p>

## **PART A**

### **LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS**



**AEON CREDIT SERVICE (M) BERHAD**

Registration No. 199601040414 (412767-V))  
(Incorporated in Malaysia)

**Registered Office:**

12th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor

29 September 2023

**Board of Directors**

Ng Eng Kiat (*Chairman/Non-Independent Non-Executive Director*)  
Daisuke Maeda (*Managing Director*)  
Tomokatsu Yoshitoshi (*Independent Non-Executive Director*)  
S Sunthara Moorthy A/L S Subramaniam (*Independent Non-Executive Director*)  
Datuk Adinan bin Maning (*Senior Independent Non-Executive Director*)  
Datin Yasmin Ahmad Merican (*Independent Non-Executive Director*)  
Rashidah binti Abu Bakar (*Independent Non-Executive Director*)  
Chin Pik Yuen (*Independent Non-Executive Director*)  
Mitsugu Tamai (*Non-Independent Non-Executive Director*)  
Lee Tyan Jen (*Executive Director*)

**To: Our Shareholders**

Dear Sir/Madam,

- (I) PROPOSED JOINT VENTURE; AND**
- (II) PROPOSED BONUS ISSUE**

**(COLLECTIVELY, REFERRED TO AS THE “PROPOSALS”)**

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**1. INTRODUCTION**

On 30 June 2021, our Board announced that our Company and AFS had submitted a joint application to BNM for a digital bank licence. Subsequently, MoneyLion, a company incorporated and existing under the laws of the State of Delaware, the United States of America and the identified technology partner to develop and implement, amongst others, the software and information technology infrastructure for the proposed digital bank, was included in the consortium. After discussion with BNM, the joint application submitted to BNM was revised for a digital Islamic banking licence.

On 29 April 2022, our Company announced that we have been notified by BNM on the approval of a digital Islamic banking licence by the MOF to the consortium, comprising our Company, AFS and MoneyLion.

On 30 September 2022, the Parties and MoneyLion reached an agreement to cease negotiations on MoneyLion's participation in the consortium, arising from MoneyLion's decision to focus on its operations in the United States. BNM was notified of the termination of negotiations and the proposed revised equity structure of the Parties in the joint venture. BNM's approval is required for the changes to the equity structure of ACSD to be held by AFS and our Company in equal proportions of 50:50 respectively, as set out in Section 2.1 of Part A of this Circular. This approval is pending as at the LPD.

Consequently, the Parties as the remaining joint venture partners continued with the implementation of the operational readiness plan to establish the digital Islamic bank, subject to meeting regulatory requirements. For information, upon termination of negotiations with MoneyLion, the Parties have identified a reputable service provider who shall provide/ develop the required technology and software to be deployed by the proposed digital bank. ACSD has entered into an agreement with the said service provider for software development, implementation and related services.

On 14 July 2023, on behalf of our Board, AmlInvestment Bank announced that:

- (i) our Company has entered into the Shareholders' Agreement with AFS, to regulate the rights and obligations of the Parties in respect to ACSD to undertake the Digital Banking Business;
- (ii) our Company proposed to undertake the Proposed Bonus Issue; and
- (iii) the additional listing application in relation to the Proposed Bonus Issue had been submitted to Bursa Securities.

On 1 August 2023, AmlInvestment Bank, on behalf of our Board, announced that Bursa Securities had vide its letter dated 31 July 2023, approved the listing of and quotation for the 255,307,690 Bonus Shares to be issued pursuant to the Proposed Bonus Issue, subject to the conditions as set out in Section 10 of Part A of this Circular.

The Proposed Joint Venture is deemed as a related party transaction pursuant to paragraph 10.08 of the Listing Requirements in view of the interest of our Interested Major Shareholders and our Interested Directors as set out in Section 12 of Part A of this Circular.

Accordingly, Public Investment Bank has been appointed on 30 June 2022 to act as the Independent Adviser to advise our Non-interested Directors and Non-interested Shareholders as to whether the Proposed Joint Venture is fair and reasonable so far as our Non-interested Directors and Non-interested Shareholders are concerned and whether the Proposed Joint Venture is to the detriment of the non-interested shareholders.

**The purpose of this Circular is to provide you with the details of the Proposals and to seek your approval on the resolutions pertaining to the Proposals to be tabled at our Company's forthcoming EGM. The notice of EGM together with the proxy form are enclosed with this Circular.**

**You are advised to read and carefully consider the contents of this Circular together with the appendices contained herein before voting on the resolutions pertaining to the Proposals to be tabled at our Company's forthcoming EGM.**

## **2. DETAILS OF THE PROPOSED JOINT VENTURE**

### **2.1 Details of the joint venture company**

The joint venture company, which is ACSD was incorporated by our Company on 19 July 2022 to undertake the Digital Banking Business with an issued share capital of RM10,000 comprising 10,000 ACSD Shares.

Our Company had on 30 December 2022 transferred the entire 10,000 ACSD Shares to AFS for a cash consideration of RM10,000. Following thereto, ACSD became a wholly-owned subsidiary of AFS. On the same date, AFS subscribed for an additional 139,990,000 ACSD Shares for a total subscription price of RM139,990,000, resulting in an increase of ACSD's paid-up capital to RM140.0 million. The aforementioned was undertaken for ACSD to comply with BNM's requirement to have a minimum equity of RM100.0 million unimpaired by losses by 31 December 2022, which was prior to AEON Credit's EGM for the Proposed Joint Venture.

On 25 August 2023, AFS subscribed for an additional 35,000,000 ACSD Shares for a total subscription price of RM35,000,000, resulting in an increase of ACSD's paid-up capital to RM175.0 million as at the LPD. The aforementioned was undertaken to meet the working capital requirements of ACSD for the on-going operational readiness phase of ACSD to establish the digital Islamic bank.

As at the LPD, our Company does not hold any equity interest in ACSD, as the joint venture with AFS to establish the digital Islamic bank requires our shareholders' approval at our forthcoming EGM.

The business and operations of ACSD are to commence within 24 months from 8 April 2022 as stipulated in the Approval Letter, subject to the fulfilment of the conditions stipulated in the Approval Letter and BNM's satisfaction of the operational readiness review of ACSD to be conducted by BNM.

Barring unforeseen circumstances, the market launch of ACSD's banking business is expected to take place in the first quarter of 2024. The current status for the key milestones related to establishment of the Digital Banking Business by ACSD is set out in the table below:-

	<b>Key Milestones</b>	<b>Current status</b>
1	Establishment of the board of directors of ACSD for proposed digital bank*	In progress
2	Appointment of key management personnel	Completed
3	Staff recruitment and establishment of operational and control functions	In advanced stage of progress
4	Technology development and procurement of software and services for banking operations*	In advanced stage of progress
5	Operational readiness review*	In progress

**Note:** \* Subject to BNM approval, where applicable.

The Parties shall ensure that ACSD complies with the condition imposed by the MOF for at least 30% of the shares in ACSD to be held by Malaysian shareholder(s), with priority given to Bumiputera shareholders ("**Equity Condition**"), within a period of 5 years from the commencement of business and operation of the digital Islamic bank (which is scheduled to take place not later than 8 April 2024), i.e. by 7 April 2029. The Parties intend to source the shareholder(s) from reputable Malaysian institutional shareholder(s) or corporate shareholder(s), to comply with the Equity Condition. The key considerations in selecting the shareholder(s) would include (i) the shareholder(s) having the required financial strength to meet the long-term capital requirements of ACSD; and (ii) potential contribution from the new shareholder(s), e.g. through business collaboration for the enhancement and growth of ACSD's banking business.

**Proposed ACSD share capital:-**

<b>Shareholders</b>	<b>No. of ACSD Shares</b>	<b>Value of contribution</b>	<b>Form of contribution</b>	<b>Percentage of shareholdings (%)</b>
Our Company	175 million	RM175 million	Cash	50.0
AFS	175 million	RM175 million	Cash	50.0*
<b>Total</b>		<b>RM350 million</b>		<b>100</b>

**Note:-**

\* As at the LPD, AFS has 61.50% equity interest in our Company. Based on the above shareholding structure of ACSD, AFS's effective equity interest in ACSD is 80.75%.

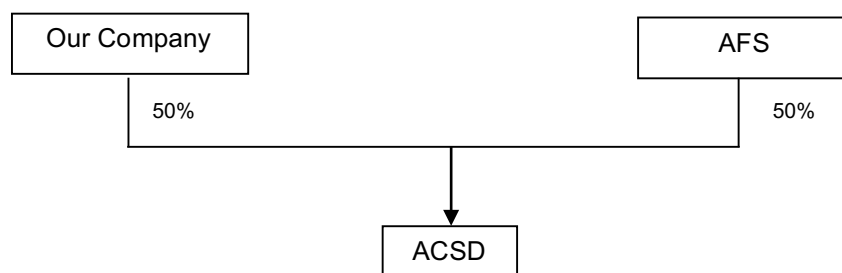
Subsequent to ACSD commencing its business and subject to relevant approvals (if any) as may be required being obtained, the Parties may subscribe for additional share capital of up to RM200 million at the subscription price of RM1.00 per ACSD Share (with the total share capital of up to RM550 million) in accordance with their respective proportions.

Subject to the Shareholders' Agreement becoming unconditional, completion of the share subscription shall occur on the date falling 30 days from the date on which the last of the conditions precedent as stipulated in the Shareholders' Agreement has been fulfilled or such other date as the Parties may mutually agree in writing ("**Completion Date**"). On the Completion Date, our Company shall pay to ACSD the subscription price in respect of the ACSD Shares subscribed by our Company and ACSD shall issue the relevant subscription ACSD Shares to our Company. Upon completion of the subscription, ACSD will be our associated company. Since AFS has already subscribed to its portion of the capital contribution of RM175.0 million as at the LPD, both AFS and our Company would then have fulfilled their respective capital contributions as set out in the abovementioned table on the Completion Date.

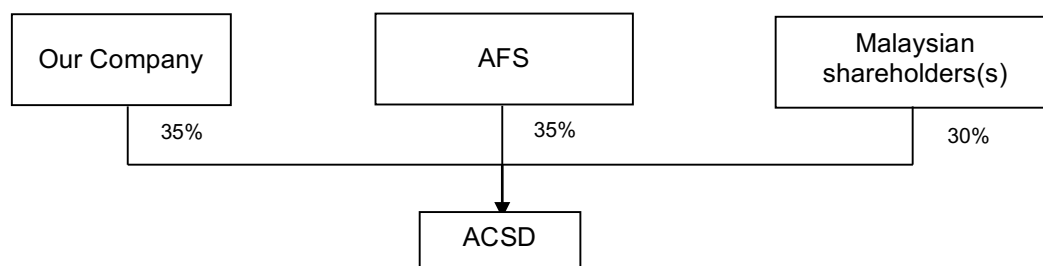
Upon compliance with the Equity Condition, the eventual equity structure in ACSD would be our Company (35%), AFS (35%) and the Malaysian shareholder(s) (30%), and that the equity interest of the respective parties shall only be finalised at that point in time of compliance with the Equity Condition.

The shareholding structure before and after compliance with the Equity Condition is as follows:-

Before compliance with the Equity Condition



After compliance with the Equity Condition



**Note:-**

(1) The shareholdings above may vary depending on the negotiations with the Malaysian shareholder(s).

The salient terms of the Shareholders' Agreement are set out in **Appendix I** of this Circular.

## 2.2 Information on AFS

AFS is a public company listed on the Tokyo Stock Exchange. It is principally involved in the activities of credit card issuance, banking, leasing, life insurance, distribution of insurance products and other financial services, with operations in Japan and several other countries in Asia.

As at 31 August 2023, the issued share capital of AFS is JPY45,698,000,000 comprising 215,864,306 shares (excluding treasury shares). The market capitalisation of AFS as at 31 August 2023 is approximately JPY274.36 billion (equivalent to approximately RM8.70 billion based on the exchange rate of RM3.17/JPY100 as at 31 August 2023). (Source : AFS)

As at 31 August 2023, the directors of AFS and their respective shareholdings in AFS are as follows:-

Directors	No. of shares	%
Shunsuke Shirakawa	300	*
Kenji Fujita	4,024	0.002
Mitsugu Tamai	4,157	0.002
Yuro Kisaka	2,867	0.001
Tomoyuki Mitsufuji	4,582	0.002
Kazuaki Arima	-	-
Toshiya Shimakata	607	*
Hiroyuki Watanabe	12,910	0.006
Yoshimi Nakajima	-	-
Kotaro Yamazawa	-	-
Tatsuya Sakuma	-	-
Takashi Nagasaka	-	-

**Note:-**

\* Negligible as less than 0.001%



As at 31 August 2023, the substantial shareholders of AFS and their respective shareholdings in AFS are as follows:-

	Direct		Indirect	
	No. of shares	%	No. of shares	%
AEON CO., LTD.	104,051,749	48.20	-	-
The Master Trust Bank of Japan, Ltd	22,048,800	10.21	-	-

(Source: AFS)

## 2.3 Information on ACSD

ACSD was incorporated in Malaysia on 19 July 2022 as a public company limited by shares under the Act. ACSD will commence the Digital Banking Business from the date of the licence issued by MOF, subject to fulfillment of the conditions stipulated in the Approval Letter and BNM's satisfaction of the operational readiness review of ACSD to be conducted by BNM.

As at the LPD, the issued share capital of ACSD is RM175.0 million comprising 175.0 million ordinary shares and ACSD is a wholly-owned subsidiary of AFS.

For the financial period from 19 July 2022 to 28 February 2023, ACSD did not record any revenue as ACSD has not commenced business operations. It recorded audited loss after tax of RM15.5 million for this 8-months financial period due to pre-operational expenses, comprising mainly staff costs of RM7.7 million and operating expenses (including professional fees, software subscription costs and other overhead costs) of RM7.5 million. The net assets of ACSD were RM124.5 million as at 28 February 2023. Please refer to the audited financial statements of ACSD for FPE 28 February 2023 as set out in Appendix III of this Circular. For the 6-months FPE 31 August 2023, ACSD did not record any revenue and recorded unaudited loss after tax of RM34.1 million for this 6-month financial period due to pre-operational expenses, comprising mainly staff costs of RM16.6 million and operating expenses (including professional fees, software subscription costs and other overhead costs) of RM18.4 million. The net assets of ACSD were RM125.4 million as at 31 August 2023.

As at the LPD, the directors of ACSD are Datuk Adinan bin Maning, Mohammad Ridzuan bin Abdul Aziz, Nirmala A/P Doraisamy, Wan Rumaizi bin W.Husin @ Abdul Aziz and Daisuke Maeda.

Please refer to **Appendix II** of this Circular for further information on ACSD.

## 2.4 Basis and justification of the Subscription Price

The Parties have agreed that the share capital of ACSD prior to the compliance with the Equity Condition shall be RM350 million based on the initial funding required for the Digital Banking Business.

The Subscription Price of ACSD Shares to be subscribed by our Company shall be at the same subscription price per share applicable to AFS for its subscription for shares in ACSD.

## 2.5 Source of funds

The proposed investment by our Company in ACSD pursuant to the Proposed Joint Venture is expected to be fully funded by our Company's internally generated funds.

## 2.6 Additional financial commitment required

Pursuant to the conditions in the Approval Letter, the digital Islamic bank shall secure an undertaking from its shareholders to provide capital and liquidity support for the operationalisation of its business plan. Furthermore, in the event the digital Islamic bank's Total Capital Ratio (TCR) falls below or is projected to fall below its Internal Capital Target (ICT) level at any juncture, our Company and AFS shall provide additional capital to the digital Islamic bank in an amount acceptable to BNM, proportionate to their respective direct equity interest held in ACSD.

Based on the Licensing Framework for Digital Banks issued by BNM on 31 December 2020 (“**Licensing Framework**”), a minimum TCR of 8% is to be complied with during the foundational phase of ACSD. ACSD has set an ICT for management action, which is higher than the TCR, based on the stress testing performed by ACSD. The stress testing to establish ICT takes into consideration all material risks related to the adequacy of capital faced by ACSD for its Digital Banking Business. The ICT, which is subject to annual review and adjustment if necessary, shall provide the management with sufficient time to take additional measures before the TCR threshold falls below the regulatory minimum of 8%.

The formula to calculate the TCR during the foundational phase<sup>(1)</sup> is shown below:

$$\frac{\text{Common Equity Tier 1 (CET1)}^{(2)}}{\text{Credit Risk-Weighted Assets (“RWA”)}^{(3)} + \text{Market RWA} + \text{Operational RWA}}$$

**Notes:**

- (1) Under the Licensing Framework, “foundational phase” refers to the initial operations period of three (3) to five (5) years of a licensed digital bank for the licensed digital bank to demonstrate its viability and sound operations and for BNM to observe attendant risks, during which a licensed digital bank shall:
  - (a) maintain at all times a minimum amount of capital funds of RM100.0 million unimpaired by losses;
  - (b) ensure that its total size of assets do not at all times exceed the limit of RM3.0 billion; and
  - (c) comply with the regulatory requirements applicable to an existing licensed bank or licensed Islamic bank, except where specified in the Licensing Framework, which provides for several areas of simplification or exemption to the existing regulatory framework, including the TCR threshold and formula set out above,
- (2) CET1 comprises ordinary shares, retained earnings, other disclosed reserves, qualifying minority interest and regulatory adjustments, as defined in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM.
- (3) RWA in the formula above refers to Risk-Weighted Assets as defined in the Capital Adequacy Framework for Islamic Banks (Basel II – Risk-Weighted Assets) issued by BNM.

Barring any unforeseen circumstances, save for our prorated contribution to ACSD’s increase in share capital of which is estimated to be up to RM550 million (inclusive of the initial funding of RM350 million required for the Digital Banking Business) as detailed in Section 2.1 of Part A of this Circular to be fully funded by our Company’s internally generated funds, we do not expect additional financial commitment in relation to the Digital Banking Business of ACSD.

Notwithstanding the above, if the following events occur:-

- (i) Any of the identified exit plan events (e.g. in the event of insufficient capital and liquidity) is triggered at any point in time during the foundational phase; or
- (ii) ACSD fails to satisfactorily fulfill any of the following requirements based on BNM’s assessment at the end of the foundational phase:-
  - (a) achieve a minimum amount of capital funds of RM300 million unimpaired by losses;
  - (b) show satisfactory progress in achieving the committed value propositions as described in ACSD’s business plan. Committed value propositions refer to the role of the new digital banks to drive financial inclusion objective and other commitments made in the business plan submitted to BNM, pursuant to the “best interest of Malaysia” objective under Schedule 5 of the IFSA; and
  - (c) comply with applicable laws and regulatory requirements.

ACSD shall implement the exit plan measures which would include reimbursement of customer deposits, in an orderly and timely manner. ACSD must ensure sufficient capital and liquidity to implement the exit plan and as such ACSD may require additional funds from its shareholders. Please refer to Section 2.3, Appendix I of this Circular on the responsibilities, obligations and undertakings of the shareholders of ACSD under the Shareholders' Agreement.

## 2.7 Liabilities or guarantees to be assumed by our Company

There are no other liabilities, including contingent liabilities and/or guarantees, to be assumed by our Company arising from the Proposed Joint Venture.

## 3. DETAILS OF THE PROPOSED BONUS ISSUE

### 3.1 Basis and number of Bonus Shares

The Proposed Bonus Issue entails the issuance of 255,307,690 Bonus Shares on the basis of 1 Bonus Share for every 1 existing AEON Credit Share held by the Entitled Shareholders.

As at the LPD, our issued share capital is RM584,011,570.42 comprising 255,307,690 AEON Credit Shares. Upon completion of the Proposed Bonus Issue, our issued share capital would be RM584,011,570.42 comprising 510,615,380 AEON Credit Shares.

The actual number of the Bonus Shares to be issued will depend on the actual number of AEON Credit Shares in issue on the Entitlement Date.

Fractional entitlements of the Bonus Shares arising from the Proposed Bonus Issue, if any, shall be disregarded and dealt with in such manner as our Board may in its absolute discretion deem fit, expedient and to be in the best interest of our Company.

Our Company's share price will be adjusted pursuant to the Proposed Bonus Issue. For illustration purposes, based on the 5-day VWAP, 3-months lowest daily VWAP and Last Traded Price of AEON Credit up to the LPD, the TEBP of AEON Credit Shares are as follows:-

	<b>Before Proposed Bonus Issue</b>	<b>After Proposed Bonus Issue</b>
	<i>Market price</i>	<i>TEBP</i>
	<i>(RM)</i>	<i>(RM)</i>
5-day VWAP up to the LPD	11.1209	5.5605
3-month lowest daily VWAP up to the LPD	11.0738	5.5369
Last Traded Price on the LPD	11.0000	5.5000

(Source : Bloomberg)

The basis of 1 Bonus Share for every 1 existing AEON Credit Share held was determined after taking into consideration, amongst others, the following:-

- (i) the theoretical share price of AEON Credit Shares after being adjusted pursuant to the Proposed Bonus Issue as illustrated above. Pursuant to Paragraph 6.30(1A) of the Listing Requirements, the share price adjusted for the Proposed Bonus Issue is not less than RM0.50 based on the daily VWAP during the 3-month period before the application date. Accordingly, the Proposed Bonus Issue complies with Paragraph 6.30(1A) of the Listing Requirements; and
- (ii) the financial effects of the Proposed Bonus Issue as detailed in Section 7 of this Circular.

The Proposed Bonus Issue will result in an adjustment to the reference price of AEON Credit Shares, as quoted on the Main Market of Bursa Securities, but will not have any impact on the total market value of AEON Credit Shares held by our shareholders.

For illustration purposes, based on the 5-day VWAP of AEON Credit Shares up to and including the LPD, the TEBP per AEON Credit Share upon the completion of the Proposed Bonus Issue will be as follows:-

	Illustration number of AEON Credit Shares	Market price/TEBP per AEON Credit Share (RM)	Total theoretical value <sup>(2)</sup> (RM)
5-day VWAP up to and including the LPD	100	11.1209	1,112
After the completion of the Proposed Bonus Issue	200	5.5605 <sup>(1)</sup>	1,112

**Notes:**

(1) The actual TEBP will be calculated as follows:-

$$TEBP = \frac{\text{Closing market price of AEON Credit Share prior to ex-date}}{\text{Number of AEON Credit Shares before the Proposed Bonus Issue}} \times \frac{\text{Number of AEON Credit Shares after the Proposed Bonus Issue}}{\text{Number of AEON Credit Shares after the Proposed Bonus Issue}}$$

(2) The total value is computed by multiplying the number of AEON Credit Shares held with the Last Traded Price or TEBP per AEON Credit Share.

The Entitlement Date will be determined by our Board and announced by our Company at a later date after the receipt of all relevant approvals for the Proposed Bonus Issue. The Proposed Bonus Issue will be implemented in a single issuance and is not intended to be implemented in stages over a period of time.

### 3.2 No capitalisation of reserves

The Bonus Shares in respect of the Proposed Bonus Issue will be issued as fully paid, at no consideration and without capitalisation of our Company's reserves.

The Proposed Bonus Issue will then increase the total number of AEON Credit Shares in issue but will not increase the value of our total issued share capital.

### 3.3 Ranking of Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing AEON Credit Shares.

The AEON Credit Shares are prescribed securities under Section 14(5) of the Security Industry (Central Depositories) Act, 1991. The Bonus Shares will be credited directly into the respective central depository system accounts of the entitled shareholders and no physical share certificates will be issued.

### 3.4 Listing of and quotation for the Bonus Shares

Bursa Securities had, vide its letter dated 31 July 2023, approved the listing of and quotation for the 255,307,690 Bonus Shares on the Main Market of Bursa Securities, subject to the conditions as set out in Section 10 of Part A of this Circular.

The Bonus Shares shall be listed and quoted on the Main Market of Bursa Securities on the next Market Day following the Entitlement Date.

#### **4. RATIONALE FOR THE PROPOSALS**

##### **4.1 Proposed Joint Venture**

Our Group is principally involved in the provision of easy payment schemes, personal financing schemes, issuance of payment cards under the international brand names of Visa and MasterCard and insurance broking business. The personal financing schemes and certain easy payment schemes are based on Islamic principles.

The Proposed Joint Venture represents a timely opportunity for our Company to reach a wider pool of customers through ACSD. Through the Proposed Joint Venture, the Parties shall deploy their combined expertise in providing financial services and solutions to customers, especially from the underserved and unserved market segments, adding dynamism to the banking landscape and contributing to the financial inclusion agenda in Malaysia.

In addition, ACSD also intends to leverage on AEON Group's retail network in Malaysia to elevate the banking experience of target segments by offering a broader range of financial services and products of our Group. Our Company also expects that the Proposed Joint Venture would enable our Group as a whole including ACSD to have access to lower cost of funds via the deposits from the customers of ACSD.

##### **4.2 Proposed Bonus Issue**

The Proposed Bonus Issue serves to reward our existing shareholders for their continued support to our Company by allowing them to participate more in the equity of our Company in terms of the number of AEON Credit Shares held, whilst maintaining their percentage equity interest in our Company. The Proposed Bonus Issue is expected to enhance the marketability and trading liquidity of AEON Credit Shares on the Main Market of Bursa Securities, thereby providing an opportunity for greater participation from a broader range of investors.

For the avoidance of doubt, the Proposed Bonus Issue will increase the number of AEON Credit Shares but will not increase the value of our share capital.

