



AEON CREDIT SERVICE (M) BERHAD

**(I) Proposed Joint Venture; and
(II) Proposed Bonus Issue**

Extraordinary General Meeting

Presented By



(Company No. 197501002220 (23742-V))
(A Participating Organization of Bursa Malaysia Securities Berhad)

16 October 2023

PROPOSED JOINT VENTURE AND PROPOSED BONUS ISSUE



Shareholders' approvals are sought for the following:-

1

Proposed Joint Venture

Proposed joint venture between AEON Credit Service (M) Berhad ("**AEON Credit**" or "**Company**") and AEON Financial Service Co., Ltd. ("**AFS**") to undertake the business of a digital Islamic bank.

The Proposed Joint Venture is deemed as a related party transaction in view of the interest of certain major shareholders and directors of AEON Credit.

Public Investment Bank Berhad has been appointed by AEON Credit as the Independent Adviser.

2

Proposed Bonus Issue

Proposed bonus issue of 255,307,690 new ordinary shares in AEON Credit ("**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.

The Proposed Joint Venture and Proposed Bonus Issue are not inter-conditional

RATIONALE FOR THE PROPOSED JOINT VENTURE

1

A timely opportunity for AEON Credit to reach a wider pool of customers through ACS Digital Berhad (“**ACSD**”)

2

The Parties shall deploy their combined expertise in providing financial services and solutions to customers, especially from the underserved and unserved market segments

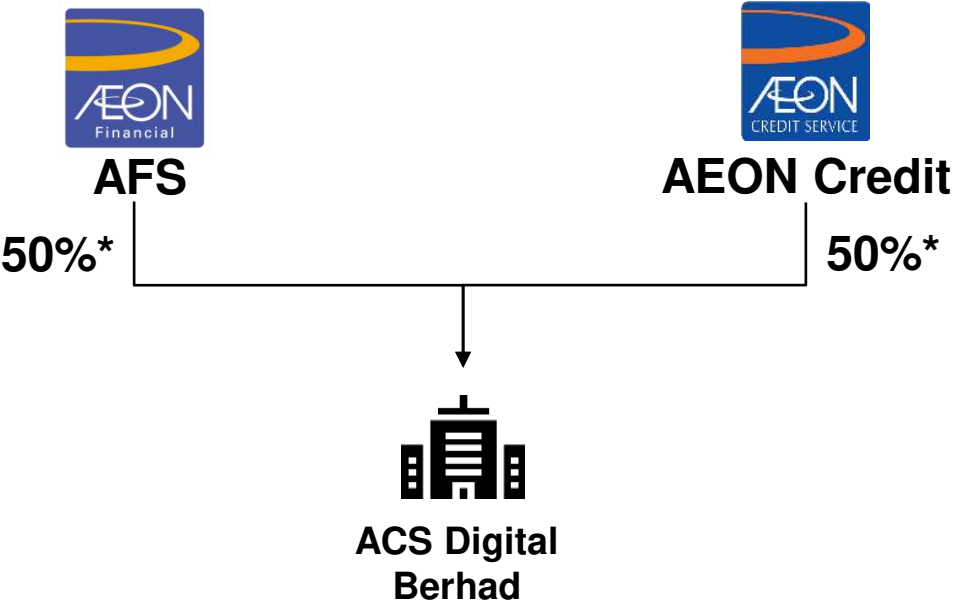
3

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

4

Enable the Group as a whole including ACSD to have access to lower cost of funds via the deposits from the customers of ACSD

THE PROPOSED JOINT VENTURE



Initial Subscription

	No. of ACSD Shares	Value of contribution	Remarks
AEON Credit	175m	RM175m	Expected to be subscribed by 4Q 2023 after obtaining BNM and shareholders' approval
AFS	175m	RM175m	Full amount already subscribed by AFS
Total		RM350m	

