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AN INTRODUCTION TO AEON CREDIT SERVICE (M) BERHAD

AEON Credit Service (M) Berhad (AEON Credit or the Company) was incorporated on 6 December 1996 and was converted into a public limited company on 9 February 2007 and listed on the Main Market at Bursa Malaysia Securities Berhad on 12 December 2007. AEON Credit commenced operations in 1997 by providing Easy Payment schemes for purchase of consumer durables through appointed retail merchants and chain stores.

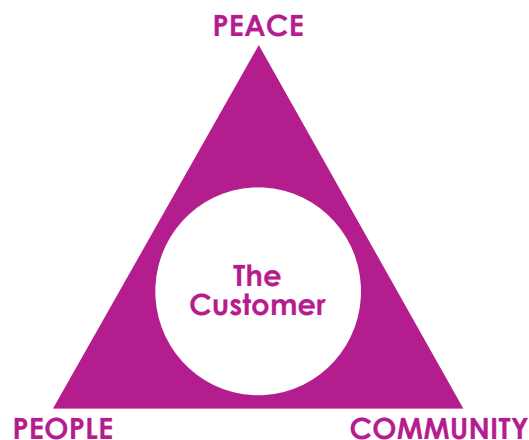
Today the business of the Company had expanded to include issuance of Credit Cards, Easy Payment schemes, Personal Finance schemes, Insurance business, and other services. The Company currently has five (5) Regional Offices, 64 branches and Service Centres located in major shopping centres and towns, and a network of more than 12,000 participating merchant outlets nationwide. AEON Credit believes in working closely with its business partners to provide consumer financing products and services which meet customer needs. The Company currently has more than 4.6 million card members for various products and more than 3,000 staff working with the Company.

AEON Credit is a subsidiary of AEON Financial Service Co., Ltd. (AEON Financial Service), which is listed on the First Section of the Tokyo Stock Exchange. AEON Financial Service is a bank holding company that is the center of the AEON Financial Service Group. The Group consists of 35 businesses and offers comprehensive financial services with origins in the retail industry. Its business portfolio includes credit, banking, fee and overseas businesses. It is one of the biggest credit card issuers and leading consumer credit provider in Japan.

AFSJ is in turn part of the AEON Group of Companies (AEON Group), a global retail and financial services group. AEON Group consists of more than 300 subsidiaries and affiliated companies. AEON Group operates not only in Japan but also in Southeast Asia, China and India. At AEON, our eternal mission as a corporate group is to benefit our customers and our operations are thus customer-focused to the highest degree.

AEON's most basic and abiding principles are the pursuit of peace, respect for humanity, and contribution to local communities through customer-centred initiatives. Under these principles, we are determined to achieve global management standards.

All companies under the AEON Group are guided by the unchanging "Customer First" philosophy. Its aim is to surpass expectations by combining excellent products with unique personal services.



AEON Basic Principles

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

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

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

The AEON Code of Conduct Commitment

1. AEON people are always grateful to the many other individuals who provide support and help, never forgetting to act with humility.
2. AEON people value the trust of others more than anything else, always acting with integrity and sincerity in all situations.
3. AEON people actively seek out ways to exceed customer expectations.
4. AEON people continually challenge themselves to find new ways to accomplish the AEON ideals.
5. AEON people support local community growth, acting as good corporate citizens in serving society.



64 Branches &
Service Centres



12,000 Merchant
Outlets Nationwide



4.6 Million
Card Members



3,244 Staff

CORPORATE PHILOSOPHY & MISSION

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

As a reflection of this philosophy, **OUR MISSION** is to provide a wide range of consumer financial services that best meet customer needs and we are committed to serve customers to enhance their lifestyle through our products and services. We adhere to a strict code of corporate ethics and, at the same time, engage in activities which contribute to society.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ng Eng Kiat, *Chairman*

Mr. Kenji Fujita, *Managing Director*

Dato' Md Kamal Bin Ismaun

Mr. Tomokatsu Yoshitoshi

Mr. S. Sunthara Moorthy S. Subramaniam
(appointed on 1 March 2018)

Mr. Tetsuro Takano

(appointed on 4 July 2017)

Ms. Lee Tyan Jen

Mr. Lee Kit Seong

Mr. Kiyoaki Takano

Mr. Ajith A/L Jayaram
(appointed on 4 July 2017)

SECRETARIES

Ms. Tai Yit Chan
(MAICSA 7009143)

Ms. Choong Lee Wah
(MAICSA 7019418)

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
T: +603-7720 1188
F: +603-7720 1111

HEAD OFFICE

Level 18, UOA Corporate Tower
Avenue 10, The Vertical
Bangsar South City
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
T: +603-2772 9000
F: +603-2711 4110

AUDITORS

Deloitte PLT (LLP0010145-LCA)
(AF0080)
Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
T: +603 7610 8888
F: +603 7726 8986

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
T: +603-7841 8000
F: +603-7841 8008

WEBPAGE

www.aeoncredit.com.my

STOCK EXCHANGE LISTING

The Company is a public listed company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

STOCK NAME: AEONCR
STOCK CODE: 5139

PRINCIPLE BANKERS

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

CORPORATE CALENDAR

Notice of Annual General Meeting	24 May 2017
Annual General Meeting	21 June 2017
Payment of Dividend (Interim)	Book Closure – 20 Oct 2016 Payment – 7 Nov 2016
Payment of Dividend (Final)	Book Closure – 29 June 2017 Payment – 19 July 2017
First Quarter Results Announcement	4 July 2017
Second Quarter Results Announcement	5 October 2017
Third Quarter Results Announcement	21 December 2017
Fourth Quarter Results Announcement	27 April 2018

Chairman's Statement & Management Discussion and Analysis

CHAIRMAN'S STATEMENT

" On behalf of the Board of Directors, I am pleased to present AEON Credit Service (M) Berhad ("AEON Credit") Annual Report and Audited Financial Statements for the financial year ended 28 February 2018. "



Review of Performance

AEON Credit continued to record asset and profit growth for the year under review despite the volatile consumer sentiment and subdued retail spending, amidst robust overall Malaysian economic growth of 5.9% in 2017 (2016: 4.2%). The Company registered a net profit of RM300.06 million, representing an increase of 13.2% from the previous year with growth in financing receivables for vehicle financing, personal financing and credit card operations. The higher net profit translated into basic earnings per share of 143.01 sen compared with 101.17 sen in the previous financial year, after restatement of the earnings per share in previous year to reflect the bonus issue which was completed in July 2017 and the cumulative conversion of the Irredeemable Convertible Unsecured Loan Stocks ("ICULS") to ordinary shares.

Further details on the performance of the Company are set out in the Management Discussion and Analysis section in this Annual Report.

Sustainability Statement

AEON Credit and AEON Group have always considered corporate sustainability measures and sustainability reporting important and beyond meeting compliance or marketing requirements, to generate long term benefits for the business and the communities in which AEON Group operates.

During the year under review, AEON Credit had conducted materiality assessment on matters that are most important to the Company's

stakeholders, which were broadly categorised under responsible business, employee ("our people") wellbeing and concerns, environmental stewardship and contribution to communities. Under responsible business, key areas identified include responsible financing and business operations in terms of customer service, credit processes, compliance and ethics in serving target segments including the lower socio economic group.

The Board is satisfied with the level of energy, enthusiasm, alignment of thought and action at Management and staff level in the Company towards sustainability initiatives. Further details are set out in the Sustainability Statement in this Annual Report.

Corporate Proposal

During the year under review, the Company completed the bonus issue of 72,000,000 new ordinary shares and listing of the renounceable rights issue of ICULS to raise RM432,000,000 in cash, under the proposal approved by the shareholders at the AGM held in June 2017.

Pursuant to the said corporate exercise and conversion of RM356,616,790 of ICULS during the financial year, the issued and paid up capital of the Company had increased from RM116.01 million as at 28 February 2017 to RM508.63 million as at 28 February 2018.

The issuance of the ICULS and increase in paid up capital of the Company serve to improve the capital adequacy ratio and support the continued business growth of the Company moving forward.

CHAIRMAN'S STATEMENT

Dividend

The Board has recommended a final dividend payment of 20.0 sen per share, estimated at RM50 million. This would result in total dividend payout ratio of approximately 34.1% of the net profit for FYE2018, including the interim dividend paid during the financial year. The total dividend payout amount is estimated to be 12.7% higher than the preceding year.