#### **5. INDUSTRY OVERVIEW AND PROSPECTS OF ACSD**

##### **5.1 Overview and outlook of the Malaysian economy**

The global gross domestic product ("GDP") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

Notwithstanding the growth, the economy in 2022 experienced several challenges with escalating inflationary pressures due to high commodity and food prices as well as softened global economic growth and trade. Therefore, the Government has taken various holistic and comprehensive measures to help the rakyat and businesses in dealing with inflationary pressures and higher cost of living.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure initiatives as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

*(Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023, Ministry of Finance Malaysia)*

Following a strong outturn in the first quarter of the year, the Malaysian economy expanded at a more moderate pace in recent months as exports were weighed down by slower external demand, as expected. Growth for the remainder of the year will continue to be driven by resilient domestic demand. Household spending continues to be underpinned by favourable labour market conditions, particularly in the domestic-oriented sectors. Tourist arrivals have been steadily improving, and are expected to continue rising, thereby lifting tourism-related activities. Investment activity would be supported by continued progress of multi-year infrastructure projects. Domestic financial conditions also remain conducive to financial intermediation amid sustained credit growth. While the growth outlook is subject to some downside risks stemming from weaker-than-expected global growth, upside risks mainly emanate from domestic factors such as stronger-than expected tourism activity and faster implementation of projects.

Headline inflation has continued to ease amid lower cost factors. While core inflation has also moderated, it remained elevated relative to the long-term average amid lingering demand and cost factors. For the second half of 2023, both headline and core inflation are projected to trend lower, broadly within expectations. Risks to the inflation outlook remain highly subject to the degree of persistence in core inflation, changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

For the second half of 2023, the Malaysian economy is expected to expand at a moderate pace. Slower external demand will continue to weigh on economic activity particularly for the export-oriented sectors. Growth will be supported by domestic demand, underpinned by favourable labour market conditions, particularly in the domestic-oriented sectors. Tourist arrivals is expected to continue improving, thereby lifting tourism activities, while investment activity would be supported by implementation of multi-year investment projects. Domestic financial conditions also remain conducive to financial intermediation.

While the growth outlook is subject to some downside risks stemming from weaker-than-expected global growth, upside risks mainly emanate from domestic factors such as stronger-than expected tourism activity and faster implementation of projects.

In line with expectations, headline inflation has continued to moderate to 2.8% in 2Q 2023 from the peak of 4.5% in 3Q 2022 amid lower cost factors. While core inflation has also moderated, it has been more persistent and remains elevated relative to the long-term average, amid lingering demand and cost factors. For the second half of 2023, both headline and core inflation are projected to trend lower within expectations, partly due to the higher base in the corresponding period last year. Nonetheless, risks to the inflation outlook remain subject to the changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

*(Source: Bank Negara Malaysia's Quarterly Bulletin for 2<sup>nd</sup> Quarter 2023)*

## 5.2 Overview and outlook of the digital banking industry in Malaysia

During the year, BNM continued efforts to establish a conducive ecosystem that spurs greater innovation, competition and dynamism. A key part of this is facilitating the entry of new digital-first players into the financial sector. Digital banks offer banking services online without a physical branch network, allowing them to overcome geographical barriers. Digital banks apply innovative technologies, which can include personalised solutions backed by data analytics, without the constraint of legacy systems. Their attention on user experience should also bring more convenience to consumers. Digital banks are expected to focus on underserved and unserved segments, which will advance the financial inclusion agenda and enhance society's participation in the economy. In April 2022, the MOF granted conditional approval to five digital bank applicants. The digital banks are currently undergoing operational readiness checks and may begin operations by the second quarter of 2024. During the year, digital banks have started appointing their management and Board members, instituting key policies and control procedures, and finalising their digital infrastructure. Digital banks have also engaged independent external parties to objectively review their state of readiness. The BNM will also conduct an operational readiness review before the digital banks commence operations.

*(Source: Annual Report 2022, Bank Negara Malaysia)*

Considering the trajectory of Malaysia's retail payment services landscape, BNM will advance an industry-led approach to digital payments development. Digital payments adoption has risen significantly in Malaysia, accelerated further by the recent pandemic. While regulatory efforts over the past decade have helped catalyse the progress so far, the retail payments industry is also maturing. In more recent years, BNM has observed the industry becoming highly competitive – especially with the entry of new players – resulting in cheaper and more innovative services to merchants, including SMEs. New consumer-facing technologies, such as biometrics and wearables, have also made digital payments more convenient. Against this backdrop, BNM expects industry efforts to sustain the momentum of digital payments adoption, as BNM plays an enabling role.

- (i) As Malaysia's broader economy becomes more digitalised, the importance of payment system operators (PSOs), such as the Payments Network Sdn. Bhd. (PayNet), Visa and Mastercard, to system-wide stability will also intensify – along with growing commercial interest to be PSOs in Malaysia. Given this, BNM will advance regulations for PSOs, which will clarify and align expectations in areas such as governance, risk management, operational resilience, and transparency.
- (ii) BNM will also review existing regulatory policies on digital payments, to ensure their continued relevance. These include the e-Payment Incentive Fund Framework (ePIF), Payment Card Reform Framework (PCRF), and the Interoperable Credit Transfer Framework (ICTF).
- (iii) Efforts will also be made to pave the way for greater industry leadership and market dynamism in relation to the shareholding of PayNet. Consistent with PayNet's role as a shared payment infrastructure operator, its shareholding composition will be enhanced to be more reflective of the growing diversity in Malaysia's payments landscape – with the BNM progressively divesting its share in PayNet over time.

BNM is supportive of the broader national aspirations for digital payments under MyDigital. BNM expects the commitment by federal and state agencies to adopt cashless payments to play a pivotal role in creating behavioural shifts towards greater digital payments adoption. BNM is committed to supporting these national aspirations and will intensify BNM's awareness-building strategies to that end.

*(Source: Financial Sector Blueprint 2022-2026, Bank Negara Malaysia)*

### 5.3 Prospects of ACSD

The digital revolution, such as the widespread use of mobile banking services and internet banking services, have allowed customers to bypass the traditional branch network of financial institutions. Financial institutions are looking to integrate their digital channels onto an omni-channel that provides for an integrated and seamless customer experience. The digital channels have had an important impact in increasing access to financial services, with greater convenience and flexibility for consumers to keep track of their personal finances through offering 24/7 access.

The digital banks to be established in Malaysia are expected to further advance financial inclusion. The wide adoption of technology for everyday transactions significantly increases opportunities in economic participation, by overcoming geographical barriers, reducing transaction costs and promoting better financial management.

Our Company also believes that a digital bank can help customers gain better access to more personalised solutions backed by data analytics, which facilitates greater insights on customer behaviours. As more businesses move to online platforms, digital banking also provides a safer and a more convenient way to transact. Further, digital banks would be better positioned than traditional channels to serve financially underserved segments such as gig economy workers or rural residents, who may lack the credit history to receive loans, to gain access to a wider variety of financial services.

As at the LPD, our Company and AEON Group in the retail sector have a total customer base of more than 5.4 million. The Digital Banking Business to be established by ACSD aims to serve the underserved market segments leveraging on our vast experience, retail network and customer base at the beginning, to help customers take better control of their personal financial management and financial outcomes. To this end, ACSD shall serve as a digital bank committed to supporting its customers in times of need as well as in times of surplus funds, providing advice on investments and savings through continuous engagement and service. The Digital Banking Business shall:

- Cultivate sound financial behaviours through timely Artificial Intelligence (“AI”) based advice on expense management, encouraging goal setting and budgeting, innovative use of savings and investment products – with the ultimate goal of increasing financial literacy amongst Malaysians;
- Provide a comfortable financial cushion by building graduating levels of emergency funds; and developing smart short-term savings and investment solutions for customers; and
- Promote effective and sustainable use of financial products such as short-term loans, payday loans, basic insurance products, etc.

As mentioned in Section 2.1 of Part A of this Circular, the total investment outlay by our Company and AFS and eventual share capital for ACSD is estimated to be RM550 million (inclusive of the initial funding of RM350 million required for the Digital Banking Business) during the foundational phase of up to 5 years from the commencement date of the Digital Banking Business. These funds would primarily be used for the capital and operational expenditure required for the Digital Banking Business as well as to comply with the minimum capital required of RM100.0 million unimpaired by losses during the foundational phase under the Licensing Framework for Digital Banks. We expect that ACSD would be able to develop a sustainable business model and achieve profitability in operations before the end of the foundational phase.

The Digital Banking Business of ACSD requires extensive digital and software development and in depth operational know-how, which shall be realised through certain measures undertaken, amongst others, to procure the services of a third-party technology partner for software development and implementation services, establishment of an internal technology operations and engineering team, recruitment of personnel with relevant skill sets, experience and industry knowledge as well as staff training and development initiatives. As at the LPD, ACSD has entered into an agreement with a reputable service provider who shall provide/ develop the required technology and software to be deployed by the proposed digital bank. The recruitment of the



internal technology team is at advanced stage of progress. Please refer to Section 2.1 of Part A of this Circular on the status of the key milestones.

The prospects of ACSD are dependent on the reception of digital technology by the underserved and unserved segments (e.g. gig economy workers or rural residents) as well as the digital infrastructure readiness in areas populated by the target segments.

The national digital communication enhancement plan (also known as JENDELA) under the 12<sup>th</sup> Malaysia Plan was launched in September 2020 with the goal of improving the quality of digital infrastructure and services across the country. Phase 1 of the plan (2020 – 2022) focused on optimising existing resources and infrastructure for mobile as well as fixed broadband services. By the end of the five-year national digital infrastructure plan, JENDELA aims to deliver fibre connection for 9 million premises, 100% Internet connectivity for populated areas, and increase the average mobile broadband speed to 100 Mbps. JENDELA aims to build a robust digital infrastructure which will be pivotal to Malaysia's digital transformation and in bridging the digital divide for rural, urban and even B40 communities. As of 31 December 2022, 7.74 million premises have access to fibre broadband while 96.92% of all populated areas have access to the 4G network. The median mobile broadband speed has also increased to 43.46 Mbps, exceeding the initial target of 35 Mbps in Phase 1.

*(Source: JENDELA Phase 1 Concluding Report published by the Malaysian Communications and Multimedia Commission)*

We believe that by the above national initiative and given the strengths and capabilities of shareholders of ACSD, the proposed digital bank is well-positioned to capture the market opportunities.

Barring unforeseen circumstances, the Proposed Joint Venture should bode well for our Group's future prospects.

*(Source: Our management)*

## **6. RISK FACTORS**

Our Group is in the financial services sector, being principally involved in the provision of easy payment schemes, personal financing schemes, issuance of payment cards under the international brand names of Visa and Mastercard and insurance broking business. The Digital Banking Business to be undertaken by ACSD is also in the financial services sector and is exposed to similar inherent risks, such as credit risk, fraud risk, fluctuation in interest rate risk, competition, regulatory changes, economic and political changes and other operational risks. In addition, we are also exposed to the following risks in relation to the Proposed Joint Venture and the Digital Banking Business.

### **6.1 Diversion of financial resources from existing operations**

Our cash, bank balances and deposits (excluding cash held in trust for customers and deposits held in trust account) as at 28 February 2023 and 31 August 2023 was RM 341.8 million (audited) and RM291.2 million (unaudited), respectively.

The Proposed Joint Venture would divert our financial resources from existing operations. Our Company, as a shareholder of ACSD, would also be required to provide capital and liquidity support for the operationalisation of ACSD as described in Section 2.6 of Part A of this Circular.

There can be no assurance that the anticipated benefits from the Proposed Joint Venture will be realised and that we will be able to generate sufficient revenue to offset the costs which would have been invested by us in the Proposed Joint Venture. Any adverse event occurring in ACSD may have an adverse financial impact on our Company's financial position. Pursuant to the Shareholders' Agreement, our Company will have board representation on ACSD's board to participate in ACSD's governance, oversight and strategic decision making and contribute towards realisation of the anticipated synergies from the Proposed Joint Venture. In any event,

our Company's exposure in relation to the Proposed Joint Venture will be limited by our shareholding proportion in ACSD.

## **6.2 Completion and commencement of the Digital Banking Business risk**

The completion of the Proposed Joint Venture is conditional upon, amongst others, the fulfilment of the conditions precedent in the Shareholders' Agreement, as set out in Section 1 of the Appendix I of this Circular. In the event any of the conditions precedent is not fulfilled within the stipulated timeframe, the Proposed Joint Venture will not be completed.

Furthermore, as stated in Section 2 of Part A of this Circular, the commencement of the Digital Banking Business by ACSD will be within 24 months from 8 April 2022 as stipulated in the Approval Letter, subject to the fulfilment of the licensing conditions stipulated in the Approval Letter and BNM's satisfaction of the operational readiness review of ACSD conducted by BNM. There can be no assurance that BNM would be satisfied with the operational readiness of ACSD. If the foregoing requirements are not met, AEON Credit may incur an impairment on its investment in ACSD arising from, amongst others, utilisation of capital injected for ACSD's pre-operating expenses.

Nonetheless, we will take all reasonable steps to ensure that the conditions precedent in the Shareholders' Agreement and other conditions imposed by BNM are met within the stipulated timeframe.

## **6.3 Dependence on technology**

Digital banking generally refers to all banking activities performed through technological means. Digital banking is highly dependent on, amongst others, the proper functioning of information technology systems, the Internet, as well as keeping pace with changes in technology, to operate and deliver products and services to customers.

Notwithstanding that ACSD will put in place appropriate risk management policies and safeguards against cyber security threats, there is no assurance that any failure of these systems would not materially disrupt the Digital Banking Business. Such failures could be caused by, amongst other things, major natural catastrophes, software bugs, computer virus attacks, conversion errors due to system upgrading, security breaches caused by unauthorized access to information or systems or malfunctions, loss or corruption of data, software, hardware or other computer equipment. Any such failures could disrupt the Digital Banking Business and adversely affect the operations and financial condition of ACSD and ultimately our Company.

## **6.4 Dependence on external technology and outsourced function service providers**

ACSD is utilising or will utilise the services of certain external service providers for procurement, development and implementation of software/systems and for outsourced functions of the Digital Banking Business of ACSD. The procurement of the aforementioned services is subject to due diligence process, risk assessment by ACSD and compliance with requirements under applicable policy documents issued by BNM. To minimise the dependency on such external service providers, ACSD proposes to recruit and train its internal work force team and invest in systems to handle certain services and outsourced functions in the long term. ACSD will carry out annual review and risk assessment on all its external service providers.

Notwithstanding that ACSD will put in place appropriate risk management policies and safeguards against dependency on external service providers, including identification of alternative service providers, there is no assurance that any failure of such external service providers would not materially disrupt the Digital Banking Business. Any such failures could disrupt the Digital Banking Business and adversely affect the operations and financial condition of ACSD and ultimately our Company.

## 6.5 Regulatory risk in relation to digital banking industry

The digital banking industry is highly regulated by BNM under the FSA, IFSA and CBA. Any breach under the FSA, IFSA or CBA will result in fines or potential revocation of the digital banking licence. Notwithstanding that ACSD will put in place measures to ensure compliance with the aforementioned applicable laws, there can be no assurance that any amendments or changes to the FSA, IFSA or CBA as well as BNM's regulatory framework would not materially affect the operational and financial prospects of ACSD and ultimately our Company.

## 7. EFFECTS OF THE PROPOSALS

### 7.1 Issued share capital

The Proposed Joint Venture will not have any effect on the issued share capital of our Company as it does not involve any issuance of new AEON Credit Shares.

The proforma effects of the Proposed Bonus Issue on our Company's issued share capital are set out below:-

	Number of AEON Credit Shares	RM
Issued share capital as at the LPD	255,307,690	584,011,570
Shares to be issued pursuant to the Proposed Bonus Issue	255,307,690	(1)
<b>After the Proposed Bonus Issue</b>	<b>510,615,380</b>	<b>584,011,570</b>

**Note:-**

(1) The Bonus Shares shall be issued as fully paid shares at no consideration and without capitalisation of the Company's reserves.

### 7.2 Earnings and EPS

The Proposed Bonus Issue is not expected to have any effect on our Company's consolidated earnings for the financial year ending 29 February 2024, save for the corresponding dilution in our Company's EPS as a result of the increase in the number of AEON Credit Shares in issue pursuant to the Proposed Bonus Issue.

For illustrative purposes, based on the audited consolidated financial statements of our Company for FYE 28 February 2023, assuming the Proposed Joint Venture was completed at the beginning of the financial year, the financial effects on our Group's earnings and EPS are as follows:-

	Amount
	RM'000
Profit for the year	417,685
Less: Distribution to the holders of perpetual notes and sukuk, net of tax	(10,163)
Profit attributable to ordinary equity holders	407,522
Less: Share of losses of ACSD and estimated expenses for the Proposed Joint Venture <sup>(1)</sup>	(8,726)
<b>Proforma profit attributable to ordinary equity holders</b>	<b>398,796</b>
Weighted average number of AEON Credit Shares in issue after the Proposed Joint Venture ('000)	255,308
Basic / Diluted EPS before the Proposed Joint Venture (sen)	159.62
Basic / Diluted EPS after the Proposed Joint Venture (sen)	156.20

**Note:-**

(1) After including share of losses from the ACSD for the FPE 28 February 2023 amounting to RM7.73 million as a result of the pre-operating expenses for the Digital Banking Business and deducting the estimated expenses of RM1.0 million for the Proposed Joint Venture.

Upon completion of the subscription of RM175 million ACSD Shares, ACSD will be our associated company. Thereon, our Company will be required to equity account for the results of ACSD.

It is expected that during the gestation period of up to 5 years, ACSD will incur operating losses whilst growing its business and revenue. ACSD is targeted to achieve break-even and eventually turn profitable in the fifth year of its business operations, based on its current business plan. Thus, the Proposed Joint Venture is anticipated to contribute positively towards the earnings and EPS of our Company in the future over the long term.

### 7.3 NA, NA per share and gearing

Assuming that the Proposed Joint Venture has been effected on 28 February 2023, the proforma effects of the Proposals on our NA, NA per Share and gearing based on the audited consolidated financial statements as at 28 February 2023 are as follows:-

	<b>Audited as at 28 February 2023</b>	<b>(I) After the Proposed Joint Venture<sup>(1)</sup></b>	<b>(II) After (I) and the Proposed Bonus Issue</b>
	<i>(RM'000)</i>	<i>(RM'000)</i>	<i>(RM'000)</i>
Share capital	584,012	584,012	584,012
Hedging reserve	(10,248)	(10,248)	(10,248)
Fair value reserve	4,958	4,958	4,958
Retained earnings	1,746,108	<sup>(2)</sup> 1,745,108	<sup>(3)</sup> 1,744,808
<b>Shareholder's equity / NA</b>	<b>2,324,830</b>	<b>2,323,830</b>	<b>2,323,530</b>
Number of AEON Credit shares in issue ('000)	255,308	255,308	510,615
NA per Share (RM)	9.11	9.10	4.55
Total Borrowings <sup>(4)</sup>	8,045,062	8,045,062	8,045,062
Gearing (times)	3.46	3.46	3.46

**Notes:-**

(1) Based on the initial subscription price of RM175 million by our Company;

(2) After deducting the estimated expenses of RM1.0 million for the Proposed Joint Venture;

(3) After deducting the estimated expenses of RM0.3 million for the Proposed Bonus Issue; and

(4) Inclusive of lease liabilities.

As mentioned above, ACSD will be our associated company and as such any share of its results will have an impact on the future net assets and the NA per share of our Company.

### 7.4 Substantial shareholder's shareholdings

The Proposed Joint Venture will not have any effect on the substantial shareholders' shareholding in our Company as it does not involve any issuance of new AEON Credit Shares.

The Proposed Bonus Issue will not have any effect on the percentage shareholdings of our Company's substantial shareholders as the Bonus Shares will be allotted on a pro-rata basis to all the shareholders of our Company.

Based on the Register of Substantial Shareholders as at the LPD, the proforma effects of the Proposed Bonus Issue on our Company's substantial shareholders' shareholdings are as follows:-

Substantial Shareholders	As at the LPD				After Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
AEON Financial Service Co., Ltd.	157,017,252	61.50	-	-	314,034,504	61.50	-	-
AEON CO., LTD.	-	-	<sup>(1)</sup> 161,661,252	63.32	-	-	<sup>(1)</sup> 323,322,504	63.32
ABRDN PLC	-	-	<sup>(2)</sup> 12,965,938	5.08	-	-	<sup>(2)</sup> 25,931,876	5.08
ABRDN Holdings Limited (formerly known as ABERDEEN Asset Management PLC)	-	-	<sup>(2)</sup> 12,965,938	5.08	-	-	<sup>(2)</sup> 25,931,876	5.08

**Notes:-**

(1) Deemed interested in the shares held by AEON Financial Service Co., Ltd. and AEON CO. (M) BHD. by virtue of Section 8 of the Act.

(2) Deemed interested in the shares held by BNP Paribas Securities Services, Citibank N.A., Citibank Berhad and Malayan Banking Berhad by virtue of Section 8(4)(c) of the Act.

## 7.5 Convertible securities

As at the LPD, our Company does not have any convertible securities in issue.

## 8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Joint Venture pursuant to paragraph 10.02(g) of the Listing Requirements is 11.83%, computed based on the assumed 50% equity participation of our Company (including shareholders' loans and guarantees) in ACSD (based on the eventual issued capital of RM550.0 million of ACSD) compared with the audited consolidated net assets of our Company as at 28 February 2023 of approximately RM2.32 billion.

## 9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of AEON Credit Shares as traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High RM	Low RM
<b>2022</b>		
September	14.18	13.22
October	13.62	12.70
November	13.08	12.50
December	13.50	12.42
<b>2023</b>		
January	13.18	12.48
February	12.90	11.98
March	12.08	10.88
April	12.48	11.52
May	12.18	11.40
June	11.76	11.10
July	12.26	11.10
August	12.08	11.00

The last transacted market price of AEON Credit Shares on 13 July 2023 (being the last trading day prior to the announcement of the Proposed Bonus Issue)	<b>RM</b> RM11.24
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The last transacted market price of AEON Credit Shares as at the LPD	RM11.00
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(Source : Bloomberg)

## 10. APPROVALS REQUIRED

### 10.1 Proposed Joint Venture

The Proposed Joint Venture is conditional upon the following approvals:-

- (i) approval of MOF for the grant of a licence to carry on digital Islamic banking business in Malaysia under the IFSA which approval was obtained vide BNM's letter dated 29 April 2022 subject to, amongst others, the conditions as stated in Section 2.1 and Section 2.6 of Part A of this Circular;
- (ii) BNM approval for the equity structure of ACSD to be held by AFS and our Company in equal proportions of 50:50 respectively as well as for our Company to acquire or hold material interest in ACSD. This approval is pending as at the LPD;
- (iii) approval of our shareholders to be obtained at the forthcoming EGM; and
- (iv) our lenders' approval for the Proposed Joint Venture which has been obtained.

### 10.2 Proposed Bonus Issue

The Proposed Bonus Issue is conditional upon the following approvals:-

- (i) approval of Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities obtained vide its letter dated 31 July 2023 and subject to, amongst others, the following conditions:-

Conditions	Status of compliance
(a) Our Company and AmlInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;	To be complied
(b) AmlInvestment Bank to inform Bursa Securities upon the completion of the Proposed Bonus Issue;	To be complied
(c) AmlInvestment Bank to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed;	To be complied
(d) Our Company is required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements; and	To be complied
(e) Our Company or AmlInvestment Bank to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at a general meeting for the Proposed Bonus Issue.	To be complied

- (ii) approval of our shareholders to be obtained at the forthcoming EGM.

## 11. CONDITIONALITY OF THE PROPOSALS

The Proposed Joint Venture and the Proposed Bonus Issue are not inter-conditional. The Proposals are not conditional upon any other corporate exercise/scheme which has been announced but not yet completed and/or any other corporate exercise/scheme to be undertaken by our Company.

## 12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

### 12.1 Proposed Joint Venture

The major shareholders and directors who are interested in the Proposed Joint Venture are as follows:-

#### Interested Major Shareholders

- (a) AFS, a major shareholder of our Company, is interested in the Proposed Joint Venture by virtue of its equity participation in ACSD;
- (b) AEON CO., LTD., a major shareholder of our Company, is deemed interested by virtue of its equity interest in AFS and AEON CO. (M) BHD.;

(Collectively, referred to as the “Interested Major Shareholders”).

#### Interested Directors

- (c) Daisuke Maeda, the Managing Director of our Company, is an employee of AFS who is seconded to our Company; and
- (d) Mitsugu Tamai, the Non-Independent Non-Executive Director of our Company, is a director of AFS.

(Collectively, referred to as the “Interested Directors”).

As at the LPD, the direct and/or indirect shareholdings of the Interested Major Shareholders and Interested Directors in our Company are as follows:-

	Direct		Indirect	
	No. of AEON Credit Shares	%	No. of AEON Credit Shares	%
<u>Interested Major Shareholders</u>				
AFS	157,017,252	61.50	-	-
AEON CO., LTD.	-	-	161,661,252	63.32 <sup>(1)</sup>
<u>Interested Directors</u>				
Daisuke Maeda	-	-	-	-
Mitsugu Tamai	-	-	-	-

#### **Note:-**

- (1) Deemed interested in the shares held by AFS and AEON CO. (M) BHD. by virtue of Section 8 of the Act.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at our Company's relevant Board meeting(s) in relation to the Proposed Joint Venture.

The Interested Major Shareholders and the Interested Directors will abstain from voting in respect of their direct or indirect shareholdings (if any) in our Company and will undertake to ensure that persons connected with them will abstain from voting in respect of their direct and indirect shareholdings (if any) in our Company on the resolution pertaining to the Proposed Joint Venture to be tabled at our Company's forthcoming EGM.

## **12.2 Proposed Bonus Issue**

None of our Directors, chief executive and/or major shareholders and/or persons connected with them have any interest, either direct or indirect, in the Proposed Bonus Issue, save for their respective entitlements as shareholders of our Company, which the Bonus Shares are also available to all other shareholders of our Company.

## **13. TRANSACTIONS WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS**

Save for the Proposed Joint Venture, there were no transactions outside the ordinary course of business entered into between our Company and AFS for the preceding 12 months from the date of this Circular.