Future subscription subsequent to ACSD commencing business

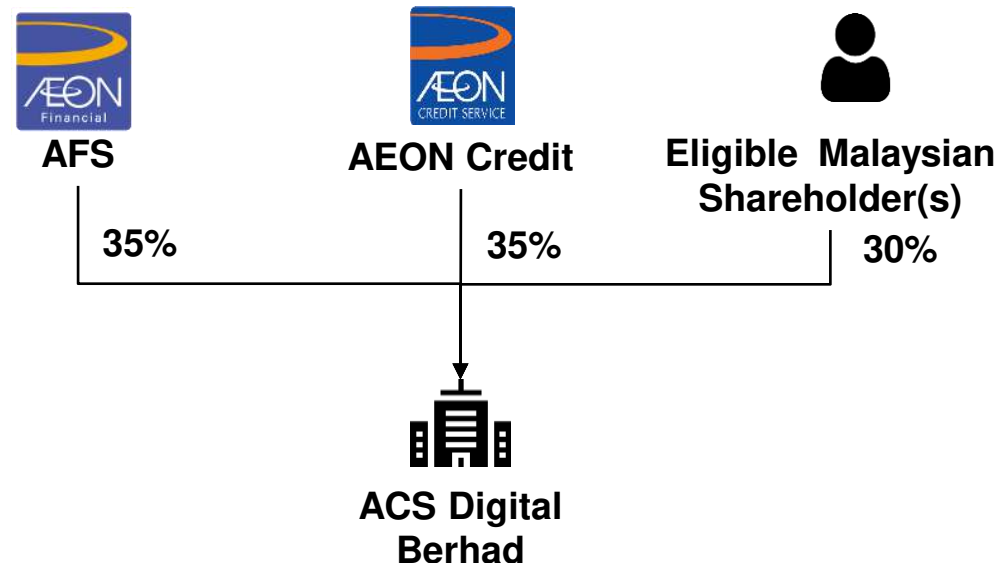
The Parties may subscribe for additional share capital of up to RM200 million in accordance with their respective proportions.

THE PROPOSED JOINT VENTURE (CONT'D)

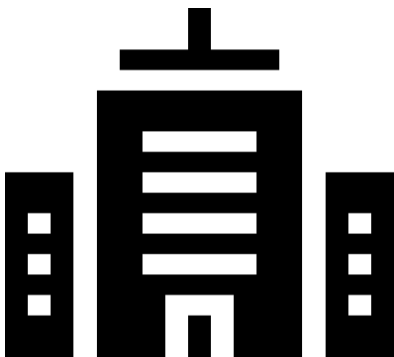
Equity Condition

- By 7 April 2029 (i.e. within 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), at least 30% of the shares in ACSD to be held by Malaysian shareholder(s), with priority given to Bumiputera shareholders (“**Eligible Malaysian Shareholders**”).
- The Parties intend to source the shareholder(s) from reputable Malaysian institutional shareholder(s) or corporate shareholder(s).

After compliance with the Equity Condition



THE PROPOSED JOINT VENTURE (CONT'D)



ACS Digital Berhad

- The market launch of ACSD’s banking business is expected to take place in the **first quarter of 2024** (subject to the fulfilment of the conditions stipulated in the approval letter from Bank Negara Malaysia (“**BNM**”) and BNM’s satisfaction of the operational readiness review of ACSD to be conducted by BNM).
- The current status for the key areas are as follows:-

	Key Areas	Current Status
1.	Establishment of the board of directors of ACSD for the 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 PROPOSED JOINT VENTURE (CONT'D)

Additional financial commitment required

- 1 Undertaking from shareholders of ACSD for capital and liquidity support for operationalization of the business plan.
- 2 If Total Capital Ratio falls below the Internal capital Target, shareholders of ACSD to provide capital in an amount acceptable to BNM, proportionate to their shareholdings.
- 3 If exit plan events occur during foundational phase or ACSD fails to fulfil the requirements based on BNM's assessment at end foundational phase.

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.