Looking Forward

Amid the stronger global economic conditions, the Malaysian economy is projected to grow by 5.5% to 6.0% in 2018, with domestic demand continuing to be the key driver of growth. Private consumption growth is expected to be sustained, supported by continued growth in employment and income, lower inflation and improving consumer sentiments.

The Company has embarked on initiatives to expand into new market segments including the targeting of consumers with lower risk profile, increase fee-based income and capitalise on growth opportunities leveraging on ÆON Group customer database in Malaysia. ÆON Credit will also endeavour to increase business volume by driving consumer traffic to merchants providing the Company's financing schemes, as well as undertake other enhancements to business processes and service delivery. The Board believes that the strategy and measures put in place by ÆON Credit will enable the Company to diversify its income profile and sustain long-term performance and growth.

Acknowledgement

It is with great sadness that I record the passing of the Company's Chairman, Dato' Abdullah Bin Mohd Yusof, on 25 April 2018. As a Director and Chairman of the Board since July 1997, Dato' Abdullah has left behind a legacy of inspirational leadership, wisdom and foresight contributing to the development and growth of the Company during the past twenty years. The Board would like to express its sincere gratitude to the late Dato' Abdullah for his immense contributions.

I am deeply honoured with the trust and confidence placed by the Board for me to succeed Dato' Abdullah as the Chairman and shall endeavour to provide the leadership for the Board to effectively discharge its role.

I would like to also extend my gratitude to

Datuk Ramli Bin Ibrahim who retired from the Board on 28 February 2018 as well as Mr. Koji Hatakeda and Mrs. Jiraporn Kongcharoenwanich who retired from the Board at the Company's last Annual General Meeting, for their wise counsel and invaluable contributions.

I also welcome Mr. Tetsuro Takano and Mr. Ajith A/L Jayaram who joined the Board in July 2017 and Mr. S. Sunthara Moorthy who joined the Board in March 2018. Their combined expertise and wealth of experience will further strengthen the Board composition to effectively steer the Company forward.

On behalf of the Board, I wish to thank my fellow Board members, the Management and all employees of the Company for their invaluable efforts, dedication and commitment in contributing to another successful year for ÆON Credit.

Finally, I also would like to express my sincere gratitude to our valued customers, business associates, bankers, government authorities and our shareholders for their continuous support to the Company over the years.

Yours sincerely,

Ng Eng Kiat
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AEON Credit Service (M) Berhad ("AEON Credit") is principally engaged in consumer finance operations through provision of easy payment and hire purchase schemes for purchase of consumer durables and motor vehicles, personal financing schemes and issuance of credit cards.

The Company is a leading non-bank financial services provider in Malaysia with nationwide operations through its 64 branches, and network of more than 12,000 participating merchant retail outlets for its product financing and credit card operations.

The Corporate Mission of AEON Credit is to provide a wide range of consumer financial services that best meet customer needs. The Company currently has almost a million active customers for the various products offered and employs more than 3,000 staff nationwide.

FINANCIAL REVIEW

Revenue for the financial year ended 28 February 2018 of RM1.24 billion represented growth of 12.1% from revenue of RM1.10 billion in previous financial year ended 28 February 2017. Stronger growth was realised in vehicle easy payment and personal financing compared to other products. Total transaction and financing volume of RM4.05 billion for the year represented growth of 0.8% from the previous year. Profit before tax (PBT) recorded for the year of RM398.34 million was 13.4% higher than RM351.16 million PBT in the previous financial year.

The healthy financial results are primarily attributable to higher transaction and financing volume, driven by the Company's product and promotion strategies, including ongoing marketing activities and strong emphasis by Management on efforts towards minimising net credit cost.

AEON Credit's financial position as at 28 February 2018 remains strong with total shareholders' funds of RM1.58 billion which translates to net asset value per share of RM6.37 (2017 : RM6.63). Earnings per share improved to 143.01 sen (2017: 101.17 sen).

Other income for the year increased by 5.2% to RM126.48 million compared with previous year mainly attributable to the increase in bad debts recovered and fee income.

Total operating costs (including staff costs and depreciation but excluding impairment loss provisions on financing receivables and other assets) of RM399.37 million, an increase of 11.1% from the previous financial year, was generally in tandem with growth of financing receivables.

Margin of profit before tax (PBT) against revenue for the financial year was marginally higher at 32.3% compared to 31.9% registered in the previous year. Meanwhile, average funding cost for the year was marginally higher by 0.02% per annum compared to the preceding year.

The total financing receivables as at 28 February 2018 was RM7.16 billion, representing growth of 11.1% from RM6.44 billion as at end of the previous financial year. The portfolio mix for receivables as at end of the financial year recorded marginal increase in share for personal financing at 26.4% (2017: 24.9%) whilst vehicle financing (for cars and motorcycles) maintained position as major portfolio with 58.5%* share of receivables (2017: 58.8%). The share of financing receivables by product is set out in the table below :

Product	28 Feb 2017	28 Feb 2018	YoY
Credit Card	9.0%	8.8%	-0.2%
Personal Financing	24.9%	26.4%	+1.5%
Car financing*	30.0%	30.2%*	+0.2%
Motorcycle financing*	28.8%	28.3%*	-0.5%
Consumer durables' financing	6.5%	5.5%	-1.0%
SME financing	0.8%	0.8%	0.0%
TOTAL	100.0%	100.0%	

There was slight deterioration in overall asset quality with marginally higher non-performing loans (NPL) ratio of 2.33% as at February 2018 compared to 2.28% in February 2017. Annualised net credit cost ratio (NCC) on average financing receivables of 3.27% was lower compared to 3.31% in the preceding financial year. The low ratio of NCC reflects the effectiveness of measures taken by the Company to maintain the quality of receivables at satisfactory level, including strengthening of credit policies and criteria for various customer segments and implementation of revised credit scorecard.



MANAGEMENT DISCUSSION AND ANALYSIS

Return on Assets (ROA) on average total assets recorded improved to 4.01% from 3.96% in previous financial year, and within threshold set by AEON Credit.

OPERATIONAL REVIEW

Easy Payment and Personal Financing Business

The Easy Payment and Personal Financing schemes registered RM2.801 billion in financing volume for the year under review as the Company continued to gain support from participating merchants for its product financing schemes and consumers in general for the various financial products offered. Financing for "Moped" category of motorcycles was key driver of growth, with increase in transactions by 19.4% and receivables by 19.6% compared to previous year.

Meanwhile, the Company revised its product strategy and tightened credit policies in relation to car financing scheme offered by AEON Credit during the year. The revision was made after review of portfolio performance including impairment losses over the years and related issues were rectified. This resulted in lower volume of new financing for cars for the year under review.

The Company capitalised on market opportunities in these product segments based on continued expansion of branch network and merchant network nationwide, competitive pricing as well as promotions in conjunction with 20th Anniversary celebrations of AEON Credit and other promotion activities.

Card Business

Total credit card transactions volume of RM1.246 billion for the financial year was higher than preceding year by 12.6% in a competitive market environment, while the number of principal cards in circulation as at February 2018 had increased to approximately 259,000 (2017: 222,000)

The Company continues to focus towards driving business and transaction growth through leveraging on branch network, merchant network and online channels.

PROSPECTS

Based on projected favourable economic and business conditions in 2018, AEON Credit expects to maintain its current financial performance in FYE February 2019 based on the implementation of its business plans. The key focus areas for the current year include branch transformation through web application and self-service terminals, embarking on digital marketing to enhance the service level to customers and introducing innovative cards under E-money platform.

In 2018, a new accounting standard, i.e. "MFRS 9 - Financial Instrument" will be applicable to AEON Credit and other business entities, replacing the existing "MFRS 139 - Financial Instrument: Recognition and measurement". The Company anticipates the application of the new accounting standard to result in earlier recognition of credit losses on receivables and decrease in the opening retained earnings. The Company is currently assessing the detailed financial impact that may arise from the adoption of MFRS 9. The Company has adequate level of buffer in total equity of the Company currently to mitigate the expected decrease in the opening balance of retained earnings, arising from the initial adoption of MFRS 9 with effect from 1 March 2018.

Sustainability is embedded as part of AEON Credit's business where the Company responds to its stakeholders to be a sustainable organization based on AEON Group's governance practices. The Company will continue to contribute effectively towards the community by providing quality services to customers, managing environmental impact, giving back to communities that we serve and caring for the wellbeing of AEON People.