## **14. AUDIT COMMITTEE'S STATEMENT**

Our Audit Committee, after having considered all relevant aspects of the Proposed Joint Venture including but not limited to the terms of the Proposed Joint Venture, the basis of the Subscription Price, rationale and financial effects as well as the independent advice by the Independent Adviser on the Proposed Joint Venture, is of the opinion that the Proposed Joint Venture is in the best interest of our Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the Non-interested Shareholders of our Company.

## **15. DIRECTORS' STATEMENT / RECOMMENDATION**

### **15.1 Proposed Joint Venture**

Our Board (save for the Interested Directors) after having considered all relevant aspects of the Proposed Joint Venture (including but not limited to the terms of the Proposed Joint Venture, basis of the Subscription Price, rationale and financial effects) as well as the independent advice by the Independent Adviser on the Proposed Joint Venture, is of the opinion that the Proposed Joint Venture is in the best interest of our Company.

Accordingly, our Board (save for the Interested Directors) recommends you to vote in favour of the resolution in relation to the Proposed Joint Venture.

### **15.2 Proposed Bonus Issue**

Our Board, after having considered all aspects of the Proposed Bonus Issue, including the rationale and financial effects of the Proposed Bonus Issue, is of the opinion that the Proposed Bonus Issue is in the best interest of our Company.

Accordingly, our Board recommends you to vote in favour of the resolution in relation to the Proposed Bonus Issue.

## **16. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Joint Venture and the Proposed Bonus Issue, our Group does not have any other corporate exercise which has been announced to Bursa Securities but has yet to be completed prior to the date of this Circular.



## 17. INDEPENDENT ADVISER

In view of the interest of the Interested Major Shareholders and the Interested Directors in the Proposed Joint Venture, the Proposed Joint Venture is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, Public Investment Bank has been appointed on 30 June 2022 to act as the Independent Adviser to undertake the following:

- (i) comment as to:
  - (a) whether the Proposed Joint Venture is fair and reasonable so far as the Non-interested Shareholders are concerned; and
  - (b) whether the Proposed Joint Venture is to the detriment of the Non-interested Shareholders,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the Non-interested Shareholders on whether they should vote in favour of the Proposed Joint Venture; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (i) and (ii) above.

The independent advice letter containing Public Investment Bank's evaluation and recommendations on the Proposed Joint Venture are set out in **Part B** of this Circular.

## 18. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposals are expected to be completed by the 4<sup>th</sup> quarter of 2023. The tentative timetable for the implementation of the Proposals is as follows:-

Date	Events
16 October 2023	EGM for the Proposals
Early November 2023	Announcement of Entitlement Date for the Proposed Bonus Issue
Mid November 2023	Subscription of ACSD Shares by our Company
Mid to End November 2023	Entitlement Date Listing of and quotation for the Bonus Shares

## 19. EGM

The ordinary resolutions in relation to the Proposals have been included in the Notice of the EGM of our Company. The EGM, the notice of which is enclosed in this Circular together with the Proxy Form, will be held on Monday, 16 October 2023 at 10.00 a.m. to be conducted on a virtual basis through online meeting platform at <https://meeting.boardroomlimited.my> provided by the Poll Administrator using Remote Participation and Electronic Voting ("RPEV") facilities and live streaming from broadcast venue at Grand Studio Room, Level 1, Wyndham Grand Bangsar, 1, Jalan Pantai Baharu, Jaya Tower 3, 59200 Kuala Lumpur, Malaysia or at any adjournment thereof.

The Notice of EGM together with the Proxy Form and Administrative Guide may be downloaded from our Company's website at <https://www.aeoncredit.com.my>. Please read carefully and follow the procedures set out in the Administrative Guide to register, participate and vote remotely via the RPEV facilities.

In the event that you are unable to attend and vote in person at the EGM, you are requested to complete, sign and forward the enclosed Proxy Form to the Poll Administrator's office, Share Registrars Sdn Bhd at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the EGM, or any adjournment thereof. Alternatively, the Proxy Form can be submitted electronically via [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) (*for Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee only*) or submitted through our Share Registrar's website, Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> (*for individual shareholders only*). The Proxy Form should be completed strictly in accordance with the instruction contained therein. The last day and time for lodging the Proxy Form is Saturday, 14 October 2023 at 10.00 a.m.. The lodging of the Proxy Form will not preclude you from attending and voting at the EGM should you subsequently wish to do so.

Please refer to the administrative guide on remote participation and voting facilities for the virtual meeting, a copy of which is despatched together with this Circular and is also available on our Company's website at <https://www.aeoncredit.com.my>.

## 20. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

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

**NG ENG KIAT**  
*Chairman/Non-Independent Non-Executive Director*

## **PART B**

# **INDEPENDENT ADVICE LETTER FROM PUBLIC INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF AEON CREDIT SERVICE (M) BERHAD IN RELATION TO THE PROPOSED JOINT VENTURE**

**ALL DEFINITIONS USED IN THIS EXECUTIVE SUMMARY SHALL HAVE THE SAME MEANING AS THE WORDS AND EXPRESSIONS PROVIDED IN THE “DEFINITIONS” SECTION, PART A OF THE CIRCULAR, EXCEPT WHERE THE CONTEXT OTHERWISE REQUIRES OR WHERE OTHERWISE DEFINED IN THIS IAL.**

**THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE PERTINENT INFORMATION OF THE PROPOSED JOINT VENTURE. NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE CONTENTS OF THIS IAL FOR FURTHER INFORMATION AND THE RECOMMENDATIONS FROM PIVB, BEING THE INDEPENDENT ADVISER IN RELATION TO THE PROPOSED JOINT VENTURE. THIS IAL SHOULD ALSO BE READ IN CONJUNCTION WITH PART A OF THE CIRCULAR, INCLUDING THE APPENDICES THEREIN, FOR ANY OTHER RELEVANT INFORMATION BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED JOINT VENTURE AT THE FORTHCOMING EGM OF AEON CREDIT.**

## **1. INTRODUCTION**

On 30 June 2021, the Board announced that AEON Credit and AFS had submitted a joint application to BNM for a digital bank licence. Subsequently, MoneyLion, the identified technology partner to develop and implement amongst others, the software and information technology infrastructure for the proposed digital bank was included in the consortium. After discussion with BNM, the joint application submitted to BNM was revised for a digital Islamic banking licence.

On 29 April 2022, the Company announced that BNM had notified the Company on the approval to grant a digital Islamic banking licence by the MOF to the AEON consortium, comprising AEON Credit, AFS and MoneyLion.

On 30 September 2022, the Parties and MoneyLion agreed to cease negotiations on MoneyLion's participation in the consortium, arising from MoneyLion's decision to focus on its operations in the United States. BNM was notified of the termination of negotiations and the proposed revised equity structure of the Parties in the joint venture. The changes to the equity structure of ACSD to be held by AFS and AEON Credit in equal proportions of 50:50 respectively, as set out in Section 2.1, Part A of the Circular, is subject to approval from BNM.

Consequently, the Parties continued with the implementation of the operational readiness plan to establish the digital Islamic bank, subject to meeting regulatory requirements. Upon termination of negotiations with MoneyLion, the Parties have identified and entered into an agreement with a reputable service provider who shall provide/develop the required technology and software to be deployed by the proposed digital bank.

On 14 July 2023, AmInvestment Bank had on behalf of the Board, announced that AEON Credit has entered into the Shareholders' Agreement with AFS to regulate the rights and obligations of AEON Credit and AFS in respect to ACSD.

In view of the interests of the Interested Directors and Interested Major Shareholders as set out in Section 12.1, Part A of the Circular, the Proposed Joint Venture is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

## 2. EVALUATION OF THE PROPOSED JOINT VENTURE

In evaluating the Proposed Joint Venture, we have taken into consideration the following:

Area of evaluation	PIVB's comments
<b>Rationale for the Proposed Joint Venture</b>	<p>(i) The Proposed Joint Venture will allow AEON Credit to expand its scope of offerings by including digital Islamic banking services to reach a wider pool of customers and at the same time, further enhance its earnings from the consumer financing business.</p> <p>(ii) With the combined expertise of the Parties, the Proposed Joint Venture will be able to provide financial services and solutions with new business models to reach a wider pool of customers, especially the underserved and unserved market segment.</p> <p>(iii) The Group believes that the Proposed Joint Venture will complement the Group's existing business operations. The Proposed Joint Venture also represents a strategic opportunity for the Group to further enhance its presence in the financial services sector as the Group may be able to gain exposure and market its existing financial products to the future network to be established by ACSD.</p> <p>Premised on the above, we are of the opinion that the rationale for the Proposed Joint Venture is <b>reasonable</b> and <b>not detrimental</b> to the interests of the Non-interested Shareholders.</p> <p>Please refer to Section 9 of this IAL for further details on the rationale for the Proposed Joint Venture.</p>
<b>Basis and justification of the Subscription Price</b>	<p>The share capital of ACSD of RM350.00 million prior to the compliance with the Equity Condition, was agreed upon by the Parties after considering the initial funding required for the Digital Banking Business to ensure that ACSD has a reasonable level of share capital to meet its operational needs during the Foundational Phase and to comply with the share capital requirements as per the Licensing Framework.</p> <p>The Subscription Price of RM175.00 million (representing a subscription price of RM1.00 per ACSD Share) is made on a pro rata basis, taking into consideration the Company's initial shareholding in ACSD of 50.00% and the same basis is applicable to the other shareholder of ACSD i.e. AFS based on its respective shareholding in ACSD.</p> <p>Subsequent to the commencement of business by ACSD and subject to relevant approvals (if any) that may be required being obtained, both Parties may subscribe for additional ACSD Shares of up to RM200.00 million at a similar subscription price of RM1.00 per ACSD Share in accordance with their respective shareholding in ACSD.</p> <p>Premised on the above, we are of the opinion that the Subscription Price is <b>fair</b> as the Subscription Price is made on a pro rata basis in accordance with the respective shareholdings of the Parties based on the proposed share capital of ACSD of RM350.00 million as agreed by the Parties to ensure that ACSD has a reasonable level of share capital to meet its operational needs during the Foundational Phase and to comply with the Licensing Framework.</p> <p>Please refer to Section 10 of this IAL for further details on the basis and justification of the Subscription Price.</p>
<b>Evaluation of the salient terms of the Shareholders' Agreement</b>	<p>We are of the opinion that the terms contained in the Shareholders' Agreement are <b>reasonable</b> and are <b>not detrimental</b> to the interests of the Non-interested Shareholders of AEON Credit.</p> <p>Please refer to Section 11 of this IAL for further details on the salient terms of the Shareholders' Agreement.</p>

Area of evaluation	PIVB's comments
<b>Effects of the Proposed Joint Venture</b>	<p>Although the EPS of AEON Credit is expected to decrease due to the current loss making position of ACSD, we note that the losses recorded by ACSD was due to pre-operating expenses for the Digital Banking Business. The Board anticipates that moving forward, the Proposed Joint Venture will contribute positively to the future earnings of the Group after the launch of the Digital Banking Business.</p> <p>Premised on the above, we are of the opinion that the pro forma effects of the Proposed Joint Venture are <b><u>not detrimental</u></b> to the interests of the Non-interested Shareholders of AEON Credit.</p> <p>Please refer to Section 12 of this IAL for further details on the effects of the Proposed Joint Venture.</p>
<b>Risk factors</b>	<p>The risk factors relating to the Proposed Joint Venture are as follows:</p> <ul style="list-style-type: none"> <li>(i) diversion of financial resources;</li> <li>(ii) completion and commencement risk;</li> <li>(iii) dependency on technology;</li> <li>(iv) dependency on external technology and outsourced function service providers; and</li> <li>(v) economic and regulatory risk in relation to the digital banking industry.</li> </ul> <p>We also note that although measures may be taken by the Group to limit/mitigate the risks highlighted above, no assurance can be given that one or a combination of the risks will not crystallise and give rise to material and adverse impact on the financial position and business of AEON Credit.</p> <p>Please refer to Section 13 of this IAL for further details on the risk factors.</p>
<b>Industry overview and prospects of ACSD</b>	<p>We are of the view that the prospects of ACSD are expected to be favourable in view of the positive outlook of the Malaysian economy and the digital banking industry, coupled with the strengths and capabilities of ACSD's shareholders as follows:</p> <ul style="list-style-type: none"> <li>(i) digitalisation of financial services intensified in early 2020 and has continued to accelerate;</li> <li>(ii) as Malaysia's broader economy becomes more digitalised, the importance of payment system operators will also intensify, along with growing commercial interest to be payment system operators in Malaysia;</li> <li>(iii) the Digital Banking Business to be established by ACSD aims to serve the underserved market segments leveraging on the vast experience, retail network and customer base of the Company;</li> <li>(iv) the Company anticipates that the Digital Banking Business will be able to cultivate sound financial behaviours amongst Malaysians, provide a comfortable financial cushion for customers and promote effective and sustainable use of financial products; and</li> <li>(v) the adoption of digital technology more widely for everyday transactions significantly increases opportunities for economic participation, by overcoming geographical barriers, reducing transaction costs and promoting better financial management.</li> </ul> <p>Please refer to Section 14 of this IAL for further details on the industry overview and prospects of ACSD.</p>

**3. CONCLUSION AND RECOMMENDATION**

Premised on our overall assessment of the Proposed Joint Venture, we are of the opinion that the Proposed Joint Venture is fair and reasonable and not detrimental to the interests of the Non-interested Shareholders of AEON Credit.

Accordingly, we recommend that the Non-interested Shareholders of AEON Credit vote in favour of the resolution pertaining to the Proposed Joint Venture to be tabled at the forthcoming EGM of AEON Credit.

**NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED JOINT VENTURE TO BE TABLED AT THE FORTHCOMING EGM OF AEON CREDIT.**

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29 September 2023

**To: The non-interested shareholders of AEON Credit Service (M) Berhad**

Dear Sir/Madam,

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF AEON CREDIT SERVICE (M) BERHAD IN RELATION TO THE PROPOSED JOINT VENTURE**

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**1. PREAMBLE**

This independent advice letter (“**IAL**”) is prepared for inclusion in the Circular in relation to the Proposed Joint Venture and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the “*Definitions*” section, Part A of the Circular, except where the context otherwise requires or where otherwise defined herein. All references to “we”, “us” and “our” in this IAL are to PIVB, being the Independent Adviser for the Proposed Joint Venture.

**2. INTRODUCTION**

On 30 June 2021, the Board announced that AEON Credit and AFS had submitted a joint application to BNM for a digital bank licence. Subsequently, MoneyLion, the identified technology partner to develop and implement, amongst others, the software and information technology infrastructure for the proposed digital bank was included in the consortium. After discussion with BNM, the joint application submitted to BNM was revised for a digital Islamic banking licence.

On 29 April 2022, the Company announced that BNM had notified the Company on the approval to grant a digital Islamic banking licence by the MOF to the AEON consortium, comprising AEON Credit, AFS and MoneyLion.

On 30 September 2022, the Parties and MoneyLion agreed to cease negotiations on MoneyLion’s participation in the consortium, arising from MoneyLion’s decision to focus on its operations in the United States. BNM was notified of the termination of negotiations and the proposed revised equity structure of the Parties in the joint venture. The changes to the equity structure of ACSD to be held by AFS and AEON Credit in equal proportions of 50:50 respectively, as set out in Section 2.1, Part A of the Circular, is subject to approval from BNM.

Consequently, the Parties continued with the implementation of the operational readiness plan to establish the digital Islamic bank, subject to meeting regulatory requirements. Upon termination of negotiations with MoneyLion, the Parties have identified and entered into an agreement with a reputable service provider who shall provide/develop the required technology and software to be deployed by the proposed digital bank.

On 14 July 2023, AmInvestment Bank had on behalf of the Board, announced that AEON Credit has entered into the Shareholders’ Agreement with AFS to regulate the rights and obligations of AEON Credit and AFS in respect of ACSD undertaking the Digital Banking Business.

In view of the interests of the Interested Directors and Interested Major Shareholders as set out in Section 12.1, Part A of the Circular, the Proposed Joint Venture is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Pursuant thereto, the Board had on 30 June 2022, appointed PIVB as the Independent Adviser to advise the Non-interested Directors and Non-interested Shareholders in relation to the Proposed Joint Venture.

The purpose of this IAL is to provide the Non-interested Shareholders with an independent evaluation on the fairness and reasonableness of the Proposed Joint Venture together with our recommendation thereon, subject to the scope and limitations of our role and evaluation specified herein, in relation to the Proposed Joint Venture. The Non-interested Shareholders should nonetheless rely on their own evaluation of the merits of the Proposed Joint Venture before making a decision on the course of action to be taken.

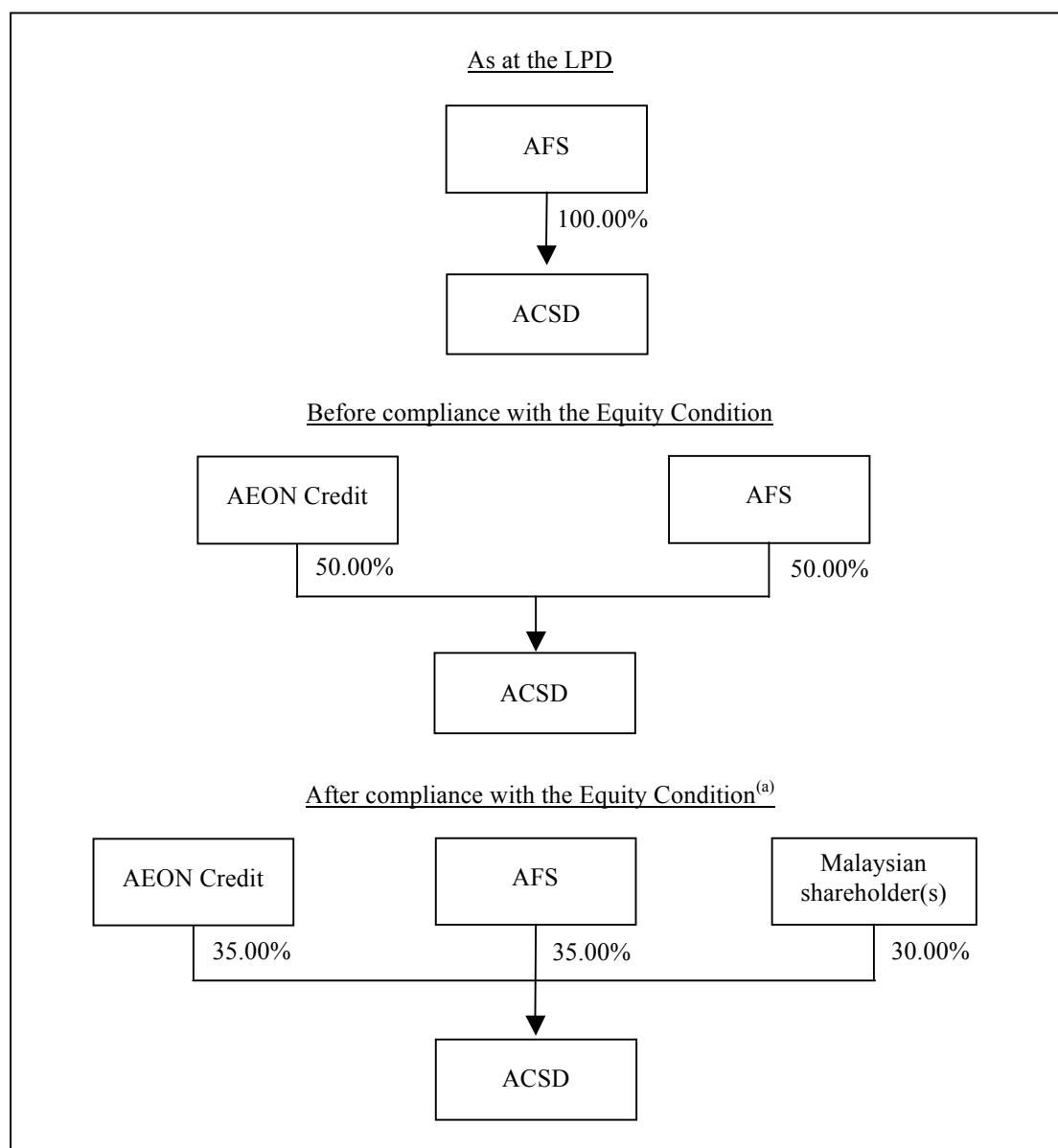


THE NON-INTERESTED SHAREHOLDERS ARE ADVISED TO READ BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED JOINT VENTURE TO BE TABLED AT THE FORTHCOMING EGM OF AEON CREDIT.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

### 3. DETAILS OF THE PROPOSED JOINT VENTURE

The Proposed Joint Venture entails the joint venture between AEON Credit and AFS to undertake the Digital Banking Business via a joint venture company namely, ACSD. The diagram below depicts the shareholding structure of ACSD as at the LPD:



Note:

(a) The shareholdings above may vary depending on the negotiations with the Malaysian shareholder(s).

Further details on the Proposed Joint Venture are set out in Section 2, Part A of the Circular.

#### 4. SOURCES OF INFORMATION

In preparing this IAL, PIVB has relied upon the following sources of information and documents:

- (i) the information contained in Part A of the Circular and the appendices attached thereto;
- (ii) the Shareholders' Agreement;
- (iii) the audited financial statements of AEON Credit for the FYE 28 February 2021, FYE 28 February 2022 and FYE 28 February 2023;
- (iv) other relevant information, documents, confirmations and/or representation furnished to us by the Board, management and/or representatives of AEON Credit ("**Management**");
- (v) Licensing Framework for Digital Banks issued by BNM ("**Licensing Framework**"); and
- (vi) other publicly available information.

#### 5. LIMITATIONS TO THE EVALUATION OF THE PROPOSED JOINT VENTURE

We were not involved in any formulation or any deliberation and negotiation on the terms and conditions of the Proposed Joint Venture. The terms of reference of our appointment as the Independent Adviser to the Non-interested Directors and Non-interested Shareholders in relation to the Proposed Joint Venture is in accordance with the requirements set out in Paragraphs 10.08(2) and (3) of the Listing Requirements.

Our scope is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Joint Venture insofar as the Non-interested Shareholders are concerned based on the following information and documents available to us as mentioned in Section 4 of this IAL.

We have made all reasonable enquiries to the Board and Management and have relied upon the information and documents as mentioned above. The Board has confirmed to us that all relevant material facts and information essential to the evaluation of the Proposed Joint Venture have been disclosed to us and has collectively and individually accepted full responsibility for the accuracy, validity and completeness of the information provided to us. After making all reasonable enquiries and to the best of our knowledge and belief, we are satisfied that all relevant facts, information and representations necessary for our evaluation of the Proposed Joint Venture have been disclosed to us and that such information is sufficient, accurate, valid, reasonable and there is no omission of any material facts, which would make any information provided to us incomplete, misleading or inaccurate.

In rendering our advice, we had taken note of pertinent factors, which we believe are necessary and of importance to our assessment of the Proposed Joint Venture and therefore of general concern to the Non-interested Shareholders. As such:

- (i) the scope of PIVB's responsibility regarding the evaluation and recommendation contained herein is confined to the assessment of the fairness and reasonableness and other implications of the Proposed Joint Venture only. Comments or points of consideration which may be commercially oriented are included for our overall evaluation as we deem it necessary for disclosure purposes to enable the Non-interested Shareholders to consider and form their views thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Joint Venture;
- (ii) PIVB's views and recommendation as contained in the IAL only cater to the Non-interested Shareholders at large and not to any Non-interested Shareholder individually. Hence, in carrying out our evaluation, we have not given consideration to the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual Non-interested Shareholder or any specific group of Non-interested Shareholders; and
- (iii) we recommend that any individual Non-interested Shareholder or group of Non-interested Shareholders who are in doubt as to the action to be taken or require advice in relation to the Proposed Joint Venture in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

Our evaluation and recommendation expressed herein are based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD. Such conditions may change over a short period of time. Accordingly, our evaluation and recommendation expressed herein do not take into account the information, events and conditions arising after the LPD.

After the despatch of this IAL, PIVB will immediately notify the Non-interested Shareholders if, we become aware of the following:

- (i) significant change affecting the information contained in this IAL;
- (ii) there is reasonable ground to believe that the statements in this IAL are misleading or deceptive; or
- (iii) there is a material omission in this IAL.

## 6. **DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE**

We confirm that there is no situation of conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser in connection with the Proposed Joint Venture. We do not have any professional relationship with AEON Credit and have not advised AEON Credit in the capacity of principal adviser nor independent adviser for any corporate exercise within the past two years preceding the LPD.

PIVB is a holder of Capital Markets Services Licence issued by the Securities Commission Malaysia and a participating organisation of Bursa Securities. Our credentials and experience where we had been appointed as an independent adviser since 2021 and up to the LPD include, amongst others, the following:

- (i) proposed award of contract for engineering, procurement and construction works on part of an integrated petrochemical facility in Indonesia by PT Lotte Chemical Indonesia to Lotte Engineering & Construction Co., Ltd, a 43.8%-owned associate of Lotte Chemical Corporation, the major shareholder of Lotte Chemical Titan Holding Berhad. Our independent advice letter was issued on 1 December 2021;
- (ii) proposed transfer by Sungei Bagan Rubber Company (Malaya) Berhad of its entire 49% equity interest in Balland Properties Limited, held through its wholly-owned subsidiary, Springvale International Limited, and 9.44% equity interest in Kuchai Development Berhad, in exchange for 100% equity interest in Torbridge Holdings Limited held by The Nyalas Rubber Estates Limited at an agreed exchange value of RM32,166,047. Our independent advice letter was issued on 17 September 2021;
- (iii) proposed exemption to Yakin Setiomas Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory offer for the remaining ordinary shares in Mudajaya Group Berhad (“**Mudajaya**”) (“**Mudajaya Share(s)**”), Warrants (as defined herein) and options under employees’ share option scheme not already owned by them pursuant to the proposed renounceable rights issue of up to 668,885,366 new Mudajaya Shares (“**Right Share(s)**”) on the basis of 1 Rights Share for every 1 existing Mudajaya Share held, together with up to 668,885,366 free detachable warrants in Mudajaya (“**Warrant(s)**”) on the basis of 1 Warrant for every 1 Rights Share subscribed for at an issue price of RM0.22 per Rights Share held on the entitlement date, pursuant to Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions. Our independent advice letter was issued on 11 June 2021;
- (iv) unconditional mandatory take-over offer by Eller Axis Sdn Bhd to acquire all the remaining ordinary shares in Can-One Berhad (“**Can-One**”) (“**Can-One Share(s)**”) not already owned by Eller Axis Sdn Bhd and Yeoh Jin Hoe at a cash consideration of RM2.50 per Can-One Share. Our independent advice circular was issued on 4 June 2021;
- (v) unconditional mandatory take-over offer by ADA Capital Investments Limited and Teong Lian Aik (“**Joint Offerors**”) to acquire all the remaining ordinary shares in GETS Global Berhad (“**GETS Share(s)**”) not already owned by the Joint Offerors for a cash consideration of RM1.03 per GETS Share. Our independent advice circular was issued on 8 February 2021; and

- (vi) proposed selective capital reduction and repayment exercise of MTD ACPI Engineering Berhad pursuant to Section 116 of the Act. Our independent advice letter was issued on 25 January 2021.