EFFECTS OF THE PROPOSED JOINT VENTURE

Items	Proposed Joint Venture
Issued share capital and substantial shareholdings	<ul style="list-style-type: none">▪ No impact
Earnings and Earnings per Share (“EPS”)	<ul style="list-style-type: none">▪ ACSD will be an associated company of AEON Credit. Hence, AEON Credit will share the results of ACSD based on its shareholdings in ACSD▪ Based on FYE 28 February 2023, with the share of losses of ACSD and estimated expenses for the Proposed Joint Venture, the proforma EPS reduced from RM1.60 to RM1.56▪ Anticipated to contribute positively towards the earnings and EPS of AEON Credit in the future over the long term
Net Assets (“NA”), NA per share and Gearing	<ul style="list-style-type: none">▪ Save for the estimated expenses, no major effect on the net assets of AEON Credit▪ ACSD will be an associated company and as such any share of its results will have an impact on the future NA and the NA per share of AEON Credit

RATIONALE FOR THE PROPOSED BONUS ISSUE

1

To reward existing shareholders of AEON Credit for their continued support to the Company

2

Expected to enhance the marketability and trading liquidity of AEON Credit Shares on the Main Market of Bursa Securities

THE PROPOSED BONUS ISSUE

The salient terms of the Proposed Bonus Issue are as follows:-

Terms	Description
Entitlement Basis	<ul style="list-style-type: none">▪ 1 Bonus Share for every 1 existing AEON Credit Share
Capitalisation of Reserves	<ul style="list-style-type: none">▪ The Bonus Shares in respect of the Proposed Bonus Issue will be issued as fully paid, at no consideration and without capitalisation of the Company's reserves
Adjustment to Share Price	<ul style="list-style-type: none">▪ Assuming the basis of 1 Bonus Share for every 1 existing AEON Credit Share, based on the last traded price up to 30 August 2023, being the latest practicable date ("LPD"), the share price will be :<ul style="list-style-type: none">○ Pre Bonus : RM11.00○ Post Bonus : RM5.50

EFFECTS OF THE PROPOSED BONUS ISSUE

Items	Proposed Bonus Issue
Issued share capital and substantial shareholdings	<ul style="list-style-type: none">▪ Increase number of shares in issue. However, no change in the value of share capital▪ No effect on the percentage shareholdings of the substantial shareholders as the Bonus Shares will be allotted on a pro-rata basis to all shareholders
Earnings and EPS	<ul style="list-style-type: none">▪ Corresponding dilution in the Company's EPS as a result of the increase in the number of AEON Credit Shares in issue
NA, NA per share and Gearing	<ul style="list-style-type: none">▪ NA per Share will be diluted as a result of the increase in the number of AEON Credit Shares in issue

APPROVALS REQUIRED

Approvals required for the Proposed Joint Venture and the Proposed Bonus Issue

Completed



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



29 April 2022

OBTAINED

Approval of MOF for the grant of a licence to carry on digital Islamic banking business in Malaysia under the IFSA



31 July 2023

OBTAINED

Approval for the listing of and quotation for the Bonus Shares on Main Market

Remaining approvals required



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



Mid-October 2023

TO BE OBTAINED

- Approval for the equity structure of ACSD to be held by AFS and AEON Credit in equal proportions of 50:50 respectively and for AEON Credit to acquire or hold material interest in ACSD



16 October 2023

TO BE OBTAINED AT THIS EGM

AEON Credit
shareholders' approval

Barring unforeseen circumstances and subject to regulatory approvals, the Proposed Bonus Issue is expected to be completed in November 2023 and the Proposed Joint Venture in December 2023.

DIRECTORS' STATEMENT AND RECOMMENDATION



The Board (save for the Interested Directors) is of the opinion that the Proposed Joint Venture **IS IN THE BEST INTEREST** of AEON Credit



Accordingly, the Board (save for the Interested Directors) recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the **Proposed Joint Venture** at this EGM

The Board is of the opinion that the Proposed Bonus Issue **IS IN THE BEST INTEREST** of AEON Credit



Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the resolution pertaining to the **Proposed Bonus Issue** at this EGM

This presentation is only a summary of the Proposed Joint Venture and the Proposed Bonus Issue. Shareholders are advised to read and carefully consider the contents of the Circular and the appendices (including the risk factors) contained in the Circular for further details and not to rely solely on this presentation in forming a decision on the Proposed Joint Venture and the Proposed Bonus Issue before voting by way of poll at this EGM. Unless stated otherwise, the defined terms herein will have the same meaning as the Circular.