ACKNOWLEDGEMENT

The Management and staff of AEON Credit are deeply saddened by the passing of the Company's Chairman, Dato' Abdullah Bin Mohd Yusof, in April 2018. As a Director and Chairman of the Board since July 1997, Dato' Abdullah was a visionary leader and mentor who will be greatly missed by all of us at AEON.

I would like to thank our customers, business partners and shareholders for your continued support and confidence in the Company. I would also like to express my sincere appreciation to the Board of Directors, management and staff of the Company for your contributions and dedication, which are essential for the business sustainability and performance of the Company going forward.

Yours sincerely,

Kenji Fujita
Managing Director

Sustainability Statement

SUSTAINABILITY STATEMENT



About This Sustainability Statement

This Sustainability Statement has been prepared in accordance with the guidelines of Bursa Malaysia Securities Berhad (Main Market Listing Requirements) related to Sustainability Statement in Annual Reports of Listed issuers, and was approved by AEON Credit's Board of Directors.

This Sustainability Statement highlights the Company's sustainability performance and initiatives on economic, environmental and social matters, identified as primary concerns by the Company's stakeholders throughout the reporting year. The Company aims to share the performance and activities with all its stakeholders in a transparent and accountable manner.

Reporting Period

The reporting period for this Sustainability Statement is the Financial Year ended 28 February 2018 (FYE2018).

Reporting Scope

This Statement covers the business operations of the Company in Malaysia, including activities conducted at the Head Office in Kuala Lumpur, 5 Regional Offices and 64 branches throughout Malaysia.

SUSTAINABILITY STATEMENT

Approach to Sustainability by AEON Credit

In line with the AEON Basic Principles, the Company looks towards realising a sustainable society by pursuing peace, respecting humanity and contributing to local communities with the customer's interests at its core.

The Company's approach towards sustainability is to think globally, in line with AEON's mission and vision, through the activities carried out locally. Sustainability initiatives enable the Company to enhance customers' lifestyle and at the same time, maintain its position as a leading non-bank financial service provider in Malaysia.

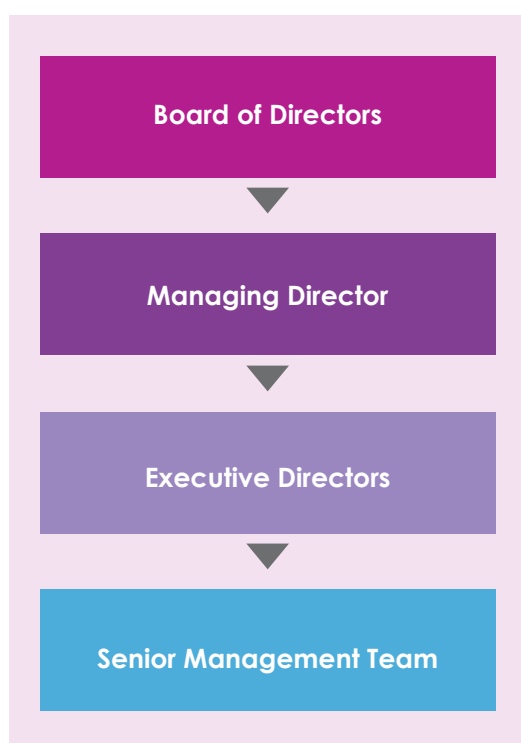
Putting customers at the core of the Company and understanding their needs enable the Company to meet customers' expectations and become an integral part of the community.

Sustainability Governance

The sustainability leadership of AEON Credit is led by the Board of Directors of the Company, which oversees the stewardship of the Company in pursuit of identified vision and commercial objectives while ensuring that the Company remains as a responsible and sustainable organisation. The Board takes into consideration sustainability issues in setting the strategic directions for the Company and ensures sustainability practices are embedded into its daily operations.

The Managing Director, Executive Directors and relevant members of the Senior Management team are responsible for the management of sustainability matters which are aligned with the Company and AEON Financial Service Co., Ltd. ("AFS") directions, implementation of appropriate measures and actions as well as monitoring of key performance indicators.

Sustainability Governance Structure



Board of Directors:

- Oversee the pursuit of the Company's vision and commercial objectives whilst being a responsible and sustainable organisation;
- Consider sustainability issues in setting the Company's strategic direction;
- Ensure sustainability practices are embedded into daily operations.

Managing Director, Executive Directors and Senior Management Team:

- Responsible for the management of sustainability matters that are aligned with AFS direction;
- Implement appropriate measures and actions;
- Monitor key performance indicators.



The Company further strengthens the sustainability governance by annual review. The review of the Company's midterm plan allows the Company to align and integrate sustainability initiatives as part of its business strategy. Existing policies and management systems that are continuously reviewed, drive compliance to relevant regulations and legislations while providing guidance towards operating in a responsible and ethical manner.

SUSTAINABILITY STATEMENT

Stakeholders

The Company has identified key stakeholders who are impacted by or have the ability to influence the Company's operations and business. Obtaining insight into sustainability concerns of the stakeholders allows the Company to make business decisions relevant and provide services that promote a sustainable society in the future.

Engagements with stakeholders have been conducted through a range of formal and informal communication channels as illustrated below:

Stakeholder Group and Communication Channels	
 Customers <ul style="list-style-type: none"> • Face-to-face interaction • Contact Centre Department • Feedback channels 	 Shareholders & Investors <ul style="list-style-type: none"> • Investor relations • Meetings • Annual General Meeting • Quarterly reports, Annual Report and media releases
 Employees <ul style="list-style-type: none"> • Meetings • Training programmes • Other engagement channels 	 Business Partners <ul style="list-style-type: none"> • Business alliance events • Merchant service • Support channel
 Government & Regulators <ul style="list-style-type: none"> • Meetings • Briefings • Forums • Events 	 Local Communities <ul style="list-style-type: none"> • Community activities* <p><i>* Organised by ÆON Credit and by the Malaysian AEON Foundation (MAF)</i></p>
 Media <ul style="list-style-type: none"> • Press releases and interviews • Annual General Meeting • Corporate events 	 Industry Associates <ul style="list-style-type: none"> • Conferences • Events

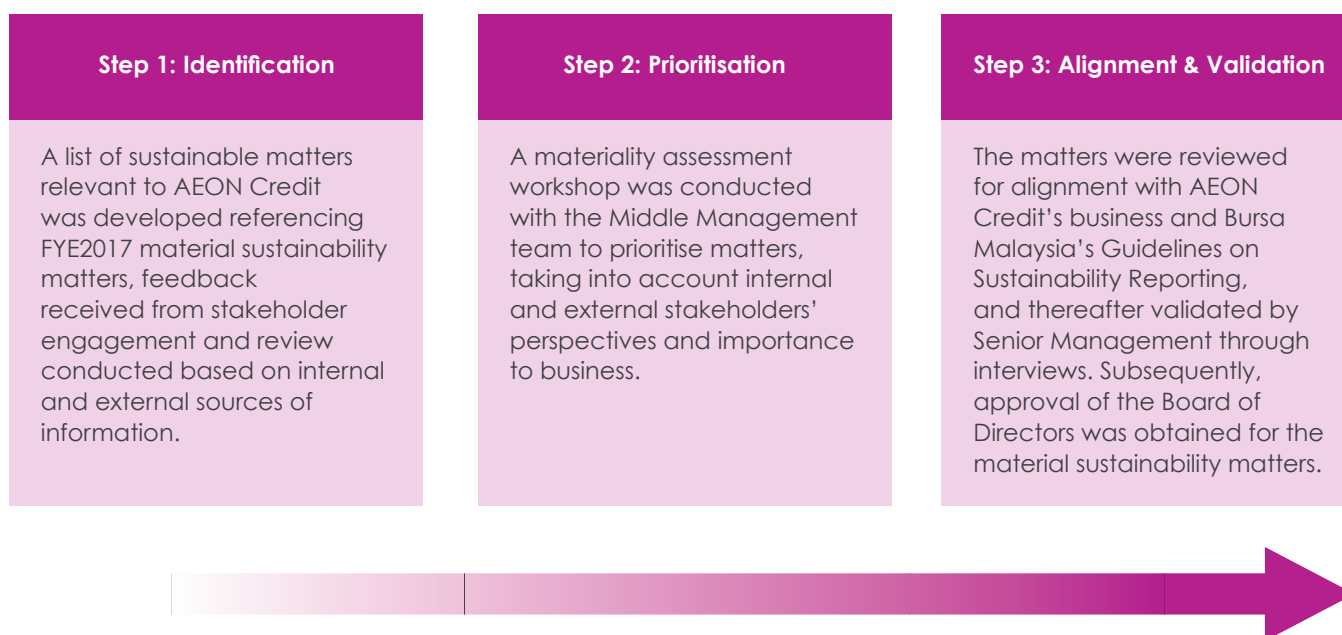
Business Units are empowered to actively engage stakeholders and subsequently take necessary actions to address the issues raised by stakeholders. Through active engagement with the stakeholders, the Company is able to gain insight into what matters most and how to respond to their needs and expectations.