Premised on the foregoing, PIVB is capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the Non-interested Directors and Non-interested Shareholders in relation to the Proposed Joint Venture.

## 7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, as at the LPD, none of the Directors or major shareholders of AEON Credit and/or persons connected with them has any interest, direct or indirect, in the Proposed Joint Venture:

Related party	Nature of interest	Direct		Indirect	
		No. of AEON Credit Shares held	%	No. of AEON Credit Shares held	%
<b><u>Interested Major Shareholders</u></b>					
AFS	A major shareholder of the Company, is interested in the Proposed Joint Venture by virtue of its equity participation in ACSD	157,017,252	61.50	-	-
AEON CO., LTD.	A major shareholder of the Company, is deemed interested by virtue of its equity interest in AFS and AEON CO. (M) BHD	-	-	161,661,252	63.32 <sup>(a)</sup>
<b><u>Interested Directors</u></b>					
Daisuke Maeda	The Managing Director of the Company, is an employee of AFS who is seconded to the Company	-	-	-	-
Mitsugu Tamai	The Non-Independent Non-Executive Director of the Company, is a director of AFS	-	-	-	-

*Note:*

(a) Deemed interested in the shares held by AFS and AEON CO. (M) BHD by virtue of Section 8 of the Act.

Accordingly, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Joint Venture. The Interested Major Shareholders and the Interested Directors will abstain from voting in respect of their direct and/or indirect interest in AEON Credit, if any, on the resolution pertaining to the Proposed Joint Venture to be tabled at the forthcoming EGM of AEON Credit. They have also undertaken that they will ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect interest in AEON Credit, if any, on the resolution pertaining to the Proposed Joint Venture to be tabled at the forthcoming EGM of AEON Credit.

## 8. EVALUATION OF THE PROPOSED JOINT VENTURE

PIVB's scope in arriving at our opinion and recommendation as the Independent Adviser to the Non-interested Shareholders in relation to the Proposed Joint Venture is limited to the following bases and analyses:

(a) Rationale for the Proposed Joint Venture	Section 9
(b) Basis and justification of the Subscription Price	Section 10
(c) Evaluation of the salient terms of the Shareholders' Agreement	Section 11
(d) Effects of the Proposed Joint Venture	Section 12
(e) Risk factors	Section 13
(f) Industry overview and prospects of ACSD	Section 14

The views expressed by PIVB in this IAL are, amongst others, based on current economic, market and political conditions prevailing as at the LPD. In this respect, the Non-interested Shareholders should take note of any announcements relevant to their consideration of the Proposed Joint Venture which may be released after the LPD.

## 9. RATIONALE FOR THE PROPOSED JOINT VENTURE

We have set out below our comments on the rationale for the Proposed Joint Venture as stated in Section 4.1, Part A of the Circular.

### 9.1 Expansion of the Group's scope of offerings

AEON Credit is principally involved in the provision of consumer financing services business which includes the provision of easy payment schemes, personal financing schemes, issuance of payment cards under the international brand names of Visa and MasterCard and insurance broking business. The personal financing schemes and certain easy payment schemes are based on Islamic principles.

The audited financial results of AEON Credit for the FYE 28 February 2021, FYE 28 February 2022 and FYE 28 February 2023 are as follows:

	← Audited →		
	FYE 28 February 2021 (RM'000)	FYE 28 February 2022 (RM'000)	FYE 28 February 2023 (RM'000)
Revenue	1,561,660	1,524,880	1,640,245
Profit before tax ("PBT")	324,907	526,820	546,976
PAT	233,957	365,419	417,685

Whilst AEON Credit has been profitable and maintained a solid track record in the consumer financing services business, the Proposed Joint Venture will allow AEON Credit to expand its scope of offerings by including digital Islamic banking services and at the same time, further enhance its earnings from the consumer financing business. As the digital banking industry is relatively new in Malaysia, the Proposed Joint Venture will allow AEON Credit to enter the digital banking services industry at the early stage and establish market presence, in addition to reaping the potential financial benefits in the future.

### 9.2 Expansion of the Group's customer base

The Proposed Joint Venture will allow the Group to participate in the provision of digital Islamic banking services. With the combined expertise of the Parties, the Proposed Joint Venture will be able to provide financial services and solutions with new business models to reach a wider pool of customers, especially the underserved and unserved market segment. The digital Islamic banking services to be offered will enable the Group to package its products and services to be more comprehensive to serve its existing and potential customers' requirements and needs. Accordingly, this is expected to contribute positively to the future earnings of the Group.

### 9.3 Complementary to the Group's existing business operations

Leveraging on AEON Group's retail network, the Parties will be able to build a digital bank which caters to the Malaysian market as well as to elevate the banking experience of several target segments. The Group believes that the Proposed Joint Venture will complement the Group's existing business operations and is expected to augur well for the future prospects of the Group. The Proposed Joint Venture also represents a strategic opportunity for the Group to further enhance its presence in the financial services sector as the Group may be able to gain exposure and market its existing financial products to the future network to be established by ACSD. Furthermore, the Proposed Joint Venture would allow the Group to have access to lower cost of funds through customers' deposits in ACSD which in turn may improve the Group's future earnings.

**Premised on the above, we are of the opinion that the rationale for the Proposed Joint Venture is reasonable and not detrimental to the interests of the Non-interested Shareholders.**

## 10. BASIS AND JUSTIFICATION OF THE SUBSCRIPTION PRICE

In accordance with the Licensing Framework, a licensed digital bank shall maintain at all times a minimum amount of capital funds of RM100.00 million unimpaired by losses for a period of up to five years from its commencement of operations ("Foundational Phase"). The Licensing Framework also states that by the end of the 5<sup>th</sup> year from the commencement of its operation, a licensed digital bank shall achieve a minimum amount of capital funds of RM300.00 million unimpaired by losses.

We note from Section 2.1, Part A of the Circular that the proposed share capital of ACSD would be RM350.00 million, prior to the compliance with the Equity Condition. The amount was agreed upon by the Parties after considering the initial funding required for the Digital Banking Business to ensure that ACSD has a reasonable level of share capital to meet its operational needs during the Foundational Phase and to comply with the share capital requirements as per the Licensing Framework. The Subscription Price of RM175.00 million (representing a subscription price of RM1.00 per ACSD Share) is made on a pro rata basis, taking into consideration the Company's initial shareholding in ACSD of 50.00% and the same basis is applicable to the other shareholder of ACSD i.e. AFS based on its respective shareholding in ACSD.

Further, we noted that subsequent to the commencement of business by ACSD and subject to relevant approvals (if any) that may be required being obtained, both Parties may subscribe for additional ACSD Shares of up to RM200.00 million at a similar subscription price of RM1.00 per ACSD Share in accordance with their respective shareholding in ACSD.

As such, the total investment outlay and eventual share capital for ACSD is estimated to be up to RM550.00 million during the Foundational Phase and the maximum outlay by AEON Credit is estimated to be up to RM275.00 million. The eventual share capital of ACSD of RM550.00 million is to ensure that ACSD has a reasonable level of share capital and sufficient funds for its future operations as well as to comply with the share capital requirements as per the Licensing Framework.

We also note from Section 2.6, Part A of the Circular that in the event the digital Islamic bank's Total Capital Ratio (TCR) falls below or is projected to fall below its Internal Capital Target (ICT) level at any juncture, AEON Credit and AFS would be required to provide additional capital to the digital Islamic bank in an amount acceptable to BNM, proportionate to their respective direct equity interest held in ACSD. Further, in the event that any of the identified exit plan events are triggered during the Foundational Phase or that ACSD fails to satisfactorily fulfill BNM's assessment at the end of the Foundational Phase, ACSD must ensure sufficient capital and liquidity to implement the exit plan and may require additional funds from its shareholders. Nonetheless, in accordance with the terms and conditions of the Shareholders' Agreement, any issuance of new ACSD Shares will be on a pro rata basis, taking into consideration the respective shareholders' shareholding in ACSD.

**Premised on our evaluation of the Subscription Price, we are of the opinion that the Subscription Price is fair as the Subscription Price is made on a pro rata basis in accordance with the respective shareholdings of the Parties based on the proposed share capital of ACSD of RM350.00 million as agreed by the Parties to ensure that ACSD has a reasonable level of share capital to meet its operational needs during the Foundational Phase and to comply with the Licensing Framework.**

## 11. EVALUATION OF THE SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT

Our comments on the salient terms of the Shareholders' Agreement as extracted from Appendix I of the Circular are as follows:

Salient terms of the Shareholders' Agreement	PIVB's comments
<p><b>(1) Conditions precedent</b></p> <p>(i) <i>Agreement conditional</i></p> <p><i>The obligations of the Parties under the Shareholders' Agreement are in all respects conditional upon the following being fulfilled on or before the Long-stop Date (as defined below) ("Conditions Precedent"):</i></p> <p>(a) <i>AEON Credit obtaining approval from its shareholders in general meeting for the Proposed Joint Venture, pursuant to requirements under Chapter 10 (Part E) of the Listing Requirements on Related Party Transactions; and</i></p> <p>(b) <i>the receipt of the relevant approvals of BMM and/or the MOF (as applicable) for the equity structure under Section 3(i) of this salient terms.</i></p> <p><i>The Shareholders' Agreement shall be unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled ("Unconditional Date").</i></p> <p>(ii) <i>Approval of shareholders of AEON Credit for Proposed Joint Venture</i></p> <p><i>AEON Credit shall take all necessary action required to call for a general meeting of its shareholders for the purpose of obtaining the required approval for the Proposed Joint Venture within 180 days from the date of the Shareholders' Agreement ("Long-stop Date").</i></p> <p>(iii) <i>Condition not satisfied</i></p> <p><i>If any of the Conditions Precedent under Section 1(i) of this salient terms is not satisfied by the Long-stop Date or any longer period agreed by the Parties for any reason whatsoever, then either Party shall be entitled to issue a Notice of Termination to the other Party whereby the Shareholders' Agreement shall terminate and no Party shall have any continuing obligation to the other Party save for any antecedent breaches or any obligations expressly provided in the Shareholders' Agreement that survive termination of the Shareholders' Agreement.</i></p>	<p>The term is reasonable as it sets out the necessary approval which is customary to facilitate the completion of the Proposed Joint Venture.</p>
<p><b>(2) Incorporation of ACSD and the Digital Banking Business</b></p> <p>(i) <i>Incorporation of ACSD</i></p> <p>(a) <i>ACSD, a company incorporated based on mutual agreement of AEON Credit and AFS, shall engage in the digital Islamic banking business upon compliance with the conditions stipulated in the Approval Letter and fulfilment of the conditions precedent under Section 1(i) of this salient terms, with the entire issued and paid-up capital of ACSD amounting to RM140.0 million being currently held by AFS.</i></p>	<p>The term is reasonable as the incorporation of ACSD will enable the commencement of the Digital Banking Business as well as enable the Parties to subscribe for their respective ACSD Shares as agreed in the Shareholders' Agreement.</p>



Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(b) <i>AEON Credit and AFS agree to submit an application to BNM under section 151 of the IFSA at a later date for approval to use the word "bank" in the name of the proposed digital Islamic bank and for change of name of ACSD to the name of AEON BANK (M) BERHAD or such other name as AEON Credit and AFS shall otherwise agree in writing.</i></p> <p>(c) <i>The registered office of ACSD shall be at Kuala Lumpur, Petaling Jaya, Selangor or such other location in Malaysia as AEON Credit and AFS shall determine.</i></p> <p>(d) <i>The shareholders of ACSD shall ensure that ACSD shall adopt a constitution which shall:-</i></p> <p style="padding-left: 40px;">(aa) <i>reflect and incorporate the terms and conditions of the Shareholders' Agreement; and</i></p> <p style="padding-left: 40px;">(bb) <i>not be in any way be in contradiction with the applicable laws or be inconsistent with any term or condition of the Shareholders' Agreement.</i></p> <p>(e) <i>As soon as practicable but before ACSD commences the Digital Banking Business, each of the shareholders of ACSD shall take or cause to be taken the following steps at the Board meeting and shareholders' meeting of ACSD (as appropriate) which include (aa) the adoption by ACSD of a constitution in the form agreed upon by the shareholders of ACSD and in accordance with Section 2(i)(d) of this salient terms, (bb) the appointment of the Directors in accordance with Section 4(ii) of this salient terms, (cc) the appointment of the senior management personnel in accordance with the provisions of Sections 2(iv), (v) and (vi) of this salient terms, and (dd) the subscription by AEON Credit and AFS for the Shares as set out in Section 3 of this salient terms against payment in full in cash.</i></p> <p>(f) <i>As soon as practicable but before ACSD commences the Digital Banking Business (as defined below), the shareholders of ACSD shall cause ACSD to enter into a deed of adherence under which ACSD shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if an original party hereto.</i></p> <p>(ii) <i>Business of ACSD</i></p> <p><i>The business of ACSD is as a digital Islamic bank licensed under the IFSA ("<b>Digital Banking Business</b>"). The Parties hereby agree and acknowledge that the commencement of the Digital Banking Business and operations of ACSD will be within 24 months from 8 April 2022 as stipulated in the Approval Letter, subject to the fulfilment of the licensing conditions in the Approval Letter and BNM's satisfaction of the operational readiness review conducted by BNM.</i></p>	<p>We noted that the steps, which includes adoption by ACSD of a constitution in the form agreed upon by the shareholders, appointment of the Directors, senior management personnel and subscription of ACSD Shares, will be caused to be taken at the Board meeting and shareholders' meeting of ACSD (as appropriate) as soon as practicable but before ACSD commences the Digital Banking Business.</p> <p>We noted that ACSD is only allowed to commence the Digital Banking Business upon fulfilment of the licensing conditions and BNM's satisfaction of the operational readiness review to be conducted by BNM.</p> <p>We noted that the obligations of the Parties to provide capital and liquidity support, for the operationalisation of the Business Plan, are based on their respective proportion in ACSD.</p> <p>It should also be noted that the additional capital to be provided, if applicable, will be in compliance with the liquidity-related regulatory requirements specified by BNM and the Business Plan or Exit Plan in the event of a wind down of ACSD.</p> <p>We note the process for identification and assessment of candidates, as well as the appointment of the relevant persons which includes a Chief Executive Officer, Chief Financial Officer and other senior management personnel to operate the operations of ACSD.</p>



Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(iii) <i>Responsibilities, obligations and undertakings of the shareholders of ACSD</i></p> <p>(a) <i>Each of the shareholders of ACSD shall provide an undertaking to ACSD to provide capital and liquidity support, for the operationalisation of the Business Plan, based on their respective proportions in ACSD ("Respective Proportions");</i></p> <p><b>Business Plan</b> means (i) the original business plan submitted to BNM on 30 June 2021; (ii) the supplemental business plan submitted to BNM on 21 January 2022; and (iii) any other supplementals and amendments thereto submitted to BNM thereafter.</p> <p>(b) <i>Each of the shareholders of ACSD shall also:</i></p> <p>(aa) <i>Provide to ACSD additional capital of an amount acceptable to BNM in the event that ACSD's Total Capital Ratio (TCR) falls below or is projected to fall below its Internal Capital Target (ICT) level at any juncture, based on their Respective Proportions;</i></p> <p>(bb) <i>Provide liquidity and funding support to ACSD as necessary, including to ensure compliance with liquidity-related regulatory requirements specified by BNM, based on their Respective Proportions;</i></p> <p>(cc) <i>Provide the requisite business support, including but not limited to financial, technical, operational, managerial, and operational resources to ensure ACSD achieves the outcome of serving the unserved and/or underserved segments via innovative technology;</i></p> <p>(dd) <i>Provide adequate funds for the implementation of the Exit Plan including the funding required to meet, pay and settle all outstanding customer deposits in the event of a wind down of ACSD, based on their Respective Proportions, with a written commitment to be submitted to BNM to ensure sufficient capital and liquidity to implement the Exit Plan measures in the event of an exit; and</i></p> <p><b>Exit Plan</b> means the exit plan submitted to BNM.</p> <p>(ee) <i>Carry out all undertakings committed in the commitment document to be finalised to the satisfaction of BNM and submitted to BNM within the timeline granted by BNM to the Parties, which shall include supporting talent development in research and development and innovation in the areas of digital banking, digital financial services, technology/fintech and artificial intelligence with the aim of establishing a centre of excellence by the end of the foundational phase.</i></p> <p>(c) <i>Each of the shareholders of ACSD shall ensure the business of ACSD shall be carried on in compliance with the Business Plan;</i></p>	

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(d) <i>Subject to the applicable laws and regulations and BNM policies, each of AEON Credit and AFS shall contribute to the management of ACSD by identifying the senior management personnel to be appointed in ACSD; and</i></p> <p>(e) <i>Each of the shareholders shall provide assistance and contribute to ACSD as the Board of ACSD deem necessary, on terms to be mutually agreed between the relevant Parties.</i></p> <p>(iv) <i>Chief Executive Officer</i></p> <p><i>Subject to applicable laws and subsequent to due process for identification and assessment of candidates, AEON Credit and AFS shall collectively nominate and the Board of ACSD shall appoint the initial Chief Executive Officer of ACSD nominated by AEON Credit and AFS on such terms (including term of service) and with such duties and authorities as may be determined by the Board of ACSD, subject however to the obligation to act in accordance with, the decisions or directions of the Board of ACSD, and the Shareholders' Agreement. Thereafter, subject to applicable laws and subsequent to due process for identification and assessment of candidates, the Nomination and Remuneration Committee of ACSD shall be entitled to recommend the subsequent Chief Executive Officer of ACSD, and to remove any persons so appointed. The Board of ACSD shall have the right to amend or revoke such duty or authority of the Chief Executive Officer.</i></p> <p>(v) <i>Chief Financial Officer</i></p> <p><i>Subject to applicable laws and subsequent to due process for identification and assessment of candidates, AEON Credit and AFS shall collectively nominate and the Board of ACSD shall appoint the initial Chief Financial Officer of ACSD nominated by AEON Credit and AFS on such terms (including term of service) and with such duties and authorities as may be determined by the Board of ACSD, subject however to the obligation to act in accordance with, the decisions or directions of the Board of ACSD, and the Shareholders' Agreement. Thereafter, subject to applicable laws and subsequent to due process for identification and assessment of candidates, the Nomination and Remuneration Committee of ACSD shall be entitled to appoint the subsequent Chief Financial Officer of ACSD, and to remove any persons so appointed. The Board of ACSD shall have the right to amend or revoke such duty or authority of the Chief Financial Officer.</i></p> <p>(vi) <i>Other senior management personnel</i></p> <p><i>Subject to applicable laws and subsequent to due process for identification and assessment of candidates, each of AEON Credit and AFS shall collectively nominate and the Board of ACSD shall appoint the initial:</i></p> <p>(a) <i>Chief Corporate Officer;</i>  (b) <i>Chief Strategy Officer &amp; Head of Personal Banking;</i>  (c) <i>Chief Business Officer;</i>  (d) <i>Chief Technology Officer;</i>  (e) <i>Head of Treasury;</i>  (f) <i>Chief Operations Officer;</i>  (g) <i>Chief Human Resource Officer;</i>  (h) <i>Chief Risk &amp; Compliance Officer;</i>  (i) <i>Chief Internal Auditor;</i></p>	

Salient terms of the Shareholders' Agreement	PIVB's comments																				
<p>(i) Chief Shariah Officer; and</p> <p>(k) Any other senior management personnel,</p> <p>of ACSD, on such terms (including term of service) and with such duties and authorities as may be determined by the Board of ACSD, subject however to the obligation to act in accordance with, the decisions or directions of the Board of ACSD, and the Shareholders' Agreement. Thereafter, subject to applicable laws and subsequent to due process for identification and assessment of candidates, the Nomination and Remuneration Committee of ACSD shall be entitled to appoint all such subsequent senior management personnel of ACSD, and to remove any persons so appointed. The Board of ACSD shall have the right to amend or revoke such duty or authority of any such senior management personnel.</p> <p>Notwithstanding the above provisions, the subsequent senior management personnel of ACSD shall be such persons with such titles as the Board of ACSD may determine from time to time.</p> <p>Senior Management Personnel means in relation to ACSD, (a) the initial senior management personnel to be appointed under Sections 2(iv), (v) and (iv) of this salient terms and (b) the subsequent senior management personnel as may be appointed by ACSD's Nomination and Remuneration committee.</p>																					
<p><b>(3) Equity structure of ACSD</b></p> <p>(i) Equity structure of ACSD – Prior to compliance with the Equity Condition</p> <p>(a) Each of AEON Credit and AFS agrees that the total issued and paid up share capital of ACSD will initially be held in the following proportions following the respective contributions by each of AEON Credit and AFS before ACSD commences business, prior to compliance with the Equity Condition:</p> <table><tr><th>Shareholder</th><th>No. of ACSD Shares</th><th>Value of shareholder contribution</th><th>Form of shareholder contribution</th><th>Shareholding Percentage</th></tr><tr><td>AEON Credit</td><td>175 million</td><td>RM175 million</td><td>Cash</td><td>50%</td></tr><tr><td>AFS</td><td>175 million</td><td>RM175 million</td><td>Cash</td><td>50%</td></tr><tr><td><b>Total</b></td><td><b>350 million</b></td><td><b>RM350 million</b></td><td><b>Cash</b></td><td><b>100.0%</b></td></tr></table> <p>(b) Subsequent to ACSD commencing its business and subject to any approvals (if any) as may be required being obtained, the Parties may subscribe for additional ACSD Shares of up to RM200 million at the subscription price of RM1.00 per ACSD Share (with the total share capital of up to RM550 million) in accordance with their Respective Proportions as set out in the shareholding percentage column of the table in Section 3(i)(a) of this salient terms.</p>	Shareholder	No. of ACSD Shares	Value of shareholder contribution	Form of shareholder contribution	Shareholding Percentage	AEON Credit	175 million	RM175 million	Cash	50%	AFS	175 million	RM175 million	Cash	50%	<b>Total</b>	<b>350 million</b>	<b>RM350 million</b>	<b>Cash</b>	<b>100.0%</b>	<p>The term is reasonable as the equity structure of ACSD, prior to compliance with the Equity Condition is agreed among the Parties and to ensure ACSD complies with the Licensing Framework. In addition to the shares to be subscribed by each party at the Completion Date, the term also allows the Parties to subscribe for additional share capital in ACSD subsequent to the commencement of its business and based on the agreed shareholding percentage. It also sets out the terms and time period of which such ACSD Shares are to be subscribed.</p> <p>It should also be noted that the Company's initial shareholding in ACSD of 50.00% prior to the compliance with the Equity Condition and the Company's eventual shareholdings in ACSD of between 30.00% and 35.00% (depending on the negotiations with the new Malaysian shareholder(s)), will also be similar in shareholding held by AFS, thus enabling the Company and AFS to jointly maintain majority shareholdings in ACSD.</p>
Shareholder	No. of ACSD Shares	Value of shareholder contribution	Form of shareholder contribution	Shareholding Percentage																	
AEON Credit	175 million	RM175 million	Cash	50%																	
AFS	175 million	RM175 million	Cash	50%																	
<b>Total</b>	<b>350 million</b>	<b>RM350 million</b>	<b>Cash</b>	<b>100.0%</b>																	