SUSTAINABILITY STATEMENT

Material Sustainability Matters

The Company has reviewed the material sustainability matters identified in the previous year by conducting a materiality assessment involving representatives from various Business Units within the Company, which provided clarity over the matters that are most important to the stakeholders. The assessments were based on input received through stakeholder engagements during the year. The materiality assessment process is as follows :

The Materiality Assessment Process



The outcome of the materiality assessment allows the Company to take into account significant economic, environmental and social topics to be embedded in wider business processes and prioritise the Company's resource allocation for sustainability issues. AEON Credit's material sustainability matters have been categorised under four (4) themes as identified below.



SUSTAINABILITY STATEMENT



Responsible Business

Looks into how ÆON Credit can play an integral part of the community through its business and contribute to a local and global agenda.

GOOD GOVERNANCE

Operating in a responsible manner is very important to gain the stakeholders' confidence and trust, under an environment of growing regulatory requirements with shift towards consumer centric approach and rapid transition of social expectations of consumers from the financial service sector in Malaysia.

"ÆON must become a "trusted brand" to distinguish itself from the competition and earn customer loyalty. And to maintain that loyalty, we must work daily to evolve the ÆON of the future, a company that constantly focuses on creating new value for customers."

- The ÆON Code of Conduct

Responsible Financing

The Company plays an important role in communities by supporting customers' lifestyles and enabling customers to maximise future opportunities through effective use of credit. Adoption of responsible financing practices is essential for business strategy, sustainability and local economic growth, as the Company remains committed towards providing suitable, affordable and quality financial services to targeted customer segments.

The Company plays a complementary role to other financial service providers within Malaysia and serves a wide spectrum of customers from different backgrounds and income groups. The Company offers competitive and flexible financing services to cater for the needs of customer segments with varying profiles, while maintaining responsible financing practices.

All products and services are aligned with the corporate values and meet regulatory requirements. Credit policies based on regulatory guidelines and the Company's risk appetite are in place to manage risk of default by customers on repayment commitments.

The following processes are in place towards ensuring that all products and services of the Company are aligned with the corporate values and meet regulatory requirements :

- Internal product approval and evaluation process for new and existing product enhancements.
- Provision of clear "Product Disclosure Sheet", disclosing key information and risk factors.
- Training of employees, particularly front liners, with sufficient knowledge on product features.
- Awareness creation for employees to promote products ethically and based on customer needs.

Meanwhile, customers who face financial challenges are advised on options available for debt "restructuring" or "rescheduling" on facilities offered by the Company. The customers may also seek debt restructuring assistance under the Agensi Kaunseling dan Pengurusan Kredit(AKPK) scheme.

The Company aspires to address societal concerns within the range of products and services offered to customers, as part of the Company's endeavour to be a good corporate citizen contributing to community growth and improving the quality of life for customers in targeted market segments.

SUSTAINABILITY STATEMENT

Responsible Behaviour and Compliance

The Company is committed towards achieving good corporate governance and embraces it as a shared responsibility at all levels starting from the Board. Framework and management policies are in place to effectively achieve good governance.

ÆON Code of Conduct (CoC)

The ÆON Basic Principles and the **ÆON CoC**, which advocates "Everything we do, we do for our customers," are embodied into the corporate philosophy and approach to business.

The CoC provides a way to interpret ÆON's basic principles to communicate what the Company believes in and the responsibility to earn stakeholder confidence and operate responsibly. All ÆON Credit employees are expected to abide by and embrace the ÆON CoC by observing high standards of integrity and fair dealings with stakeholders in regions where the Company operates. New recruits are briefed on the CoC during induction, which is further reinforced through the Company's annual ÆON CoC training.

The ÆON CoC fosters a strong sense of belonging within the ÆON workplace.



Further information on **ÆON Code of Conduct** is available on ÆON Credit's corporate website.

Compliance Framework

The Company is regulated by various authorities. Further, subsidiaries of AFS Group including the Company need to comply annually with requirements under Japanese Sarbanes-Oxley (J-SOX) regulations.

The Company has in place a **Compliance Framework** that governs processes to drive compliance across operations through compliance monitoring mechanisms that are embedded within the business processes.

The Corporate Governance Group of the Company reviews related policies and internal controls, and provides compliance support. The Group works closely with the respective Business Units to address compliance risks.

To ensure the Company meets the mandatory compliance requirements and foster a strong sense of awareness and ownership amongst the employees, awareness activities and training sessions were conducted throughout the year. In February 2018, the e-Learning Programme was expanded to cover additional areas for mandatory training programmes to keep employees abreast on compliance requirements.

Whistleblowing Policy

The Company's **Whistleblowing Policy** provides an avenue for employees to report on any malpractices, misconduct or violations of the Company's policies and regulations through a secure and confidential channel i.e. the "ÆON Hotline". The Company hopes for all employees to have a common notion of responsibility towards ensuring ethical business practices and conduct through the said policy and whistleblowing channel.

ÆON Credit Mandatory Training Programmes



- Code of Conduct
- Induction Training for Management and Non Management
- Legal Familiarisation
- Legal Familiarisation Refresher
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001
- Personal Data Protection Act 2010 (PDPA)
- Financial Services Act 2013 (FSA)

SUSTAINABILITY STATEMENT

Integrated Management System (IMS) Policy

The Company's IMS integrates Quality, Information Security and Environmental Management Systems in the business processes for seamless business operations and process efficiency. The IMS implementation covering the Head Office and 5 Regional Offices of the Company have been certified to meet requirements under the following ISO standards:

- ISO 9001: 2015 Quality Management System
- ISO/IEC 27001: 2013 Information Security Management System
- ISO 14001:2015 Environmental Management System

Through the IMS Policy, the Company is committed to provide assurance on the quality and integrity of services provided, management of information, service experience of customers and minimal environmental impact arising from operations of the Company.

IMS Policy Statement

We are committed towards :



Further information on how the IMS Policy is adopted by our employees to deliver exceptional customer experience is discussed under "Customer Experience" on page 19.



A Closer Look: Corporate Governance Engagement Programme

As part of the Company's initiative to nurture a culture of good corporate governance, a Corporate Governance Engagement Programme was introduced in 2017. The aim is to provide awareness on the role of AEON Credit's Corporate Governance Group (CGG) in supporting the Company's overall business and fostering good working relationship.

The CGG Management team visited all Regional Offices in Malaysia for engagement sessions. The topics discussed aimed to create awareness on the importance of corporate governance functions at Regional Offices towards ensuring compliance, managing risks and meeting requirements under IMS policy through:

- Proactively identifying any risks and developing risk mitigation plans;
- Continual monitoring and reporting of any incidents which may affect the Company;
- Inculcating the IMS culture in day to day operations;
- Focusing on quality output from respective processes while ensuring preservation of security of the Company's and customers' information as well as minimising the impact of operations to the environment.

The inaugural engagement programme has achieved its set objectives, with participation from 54 management staff across Regional Offices throughout Malaysia, and such engagement will continue to be a part of CGG key activities in the upcoming financial year.



To read more on corporate governance practice, please refer to our Corporate Governance Overview Statement section in this Annual Report.

SUSTAINABILITY STATEMENT

Protection of Customer Information

The Company continues to place strong emphasis on maintaining processes and controls to ensure the confidentiality of customer information and documents, having regard to increasing integration of digital technologies into business operations and daily life as well as heightened level of cyber security risks in current business environment.

The Company has obtained certification under ISO/IEC 27001:2013 Information Security Management System standard that assures customers information is adequately safeguarded throughout the information lifecycle.

There are multiple layers of defence within the Company to protect customer information in terms of confidentiality, integrity and availability. Internal controls in place include the establishment of information security policies as well as system controls and physical access controls applied to the information technology (IT) network and infrastructure to prevent theft, misuse and loss of information and documents.

The Company is guided by requirements under the Personal Data Protection Act (PDPA) 2010 and Secrecy Provisions under the Financial Services Act (FSA) 2013. In the event of any customer privacy and information breaches, the Company will take immediate action to address the breach and implement remedial measures and control to mitigate or prevent risk of recurrence of similar breach in future.

All employees are required to adhere to the numerous information security policies in place and understand their responsibility towards protecting customer information. The Mandatory Training Programmes conducted contain specific modules on protection of customer information. Numerous awareness programmes were conducted during the year to cultivate a workforce that upholds the highest standards of integrity in order to prevent the misuse of customer information and maintain confidentiality when communicating with external parties.



BUSINESS CONTINUITY MANAGEMENT

To ensure the continuity of critical business functions and essential services, the Company has in place a Business Continuity Management Policy which encompasses Business Continuity Plan (BCP), Disaster Recovery Plan and Cyber Incident Response Plan.

A dedicated “back-up” site with required infrastructure and services for back-up operations under the BCP has been established by the Company outside Klang Valley. Critical back-up and recovery servers for IT systems are located away from the Head Office at a third party site with adequate infrastructure and services.

Cyber Security Resilience

As digital technology has been integrated into business operations, the Company has in place cyber security measures to protect the business and customers from related threats. To evaluate the effectiveness of security measures and cyber threat mitigation plans, the Company conducted a Cyber Crisis Simulation Exercise to test readiness to respond to cyber-attack scenarios that are most likely to impact the Company. Internal coordination between Emergency Response, Business Continuity and IT Disaster Recovery Teams were also tested. The exercise increased cyber security awareness and identified areas of improvement for the Cyber Incident Response Plan.

More challenges and cyber threats will emerge as technology evolves. Moving forward, the Company shall take further measures which are necessary to strengthen the cyber resilience of AEON Credit to ensure business continuity, protect customer information and meet service level expectation from customers.

SUSTAINABILITY STATEMENT

CUSTOMER EXPERIENCE

ÆON people are always grateful to the many other individuals who provide support and help, never forgetting to act with humility.

In line with the **ÆON Basic Principles**, customers have always been at the core of the Company's interests. Customers' opinions and concerns are important as it will be used to enhance value for the Company's products and services. The Company believes in fostering a long lasting customer experience.

The Commitment to Customers

As a member of the ÆON Group, the Company endeavours to provide customers with assurance and trust in their daily lives, with the view that "everything we do, we do for our customers."

- ✓ Customer satisfaction is the utmost priority
- ✓ The Company always acts with integrity and keep promises to the customers
- ✓ The Company offers exceptional services for each customer
- ✓ Services are provided with a warm greeting and a friendly smile
- ✓ The Company listens to the voice of the customer and strives to address customer desires in all its business practices



The quest to provide good customer service is supported by the IMS Policy and certification under ISO 9001:2015 Quality Management System standard, which assures the Company's business processes are designed and established to deliver excellent and efficient customer service.

Listening to the Customers

The Company provides interaction touch points at the 64 ÆON Credit branches nationwide and through various other communication channels under the Customer Care Centre including email, telephone and online feedback form to obtain customers' feedback.

A robust complaint management process is also in place to ensure grievances are addressed, with effective controls to avoid recurrence. Complaints are received via two channels – directly to ÆON Credit touch points, or alternatively through regulatory bodies. All complaints received in FYE 2018 have been resolved within the stipulated turnaround time (TAT).



100%
of complaints
were solved
within TAT

SUSTAINABILITY STATEMENT

At AEON Credit, we continuously strive to improve the overall customer experience by focusing on their needs.

Voice of Customer (VOC) Programme

The VOC Programme aims to provide better customer service and move beyond just managing complaints. A proactive approach is taken where the VOC Team identifies areas of improvement in systems and processes through their analysis and assessment. Once an issue has been identified, analysis will be conducted to verify whether the issue is widespread and impact on customers. Appropriate actions are then taken to resolve the issue. The Company's Senior Management closely monitor these issues and receive reports on a daily basis.

Customer Service Programme

Under a programme introduced in November 2017, the Company has appointed an external party to assess the quality of services provided at the Company's touch points. The "Mystery Shopper" acts as a customer in order to assess the level of customer service provided. Thus, the Company is able to obtain an independent view on the level of customer service provided and areas to improve.

Nurturing a Customer Centric Culture

Customer engagement activities and trainings have been conducted throughout the year with the objective of nurturing a customer centric culture. Mandatory induction training for new joiners highly focuses on customer management and customer service. Employees are also selected to join customer centric programmes to improve their skills and knowledge.

The Compliment Recognition Programme was a new initiative introduced in December 2017. Under this Programme, compliments received by employees from either external or internal customers (colleagues in AEON Credit) are shared within the Company. The aim of the programme is to create a customer centric culture by encouraging all employees to set a good example and give their best when servicing internal and external customers.

From December 2017 to February 2018, a total of 99 verified compliments were received. Under the programme, employees with the most outstanding compliments are recognised and commended during the Management's monthly Morning Assembly and through SPOTLIGHT, an internal monthly newsletter. Such appreciation and recognition activities encourage everyone within the Company to give their best when dealing with customers.

To further supplement this initiative, the AEON Credit Ambassador Programme was introduced as a Company-wide approach designed to nurture a customer centric culture.



SUSTAINABILITY STATEMENT



A Closer Look: ÆON Credit Ambassador Programme

The objective is to build value in demonstrating genuine care, ownership and responsiveness to make every single interaction with customers an exceptional experience. After interacting with the customers for many years, the Company understands that quality customer service will build customer trust.

Through this programme, the Company aims to promote excellent customer service. It has been achieved by sharing customer feedback through the Compliment Recognition Programme and at the same time providing rewards to the employees who go above and beyond the call of duty to satisfy customer needs.

This programme comprises various customer-centric initiatives and is designed to be carried out over the long term. Moving forward, additional initiatives and activities will be introduced under the programme.

Recently, a full-scale campaign to “WoW” customers has been launched. Under this campaign, 8 essential elements or characteristics were identified to provide exceptional customer experience whenever, wherever and to whomever.

8 WOW ELEMENTS

- POLITE
- ATTENTIVE
- APPROACHABLE
- KNOWLEDGEABLE
- HELPFUL
- ENTHUSIASTIC
- EXTRAORDINARY
- EFFICIENT



All ÆON Credit employees are given an ÆON Ambassador Badge reminding them always – “How may I help you?”



Customers' lifestyles and expectations are evolving in light of advancements in technology, as they look for a more seamless, simple, faster and integrated experience. As such, the Company is transforming its business model by leveraging on technology and embracing digitalisation.



More information on our digitalisation initiatives can be read on the next page – Digitalisation and Innovation.

SUSTAINABILITY STATEMENT

DIGITALISATION AND INNOVATION

The financial services industry continues to undergo rapid changes in recent years due to technology advancement and globalisation. These changes bring exciting opportunities and simultaneously, challenges and growing risks. The customers' lifestyles are also evolving as technology becomes more integrated into their day-to-day life. This is evident with more customers using portable devices and performing online transactions.

In response, the Company has embraced digitalisation and innovation as a way forward to remain competitive. The Company has embarked on a digitalisation journey to improve the way of addressing stakeholders' concerns, particularly the customers, and at the same time improve business efficiency.



AEON has identified Digital Shift as one of the Group's Medium-term Management Plan

In June 2016, online applications for selected core products and services were introduced to provide more convenient hassle free experience, primarily for credit card and personal financing services. As a result, customers are now able to submit application forms and upload supporting documents anywhere at their own convenience. Time taken to process and approve applications has significantly improved, increasing efficiency and leaving customers more satisfied.

Moving forward, the Company expects credit cards and personal financing applications through online application platforms to increase significantly.

New Departments to Support Digitalisation and Innovation

In FYE2018, two new departments were established – Digital Marketing and Research & Development (R&D).

The Digital Marketing Department was established to forefront digital initiatives that focus on customer data integration and big data analysis to pave the way to improve customer engagement and gain feedback to improve service level.