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(ii) <i>Subscription of ACSD Shares</i></p> <p>(a) <i>Each Party shall subscribe for such number of ACSD Shares to achieve the total number of ACSD Shares and the shareholding percentage envisaged in the table under Section 3(i)(a) of this salient terms on the Completion Date (as defined below).</i></p> <p>(b) <i>Subject to the Shareholders' Agreement becoming unconditional, completion of the subscription of ACSD Shares referred to Section 3(ii)(a) of this salient terms shall occur on the date falling 30 days from the Unconditional Date or such other date as AEON Credit and AFS may mutually agree in writing ("<b>Completion Date</b>").</i></p> <p>(c) <i>On the Completion Date, each of the Parties shall pay to ACSD the subscription price in respect of the ACSD Shares subscribed by each Party such that each Party fulfils its portion of capital contribution of RM175 million as set out in the table in Section 3(i)(a) of this salient terms, and ACSD shall issue the relevant subscription ACSD Shares to each Party.</i></p> <p>(iii) <i>Compliance with Equity Condition</i></p> <p><i>AEON Credit and AFS shall ensure that ACSD complies with the Equity Condition within a period of 5 years from the date of commencement of Digital Banking Business, in the following manner to be mutually agreed and decided by AEON Credit and AFS:</i></p> <p>(a) <i>New share issuance by ACSD to eligible Malaysian shareholder(s), in accordance with Section 8(ii) of this salient terms; and/or</i></p> <p>(b) <i>Transfer of portion of respective shareholding in ACSD held by AEON Credit and AFS to eligible Malaysian shareholder(s), in accordance with Section 7(i) of this salient terms.</i></p> <p><b>Equity Condition</b> means the condition imposed by the MOF for at least 30% of the shares in ACSD to be held by Malaysians, with priority given to Bumiputera shareholders, as stipulated in the Approval Letter and the letter dated 6 June 2023 by the MOF to ACSD.</p>	<p>Further, ACSD is given a period of 5 years from the date of commencement of Digital Banking Business to fulfil the Equity Condition. This provides ACSD sufficient time to identify a suitable and strategic Malaysian shareholder(s) and to determine whether to issue new Shares or transfer of Shares held by existing shareholders of ACSD to the Malaysian shareholder(s) in order to meet the Equity Condition.</p>
<p>(4) <b>Directors and management</b></p> <p>(i) <i>Reserved matters</i></p> <p>(a) <i>Subject to any additional requirements specified by the Act, each shareholder of ACSD undertakes to and with the other shareholders of ACSD, and shall exercise its voting rights and other powers available to it to ensure, that none of the reserved matters set out in the Shareholders' Agreement ("<b>Reserved Matters</b>") shall be carried out, acted upon or approved by the Board of ACSD or ACSD (or any other company under the ACSD Group) unless with the prior written affirmative approval of AEON Credit and AFS.</i></p> <p><b>ACSD Group</b> means ACSD and its subsidiaries (if any).</p>	<p>The term is reasonable as it sets out the Reserved Matters that require prior written affirmative approval from the shareholders of ACSD namely, AEON Credit and AFS, before being carried out, acted upon or approved by the Board of ACSD or ACSD (or any other company under the ACSD Group). This serves to safeguard the interest of the shareholders of ACSD and by extension the shareholders of AEON Credit by ensuring that significant matters are reserved for consideration before it is approved. Such terms are also common in the banking industry.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p><b>Reserved Matters</b> means the matters as set out in Schedule 1 of the Shareholders' Agreement, as follows:</p> <p><b>Part A: Critical Reserved Matters</b></p> <p>(aa) <b>Liquidator:</b> the appointment of a liquidator to ACSD or any proposal to wind up ACSD (other than a proposal for a members' voluntary winding up).</p> <p>(bb) <b>Merger:</b> any merger or amalgamation of ACSD with any of AEON Credit, AFS and/or any of their group of companies.</p> <p>(cc) <b>Business decision to cease operation:</b> any strategic business decision to cease business operations of ACSD and implement the Exit Plan, at any time after expiry of 24 months from the date of commencement of Digital Banking Business.</p> <p><b>Part B: Non-Critical Reserved Matters</b></p> <p>(aa) <b>Constitution:</b> any alteration or amendment to the Constitution of any of ACSD Group or any change to the objects of any of the ACSD Group.</p> <p>(bb) <b>Alteration of rights:</b> any alteration to the rights conferred by the shares or classification of the shares or other securities in ACSD.</p> <p>(cc) <b>Board of Directors:</b> any increase in the size of the board of directors of ACSD to a number greater than 11.</p> <p>(dd) <b>Merger:</b> any merger or amalgamation of ACSD with any other company or any reconstruction or reorganisation of ACSD, excluding any merger or amalgamation of ACSD with any of AEON Credit, AFS and/or any of their group of companies, save for where the merger is carried out to comply with any regulatory requirements and/or the requirements of BNM.</p> <p>(ee) <b>New issues of securities:</b> save for</p> <p>(i) new issuance of shares to increase the paid-up capital of ACSD based on the Business Plan for foundational phase of 5 years from the date of commencement of the Digital Banking Business but subject to the Exit Plan, and based on the recommendation by the board of ACSD and pursuant to the undertakings by the shareholders; or</p> <p>(ii) new issuance of shares as required to comply with any regulatory requirements (including increase in paid-up capital based on growth or risk assets of ACSD in the ordinary course of business during and after foundational phase, aligned with minimum capital ratio requirement) and/or the requirements of BNM,</p> <p>any other issue of shares, debentures, convertible notes, options or other equity or debt securities in ACSD, or the grant of any option or right to subscribe for any shares, the making of calls on the shares, the forfeiture of shares or other securities in ACSD.</p>	<p>The provision of the Reserved Matters which includes matters that are of strategic importance to ACSD is reasonable and not detrimental to the interest of the Non-interested Shareholders.</p> <p>Further, it should be noted that one of the Critical Reserved Matters concerns the strategic business decision to cease operations and implement the Exit Plan at any time after the expiry of 24 months from the date of commencement of the Digital Banking Business. The 24 months' time period would provide ACSD sufficient time to evaluate the Digital Banking Business and if the management is of the view that the business is unsustainable and/or there is a materialisation of risks beyond ACSD's risk appetite, it will allow ACSD to implement the Exit Plan if necessary.</p> <p>This term is reasonable as the parties are only allowed to exercise the cease of operations after a 24 months' period and not any period earlier.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(ff) <b>Capital change:</b> subject to paragraph (dd) above, any change in the capital structure of ACSD, including (without limitation) any increase, reduction, consolidation, sub-division or cancellation of the shares of ACSD, save for where the capital change is as a result of ACSD and/or the shareholders of ACSD (as the case may be) having to comply with any regulatory requirements and/or the requirements of BNM.</p> <p>(gg) <b>Business:</b> save for any products or businesses or entry into any specific market segments as included in the Business Plan, any material change to the nature or scope of business of ACSD, or the entry of any new business or major diversification by ACSD.</p> <p>(hh) <b>Disposal of Digital Banking Business:</b> the disposal of any assets, undertaking, business or property of ACSD, where the value is more than 25% of the net asset value or RM100,000,000, whichever is lower, save for any disposal of assets, undertaking, business or property arising from implementation of Exit Plan of ACSD and subject to resolution of shareholders pursuant to paragraph (cc) of the list of Part A : Critical Reserved Matters.</p> <p>(ii) <b>Joint venture:</b> the entering into of any major joint venture or partnership or profit sharing arrangement or similar arrangement by whatever name called with any person by ACSD and any amendment to the terms of such venture, partnership or arrangement, where the value of such joint venture, partnership or profit sharing arrangement amounts to more than 25% of the net asset value or RM100,000,000, whichever is lower.</p> <p>(jj) <b>Shareholders' security:</b> the raising of any loans or any other kind of borrowing by ACSD requiring a guarantee or indemnity from the shareholders.</p> <p>(kk) <b>Acquisition:</b> any acquisition by any of ACSD Group of any tangible or intangible assets, business or shares where the value of such tangible or intangible assets, business or shares exceeding 25% of the net asset value or RM100,000,000, whichever is lower, in a single transaction.</p> <p>(ll) <b>Guarantees:</b> ACSD entering into or becoming liable under any guarantee or indemnity, or similar arrangement under which the relevant entity may incur liability of an amount exceeding 25% of the net asset value or RM100,000,000, whichever is lower, in respect of the financial obligation of any other person.</p> <p>(mm) <b>Encumbrance:</b> the creation of any encumbrance over any asset of any of the ACSD Group of an amount exceeding 25% of the net asset value or RM100,000,000, whichever is lower.</p> <p>(nn) <b>Members voluntary winding up:</b> any petition for a members' voluntary winding up of ACSD.</p>	



Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(b) <i>Each of the shareholders of ACSD shall procure that each other company under the ACSD Group shall comply with the provision of the Section 4(i) of this salient terms and the Reserved Matters as set out in the Shareholders' Agreement.</i></p> <p>(ii) <i>Board composition of ACSD</i></p> <p><i>Unless otherwise determined by the shareholders of ACSD:</i></p> <p>(a) <i>The Board of ACSD shall consist of a maximum of 11 Directors, which shall include a majority of independent Directors in the number required by law, regulations and guidelines issued by BNM.</i></p> <p>(b) <i>Subject to applicable laws, each shareholder of ACSD (whose shareholding in ACSD is 20% or more) shall be entitled to nominate non-independent Director(s) to be appointed to the Board of ACSD based on the table set out below, and to remove any Director(s) nominated under this item (b), provided that if the shareholding of any shareholder in ACSD falls below 20% of the total Shares in ACSD at any time, it shall, if any 1 of the other shareholders of ACSD so requests in writing, promptly procure that the non-independent Director nominated by it to the Board of ACSD shall retire from office (and it shall thereafter lose the right to nominate any non-independent Director to the Board of ACSD until its shareholding in ACSD is not less than 20%); and (ii) the remaining Directors shall be independent Directors, with the initial independent Directors being jointly nominated by AEON Credit and AFS and appointed by the Board of ACSD in accordance with the table as set out in the Shareholders' Agreement. The subsequent independent Directors shall be nominated by the Nomination and Remuneration Committee and appointed by the Board of ACSD.</i></p> <p>(c) <i>The shareholders of ACSD undertake and covenant with one another that each of the shareholders of ACSD will exercise its voting rights for the time being in ACSD and take such other steps within its power to procure that the Board of ACSD will be constituted as provided by Section 4(ii) of this salient terms.</i></p>	<p>The term is reasonable as it sets out the Board composition and the basis of entitlement for the appointment and removal of Directors of ACSD.</p>
<p>(5) <b>Events of default</b></p> <p><i>An event of default in respect of a Party is deemed to have taken place and the provisions of the Shareholders' Agreement shall apply if the following occurs:-</i></p> <p>(a) <b>Breach of agreement:</b> <i>that Party commits a material and/or persistent breach of the Shareholders' Agreement. For the avoidance of doubt, (i) such breach includes acts or omissions by a Party that cause the failure to implement policies approved by the shareholders of ACSD, or that which allow such failure to continue; and (ii) each of AEON Credit and AFS shall be entitled to fulfil the financial obligations of each other under the Shareholders' Agreement and if such obligation is fulfilled, there shall no breach of the Shareholders' Agreement; or</i></p>	<p>The term is reasonable as it sets out the events and circumstances of default by any Parties which serves to safeguard the interest of the non-defaulting Party.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(b) <b>Insolvency Event:</b> that Party suffers an Insolvency Event; or</p> <p><b>Insolvency Event</b> means with respect to a shareholder of ACSD, any of the following:-</p> <p>(aa) a court of competent jurisdiction makes an order, or a resolution is validly and effectively passed, for the winding-up, dissolution or judicial management or administration of such shareholder of ACSD, otherwise than in the course of reorganisation or restructuring previously approved in writing by the other shareholders of ACSD;</p> <p>(bb) any attachment, sequestration, distress, execution or other legal process is levied, enforced or instituted against the assets of such shareholder of ACSD and the same is not stayed, discharged, released or satisfied (as the case may be) within 60 days of such levy, enforcement or institution (as the case may be);</p> <p>(cc) a liquidator, judicial manager, receiver, administrator, trustee-in-bankruptcy, custodian or other similar officer has been appointed (or a petition for the appointment of such officer has been presented) in respect of any assets of such shareholder of ACSD and the same is not stayed, discharged, released or satisfied (as the case may be) within 60 days of such appointment or presentation of petition (as the case may be); or</p> <p>(dd) such shareholder of ACSD convenes a meeting of its creditors for the purpose of or makes or proposes any arrangement or composition with, or any assignment for the benefit of, its creditors.</p> <p>(c) <b>Sanctions:</b> Any of the Parties or any entity controlled by such Party is or becomes a Sanctioned Person; or</p> <p><b>Sanctioned Person</b> means (a) any individual or entity who is designated on any United Nations Security Council resolution or any European Union or the United Kingdom or United States' list, order, or other published designation of terrorist or other lists of barred or restricted entities or individuals, including without limitation (i) the US Department of Treasury Specially Designated Nationals &amp; Blocked Persons List; (ii) the US Department of Commerce Denied Persons List; (iii) the US Department of Commerce Entity List; and (iv) the EU Sanctions List (b) any person operating, organized or resident in a Sanctioned Country or (c) any person owned or controlled by any such person or persons described in the foregoing items (a) or (b).</p>	



Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(d) <b>Breach of Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws by Parties:</b> Any of the Parties or any entity controlled by such Party is or becomes subject to a civil or criminal penalty related to a violation of any Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws, or otherwise subject to restrictions involving any banking or financial transactions (including, but not limited to, processing of US Dollars or any other major currencies, or maintaining a correspondent banking relationship with any financial institution) which would likely have, individually or in the aggregate, a substantial adverse effect on the results of the operations or financial conditions of ACSD Group (including for example, but not limited to diminution of profit before tax by more than 20% or diminution of net asset value by more than 5%, as compared to that of the previous financial period). For the avoidance of doubt, examples are for illustration purposes only; or</p> <p>(e) <b>Breach of Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws by senior officers or directors:</b> Any senior officers or directors of any of the Parties or any entity controlled by any of the Parties are subject to civil or criminal penalty related to a violation of any Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws which in the reasonable opinion of the non-defaulting party would likely have, individually or in the aggregate, a substantial adverse effect on the results of the operations or financial conditions of ACSD Group (including for example, but not limited to diminution of profit before tax by more than 20% or diminution of net asset value by more than 5%, as compared to that of the previous financial period). For the avoidance of doubt, examples are for illustration purposes only.</p> <p><b>Anti-Bribery and Corruption Laws</b> means any applicable provisions of the Malaysian Anti-Corruption Commission Act 2009 as amended, and any other laws or regulations of any jurisdiction, relating to anti-bribery or corruption.</p> <p><b>Anti-Money Laundering Laws</b> means the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, as amended, and any other laws or regulations of any jurisdiction, relating to anti-money laundering, corrupt practices, and foreign exchange, as the case may be.</p>	
<p>(6) <b>Termination and winding-up</b></p> <p>(i) <b>Termination of the Shareholders' Agreement</b></p> <p>Except for surviving provisions under the Shareholders' Agreement which shall continue in full force after termination, the Shareholders' Agreement shall terminate:-</p> <p>(a) when, as a result of transfers of Shares made in accordance with the Shareholders' Agreement or the constitution, only 1 shareholder of ACSD remains as legal and beneficial holder of the Shares in ACSD; or</p>	<p>The term is reasonable as it sets out the circumstances for termination of the Shareholders' Agreement and consequences of winding-up of ACSD, which serves to safeguard the interests of the parties in the event of a winding-up.</p> <p>It should also be noted that in the event of winding-up, any other proprietary information or intellectual property rights shall be returned to the originating shareholder by the other shareholders.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(b) upon completion of a dissolution process, if a resolution is passed by shareholders or creditors, or an order made by a court or other competent body or person instituting a process that shall lead to ACSD being wound up and its assets being distributed among its creditors, shareholders or other contributors.</p> <p>(ii) Consequences of winding-up</p> <p>Where ACSD is to be wound up and its assets distributed, the shareholders of ACSD shall agree on a suitable basis for dealing with the interests and assets of ACSD and shall endeavour to ensure that:-</p> <p>(a) all existing contracts of ACSD are performed to the extent that there are sufficient resources;</p> <p>(b) ACSD shall not enter into any new contractual obligations;</p> <p>(c) ACSD is dissolved and its assets are distributed as soon as practical; and</p> <p>(d) any other proprietary information or intellectual property rights belonging to or originating from a shareholder of ACSD shall be returned to it by the other shareholders of ACSD and/or ACSD (as the case may be) and all such proprietary information or intellectual property rights shall be erased from the computer systems (to the extent possible) of ACSD and any shareholder of ACSD who is returning it.</p>	
<p>(7) <b>Transfers of Shares</b></p> <p>(i) Transfers for purpose of compliance with the Equity Condition</p> <p>(a) Subject to Section 3(iii) of this salient terms, AEON Credit and AFS may transfer portion of its ACSD Shares to the new Malaysian shareholder(s) ("<b>New Shareholder(s)</b>"), proportionately or otherwise as mutually agreed by AEON Credit and AFS, for the purpose of compliance with the Equity Condition, provided that:</p> <p>(aa) the revised shareholding percentage of AEON Credit and AFS in ACSD after the transfer of ACSD Shares under this Section 7(i) of salient terms is at least 30% (for each of AEON Credit and AFS);</p> <p>(bb) all required approvals are obtained (including the approval of BNM and MOF (as applicable) and all required regulatory approvals) and all regulatory requirements applicable to ACSD are fulfilled, with respect to the transfer of ACSD Shares;</p> <p>(cc) the New Shareholder(s) first execute(s) and deliver(s) to the other shareholders of ACSD a deed of adherence under which the New Shareholder(s) shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if it is an original party hereto in place of AEON Credit and AFS (as the case may be) to the extent of the ACSD Shares it acquires from AEON Credit or AFS (as the case may be); and</p>	<p>This term is reasonable as it sets out the option of transferring ACSD Shares held by AEON Credit and AFS to the New Shareholder(s) in order to meet the Equity Condition and the minimum revised shareholding in ACSD to be held by AEON Credit and AFS respectively.</p> <p>Further, it also sets out the other conditions, approvals required and basis of determination of the price of ACSD Shares in the event of a transfer of ACSD Shares to comply with the Equity Condition.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(dd) the New Shareholder(s) shall not be Restricted Person(s).</p> <p>(b) The price for the transfer of ACSD Shares under this Section 7(i) of this salient terms shall be determined jointly by AEON Credit and AFS.</p> <p><b>Restricted Person</b> means any person (whether directly or indirectly and whether through a related corporation, an affiliate or a nominee) which:</p> <p>(aa) is directly or indirectly, engaged in or is carrying on any business which would be in competition with the Digital Banking Business, including retail and financial services;</p> <p>(bb) does not have sufficient financial standing or resources to the reasonable satisfaction of the shareholders of ACSD; or</p> <p>(cc) does not have sufficient good reputational standing to the reasonable satisfaction of the shareholders of ACSD.</p> <p>(ii) Right of first offer of shareholders of ACSD</p> <p>(a) After the Moratorium Period and subject to the provisions of the Shareholders' Agreement and implementation of the Exit Plan, in the event that any of the shareholders of ACSD ("<b>Selling Shareholder</b>") is desirous of selling or transferring for value all or part of its Shares in ACSD, the Selling Shareholder shall inform the other non-selling shareholders ("<b>Non-Selling Shareholders</b>") and shall make an offer in writing to the Non-Selling Shareholders to sell all or part of its Shares in ACSD ("<b>Selling Shareholder Shares</b>") to the Non-Selling Shareholders ("<b>Selling Shareholder Offer</b>").</p> <p><b>Moratorium Period</b> means a period commencing from the date of receipt of the licence granted to ACSD by the MOF pursuant to section 10 of the IFSA for ACSD to carry on the Digital Banking Business until the expiry of 5 years from date of commencement of Digital Banking Business, which shall be the date when any product(s) of ACSD are first offered to the market, after notification in writing is obtained to confirm that ACSD has satisfied BNM's operational readiness review.</p>	<p>The term is reasonable as it sets out the conditions for selling or transferring, all or part of the Parties' respective ACSD Shares.</p> <p>It should be noted that the Non-Selling Shareholders will have the right of first offer for the Shares to be sold by the Selling Shareholder and the transaction shall be at an arm's length basis.</p> <p>Further, it should be noted that the Selling Shareholder is only entitled to sell such Selling Shareholder Shares to any third party if the Non-Selling Shareholders do not give an Acceptance Notice to the Selling Shareholder within the ROFO Acceptance Period.</p> <p>The ROFO Acceptance Period of 30 days from the date of receipt of the Selling Shareholder Offer provides sufficient time and allows prompt notification by the Non-Selling Shareholders to the Selling Shareholder on their intention to purchase the Selling Shareholder Shares. Further, we also noted that the timeline of 90 days from the receipt by the Selling Shareholder of the Acceptance Notices to complete the share sale transaction may be extended for a longer period to be mutually agreed between the Selling Shareholder and the Non-Selling Shareholders in the event the 90-day period is insufficient to complete the share sale transaction. This is reasonable as it would ensure that an adequate amount of time is provided to complete the share sale transaction.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(b) Every Selling Shareholder Offer shall be bona fide and irrevocable and state the number of the Selling Shareholder Shares, the sale price for the Selling Shareholder Shares ("<b>Selling Shareholder Price</b>") and the terms and conditions of the Selling Shareholder Offer ("<b>Selling Shareholder Terms</b>"). Each of the Non-Selling Shareholders will thereafter within 30 days from the date of receipt of the Selling Shareholder Offer ("<b>ROFO Acceptance Period</b>") be entitled to give notice to the Selling Shareholder that such Non-Selling Shareholders are willing to purchase all (and not some only) of the Selling Shareholder Shares at the Selling Shareholder Price and Selling Shareholder Terms ("<b>Acceptance Notice</b>"). If any Non-Selling Shareholder gives an Acceptance Notice to the Selling Shareholder within the ROFO Acceptance Period, then subject to all required approvals being obtained (including all applicable regulatory approvals), the Selling Shareholder shall complete the sale of such Selling Shareholder Shares to such Non-Selling Shareholder that has given the Acceptance Notice (in case 2 or more Non-Selling Shareholders give Acceptance Notices within the ROFO Acceptance Period, on a pro-rata basis in accordance with their Respective Proportions) within 90 days from the receipt by the Selling Shareholder of the Acceptance Notice or such other longer period as may be mutually agreed in writing between the Selling Shareholder and the Non-Selling Shareholders that have issued the Acceptance Notice.</p> <p>(c) If the Non-Selling Shareholder does not give an Acceptance Notice to the Selling Shareholder within the ROFO Acceptance Period, then the Selling Shareholder shall thereafter be entitled to sell such Selling Shareholder Shares to any third party ("<b>Selling Shareholder Third Party Purchaser</b>") at the Selling Shareholder Price or at such price being more than the Selling Shareholder Price (as applicable), without further reference to the Non-Selling Shareholders, within 90 days from expiry of the ROFO Acceptance Period.</p> <p>(d) If the transfer of the Selling Shareholder Shares by the Selling Shareholder to any third party is not completed within the period set out in Section 7(ii)(c) of this salient terms, the Selling Shareholder shall cease to be entitled to sell such Selling Shareholder Shares to any third party and the process related to the right of first offer described under Section 7(ii)(a) of this salient terms shall be applicable again to the Selling Shareholder Shares.</p> <p>(e) It shall be a condition of any sale or transfer of Shares contemplated in a sale of Selling Shareholder Shares to the Selling Shareholder Third Party Purchaser that:-</p> <p>(aa) all required approvals are obtained (including all required regulatory approvals) and all regulatory requirements applicable to ACSD are fulfilled, at the time of any such sale;</p> <p>(bb) it does not result in the revocation, cancellation or non-renewal of any licences, permits or approvals held by any of the companies under the ACSD Group by the relevant authorities;</p>	

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(cc) <i>it does not contravene any applicable laws or regulations or obligations of any of the company under ACSD Group under any contracts or agreements;</i></p> <p>(dd) <i>the Selling Shareholder Third Party Purchaser first executes and delivers to the other shareholders of ACSD a deed of adherence under which the Selling Shareholder Third Party Purchaser shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if it is an original party hereto in place of the Selling Shareholder to the extent of the ACSD Shares it acquires from the Selling Shareholder; and</i></p> <p>(ee) <i>the Selling Shareholder Third Party Purchaser shall not be a Restricted Person.</i></p> <p>(iii) <i>Drag along rights of AEON Credit and AFS</i></p> <p>(a) <i>Subject to Section 7(ii) of this salient terms (Right of first offer of shareholders of ACSD) and the Moratorium Period, where AEON Credit and AFS ("Drag-Along Shareholders") is proceeding to sell to any third party purchaser (excluding any related corporation) ("Drag-Along Purchaser") all (and not some only) of the Drag-Along Shareholders' Shares in ACSD pursuant to a bona fide arm's length transaction that requires the sale of all Shares in ACSD to the Drag-Along Purchaser, the Drag-Along Shareholders may, by notice in writing ("Drag-Along Notice") to the other shareholder(s) of ACSD ("Dragged-Along Shareholder(s)'), require the Dragged-Along Shareholder(s) to sell to the Drag-Along Purchaser all (and not some only) of the Shares in ACSD held by Dragged-Along Shareholder(s) ("Drag-Along Shares").</i></p> <p>(b) <i>The Dragged-Along Shareholder(s) shall be bound to sell the Drag-Along Shares provided that the terms and conditions (including the price as set out in Section 7(iii)(c) of this salient terms) are no less favourable to the Dragged-Along Shareholder(s) than those offered to the Drag-Along Shareholders.</i></p> <p>(c) <i>The price of the Drag-Along Shares shall be calculated based on the higher of (i) the price to be received by the Drag-Along Shareholders for their Shares, and (ii) 1.1 times the Book Value of ACSD Group as a group on the date of service of the Drag-Along Notice. The price to be paid to the Dragged-Along Shareholders shall be by way of cash only.</i></p> <p><b>Book Value</b> means shareholders' fund of the ACSD Group, based on latest consolidated financial statements.</p> <p>(d) <i>Completion of the sale and purchase of the Shares in ACSD held by the Drag-Along Shareholders, and completion of the sale and purchase of the relevant number of Drag-Along Shares held by the Dragged-Along Shareholder(s) shall be in accordance with provisions in the Shareholders' Agreement.</i></p>	<p>The term is reasonable as it sets out the drag along rights of the Parties.</p> <p>It should be noted that the price of the Drag-Along Shares shall be calculated based on the higher of the price to be received by the Drag-Along Shareholders for their Shares or 1.1 times the Book Value of ACSD Group as a group on the date of service of the Drag-Along Notice, and at an arm's length basis.</p> <p>This is reasonable as the determination of price is based on the higher of the price to be received by the Drag-Along Shareholders for their Shares or at a premium to the Book Value.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(iv) <i>Tag along rights of minority shareholders</i></p> <p>(a) <i>Subject to the Moratorium Period, if both AEON Credit and AFS are the Selling Shareholders, and none of the other Non-Selling Shareholders ("<b>Minority Shareholder(s)</b>") give an Acceptance Notice to AEON Credit and AFS within the ROFO Acceptance Period in accordance with Section 7(ii) of this salient terms, and AEON Credit and AFS wish to sell or transfer all of their Shares in ACSD to any third party (excluding any related corporation) pursuant to a bona fide arm's length transaction, the Minority Shareholder(s) shall have the right to require the sale or transfer of all its Shares in ACSD then held by the Minority Shareholder(s) to such third party under no less favourable terms and conditions than those offered to AEON Credit and AFS ("<b>Minority Shareholder(s) Tag Along Rights</b>").</i></p> <p>(b) <i>AEON Credit and AFS shall then give not less than 30 days joint written notice to the Minority Shareholder(s) specifying their intention to sell or transfer its Shares in ACSD to such third party ("<b>Tag Along Notice</b>") before the transfer by AEON Credit and AFS of their Shares in ACSD to such third party can be effected. A Tag Along Notice shall further specify that the Minority Shareholder(s) may transfer all its Shares in ACSD (and not some only) ("<b>Minority Shareholder(s) Tag Shares</b>") pursuant to Section 7(iv)(a) of this salient terms, the price at which such Minority Shareholder(s) Tag Shares are to be transferred (being the same price per share offered to AEON Credit and AFS) and the proposed date of transfer. The terms on which the Minority Shareholder(s) may be required to transfer the Minority Shareholder(s) Tag Shares under Section 7(iv) of this salient terms shall be no less favourable than the terms offered to AEON Credit and AFS.</i></p> <p>(c) <i>Notwithstanding the foregoing, in the event the Minority Shareholder(s) fails to receive the Tag Along Notice from AEON Credit and AFS, the Board of ACSD shall not effect any sale and transfer by AEON Credit and AFS to any third party in contravention of Section 7(iv) of this salient terms.</i></p> <p>(d) <i>If the Minority Shareholder(s) exercise(s) the Minority Shareholder(s) Tag Along Rights within 30 days from the date of receipt of the Tag Along Notice ("<b>Minority Shareholder(s) Tag Acceptance Period</b>") , subject to all approvals being obtained (including all applicable regulatory approvals) and the transfer of shares by AEON Credit and AFS being completed simultaneously or earlier, the shareholders of ACSD shall complete the sale of such Minority Shareholder(s) Tag Shares to such third party within 90 days from the date of exercise by the Minority Shareholder(s) of the Minority Shareholder(s) Tag Along Rights.</i></p>	<p>The term is reasonable as it sets out the drag along rights of the Minority Shareholders.</p> <p>It should be noted that the price at which such Minority Shareholder(s) Tag Shares are to be transferred (being the same price per share offered to AEON Credit and AFS) and the terms offered to such Minority Shareholder(s) shall be no less favourable than the terms offered to AEON Credit and AFS.</p>



Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(e) <i>If within the Minority Shareholder(s) Tag Acceptance Period, the Minority Shareholder(s) do/does not exercise the Minority Shareholder(s) Tag Along Rights (either by failing to deliver a written notice to AEON Credit and AFS within the Minority Shareholder(s) Tag Acceptance Period or delivering a notice of refusal to exercise the Minority Shareholder(s) Tag Along Rights), subject to all required approvals being obtained (including all required regulatory approvals) and all regulatory requirements applicable to ACSD and ACSD being fulfilled, at the time of any such sale, AEON Credit and AFS may complete the sale of their Shares in ACSD to such third party.</i></p>	
<p><b>(8) New issues of Shares</b></p> <p>(i) <i>New issue of Shares by ACSD</i></p> <p><i>Subject to Section 4(i) of this salient terms, the shareholders of ACSD agree that any new Shares issued by ACSD shall be first offered to each shareholder of ACSD in the Respective Proportions at the time of the proposed new issue, except for a new issue of Shares under Section 8(ii) of this salient terms.</i></p> <p>(ii) <i>New issue of Shares for purpose of compliance with the Equity Condition</i></p> <p>(a) <i>Subject to Section 3(iii) of this salient terms, new Shares may be issued by ACSD to the New Shareholder(s) for purpose of compliance with the Equity Condition and to meet the funding requirements of ACSD.</i></p> <p>(b) <i>The new issue of Shares under Section 8(ii) of this salient terms is subject to:-</i></p> <p>(aa) <i>revised shareholding percentage of AEON Credit and AFS in ACSD after the new issue of Shares being at least 30% (for each of AEON Credit and AFS);</i></p> <p>(bb) <i>all required approvals being obtained (including the approval of BNM and MOF (as applicable) and all required regulatory approvals) and all regulatory requirements applicable to ACSD being fulfilled, with respect to the new issuance of Shares;</i></p> <p>(cc) <i>execution and delivery to the other shareholders of ACSD of a Deed of Adherence by the New Shareholder(s), under which the New Shareholder(s) shall agree to be bound by and shall be entitled to the benefit of the Shareholder's Agreement as if it is an original party hereto; and</i></p> <p>(dd) <i>the New Shareholder(s) shall not be Restricted Person(s).</i></p> <p>(c) <i>The subscription price for the new issue of ACSD Shares under Section 8(ii) of this salient terms shall be determined jointly by AEON Credit and AFS in the best interest of ACSD.</i></p>	<p>The term is reasonable as it sets out the basis for issuance of new ACSD Shares which is based on the proportion of shareholdings of the Parties in ACSD.</p> <p>It should be noted that the issuance of new ACSD Shares is also an option to comply with the Equity Condition and to meet the funding requirements of ACSD, as well as ensure that the revised shareholding percentage of the Company after the new issue of ACSD Shares being at least 30.00%.</p> <p>The term also states that the subscription price for the new Shares to be issued to the New Shareholder(s) to meet the Equity Condition would be jointly determined by AEON Credit and AFS in the best interest of ACSD.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p><b>(9) Finance for ACSD</b></p> <p><b>(i) Capital injection</b></p> <p>(a) <i>Subject to Section 3(iii) of this salient terms, the shareholders of ACSD agree that ACSD shall endeavour to raise bank capital via all forms of BNM's permitted capital instruments other than via new Shares prior to raising capital via the creation or issuance of new Shares.</i></p> <p>(b) <i>If ACSD shall fail to raise bank capital via all forms of BNM's permitted capital instruments other than via new Shares, the shareholders of ACSD agree that ACSD may raise capital via the creation or issue of new Shares subject always to Section 4(i) of this salient terms. Subject to Section 8(ii) of this salient terms, any new Shares issued by ACSD shall be first offered to each of the shareholders of ACSD in the Respective Proportions at the time of the proposed new issue. If any shareholder of ACSD shall fail to subscribe for such new Shares in ACSD, its shareholding in ACSD will be diluted and the other shareholders of ACSD may subscribe for such Shares. If any shareholder of ACSD cannot subscribe to such new Shares in ACSD due to any applicable regulatory requirements, then such shareholder of ACSD may nominate a third party who is not a Restricted Person, to subscribe for such new Shares. In addition, such shareholder of ACSD undertakes to the other shareholders of ACSD to ensure that such third party shall execute and deliver to the other shareholders of ACSD a Deed of Adherence and shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if it is an original party hereto.</i></p> <p>(c) <i>Except as provided in the Shareholder's Agreement and in the Business Plan, no Party (or any of its related corporations) shall be obliged to contribute further funds for the benefit of ACSD.</i></p> <p>(d) <i>If a shareholder of ACSD wishes to provide loan and/or advance to ACSD, the providing party and ACSD shall ensure that the loan and/or advance is made on an arm's length basis on commercial terms and at competitive pricing.</i></p> <p><b>(ii) Lending to related parties and other commercial transactions</b></p> <p><i>Subject to applicable law, regulations and guidelines issued by BNM, any loan given by ACSD to a shareholder of ACSD or its related party or its connected parties and any other form of commercial transaction between ACSD and a shareholder of ACSD or its related party or its connected parties, shall be made at arms' length basis. For the purpose of this clause, "related party" shall carry the same meaning under the Listing Requirements and "connected parties" shall carry the same meaning under the Guidelines on Credit Transactions and Exposures with Connected Parties.</i></p>	<p>The term is reasonable as it sets out the provision for ACSD to raise funds via all forms of permitted capital instruments other than via issuance of Shares.</p> <p>In the event that ACSD is unable to raise funds via permitted capital instruments, it may raise funds via issuance of Shares which shall first be offered to existing shareholders and then only to third party if the existing shareholders are unable to subscribe for the new Shares.</p> <p>It should be noted that in the event that any loan or advances are provided to ACSD by a shareholder or by ACSD to the shareholders or related parties, the transaction should be undertaken in accordance with the applicable law, regulations and guidelines issued by BNM, and to be made on an arm's length basis on commercial terms and at competitive pricing.</p>



Salient terms of the Shareholders' Agreement	PIVB's comments
<p><b>(10) Dividend policy</b></p> <p>(i) <i>Distribution to shareholders</i></p> <p><i>Subject to the requirements of the Act and the requirements of BNM and the approval of BNM, and unless the shareholders of ACSD agree otherwise in relation to any particular Financial Year, each of the company under ACSD Group shall distribute such amount of its distributable profits, if any, to its shareholders in accordance with the dividend policy to be determined by the Board of ACSD.</i></p> <p><b>Financial Year</b> means in relation to ACSD, means a financial accounting period of 12 months ending on such date as the shareholders of ACSD may agree from time to time.</p> <p>(ii) <i>Payment</i></p> <p><i>Subject to the approval of BNM (if required) and the Board of ACSD, a distribution under Section 10 of this salient terms in relation to any Financial Year shall be made within 180 days of the day to which the audited accounts for that year are made up.</i></p>	<p>The term is reasonable as it sets out the payment term of any distribution to be made to the shareholders of ACSD, which shall be in accordance with the dividend policy of ACSD and subject to the requirements of the Act and BNM.</p>
<p><b>(11) Deadlock</b></p> <p>(i) <i>Deadlock events</i></p> <p><i>There is a deadlock if a resolution is proposed and one of the following applies:</i></p> <p>(a) <i>a board meeting could not be held due to no quorum at the second adjourned meeting; or</i></p> <p>(b) <i>if a resolution concerning any Critical Reserved Matter raised at a shareholders' meeting is not passed as a result of a failure to achieve the required majority.</i></p> <p>(ii) <i>Deadlock Notice</i></p> <p><i>Any shareholder of ACSD may within thirty (30) days of the meeting at which the deadlock arises or within thirty (30) days of the date of the resolution in respect of which the deadlock arises (as the case may be) (the first day being the day after the meeting or the date of the resolution, as the case may be) serve notice on the other Shareholders ("Deadlock Notice"):</i></p> <p>(a) <i>stating that in its opinion a deadlock has occurred; and</i></p> <p>(b) <i>identifying the matter giving rise to the deadlock.</i></p>	<p>The term is reasonable as it sets out the procedures to be undertaken to resolve a deadlock. Further, the Parties are entitled to equal rights when a deadlock arises and cannot be resolved.</p>

Salient terms of the Shareholders' Agreement	PIVB's comments
<p>(iii) <i>Referral to chief executive officer and chairman of each shareholder of ACSD</i></p> <p><i>Each shareholder of ACSD shall then refer the matter giving rise to the deadlock to the chief executive officer and chairman of the Board of each shareholder of ACSD for discussion and resolution and such officers shall use all reasonable efforts following such reference to resolve the deadlock in good faith. If the chief executive officer and/or chairman of the Board of each shareholder of ACSD is unable to resolve the deadlock within 30 days of receiving the Deadlock Notice, the matter will automatically be referred to a mediator in accordance with the Asian International Arbitration Centre (Malaysia) Mediation Rules 2018.</i></p> <p>(iv) <i>Deadlock Resolution Notice</i></p> <p><i>If the deadlock cannot be resolved within 30 days from the date the deadlock matter is referred to a mediator, then AEON Credit and AFS may jointly serve a notice on the other relevant shareholder(s) of ACSD ("<b>Relevant Shareholder(s)</b>"), to require the Relevant Shareholder(s) to sell all of its Shares to each of AEON Credit and AFS proportionately at the price set out in provisions of the Shareholders' Agreement, subject to all required approvals being obtained (including all applicable regulatory approvals).</i></p>	

**Based on the above, we are of the opinion that the salient terms of the Shareholders' Agreement are reasonable and are not detrimental to the interests of the Non-interested Shareholders.**

## 12. EFFECTS OF THE PROPOSED JOINT VENTURE

We take cognisance of the effects of the Proposed Joint Venture as detailed in Section 7, Part A of the Circular and set out below are our comments thereon.

### 12.1 Issued share capital and substantial shareholders' shareholding

We note that as the Proposed Joint Venture does not involve the issuance of any new ordinary shares in AEON Credit, the Proposed Joint Venture will not have any effect on the issued share capital and substantial shareholders' shareholdings of AEON Credit.

### 12.2 NA, NA per share and gearing

The pro forma NA of AEON Credit will decrease from RM2.325 billion to RM2.324 billion and the NA per AEON Credit Share will decrease from RM9.11 per AEON Credit Share to RM9.10 per AEON Credit Share assuming that the Proposed Joint Venture had been effected on 28 February 2023. This is mainly due to the decrease in retained earnings as a result of estimated expenses for the Proposed Joint Venture of RM1.00 million.

The Proposed Joint Venture will not have any impact on the gearing level of the Company based on the audited consolidated financial statements as at 28 February 2023.

### 12.3 Earnings and EPS

Upon completion of the subscription of RM175.00 million ACSD Shares, ACSD will be an associated company of AEON Credit. As such, AEON Credit will be required to equity account for the results of ACSD.

The pro forma EPS of AEON Credit is expected to decrease from 159.62 sen to 156.20 sen as a result of the share of losses of ACSD in relation to the pre-operating expenses for the Digital Banking Business, assuming that the Proposed Joint Venture was completed at the beginning of the FYE 28 February 2023.

ACSD is expected to incur operating losses whilst growing its business and revenue during the gestation period of up to 5 years (being the Foundational Phase) and is targeted to achieve profitability in the fifth year of its business operations, based on its current business plan. As such, the Proposed Joint Venture is anticipated to contribute positively to the future earnings and EPS of the Group over the long term as it is expected to provide AEON Credit with additional income after the launch of the Digital Banking Business.

**Although the EPS of AEON Credit is expected to decrease due to the current loss making position of ACSD, we note that the losses recorded by ACSD was due to pre-operating expenses for the Digital Banking Business. The Board anticipates that moving forward, the Proposed Joint Venture will contribute positively to the future earnings of the Group after the launch of the Digital Banking Business.**

**Premised on the above, we are of the opinion that the pro forma effects of the Proposed Joint Venture are not detrimental to the interests of the Non-interested Shareholders.**

### **13. RISK FACTORS**

In Section 6, Part A of the Circular, the Board had identified various risk factors relating to the Proposed Joint Venture which may have an impact on the Group in the future.

The risk factors identified and summarised together with our views are as follows:

#### **(i) Diversion of financial resources**

We note that the Subscription Price will be fully funded through internally generated funds. As such, the Proposed Joint Venture may result in a diversion of financial resources from existing operations as AEON Credit is obligated to provide capital and liquidity support for the operationalisation of ACSD's business plan. Nevertheless, AEON Credit's cash, bank balances and deposits (excluding cash held in trust for customers and deposits held in trust account) based on the audited financial statements as at 28 February 2023 and the unaudited financial statements as at 31 August 2023 of RM341.79 million and RM291.18 million, respectively, is sufficient in providing the maximum investment outlay of RM275.00 million of capital and liquidity support to ACSD, if required. Although the Proposed Joint Venture is anticipated to provide new stream of income to the Group, there is no assurance that ACSD will be able to generate sufficient income to offset the cost incurred for the Digital Banking Business. Further, any adverse event affecting ACSD may lead to an adverse financial impact on AEON Credit.

Nevertheless, we note that the Group will take all reasonable steps to monitor its cash flows position to ensure that there are sufficient cash flows and financial resources for its existing operations and to meet its financial obligations. In any event, AEON Credit's exposure in relation to the Proposed Joint Venture will be limited by its shareholding proportion in ACSD.

#### **(ii) Completion and commencement risk**

We note that the Proposed Joint Venture is conditional upon, amongst others, the fulfilment of the condition precedent of the Shareholders' Agreement. The non-fulfilment of the condition precedent may result in the Shareholders' Agreement being terminated and the potential benefits to be derived from the Proposed Joint Venture may not be realised.

Furthermore, the commencement of the Digital Banking Business by ACSD will be within 24 months from 8 April 2022 as stated in the Approval Letter and is subject to the fulfillment of the licensing conditions stipulated in the Approval Letter as well as BNM's satisfaction of the operational readiness review of ACSD conducted by BNM. There is no assurance that the licensing conditions can be met and/or BNM would be satisfied with the operational readiness of ACSD.

We are of the view that the completion and commencement risk of the Proposed Joint Venture is a common aspect of similar proposals. We noted that if the condition precedent of the Shareholders' Agreement is not met, the Proposed Joint Venture would not be completed. Further, in the event that ACSD is unable to fulfil the licensing conditions or that the operational readiness review is not up to the satisfaction of BNM, ACSD would not be able to commence its Digital Banking Business and that AEON Credit may incur an impairment on its investment in ACSD arising from, amongst others, utilisation of capital injected for ACSD's pre-operating expenses. In the event of the occurrence of any of the above, it would result in the non-materialisation of the potential benefits to be derived from the Proposed Joint Venture.

Nonetheless, AEON Credit will endeavour to take all necessary steps to ensure that the condition precedent of the Shareholders' Agreement, licensing conditions and the other conditions imposed by BNM are met in a timely manner to facilitate the completion of the Proposed Joint Venture and commencement of the Digital Banking Business.

**(iii) Dependency on technology**

We note that digital banking generally refers to all banking activities performed through technological means. Hence, digital banking is highly dependent on, amongst others, the proper functioning of information technology systems, the Internet, as well as keeping pace with changes in technology, to operate, deliver products and services to customers.

Some of the failures to the systems could be caused by, amongst others, major natural catastrophes, software bugs, computer virus attacks, conversion errors due to system upgrading, security breaches caused by unauthorised access to information or systems or malfunctions, loss or corruption of data, software, hardware or other computer equipment. Any such failures could disrupt the Digital Banking Business and adversely affect the growth and development of the Digital Banking Business, operation and financial condition.

Notwithstanding that ACSD will put in place appropriate risk management policies such as regular risk assessments and control testing, there is no assurance that the Group will successfully mitigate the risks nor will it be able to mitigate the risk without adversely affecting the financial position and business of the Company.

**(iv) Dependency on external technology and outsourced function service providers**

We note that ACSD is utilising or will utilise the services of certain external service providers for procurement, development and implementation of software/systems as well as for outsourced functions of the Digital Banking Business of ACSD. As such, the Digital Banking Business will depend on these external service providers and/or third-party technology partners for the proper functioning of its information technology systems.

We also note that the procurement of these external service providers is subject to due diligence process and risk assessment by ACSD and compliance with requirements under applicable policy documents issued by BNM. ACSD will also carry out annual review and risk assessment on all its external service providers. Furthermore, we note that ACSD intends to minimise the dependency on such external service providers through recruiting and training its internal work force team as well as investing in systems to handle certain services and outsourced functions in the future.

Notwithstanding that ACSD will put in place appropriate risk management policies and safeguards against dependency on external service providers, including identification of alternative service providers, any unforeseen service interruptions or security breaches in the external service providers and/or third party technology partners, which are beyond ACSD's control, may adversely affect customers' user experience and result in an adverse impact on the operations and financial condition of ACSD as well as the Group's reputation.

**(v) Economic and regulatory risk in relation to the digital banking industry**

We note that the digital banking industry is highly regulated by BNM under the FSA, IFSA and CBA. Any breach under the FSA, IFSA or CBA will result in fines or potential revocation of the digital banking licence. In addition, any changes to the regulations by the Government or BNM could affect the digital banking industry in Malaysia which in turn could materially affect the financial and prospect of AEON Credit. Further, economic risks such as an economic downturn, unfavourable monetary and fiscal policy changes which give rise to a fluctuation in interest or profit rates, and inflation could also affect the Digital Banking Business.

We note that ACSD will put in place measures to ensure compliance with the applicable laws. However, there can be no assurance that any changes to the regulatory requirements would not have an adverse impact on the financial position and business of the Company.

**We also note that although measures may be taken by the Group to limit/mitigate the risks highlighted above, no assurance can be given that one or a combination of the risks will not crystallise and give rise to material and adverse impact on the financial position and business of AEON Credit.**

**In evaluating the Proposed Joint Venture, the Non-interested Shareholders are advised to carefully consider the above risk factors and to note that these risk factors are not meant to be exhaustive before voting on the ordinary resolution pertaining to the Proposed Joint Venture to be tabled at the forthcoming EGM of AEON Credit.**

**14. INDUSTRY OVERVIEW AND PROSPECTS OF ACSD**

**14.1 Overview and outlook of the Malaysian economy**

According to the Economic and Financial Developments in Malaysia in the Second Quarter of 2023 issued by Bank Negara Malaysia, the Malaysian economy registered a growth of 2.9% in the second quarter of 2023 compared to 5.6% in the first quarter of 2023, weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 1.5% (first quarter of 2023: 0.9%).

The services sector expanded by 4.7% (first quarter of 2023: 7.3%) mainly due to a moderation in consumer and business related services while tourism spending remained supportive. Private consumption expanded by 4.3% (first quarter of 2023: 5.9%) driven mainly by a moderate expansion in both necessities and discretionary spending. Further, private investment grew by 5.1% (first quarter of 2023: 4.7%) supported mainly by further progress in construction projects and continued capacity expansion. For the public sector expenditure, public investment grew by 7.9% (first quarter of 2023: 5.7%) driven mainly by improved government's fixed assets spending, whereas public consumption grew by 3.8% (first quarter of 2023: -2.2%) mainly due to higher emoluments spending.

According to the Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023 by the MOF, the global GDP growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies. Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7.0%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to endemic phase.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic products and major commodities. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

## **14.2 Overview and outlook of the digital banking industry in Malaysia**

According to the 2022 Annual Report issued by BNM, BNM continued efforts to establish a conducive ecosystem that spurs greater innovation, competition and dynamism. A key part of this is facilitating the entry of new digital-first players into the financial sector. Digital banks offer banking services online without a physical branch network, allowing them to overcome geographical barriers. Digital banks apply innovative technologies, which can include personalised solutions backed by data analytics, without the constraint of legacy systems. Digital banks are expected to focus on underserved and unserved segments, which will advance the financial inclusion agenda and enhance society's participation in the economy.

Further, according to the Financial Sector Blueprint 2022-2026 issued by BNM, digital payments adoption has risen significantly in Malaysia, accelerated further by the recent pandemic. While regulatory efforts over the past decade have helped catalyse the progress so far, the retail payments industry is also maturing. In more recent years, BNM has observed the industry becoming highly competitive, especially with the entry of new players, resulting in cheaper and more innovative services to merchants, including small and medium-sized enterprises. New consumer-facing technologies, such as biometrics and wearables, have also made digital payments more convenient.

As Malaysia's broader economy becomes more digitalised, the importance of payment system operators (PSOs), such as the Payments Network Sdn. Bhd. (PayNet), Visa and Mastercard, to system-wide stability will also intensify, along with growing commercial interest to be PSOs in Malaysia. Given this, BNM will advance regulations for PSOs, which will clarify and align expectations in areas such as governance, risk management, operational resilience, and transparency.

In addition, BNM is supportive of the broader national aspirations for digital payments under MyDigital. BNM expects the commitment by federal and state agencies to adopt cashless payments to play a pivotal role in creating behavioural shifts towards greater digital payments adoption. BNM is committed to supporting these national aspirations and will intensify BNM's awareness-building strategies to that end.

## **14.3 Prospects of ACSD**

We note from Section 5.3, Part A of the Circular that the digital banks to be established in Malaysia are expected to further advance financial inclusion. The wide adoption of technology for everyday transactions significantly increases opportunities in economic participation, by overcoming geographical barriers, reducing transaction costs and promoting better financial management.

It was noted that as at the LPD, the Company and AEON Group which are operating in the retail sector has a total customer base of more than 5.4 million. The Digital Banking Business to be established by ACSD aims to serve the underserved market segments leveraging on the vast experience, retail network and customer base of the Company. ACSD shall serve as a digital bank committed to supporting its customers in times of need as well as in times of surplus funds, providing advice on investments and savings through continuous engagement and service.

Furthermore, it was noted that the Digital Banking Business of ACSD would require extensive digital and software development and in depth operational know-how and that ACSD is undertaking several measures to achieve aforementioned digital and operational know-how such as, procuring the services of a third-party technology partner for software development and implementation services, establishing an internal technology operations and engineering team, on-going recruitment of personnel with relevant skill sets, experience and industry knowledge as well as providing staff training and development initiatives.

Although the prospects of ACSD are dependent on the reception of digital technology by the underserved and unserved segments and the digital infrastructure readiness in areas populated by the target segments, the Company anticipates that the Digital Banking Business will be able to cultivate sound financial behaviours amongst Malaysians, provide a comfortable financial cushion for customers and promote effective and sustainable use of financial products. With the given strengths and capabilities of ACSD's shareholders, the Company believes that ACSD is well-positioned to capture the market opportunities.



Premised on the above, we note that the Malaysian economy recorded a growth of 2.9% in the second quarter of 2023 which was lower than the growth of 5.6% recorded in the first quarter of 2023. However, on a quarter-on-quarter seasonally adjusted basis, the economy grew by 1.5% which was higher than the quarter-on-quarter seasonally adjusted growth of 0.9% for the first quarter of 2023. We further noted that the Malaysian economy is projected to grow at a more moderate pace amid softening world economic growth and trade activities. The projected growth of between 4% and 5% in 2023 is supported by steady domestic demand, a vibrant services sector, implementation of new and ongoing high multiplier infrastructure projects and sustained exports.