The AEON Wallet, is a new platform that consolidates and integrates payment solutions and loyalty programmes for all AEON customers in Malaysia, expected to be launched soon in FYE2019. Introduction of AEON Wallet is part of the Company's strategy to complement the evolving customer lifestyle and attract customers from all segments to go cashless. This service will benefit customers by providing safe transactions, mitigating the risk of fraud and serve to protect customer information.

The Company is investing in the R&D Department focusing on services with the adoption of new technology and devices at customer touch points. The services include Robotic Process Automation (RPA), facial recognition and biometric identification.

SUSTAINABILITY STATEMENT

Digital Branch Transformation

The Digital Branch Transformation is expected to be completed in FYE2019. Under this transformation, new features were introduced enabling branches to function more efficiently and have higher employee productivity. The employees are now able to focus their time towards understanding and connecting with customers to provide better solutions.

The Company received a Special Recognition Award from AEON Financial Service Co. Ltd. for its digital branch transformation initiative. The award was for providing customers with a more interactive and seamless experience.

The following features have been introduced:

- **E-Application Utilising Tablets**

Seamlessly integrate manual credit card applications with e-Application improving efficiency and minimising paper consumption.

- **Handheld Employee Provident Fund (EPF) Device**

Enable applicants to conveniently access and provide their EPF statement to support their application, reducing processing time to less than one hour and improve overall business process.

- **Integrated Customer Information and Biometric Identification**

Allows customers to access their account via their identity card and introduced biometric identification to strengthen cyber resilience.



The Company also takes into consideration the digital readiness of business partners' networks that spans across more than 12,000 outlets nationwide. When new features similar to the e-Biz portal are made available to merchants in stages, the Merchant Sales Executives will visit merchants to provide updates and training on the features. Moving forward, the focus is to leverage on digitalisation enhancement towards greater customer experience and seamless connectivity.

SUSTAINABILITY STATEMENT

Value Chain Transformation

The Value Chain Transformation (VCT) aims to transform the business to make it more efficient and effective by reviewing end-to-end processes. VCT provides an effective and comprehensive value chain management process to drive efficiency at every level to achieve greater profitability and enhanced sustainable growth. The transformation further supports the Company's initiative towards paperless environment.

●●●▶ A Closer Look: Value Chain Transformation

Subsequent to the first phase of the VCT being completed in FYE2017, the second phase of VCT in FYE2018 encompassed various projects, including certain key projects set out below.

E-Biz Platform

The objective is to facilitate application submission by merchants through e-platform towards paperless environment. With B2B Portal, the Company is able to be innovative in providing the business partners and customers with a more meaningful experience by presenting -

- ✔ **Simple: Simple processes / procedures**
- ✔ **Speed: Instant services**
- ✔ **Seamless: Integration of processes and systems to improve efficiency**
- ✔ **Solution: Financial services matched to customer lifestyle**

Previously, application forms amounted to a large volume of paper consumed and would take up significant time to process these applications. The time of which was spent could be better utilised by the employees to engage and interact with the customers. Since the successful implementation of e-Biz portal, overall efficiency at branches has been improved. Significant cost avoidances have been realised as the Company went paperless and the overall efficiency rate increased with the reduced application processing time.

Instant Credit Card Issuance

In April 2017, the first Instant Credit Card Embosser was introduced at Mid Valley branch which allowed each credit card application to be processed and card issuance completed in less than an hour. This resulted in improved customer experience allowing approximately 56% of customers to collect their cards on the same day.

Auto Finance Management System

The Auto Finance portfolio management has been enhanced by developing merchant management system to better manage overall credit risks.



Moving forward, customers can expect new features that improve customer experience, thereby increasing satisfaction level.

SUSTAINABILITY STATEMENT



Environmental Stewardship

Encompasses ÆON Credit initiatives to protect and minimise its impact to the environment.

ENVIRONMENTAL MANAGEMENT

As ÆON Group aspires to realise a sustainable society, the Group has identified three areas as their environmental priorities encompassing a low-carbon society, conservation of biodiversity and better use of resources. These areas serve as pillars to anchor the environmental initiatives aligned to ÆON Group.

Environmental best practices are integrated into the operations through certification of ISO 14001:2015 Environmental Management System (EMS) standard. Under EMS Policy, the Company commits to minimise environmental impact through initiatives such as resource management and carbon emission reduction.

The Company promotes environmental conscience behaviour and aims to minimise the environmental footprint through employee awareness programmes. One such programme is "ÆON Credit Service Malaysia (ACSM) Go Green" Campaign, aimed to promote an environmentally conscious culture amongst the people beyond the workplace. Moving forward, the Company would actively participate in Go Green Campaigns such as beach cleaning and tree planting activities.



More information on our FYE2018 environmental conservation activities can be read under our Corporate Responsibility & Events 2017.

Waste and Paper Management

The amount of e-waste generated is increasing as the Company becomes more technology driven and dependent on IT equipment and gadgets. Nevertheless, the Company has set in place appropriate waste management practices for collection, recycling and disposal of such e-waste.

Scheduled waste arising from operations primarily comprise e-waste and fluorescent bulbs. The Company manages the disposal in accordance with the Environmental Quality (Scheduled Waste) Regulations 2005.

In FYE2018, 1,460 kg of e-waste and 82 kg of fluorescent bulbs have been generated. Most of the e-waste generated were from discarded computer equipment.

The Company continually promotes the 3Rs practices of Reduce, Reuse and Recycle. All documents and used papers are collected and disposed through an appointed recycling vendor.



Recycling bins have been prepared at Head Office and all Regional Offices

SUSTAINABILITY STATEMENT

The Company recognises that a significant amount of paper is used within operations which subsequently generate large quantities of solid waste. In response, the Company commits to avoid unnecessary paper consumption. As a result, 15% year-on-year reduction in paper consumption has been achieved. This improvement was made possible through more prudent use of paper, and efforts to go paperless throughout the operations.

The Company's commitment to go paperless resonates with digital transformation to reform and automate the operations. Supporting initiatives include the branches going cashless and adopting digital technologies such as digital signage and removal of physical forms. The successful implementation of e-Biz portal similarly reduced paper consumption throughout operations.

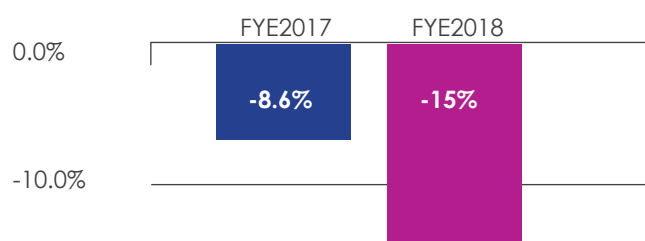
Moving forward, technology and electronic platforms will be utilised as much as possible when engaging with the customers and internally within the Company. For example, online platform and mobile devices are utilised when conducting field visits to customers.

Electricity Consumption

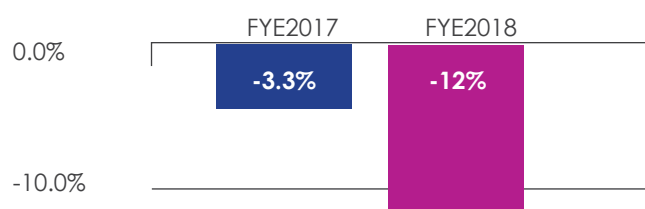
The Company monitors electricity consumption throughout its offices. The aim is to track energy consumption and promote efficient use of energy. Compared to FYE2017 consumption, electricity consumption was reduced by 12% in FYE2018.

In November 2017, the Head Office was relocated to UOA Corporate Tower in Bangsar South which is a green building as certified by Green Building Index Malaysia. Throughout the year, energy efficiency initiatives have been continuously implemented such as the introduction of LED lights at new and refurbished branches and service counters.

Reduction in Paper Usage*



Reduction in Electricity Consumption*



SUSTAINABILITY STATEMENT



Our People

Highlights the move towards becoming more employee centric by taking care of and developing employees. This also includes fostering a unique culture amongst employees to become better people and community members.

EMPLOYEE RELATIONS

The employees are referred to as ÆON People and they are important assets. Overall, the Company relies on more than 3,000 employees to advance ÆON Credit together towards realisation of its vision.