We note that in 2022, BNM is aiming to establish a conducive ecosystem that spurs greater innovation, competition and dynamism and is facilitating the entry of new digital-first players into the financial sector. Further, based on the Financial Sector Blueprint 2022-2026, digital payments adoption has risen significantly in Malaysia, accelerated further by the recent pandemic.

We noted that ACSD has since entered into an agreement with a reputable third party service provider for software development and implementation related services. This would allow ACSD to procure the software technology required for the operationalisation of the Digital Banking Business as well as the in-depth operational know-how in the implementation of the Digital Banking Business. Further, based on the key milestones in relation to the establishment of the Digital Banking Business by ACSD as disclosed in Section 2.1, Part A of the Circular, we noted that ACSD has completed the appointment of key management personnel and are in the advanced stage of recruiting staff and establishing operational and control functions as well as technology development and procurement of software and services for the Digital Banking Business. This is in line with the expected commencement of ACSD's banking business which is scheduled to take place not later than 8 April 2024.

We noted that the wide adoption of technology for everyday transactions had significantly increase opportunities in economic participation by overcoming geographical barriers, reducing transaction costs and promoting better financial management. The intention of ACSD, under the Digital Banking Business, is to serve the underserved market segment while leveraging on the Group's wide retail customer base.

**Premised on the foregoing, we are of the opinion that the prospects of ACSD is expected to be favourable, in view of the positive outlook of the Malaysian economy and the digital banking industry, coupled with the strengths and capabilities of ACSD shareholders.**

## **15. FURTHER INFORMATION**

We advise you to refer to the enclosed appendices contained in the Circular for further information.

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## 16. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Joint Venture holistically, taking into consideration the various factors set out in this IAL. In arriving at our conclusion and recommendation, we have considered and summarised the following pertinent factors, which the Non-interested Shareholders should consider when forming their views on the Proposed Joint Venture as follows:

Consideration factors	Our evaluation
<b>Rationale for the Proposed Joint Venture</b>	<p>We are of the opinion that the rationale for the Proposed Joint Venture is reasonable and not detrimental to the interests of the Non-interested Shareholders as:</p> <ul style="list-style-type: none"> <li>(i) the Proposed Joint Venture will expand the Group's scope of offerings by including digital Islamic banking services;</li> <li>(ii) the Proposed Joint Venture will enable the Group to expand its customer base; and</li> <li>(iii) the Proposed Joint Venture will complement the Group's existing business operations.</li> </ul>
<b>Basis and justification of the Subscription Price</b>	<p>We are of the opinion that the Subscription Price is fair as the Subscription Price is made on a pro rata basis in accordance with the respective shareholdings of the Parties based on the proposed share capital of ACSD of RM350.00 million as agreed by the Parties to ensure that ACSD has a reasonable level of share capital to meet its operational needs during the Foundational Phase and to comply with the Licensing Framework.</p>
<b>Evaluation of the salient terms of the Shareholders' Agreement</b>	<p>We are of the opinion that the salient terms of the Shareholders' Agreement are reasonable and are not detrimental to the interests of the Non-interested Shareholders.</p>
<b>Effects of the Proposed Joint Venture</b>	<p>Although the EPS of AEON Credit is expected to decrease due to the current loss making position of ACSD, we note that the losses recorded by ACSD was due to pre-operating expenses for the Digital Banking Business. The Board anticipates that moving forward, the Proposed Joint Venture will contribute positively to the future earnings of the Group after the launch of the Digital Banking Business.</p> <p>Premised on the above, we are of the opinion that the pro forma effects of the Proposed Joint Venture are not detrimental to the interests of the Non-interested Shareholders.</p>
<b>Risk factors</b>	<p>The risk factors identified are as follows:</p> <ul style="list-style-type: none"> <li>(i) diversion of financial resources;</li> <li>(ii) completion and commencement risk;</li> <li>(iii) dependency on technology;</li> <li>(iv) dependency on external technology and outsourced function service providers; and</li> <li>(v) economic and regulatory risk in relation to the digital banking industry.</li> </ul> <p>We note that although measures may be taken by the Board to limit/mitigate the risks highlighted above, no assurance can be given that the risks will not crystalise and give rise to material and adverse impact on the financial position and business of AEON Credit.</p>



Consideration factors	Our evaluation
<b>Industry overview and prospects of ACSD</b>	<p>We are of the view that the prospects of ACSD are expected to be favourable in view that:</p> <ul style="list-style-type: none"> <li>(i) the digitalisation of financial services in Malaysia has continued to accelerate since 2020;</li> <li>(ii) as Malaysia's broader economy becomes more digitalised, the importance of payment system operators will also intensify, along with growing commercial interest to be payment system operators in Malaysia;</li> <li>(iii) the Digital Banking Business to be established by ACSD aims to serve the underserved market segments leveraging on the vast experience, retail network and customer base of the Company;</li> <li>(iv) the Company anticipates that the Digital Banking Business will be able to cultivate sound financial behaviours amongst Malaysians, provide a comfortable financial cushion for customers and promote effective and sustainable use of financial products; and</li> <li>(v) the adoption of digital technology more widely for everyday transactions significantly increases opportunities for economic participation, by overcoming geographical barriers, reducing transaction costs and promoting better financial management.</li> </ul>

Premised on our overall assessment of the Proposed Joint Venture, we are of the opinion that the Proposed Joint Venture is *fair* and *reasonable* and *not detrimental* to the interests of the Non-interested Shareholders.

Accordingly, we recommend that the Non-interested Shareholders *vote in favour* of the ordinary resolution pertaining to the Proposed Joint Venture to be tabled at the forthcoming EGM of AEON Credit.

Yours faithfully,

For and on behalf of  
**PUBLIC INVESTMENT BANK BERHAD**

Lee Yo-Hunn  
Chief Executive Officer

Rachel Ong Ly-Shil  
Head  
Corporate Finance & Advisory

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT**


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The salient terms of the Shareholders' Agreement are as follows:

**1. Conditions precedent**

**1.1 Agreement conditional**

The obligations of the Parties under the Shareholders' Agreement are in all respects conditional upon the following being fulfilled on or before the Long-stop Date (as defined below) ("**Conditions Precedent**"):

- (i) AEON Credit obtaining approval from its shareholders in general meeting for the Proposed Joint Venture, pursuant to requirements under Chapter 10 (Part E) of the Listing Requirements on Related Party Transactions; and
- (ii) the receipt of the relevant approvals of BMM and/or the MOF (as applicable) for the equity structure under Section 3.1 of Appendix I of this Circular.

The Shareholders' Agreement shall be unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled ("**Unconditional Date**").

**1.2 Approval of shareholders of AEON Credit for Proposed Joint Venture**

AEON Credit shall take all necessary action required to call for a general meeting of its shareholders for the purpose of obtaining the required approval for the Proposed Joint Venture within 180 days from the date of the Shareholders' Agreement ("**Long-stop Date**").

**1.3 Condition not satisfied**

If any of the Conditions Precedent under Section 1.1 of Appendix I of this Circular is not satisfied by the Long-stop Date or any longer period agreed by the Parties for any reason whatsoever, then either Party shall be entitled to issue a Notice of Termination to the other Party whereby the Shareholders' Agreement shall terminate and no Party shall have any continuing obligation to the other Party save for any antecedent breaches or any obligations expressly provided in the Shareholders' Agreement that survive termination of the Shareholders' Agreement.

**2. Incorporation of ACSD and the Digital Bank Business**

**2.1 Incorporation of ACSD**

- (i) ACS Digital Berhad ("**ACSD**"), a company incorporated based on mutual agreement of AEON Credit and AFS, shall engage in the digital Islamic banking business upon compliance with the conditions stipulated in the Approval Letter and fulfilment of the Conditions Precedent under Section 1.1 of Appendix I of this Circular, with the entire issued and paid-up capital of ACSD amounting to RM140.0 million being currently held by AFS.
- (ii) AEON Credit and AFS agree to submit an application to BNM under section 151 of the IFSA at a later date for approval to use the word "bank" in the name of the proposed digital Islamic bank and for change of name of ACSD to the name of AEON BANK (M) BERHAD or such other name as AEON Credit and AFS shall otherwise agree in writing.
- (iii) The registered office of ACSD shall be at Kuala Lumpur, Petaling Jaya, Selangor or such other location in Malaysia as AEON Credit and AFS shall determine.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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- (iv) The shareholders of ACSD shall ensure that ACSD shall adopt a Constitution which shall:-
  - (a) reflect and incorporate the terms and conditions of the Shareholders' Agreement; and
  - (b) not be in any way be in contradiction with the applicable laws or be inconsistent with any term or condition of the Shareholders' Agreement.
- (v) As soon as practicable but before ACSD commences the Digital Banking Business (as defined herein), each of the shareholders of ACSD shall take or cause to be taken the following steps at the Board meeting and shareholders' meeting of ACSD (as appropriate) which include (1) the adoption by ACSD of a constitution in the form agreed upon by the shareholders of ACSD and in accordance with Section 2.1(iv) of Appendix I of this Circular, (2) the appointment of the Directors in accordance with Section 4.2 of Appendix I of this Circular, (3) the appointment of the senior management personnel in accordance with the provisions of Sections 2.4, 2.5 and 2.6 of Appendix I of this Circular, and (4) the subscription by AEON Credit and AFS for the shares as set out in Section 3 of Appendix I of this Circular against payment in full in cash.
- (vi) As soon as practicable but before ACSD commences the Digital Banking Business (as defined below), the shareholders of ACSD shall cause ACSD to enter into a deed of adherence under which ACSD shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if an original party hereto.

## 2.2 Business of ACSD

The business of ACSD is as a digital Islamic bank licensed under the IFSA ("**Digital Banking Business**"). The Parties hereby agree and acknowledge that the commencement of the Digital Banking Business and operations of ACSD will be within 24 months from 8 April 2022 as stipulated in the Approval Letter, subject to the fulfilment of the licensing conditions in the Approval Letter and BNM's satisfaction of the operational readiness review conducted by BNM.

## 2.3 Responsibilities, obligations and undertakings of the shareholders of ACSD

- (i) Each of the shareholders of ACSD shall provide an undertaking to ACSD to provide capital and liquidity support, for the operationalisation of the Business Plan, based on their respective proportions in ACSD ("**Respective Proportions**");

**Business Plan** means (i) the original business plan submitted to BNM on 30 June 2021; (ii) the supplemental business plan submitted to BNM on 21 January 2022; and (iii) any other supplementals and amendments thereto submitted to BNM thereafter.

- (ii) Each of the shareholders of ACSD shall also:
  - (a) Provide to ACSD additional capital of an amount acceptable to BNM in the event that ACSD's Total Capital Ratio (TCR) falls below or is projected to fall below its Internal Capital Target (ICT) level at any juncture, based on their Respective Proportions;
  - (b) Provide liquidity and funding support to ACSD as necessary, including to ensure compliance with liquidity-related regulatory requirements specified by BNM, based on their Respective Proportions;
  - (c) Provide the requisite business support, including but not limited to financial, technical, operational, managerial, and operational resources to ensure ACSD achieves the outcome of serving the unserved and/or underserved segments via innovative technology;

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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- (d) Provide adequate funds for the implementation of the Exit Plan including the funding required to meet, pay and settle all outstanding customer deposits in the event of a wind down of ACSD, based on their Respective Proportions, with a written commitment to be submitted to BNM to ensure sufficient capital and liquidity to implement the Exit Plan measures in the event of an exit; and

**Exit Plan** means the exit plan submitted to BNM.

- (e) Carry out all undertakings committed in the commitment document to be finalised to the satisfaction of BNM and submitted to BNM within the timeline granted by BNM to the Parties, which shall include supporting talent development in research and development and innovation in the areas of digital banking, digital financial services, technology/ fintech and artificial intelligence with the aim of establishing a centre of excellence by the end of the foundational phase.
- (iii) Each of the shareholders of ACSD shall ensure the business of ACSD shall be carried on in compliance with the Business Plan;
- (iv) Subject to the applicable laws and regulations and BNM policies, each of AEON Credit and AFS shall contribute to the management of ACSD by identifying the senior management personnel to be appointed in ACSD; and
- (v) Each of the shareholders of ACSD shall provide assistance and contribute to ACSD as the Board of ACSD deem necessary, on terms to be mutually agreed between the relevant Parties.

## **2.4 Chief Executive Officer**

Subject to applicable laws and subsequent to due process for identification and assessment of candidates, AEON Credit and AFS shall collectively nominate and the Board of ACSD shall appoint the initial Chief Executive Officer of ACSD nominated by AEON Credit and AFS on such terms (including term of service) and with such duties and authorities as may be determined by the Board of ACSD, subject however to the obligation to act in accordance with, the decisions or directions of the Board of ACSD, and the Shareholders' Agreement. Thereafter, subject to applicable laws and subsequent to due process for identification and assessment of candidates, the Nomination and Remuneration Committee of ACSD shall be entitled to recommend the subsequent Chief Executive Officer of ACSD, and to remove any persons so appointed. The Board of ACSD shall have the right to amend or revoke such duty or authority of the Chief Executive Officer.

## **2.5 Chief Financial Officer**

Subject to applicable laws and subsequent to due process for identification and assessment of candidates, AEON Credit and AFS shall collectively nominate and the Board of ACSD shall appoint the initial Chief Financial Officer of ACSD nominated by AEON Credit and AFS on such terms (including term of service) and with such duties and authorities as may be determined by the Board of ACSD, subject however to the obligation to act in accordance with, the decisions or directions of the Board of ACSD, and the Shareholders' Agreement. Thereafter, subject to applicable laws and subsequent to due process for identification and assessment of candidates, the Nomination and Remuneration Committee of ACSD shall be entitled to appoint the subsequent Chief Financial Officer of ACSD, and to remove any persons so appointed. The Board of ACSD shall have the right to amend or revoke such duty or authority of the Chief Financial Officer.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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**2.6 Other Senior Management Personnel**

Subject to applicable laws and subsequent to due process for identification and assessment of candidates, each of AEON Credit and AFS shall collectively nominate and the Board of ACSD shall appoint the initial:

- (i) Chief Corporate Officer;
- (ii) Chief Strategy Officer & Head of Personal Banking;
- (iii) Chief Business Officer;
- (iv) Chief Technology Officer;
- (v) Head of Treasury;
- (vi) Chief Operations Officer;
- (vii) Chief Human Resource Officer;
- (viii) Chief Risk & Compliance Officer;
- (ix) Chief Internal Auditor;
- (x) Chief Shariah Officer; and
- (xi) Any other Senior Management Personnel,

of ACSD, on such terms (including term of service) and with such duties and authorities as may be determined by the Board of ACSD, subject however to the obligation to act in accordance with, the decisions or directions of the Board of ACSD, and the Shareholders' Agreement. Thereafter, subject to applicable laws and subsequent to due process for identification and assessment of candidates, the Nomination and Remuneration committee of ACSD shall be entitled to appoint all such subsequent Senior Management Personnel of ACSD, and to remove any persons so appointed. The Board of ACSD shall have the right to amend or revoke such duty or authority of any such Senior Management Personnel.

Notwithstanding the above provisions, the subsequent Senior Management Personnel of ACSD shall be such persons with such titles as the Board of ACSD may determine from time to time.

**Senior Management Personnel** means in relation to ACSD, (i) the initial senior management personnel to be appointed under Sections 2.4, 2.5 and 2.6 of Appendix I of this Circular, and (ii) the subsequent senior management personnel as may be appointed by ACSD's Nomination and Remuneration committee.

**3. Equity Structure of ACSD****3.1 Equity structure of ACSD – Prior to compliance with the Equity Condition**

- (i) Each of AEON Credit and AFS agrees that the total issued and paid up share capital of ACSD will initially be held in the following proportions following the respective contributions by each of AEON Credit and AFS before ACSD commences business, prior to compliance with the Equity Condition:

Shareholder	No. of ACSD Shares	Value of shareholder contribution	Form of shareholder contribution	Shareholding percentage
AEON Credit	175 million	RM175 million	Cash	50.0%
AFS	175 million	RM175 million	Cash	50.0%
<b>Total</b>	<b>350 million</b>	<b>RM350 million</b>	<b>Cash</b>	<b>100.0%</b>

- (ii) Subsequent to ACSD commencing its business and subject to any approvals (if any) as may be required being obtained, the Parties may raise additional share capital of up to RM200 million at the subscription price of RM1.00 per ACSD Share (with the total share capital of up to RM550 million) in accordance with their Respective Proportions as set out in the shareholding percentage column of the table in Section 3.1 (i) of Appendix I of this Circular.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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**3.2 Subscription of ACSD Shares**

- (i) Each Party shall subscribe for such number of ACSD Shares to achieve the total number of ACSD Shares and the shareholding percentage envisaged in the table under Section 3.1 (i) of Appendix I of this Circular on the Completion Date (as defined below).
- (ii) Subject to the Shareholders' Agreement becoming unconditional, completion of the subscription of ACSD Shares referred to Section 3.2 (i) of Appendix I of this Circular shall occur on the date falling 30 days from the Unconditional Date or such other date as AEON Credit and AFS may mutually agree in writing ("**Completion Date**").
- (iii) On the Completion Date, each of the Parties shall pay to ACSD the subscription price in respect of the ACSD Shares subscribed by each Party such that each Party fulfils its portion of capital contribution of RM175 million as set out in the table in Section 3.1 (i) of Appendix I of this Circular, and ACSD shall issue the relevant ACSD Shares to each Party.

**3.3 Compliance with Equity Condition**

AEON Credit and AFS shall ensure that ACSD complies with the Equity Condition within a period of 5 years from the date of commencement of the Digital Banking Business, in the following manner to be mutually agreed and decided by AEON Credit and AFS:

- (i) New share issuance by ACSD to eligible Malaysian shareholder(s), in accordance with Section 8.2 of Appendix I of this Circular; and/or
- (ii) Transfer of portion of respective shareholding in ACSD held by AEON Credit and AFS to eligible Malaysian shareholder(s), in accordance with Section 7.1 of Appendix I of this Circular.

**4. Directors and management****4.1 Reserved matters**

- (i) Subject to any additional requirements specified by the Act, each shareholder of ACSD undertakes to and with the other shareholders of ACSD, and shall exercise its voting rights and other powers available to it to ensure, that none of the reserved matters set out in the Shareholders' Agreement ("**Reserved Matters**") shall be carried out, acted upon or approved by the Board of ACSD or ACSD (or any other company under the ACSD Group) unless with the prior written affirmative approval of AEON Credit and AFS.

**ACSD Group** means ACSD and its subsidiaries (if any).

**Reserved Matters** means the matters as set out in Schedule 1 of the Shareholders' Agreement, as follows:-

**Part A: Critical Reserved Matters**

- (a) **Liquidator:** the appointment of a liquidator to ACSD or any proposal to wind up ACSD (other than a proposal for a members' voluntary winding up);
- (b) **Merger:** any merger or amalgamation of ACSD with any of AEON Credit, AFS and/or any of their group of companies; and
- (c) **Business decision to cease operation:** any strategic business decision to cease business operations of ACSD and implement the Exit Plan, at any time after expiry of 24 months from the date of commencement of Digital Banking Business.

**Part B: Non-Critical Reserved Matters**

- (a) **Constitution:** any alteration or amendment to the Constitution of any of ACSD Group or any change to the objects of any of the ACSD Group;

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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- (b) **Alteration of rights:** any alteration to the rights conferred by the shares or classification of the shares or other securities in ACSD;
- (c) **Board of Directors:** any increase in the size of the board of directors of ACSD to a number greater than 11;
- (d) **Merger:** any merger or amalgamation of ACSD with any other company or any reconstruction or reorganisation of ACSD, excluding any merger or amalgamation of ACSD with any of AEON Credit, AFS and/or any of their group of companies, save for where the merger is carried out to comply with any regulatory requirements and/or the requirements of BNM;
- (e) **New issues of securities:** save for
  - (i) new issuance of shares to increase the paid-up capital of ACSD based on the Business Plan for foundational phase of 5 years from the date of commencement of the Digital Banking Business but subject to the Exit Plan, and based on the recommendation by the board of ACSD and pursuant to the undertakings by the shareholders; or
  - (ii) new issuance of shares as required to comply with any regulatory requirements (including increase in paid-up capital based on growth or risk assets of ACSD in the ordinary course of business during and after foundational phase, aligned with minimum capital ratio requirement) and/or the requirements of BNM,
 any other issue of shares, debentures, convertible notes, options or other equity or debt securities in ACSD, or the grant of any option or right to subscribe for any shares, the making of calls on the shares, the forfeiture of shares or other securities in ACSD.
- (f) **Capital change:** subject to paragraph (d) above, any change in the capital structure of ACSD, including (without limitation) any increase, reduction, consolidation, sub-division or cancellation of the shares of ACSD, save for where the capital change is as a result of ACSD and/or the shareholders of ACSD (as the case may be) having to comply with any regulatory requirements and/or the requirements of BNM;
- (g) **Business:** save for any products or businesses or entry into any specific market segments as included in the Business Plan, any material change to the nature or scope of business of ACSD, or the entry of any new business or major diversification by ACSD;
- (h) **Disposal of Digital Banking Business:** the disposal of any assets, undertaking, business or property of ACSD, where the value is more than 25% of the net asset value or RM100,000,000, whichever is lower, save for any disposal of assets, undertaking, business or property arising from implementation of Exit Plan of ACSD and subject to resolution of shareholders pursuant to paragraph (c) of the list of Part A : Critical Reserved Matters;
- (i) **Joint venture:** the entering into of any major joint venture or partnership or profit sharing arrangement or similar arrangement by whatever name called with any person by ACSD and any amendment to the terms of such venture, partnership or arrangement, where the value of such joint venture, partnership or profit sharing arrangement amounts to more than 25% of the net asset value or RM100,000,000, whichever is lower;
- (j) **Shareholders' security:** the raising of any loans or any other kind of borrowing by ACSD requiring a guarantee or indemnity from the shareholders;
- (k) **Acquisition:** any acquisition by any of ACSD Group of any tangible or intangible assets, business or shares where the value of such tangible or intangible assets, business or shares exceeding 25% of the net asset value or RM100,000,000, whichever is lower, in a single transaction;
- (l) **Guarantees:** ACSD entering into or becoming liable under any guarantee or indemnity, or similar arrangement under which the relevant entity may incur liability of an amount exceeding 25% of the net asset value or RM100,000,000, whichever is lower, in respect of the financial obligation of any other person;
- (m) **Encumbrance:** the creation of any encumbrance over any asset of any of the ACSD Group of an amount exceeding 25% of the net asset values or RM100,000,000, whichever is lower;
- (n) **Members voluntary winding up:** any petition for a members' voluntary winding up of ACSD.



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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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- (ii) Each of the shareholders of ACSD shall procure that each other company under the ACSD Group shall comply with the Section 4.1 of Appendix I of this Circular and the Reserved Matters as set out in the Shareholders' Agreement.

#### 4.2 Board composition of ACSD

Unless otherwise determined by the shareholders of ACSD:

- (i) The Board of ACSD shall consist of a maximum of 11 Directors, which shall include a majority of independent Directors in the number required by law, regulations and guidelines issued by BNM.
- (ii) Subject to applicable laws, each shareholder of ACSD (whose shareholding in ACSD is 20% or more) shall be entitled to nominate non-independent Director(s) to be appointed to the Board of ACSD based on the table set out in the Shareholders' Agreement, and to remove any Director(s) nominated under this item (ii), provided that if the shareholding of any shareholder in ACSD falls below 20% of the total shares in ACSD at any time, it shall, if any 1 of the other shareholders of ACSD so requests in writing, promptly procure that the non-independent Director nominated by it to the Board of ACSD shall retire from office (and it shall thereafter lose the right to nominate any non-independent Director to the Board of ACSD until its shareholding in ACSD is not less than 20%); and (ii) the remaining Directors shall be independent Directors, with the initial independent Directors being jointly nominated by AEON Credit and AFS and appointed by the Board of ACSD in accordance with the table as set out in the Shareholders' Agreement. The subsequent independent Directors shall be nominated by the Nomination and Remuneration Committee and appointed by the Board of ACSD.
- (iii) The shareholders of ACSD undertake and covenant with one another that each of the shareholders of ACSD will exercise its voting rights for the time being in ACSD and take such other steps within its power to procure that the Board of ACSD will be constituted as provided by Section 4.2 of Appendix I of this Circular.

#### 5. Events of default

An event of default in respect of a Party is deemed to have taken place and the provisions of the Shareholders' Agreement shall apply if the following occurs:-

- (i) **Breach of agreement:** that Party commits a material and/or persistent breach of the Shareholders' Agreement. For the avoidance of doubt, (i) such breach includes acts or omissions by a Party that cause the failure to implement policies approved by the shareholders of ACSD, or that which allow such failure to continue; and (ii) each of AEON Credit and AFS shall be entitled to fulfil each other's financial obligations of each other under the Shareholders' Agreement and if such obligation is fulfilled, there shall no breach of the Shareholders' Agreement; or
- (ii) **Insolvency Event:** that Party suffers an Insolvency Event; or

**Insolvency Event** means with respect to a shareholder of ACSD, any of the following:-

- (a) a court of competent jurisdiction makes an order, or a resolution is validly and effectively passed, for the winding-up, dissolution or judicial management or administration of such shareholder of ACSD, otherwise than in the course of reorganisation or restructuring previously approved in writing by the other shareholders of ACSD;



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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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- (b) any attachment, sequestration, distress, execution or other legal process is levied, enforced or instituted against the assets of such shareholder of ACSD and the same is not stayed, discharged, released or satisfied (as the case may be) within 60 days of such levy, enforcement or institution (as the case may be);
  - (c) a liquidator, judicial manager, receiver, administrator, trustee-in-bankruptcy, custodian or other similar officer has been appointed (or a petition for the appointment of such officer has been presented) in respect of any assets of such shareholder of ACSD and the same is not stayed, discharged, released or satisfied (as the case may be) within 60 days of such appointment or presentation of petition (as the case may be); or
  - (d) such shareholder of ACSD convenes a meeting of its creditors for the purpose of or makes or proposes any arrangement or composition with, or any assignment for the benefit of, its creditors.
- (iii) **Sanctions:** Any of the Parties or any entity controlled by such Party is or becomes a Sanctioned Person; or

**Sanctioned Person** means (a) any individual or entity who is designated on any United Nations Security Council resolution or any European Union or the United Kingdom or United States' list, order, or other published designation of terrorist or other lists of barred or restricted entities or individuals, including without limitation (i) the US Department of Treasury Specially Designated Nationals & Blocked Persons List; (ii) the US Department of Commerce Denied Persons List; (iii) the US Department of Commerce Entity List; and (iv) the EU Sanctions List (b) any person operating, organized or resident in a Sanctioned Country or (c) any person owned or controlled by any such person or persons described in the foregoing items (a) or (b).