The Company's people management philosophy stands guided by ÆON's Basic Principle on Personnel and Basic Approach to Personnel. The belief and approach centres around respecting the rights of the employees and enabling them.

Together with ÆON People

Basic Principle on Personnel

With the primary objective of management based on respect for Human Rights, ÆON's basic principles on personnel revolve around listening to employees' aspirations, understanding employees' feelings and making the most of what employees have to offer, based on the guiding philosophy of ensuring that all ÆON people lead a full life at work, at home and in the community.

Basic Approach to Personnel

- Creating a corporate environment in which human resources can continue to grow as they work over the long term.
- Dealing with personnel based on ability and achievement not nationality, age, gender or job category.



Five Human Resources Principles:

1. Fairness
2. Respect
3. Openness to change
4. Rationality
5. Ability Development

The Company continuously engages with the employees through various employee engagement channels such as Human Resource (HR) help desk, monthly morning assembly for Management, daily staff meetings and monthly internal newsletters.

In 2017, the Human Resource Management Group (HRMG) initiated the Employee Engagement Programme where HRMG visited regional offices to conduct casual one-on-one sessions with employees. The aim was to gain feedback on issues faced throughout operations and to take appropriate actions.

SUSTAINABILITY STATEMENT

Workforce Diversity

The approach towards diversity is anchored on respect, fairness and inclusion. Embodied in the **AEON CoC**, the Company respects the rights of each person, and will not discriminate based on nationality, race, gender, age, educational background, religion or physical disabilities.

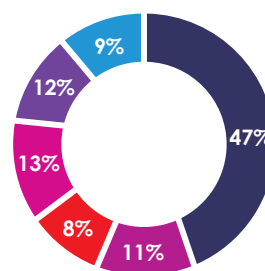
The culture is to respect and listen to one another. In FYE2018, 22 reports were received through formal employee grievance mechanism channels with all reports having been resolved within the reporting year.

The current workforce of 3,244 employees grew from 3,187 in the previous year. The people were hired from diverse backgrounds based on their abilities and competencies.

Promoting diversity and inclusion provides better understanding of the stakeholders, such as customers who also come from different backgrounds and locations. By leveraging on diverse workforce, the Company is confident to tackle challenges through creative solutions.

The Company believes that embracing diversity and respecting the unique traits of each employee can nurture a more conducive and innovative workplace. Through this, the Company hopes to retain and attract more capable employees.

Employee Breakdown by Office (%)



- Head Office
- Central
- East
- North
- South
- East Malaysia



Breakdown of Employee

Indicator	FYE2017	FYE2018
Number of employees	3,187	3,244
Number of employees by gender		
- Men	1,145	1,163
- Women	2,042	2,081
Number of employees by age		
- <30	1,843	1,746
- 30 – 50	1,331	1,483
- >50	13	15
Number of employees by level		
- Top Management	5	9
- Senior Management	45	46
- Middle Management	90	99
- Junior Management	375	457
- Executive & Below	2,672	2,633

SUSTAINABILITY STATEMENT

Women representation at all levels is important in order to inspire people. The Company aspires to create a workplace where women feel represented and empowered.

Women make up 64% of the workforce. At management level, 31% of employees comprise women.

Zooming into employees' age, majority of employees are below the age of 30 with 25-30 year olds making up 54% of workforce for FYE2018. Different age groups bring with them different expectations and needs. With more than half of employees coming from the 25-30 age group, listening and understanding their expectations are more important than ever. Only then the Company will be able to nurture them to carry the ÆON culture progressively.

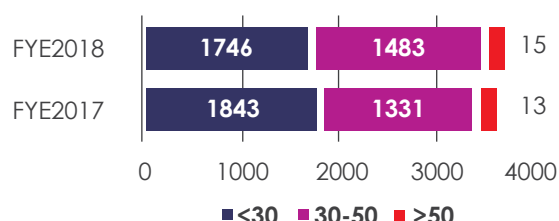
All employees, regardless of gender and age should feel part of ÆON family and not be afraid to voice their opinions or desires. The concept of "openness to change" is embraced through the provision of platforms made available for employees to plan their career within ÆON Credit.

Gender breakdown of our workforce



**Management comprises of top management, senior management and middle management.*

Age Diversity (No.)



EMPLOYEE MANAGEMENT & DEVELOPMENT

At ÆON Credit, the people are aspired to grow with the Company. Initiatives are designed to support and enhance employees' knowledge and skills to prepare them to take up new and exciting opportunities. For instance, one of HR principles is "Ability Development" that encourages employees to take ownership of their career path to achieve their desired goals.

Training and Development

In FYE2018, a total of 39,000 training hours were accumulated Company-wide. All employees are required to complete their Mandatory Training Programmes as well as other selected training programmes.

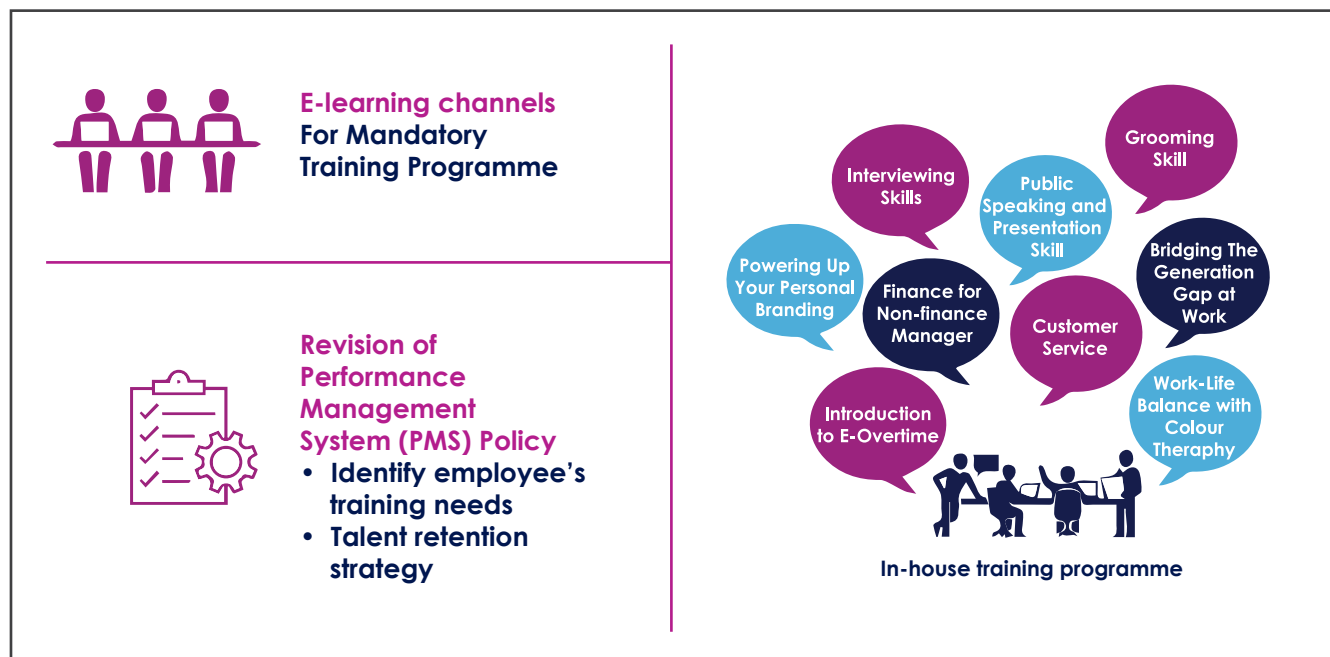
81% of the total training hours were accumulated by employees from the Junior Management to Non-Management levels. Trainings received largely evolved around Self Mastery and Task Orientated type programmes designed to empower junior employees to move to the next level.

To create a stronger learning culture within the Company, the Human Resource Management Group extended the use of in-house Facilitators and Trainers from within departments to facilitators from other departments/Business Units. As a result, 93% of total training hours for FYE2018 were from in-house training programmes. Internal training enables information to be presented in the language, terminology and manner familiar to other employees, enabling better development and knowledge transfer. External Training Facilitators and Trainers were also invited as subject matter experts to address specific target audiences and topics.



SUSTAINABILITY STATEMENT

Throughout the year, new initiatives were introduced to support learning and development:



In-house trainings such as Interviewing Skills are conducted regularly



Mandatory Training Programme conducted for new employees with refresher courses for current employees

Succession Planning

The Company actively builds up its talent pipeline, develops internal talents and grooms potential successors.