- (iv) **Breach of Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws by Parties:** Any of the Parties or any entity controlled by such Party is or becomes subject to a civil or criminal penalty related to a violation of any Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws, or otherwise subject to restrictions involving any banking or financial transactions (including, but not limited to, processing of US Dollars or any other major currencies, or maintaining a correspondent banking relationship with any financial institution) which would likely have, individually or in the aggregate, a substantial adverse effect on the results of the operations or financial conditions of ACSD Group (including for example, but not limited to diminution of profit before tax by more than 20% or diminution of net asset value by more than 5%, as compared to that of the previous financial period). For the avoidance of doubt, examples are for illustration purposes only; or
- (v) **Breach of Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws by senior officers or directors:** Any senior officers or directors of any of the Parties or any entity controlled by any of the Parties are subject to civil or criminal penalty related to a violation of any Anti-Money Laundering Laws and Anti-Bribery and Corruption Laws which in the reasonable opinion of the non-defaulting party would likely have, individually or in the aggregate, a substantial adverse effect on the results of the operations or financial conditions of ACSD Group (including for example, but not limited to diminution of profit before tax by more than 20% or diminution of net asset value by more than 5%, as compared to that of the previous financial period). For the avoidance of doubt, examples are for illustration purposes only.

**Anti-Bribery and Corruption Laws** means any applicable provisions of the Malaysian Anti-Corruption Commission Act 2009 as amended, and any other laws or regulations of any jurisdiction, relating to anti-bribery or corruption.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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**Anti-Money Laundering Laws** means the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, as amended, and any other laws or regulations of any jurisdiction, relating to anti-money laundering, corrupt practices, and foreign exchange, as the case may be.

## **6. Termination and winding-up**

### **6.1 Termination of the Shareholders' Agreement**

Except for the surviving provisions under the Shareholders' Agreement which shall continue in full force after termination, the Shareholders' Agreement shall terminate:-

- (i) when, as a result of transfers of shares made in accordance with the Shareholders' Agreement or the constitution, only 1 shareholder of ACSD remains as legal and beneficial holder of the shares in ACSD; or
- (ii) upon completion of a dissolution process, if a resolution is passed by shareholders or creditors, or an order made by a court or other competent body or person instituting a process that shall lead to ACSD being wound up and its assets being distributed among its creditors, shareholders or other contributors.

### **6.2 Consequences of winding-up**

Where ACSD is to be wound up and its assets distributed, the shareholders of ACSD shall agree on a suitable basis for dealing with the interests and assets of ACSD and shall endeavour to ensure that:-

- (i) all existing contracts of ACSD are performed to the extent that there are sufficient resources;
- (ii) ACSD shall not enter into any new contractual obligations;
- (iii) ACSD is dissolved and its assets are distributed as soon as practical; and
- (iv) any other proprietary information or intellectual property rights belonging to or originating from a shareholder of ACSD shall be returned to it by the other shareholders of ACSD and/or ACSD (as the case may be) and all such proprietary information or intellectual property rights shall be erased from the computer systems (to the extent possible) of ACSD and any shareholder of ACSD who is returning it.

## **7. Transfers of Shares**

### **7.1 Transfers for purpose of compliance with the Equity Condition**

- (i) Subject to Section 3.3 of Appendix I of this Circular, AEON Credit and AFS may transfer a portion of its ACSD Shares to the new Malaysian shareholder(s) ("**New Shareholder(s)**"), proportionately or otherwise as mutually agreed by AEON Credit and AFS, for the purpose of compliance with the Equity Condition, provided that:
  - (a) the revised shareholding percentage of AEON Credit and AFS in ACSD after the transfer of ACSD Shares under this Section 7.1 of Appendix I of this Circular is at least 30% (for each of AEON Credit and AFS);
  - (b) all required approvals are obtained (including the approval of BNM and MOF (as applicable) and all required regulatory approvals) and all regulatory requirements applicable to ACSD are fulfilled, with respect to the transfer of ACSD Shares;

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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- (c) the New Shareholder(s) first execute(s) and deliver(s) to the other shareholders of ACSD a deed of adherence under which the New Shareholder(s) shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if it is an original party hereto in place of AEON Credit and AFS (as the case may be) to the extent of the ACSD Shares it acquires from AEON Credit or AFS (as the case may be); and
  - (d) the New Shareholder(s) shall not be Restricted Person(s).
- (ii) The price for the transfer of ACSD Shares under this Section 7.1 of Appendix I of this Circular shall be determined jointly by AEON Credit and AFS.

**Restricted Person** means any person (whether directly or indirectly and whether through a related corporation, an affiliate or a nominee) which:

- (i) is directly or indirectly, engaged in or is carrying on any business which would be in competition with the Digital Banking Business, including retail and financial services;
- (ii) does not have sufficient financial standing or resources to the reasonable satisfaction of the shareholders of ACSD; or
- (iii) does not have sufficient good reputational standing to the reasonable satisfaction of the shareholders of ACSD.

## 7.2 Right of first offer of shareholders of ACSD

- (i) After the Moratorium Period and subject to the provisions of the Shareholders' Agreement and the implementation of the Exit Plan, in the event that any of the shareholders of ACSD ("**Selling Shareholder**") is desirous of selling or transferring for value all or part of its shares in ACSD, the Selling Shareholder shall inform the other non-selling shareholders ("**Non-Selling Shareholders**") and shall make an offer in writing to the Non-Selling Shareholders to sell all or part of its shares in ACSD ("**Selling Shareholder Shares**") to the Non-Selling Shareholders ("**Selling Shareholder Offer**").

**Moratorium Period** means a period commencing from the date of receipt of the licence granted to ACSD by the MOF pursuant to section 10 of the IFSA for ACSD to carry on the Digital Banking Business until the expiry of 5 years from date of commencement of Digital Banking Business, which shall be the date when any product(s) of ACSD are first offered to the market, after notification in writing is obtained to confirm that ACSD has satisfied BNM's operational readiness review.

- (ii) Every Selling Shareholder Offer shall be bona fide and irrevocable and state the number of the Selling Shareholder Shares, the sale price for the Selling Shareholder Shares ("**Selling Shareholder Price**") and the terms and conditions of the Selling Shareholder Offer ("**Selling Shareholder Terms**"). Each of the Non-Selling Shareholders will thereafter within 30 days from the date of receipt of the Selling Shareholder Offer ("**ROFO Acceptance Period**") be entitled to give notice to the Selling Shareholder that such Non-Selling Shareholders are willing to purchase all (and not some only) of the Selling Shareholder Shares at the Selling Shareholder Price and Selling Shareholder Terms ("**Acceptance Notice**"). If any Non-Selling Shareholder gives an Acceptance Notice to the Selling Shareholder within the ROFO Acceptance Period, then subject to all required approvals being obtained (including all applicable regulatory approvals), the Selling Shareholder shall complete the sale of such Selling Shareholder Shares to such Non-Selling Shareholder that has given the Acceptance Notice (in case 2 or more Non-Selling Shareholders give Acceptance Notices within the ROFO Acceptance Period, on a pro-rata basis in accordance with their Respective Proportions) within 90 days from the receipt by the Selling Shareholder of the Acceptance Notice or such other longer period as may be mutually agreed in writing between the Selling Shareholder and the Non-Selling Shareholders that have issued the Acceptance Notice.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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- (iii) If the Non-Selling Shareholder does not give an Acceptance Notice to the Selling Shareholder within the ROFO Acceptance Period, then the Selling Shareholder shall thereafter be entitled to sell such Selling Shareholder Shares to any third party ("**Selling Shareholder Third Party Purchaser**") at the Selling Shareholder Price or at such price being more than the Selling Shareholder Price (as applicable), without further reference to the Non-Selling Shareholders, within 90 days from expiry of the ROFO Acceptance Period.
- (iv) If the transfer of the Selling Shareholder Shares by the Selling Shareholder to any third party is not completed within the period set out in Section 7.2(iii) of Appendix I of this Circular, the Selling Shareholder shall cease to be entitled to sell such Selling Shareholder Shares to any third party and the process related to the right of first offer described under Section 7.2(i) of Appendix I of this Circular shall be applicable again to the Selling Shareholder Shares.
- (v) It shall be a condition of any sale or transfer of shares contemplated in a sale of Selling Shareholder Shares to the Selling Shareholder Third Party Purchaser that:-
  - (a) all required approvals are obtained (including all required regulatory approvals) and all regulatory requirements applicable to ACSD are fulfilled, at the time of any such sale;
  - (b) it does not result in the revocation, cancellation or non-renewal of any licences, permits or approvals held by the any of the companies under the ACSD Group by the relevant authorities;
  - (c) it does not contravene any applicable laws or regulations or obligations of any of the company under ACSD Group under any contracts or agreements;
  - (d) the Selling Shareholder Third Party Purchaser first executes and delivers to the other shareholders of ACSD a deed of adherence under which the Selling Shareholder Third Party Purchaser shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if it is an original party hereto in place of the Selling Shareholder to the extent of the ACSD Shares it acquires from the Selling Shareholder; and
  - (e) the Selling Shareholder Third Party Purchaser shall not be a Restricted Person.

**7.3 Drag along rights of AEON Credit and AFS**

- (i) Subject to Section 7.2 of Appendix I of this Circular (Right of first offer of shareholders of ACSD), and the Moratorium Period, where AEON Credit and AFS ("**Drag-Along Shareholders**") is proceeding to sell to any third party purchaser (excluding any related corporation) ("**Drag-Along Purchaser**") all (and not some only) of the Drag-Along Shareholders' shares in ACSD pursuant to a bona fide arm's length transaction that requires the sale of all shares in ACSD to the Drag-Along Purchaser, the Drag-Along Shareholders may, by notice in writing ("**Drag-Along Notice**") to the other shareholder(s) of ACSD ("**Dragged-Along Shareholder(s)**"), require the Dragged-Along Shareholder(s) to sell to the Drag-Along Purchaser all (and not some only) of the shares in ACSD held by Dragged-Along Shareholder(s) ("**Drag-Along Shares**").
- (ii) The Dragged-Along Shareholder(s) shall be bound to sell the Drag-Along Shares provided that the terms and conditions (including the price as set out in Section 7.3 (iii) of Appendix I of this Circular) are no less favourable to the Dragged-Along Shareholder(s) than those offered to the Drag-Along Shareholders.
- (iii) The price of the Drag-Along Shares shall be calculated based on the higher of (i) the price to be received by the Drag-Along Shareholders for their shares, and (ii) 1.1 times the Book Value of ACSD Group as a group on the date of service of the Drag-Along Notice. The price to be paid to the Dragged-Along Shareholders shall be by way of cash only.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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**Book Value** means shareholders' fund of the ACSD Group, based on latest consolidated financial statements.

- (iv) Completion of the sale and purchase of the shares in ACSD held by the Drag-Along Shareholders, and completion of the sale and purchase of the relevant number of Drag-Along Shares held by the Dragged-Along Shareholder(s) shall be in accordance with provisions in the Shareholders' Agreement.

#### **7.4 Tag along rights of minority shareholders**

- (i) Subject to the Moratorium Period, if both AEON Credit and AFS are the Selling Shareholders, and none of the other Non-Selling Shareholders ("**Minority Shareholder(s)**") give an Acceptance Notice to AEON Credit and AFS within the ROFO Acceptance Period in accordance with Section 7.2 of Appendix I of this Circular, and AEON Credit and AFS wish to sell or transfer all of their shares in ACSD to any third party (excluding any related corporation) pursuant to a bona fide arm's length transaction, the Minority Shareholder(s) shall have the right to require the sale or transfer of all its shares in ACSD then held by the Minority Shareholder(s) to such third party under no less favourable terms and conditions than those offered to AEON Credit and AFS ("**Minority Shareholder(s) Tag Along Rights**").
- (ii) AEON Credit and AFS shall then give not less than 30 days joint written notice to the Minority Shareholder(s) specifying their intention to sell or transfer its shares in ACSD to such third party ("**Tag Along Notice**") before the transfer by AEON Credit and AFS of their shares in ACSD to such third party can be effected. A Tag Along Notice shall further specify that the Minority Shareholder(s) may transfer all its shares in ACSD (and not some only) ("**Minority Shareholder(s) Tag Shares**") pursuant to Section 7.4 (i) of Appendix I of this Circular, the price at which such Minority Shareholder(s) Tag Shares are to be transferred (being the same price per share offered to AEON Credit and AFS) and the proposed date of transfer. The terms on which the Minority Shareholder(s) may be required to transfer the Minority Shareholder(s) Tag Shares under Section 7.4 of Appendix I of this Circular shall be no less favourable than the terms offered to AEON Credit and AFS.
- (iii) Notwithstanding the foregoing, in the event the Minority Shareholder(s) fails to receive the Tag Along Notice from AEON Credit and AFS, the Board of ACSD shall not effect any sale and transfer by AEON Credit and AFS to any third party in contravention of Section 7.4 of Appendix I of this Circular.
- (iv) If the Minority Shareholder(s) exercise(s) the Minority Shareholder(s) Tag Along Rights within 30 days from the date of receipt of the Tag Along Notice ("**Minority Shareholder(s) Tag Acceptance Period**"), subject to all approvals being obtained (including all applicable regulatory approvals) and the transfer of shares by AEON Credit and AFS being completed simultaneously or earlier, the shareholders of ACSD shall complete the sale of such Minority Shareholder(s) Tag Shares to such third party within 90 days from the date of exercise by the Minority Shareholder(s) of the Minority Shareholder(s) Tag Along Rights.
- (v) If within the Minority Shareholder(s) Tag Acceptance Period, the Minority Shareholder(s) do/does not exercise the Minority Shareholder(s) Tag Along Rights (either by failing to deliver a written notice to AEON Credit and AFS within the Minority Shareholder(s) Tag Acceptance Period or delivering a notice of refusal to exercise the Minority Shareholder(s) Tag Along Rights), subject to all required approvals being obtained (including all required regulatory approvals) and all regulatory requirements applicable to ACSD and ACSD being fulfilled, at the time of any such sale, AEON Credit and AFS may complete the sale of their shares in ACSD to such third party.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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**8. New issues of shares****8.1 New issue of shares by ACSD**

Subject to Section 4.1 of Appendix I of this Circular, the shareholders of ACSD agree that any new shares issued by ACSD shall be first offered to each shareholder of ACSD in the Respective Proportions at the time of the proposed new issue, except for a new issue of shares under Section 8.2 of Appendix I of this Circular.

**8.2 New issue of shares for purpose of compliance with the Equity Condition**

- (i) Subject to Section 3.3 of Appendix I of this Circular, new shares may be issued by ACSD to the New Shareholder(s) for purpose of compliance with the Equity Condition and to meet the funding requirements of ACSD.
- (ii) The new issue of shares under Section 8.2 of Appendix I of this Circular is subject to:-
  - (a) the revised shareholding percentage of AEON Credit and AFS in ACSD after the new issue of shares being at least 30% (for each of AEON Credit and AFS);
  - (b) all required approvals being obtained (including the approval of BNM and MOF (as applicable) and all required regulatory approvals) and all regulatory requirements applicable to ACSD being fulfilled, with respect to the new issuance of shares;
  - (c) execution and delivery to the other shareholders of ACSD of a deed of adherence by the New Shareholder(s), under which the New Shareholder(s) shall agree to be bound by and shall be entitled to the benefit of the Shareholder's Agreement as if it is an original party hereto; and
  - (d) the New Shareholder(s) shall not be Restricted Person(s).
- (iii) The subscription price for the new issue of ACSD Shares under this Section 8.2 of Appendix I of this Circular shall be determined jointly by AEON Credit and AFS in the best interest of ACSD.

**9. Finance for ACSD****9.1 Capital injection**

- (i) Subject to Section 3.3 of Appendix I of this Circular, the shareholders of ACSD agree that ACSD shall endeavour to raise bank capital via all forms of BNM's permitted capital instruments other than via new shares prior to raising capital via the creation or issuance of new shares.
- (ii) If ACSD shall fail to raise bank capital via all forms of BNM's permitted capital instruments other than via new shares, the shareholders of ACSD agree that ACSD may raise capital via the creation or issue of new shares subject always to Section 4.1 of Appendix I of this Circular. Subject to Section 8.2 of Appendix I of this Circular, any new shares issued by ACSD shall be first offered to each of the shareholders of ACSD in the Respective Proportions at the time of the proposed new issue. If any shareholder of ACSD shall fail to subscribe for such new shares in ACSD, its shareholding in ACSD will be diluted and the other shareholders of ACSD may subscribe for such shares. If any shareholder of ACSD cannot subscribe to such new shares in ACSD due to any applicable regulatory requirements, then such shareholder of ACSD may nominate a third party who is not a Restricted Person, to subscribe for such new shares in ACSD. In addition, such shareholder of ACSD undertakes to the other shareholders of ACSD to ensure that such third party shall execute and deliver to the other shareholders of ACSD a deed of



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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**


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adherence and shall agree to be bound by and shall be entitled to the benefit of the Shareholders' Agreement as if it is an original party hereto.

- (iii) Except as provided in the Shareholder's Agreement and in the Business Plan, no Party (or any of its related corporations) shall be obliged to contribute further funds for the benefit of ACSD.
- (iv) If a shareholder of ACSD wishes to provide loan and/or advance to ACSD, the providing party and ACSD shall ensure that the loan and/or advance is made on an arm's length basis on commercial terms and at competitive pricing.

## **9.2 Lending to related parties and other commercial transactions**

Subject to applicable law, regulations and guidelines issued by BNM, any loan given by ACSD to a shareholder of ACSD or its related party or its connected parties and any other form of commercial transaction between ACSD and a shareholder of ACSD or its related party or its connected parties, shall be made at arms' length basis. For the purpose of this clause, "related party" shall carry the same meaning under the Listing Requirements and "connected parties" shall carry the same meaning under the Guidelines on Credit Transactions and Exposures with Connected Parties.

## **10. Dividend Policy**

### **10.1 Distribution to shareholders**

Subject to the requirements of the Act and the requirements of BNM and the approval of BNM, and unless the shareholders of ACSD agree otherwise in relation to any particular Financial Year, each company under ACSD Group shall distribute such amount of its distributable profits, if any, to its shareholders in accordance with the dividend policy to be determined by the Board of ACSD.

**Financial Year** means in relation to ACSD, means a financial accounting period of 12 months ending on such date as the shareholders of ACSD may agree from time to time.

### **10.2 Payment**

Subject to the approval of BNM (if required) and the Board of ACSD, a distribution under Section 10 of Appendix I of this Circular in relation to any Financial Year shall be made within 180 days of the day to which the audited accounts for that year are made up.

## **11. Deadlock**

### **11.1 Deadlock events**

There is a deadlock if a resolution is proposed and one of the following applies:

- (i) a board meeting could not be held due to no quorum at the second adjourned meeting; or
- (ii) if a resolution concerning any Critical Reserved Matter raised at a shareholders' meeting is not passed as a result of a failure to achieve the required majority.

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**SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT (CONT'D)**

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**11.2 Deadlock Notice**

Any shareholder of ACSD may within 30 days of the meeting at which the deadlock arises or within 30 days of the date of the resolution in respect of which the deadlock arises (as the case may be) (the first day being the day after the meeting or the date of the resolution, as the case may be) serve notice on the other Shareholders ("**Deadlock Notice**"):

- (i) stating that in its opinion a deadlock has occurred; and
- (ii) identifying the matter giving rise to the deadlock.

**11.3 Referral to chief executive officer and chairman of each shareholder**

Each shareholder of ACSD shall then refer the matter giving rise to the deadlock to the chief executive officer and chairman of the Board of each shareholder of ACSD for discussion and resolution and such officers shall use all reasonable efforts following such reference to resolve the deadlock in good faith. If the chief executive officer and/or chairman of the Board of each shareholder of ACSD is unable to resolve the deadlock within 30 days of receiving the Deadlock Notice, the matter will automatically be referred to a mediator in accordance with the Asian International Arbitration Centre (Malaysia) Mediation Rules 2018.

**11.4 Deadlock Resolution Notice**

If the deadlock cannot be resolved within 30 days from the date the deadlock matter is referred to a mediator, then AEON Credit and AFS may jointly serve a notice on the other relevant shareholder(s) of ACSD ("**Relevant Shareholder(s)**"), to require the Relevant Shareholder(s) to sell all of its shares to each of AEON Credit and AFS proportionately at the price set out in provisions of the Shareholders' Agreement, subject to all required approvals being obtained (including all applicable regulatory approvals).



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**INFORMATION ON ACSD**


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**1. BACKGROUND INFORMATION****1.1 Corporate Information**

ACSD was incorporated in Malaysia on 19 July 2022 as a public company limited by shares under the Act. ACSD will commence the Digital Banking Business from the date of the licence issued by MOF, subject to fulfilment of the conditions stipulated in the Approval Letter and BNM's satisfaction of the operational readiness review of ACSD to be conducted by BNM.

The major assets of ACSD as at 28 February 2023 include cash and bank balances of RM127.8 million and intangible assets of RM50.9 million.

As at the LPD, the issued share capital of ACSD is RM175.0 million comprising 175.0 million ordinary shares.

ACSD does not have any subsidiary nor any associated company as at the LPD.

**1.2 Directors' and substantial shareholders' shareholdings**

As at the LPD, the directors of ACSD are Datuk Adinan bin Maning (*Malaysian*), Mohammad Ridzuan bin Abdul Aziz (*Malaysian*), Nirmala A/P Doraisamy (*Malaysian*), Wan Rumaizi bin W.Husin @ Abdul Aziz (*Malaysian*) and Daisuke Maeda (*Japanese*).

ACSD is a wholly-owned subsidiary of AFS.

**2. FINANCIAL INFORMATION OF ACSD**

The table below sets out a summary of ACSD's audited financial statements for eight-months financial period ended ("**8M-FPE**") 28 February 2023 and unaudited financial statements for six-months financial period ended ("**6M-FPE**") 31 August 2023:-

	<b>Audited</b>	<b>Unaudited</b>
	<b>8M-FPE</b>	<b>6M-FPE</b>
	<b>28 February 2023</b>	<b>31 August 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
Revenue	-	-
Gross profit	-	-
Loss before taxation	(15,257)	(33,859)
Taxation	(195)	(271)
<b>Loss after taxation</b>	<b>(15,452)</b>	<b>(34,129)</b>
Shareholders' funds / NA	124,548	125,419
No. of ordinary shares in issue ('000)	140,000	175,000
NA per share (RM)	0.89	0.72
EPS (RM)	(0.11)	(0.20)
Total borrowings	-	-
Gearing (times)	-	-
Current ratio (times)	2.3	3.0

(Source : Audited financial statements of ACSD for the FPE 28 February 2023 and unaudited financial statements of ACSD for the FPE 31 August 2023)

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**INFORMATION ON ACSD (CONT'D)**


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**Commentary:-****8M-FPE 28 February 2023**

For the financial period ended 28 February 2023, ACSD did not record any revenue as ACSD has not commenced business operations. The audited loss after tax incurred of RM15.5 million by ACSD was due to pre-operational expenses, comprising mainly staff costs of RM7.7 million and operating expenses (including professional fees, software subscription costs and other overhead costs) of RM7.5 million. The net assets of ACSD was RM124.5 million as at 28 February 2023.

**6M-FPE 31 August 2023**

For the financial period ended 31 August 2023, ACSD did not record any revenue as ACSD has not commenced business operations. The unaudited loss after tax incurred of RM34.1 million by ACSD was due to pre-operational expenses, comprising mainly staff costs of RM16.6 million and operating expenses (including professional fees, software subscription costs and other overhead costs) of RM18.4 million. The net assets of ACSD was RM125.4 million as at 31 August 2023.

**3. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS**

Based on the audited financial statements of ACSD for the FPE 28 February 2023, there are no accounting policies adopted by ACSD which are peculiar due to the nature of the business or industry in which ACSD is involved in.

There was no audit qualification for ACSD's financial statements for the years under review.

**4. FURTHER INFORMATION****4.1 Material litigation, claims or arbitration**

As at the LPD, ACSD is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of ACSD is not aware of any proceedings pending or threatened against ACSD, or any fact likely to give rise to any proceeding which might materially or adversely affect the financial position or business of ACSD.

**4.2 Contingent liabilities**

As at the LPD, there are no material contingent liabilities incurred or known to be incurred by ACSD which upon being enforced may have material impact on the financial results or position of ACSD.

**4.3 Material commitments**

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by ACSD, which upon becoming enforceable may have a material impact on the financial results or position of ACSD.

	<b>Amount RM'000</b>
Capital commitments for plant and equipment:-	
Authorised and contracted but not provided for	23,202
	<b>23,202</b>

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**INFORMATION ON ACSD (CONT'D)**

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**4.4 Material contracts**

The Board of ACSD has confirmed that there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by ACSD within two (2) years immediately preceding the date of this Circular.

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