To nurture talent and support Succession Planning roadmap, a strategically structured Talent Management and Development Programme has been introduced. Particular attention is given to identify and nurture future leaders within the workforce. The Board receives quarterly updates on the status of this programme. To identify suitable candidates for the programme, a total of 60 staff from Middle Management have undergone various talent assessments consisting of Inductive Reasoning test and Simulation Exercises.

Following completion of the assessment, candidates were put through a Personal Intervention Programme facilitated by an external consultant to chart a customised personal career development roadmap based on their goals and career progression path.

Talent Management & Development Programme

20 Senior Management assessed in FYE2017 (1st batch)

60 Middle Management assessed in FYE2018 (2nd batch)

SUSTAINABILITY STATEMENT

As part of the initiative for better succession planning, a new grading scheme has been introduced for all staff that provides more uniform job titling across the Company. The objectives of the new scheme are as follow:

- To align with AFS Group staff grading system to ensure the work related responsibilities are similar across the group
- To create a flatter organisation for better decision-making process
- To shorten the career pathway for employees and to attract new hires
- To support and achieve the company's Mid-Term Strategy Plan on Talent Development by increasing Management and Senior Management population as well as sourcing external talents.

EMPLOYEE WELLBEING & SAFETY

A healthy workforce is essential to sustainably grow as a business, create a meaningful workplace and serve the customers well. That is why AEON people's wellbeing and safety are utmost priority.

Employee Wellbeing

The Company promotes a healthy lifestyle through awareness programmes and initiatives throughout the year which included the following:

- New Health Screening Policy introduced
- Emotional Intelligence Management session - conducted by a leading psychiatrist from Gleneagles Kuala Lumpur along with a complimentary health test
- Ergonomic Programme with floor marshals conducting Body Discomfort Survey to develop workplace ergonomic risk profile
- Team Building Day by AEON Credit's Customer Service & Operation Division



Safety

Through Occupational Safety & Health (OSH) Policy, the Company is committed to provide a safe and conducive working environment for all employees, and protect customers and visitors from potential danger caused by any of its business activities.

This policy is communicated to all employees and is available on AEON Credit website. The Company always ensures compliance with the provisions of Occupational Safety and Health Act (OSHA) 1994.

The Company has established a Safety & Health Committee chaired by the Managing Director and with representatives from Management. The Committee meets on a monthly basis to discuss and address matters pertaining to safety and health which arise from the operations.

At the working level, the Company has an Emergency Response, Safety & Health Committee consisting of representatives from various Business Units. The Committee is responsible to:

- Review accident reports and investigations, and
- Discuss and suggest improvements for safety and accident prevention programmes.

Reporting any observations of unsafe conditions is a shared responsibility. Regular safety inspections are conducted to identify any potential hazards which may affect the employees. Where any potential hazards are identified, immediate corrective actions are taken where possible. For FYE2018, no work related accidents were recorded.

Fire Safety Awareness sessions were conducted in offices throughout the year. Additional safety initiatives that took place were Fire Safety Awareness sessions, Accident Prevention and Emergency Evacuation Procedure and Work Stress Management talks.



ZERO

work related accidents in FYE2018

6 safety inspections conducted



at AEON Credit's Head Office and
5 Regional Offices

SUSTAINABILITY STATEMENT



Contributing to Communities

Demonstrates how ÆON Credit gives back to the local community as part of our continuing contribution to the community in line with ÆON Basic Principles for Peace, People and Community.

COMMUNITY ACTIVITIES AND CONTRIBUTIONS

ÆON Credit aims to set an example as a good corporate citizen, by working together with the community for its growth and towards the improvement of quality of life.

This has been shown through donations and contributions, education sponsorships and Corporate Responsibility (CR) activities. Some activities were carried out in collaboration with the Malaysian ÆON Foundation (MAF), a charity arm of ÆON Group Malaysia.

Donations and Contributions

In FYE2018, the Company contributed more than RM400,000 in various areas and activities. Breakdown of the contributions is presented in the following chart.

Education Sponsorship

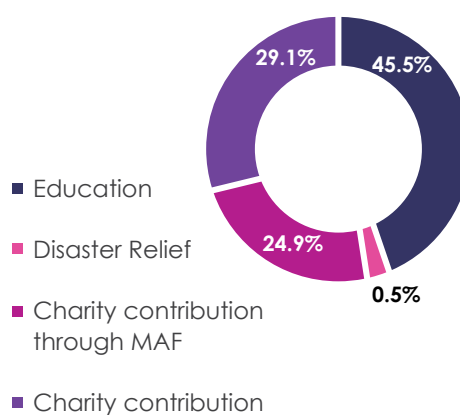
ÆON Credit continued to provide education sponsorships to financially challenged and eligible students to support their studies in local universities.

In FYE2018, the Company sponsored 20 students to pursue their tertiary education at selected partner universities which included Universiti Putra Malaysia, Universiti Malaya and Universiti Sains Malaysia. Students under sponsorship are studying in various fields of studies.



Our team of volunteers at Saleng Handicapped Children and Old Folks Home

Contribution for FYE2018



SUSTAINABILITY STATEMENT

Disaster Relief

Floods in Malaysia have impacted numerous communities living within flood prone areas. Unpredictable weather patterns as a consequence of climate change have left more communities vulnerable towards unforeseen floods.

ÆON Credit extended a helping hand to support post-disaster relief activities to help affected communities rebuild their lives and ease their burden.

Similarly in the East Coast, the state of Kelantan was affected. The employees from the Eastern Region Office (ERO) volunteered together with MAF's team to provide aid by handing over daily essentials to flood victims from two relief centres in Kelantan and affected villages - Kampung Jejuluk Haji Senik in Pengkalan Kubur and Kampung Tebing in Tumpat.



Extending a helping hand to flood victims

On 5 November 2017, the Northern Region Office (NRO) in Butterworth, Penang was affected by one of the worst floods in Penang's history. A total of 42 employees from NRO were impacted. Volunteers from the Company provided assistance to the affected NRO employees by providing food supplies and other necessities.

Beach Cleaning

As part of ACSM Go Green Campaign, the Company is committed to keeping beaches clean. The activity fosters good corporate citizen culture within employees and brings a sense of togetherness amongst the ÆON people.

The beach cleaning activities aims to keep beaches free from rubbish such as plastics, glasses and debris. In FYE2018, three beach cleaning activities were conducted across Malaysia. Moving forward, the beach cleaning activity will be an annual event and the Company is looking to expand it throughout Malaysia.

- Pantai Saujana, Port Dickson, Negeri Sembilan
- Tanjung Lobang, Miri, Sarawak
- Kampung Pasir Pandak, Santubong, Sarawak



Clearing the beach from rubbish

"Clean Earth | Green Earth" Beach Cleaning Programme at Pantai Saujana, Port Dickson



107 Volunteers



253.3 kg
Total waste collected



65% Recyclable waste

Recycle waste include plastic and glass

SUSTAINABILITY STATEMENT

Community Services

ÆON Credit aims to make a difference for the less fortunate and give back to communities. The Company continued to organise community service activities across the Nation with active participation from ÆON people.

ÆON Credit offices throughout Malaysia supported charitable causes to make a difference to the communities they serve. Some key highlights in FYE2018 are as follows:

Participants	Beneficiary	Activities Conducted
Head Office	Less fortunate families	<ul style="list-style-type: none"> • Donation of cash and groceries
	<i>Rumah Kasih Sayang Khidmat Baitulmahabbah</i>	<ul style="list-style-type: none"> • Donation of cash
Southern Region Office (SRO) • 37 volunteers	Perdana Cosy Home Care, Johor	<ul style="list-style-type: none"> • Donation of basic necessity goods • Birthday celebration for some of the residents
• 30 volunteers	<i>Pertubuhan Kebajikan Villa Harapan, Melaka</i>	<ul style="list-style-type: none"> • Donation of essential goods • Aerobic exercise and dance session
Sibu Office • 11 volunteers	Sibu Kidney Foundation	<ul style="list-style-type: none"> • Contribution of cash and basic necessity goods

Saleng Handicapped Children and Old Folks Home



195 volunteers
participated from SRO



Birthday celebration with the residents



ÆON People volunteering at Perdana Cosy Home Care

SUSTAINABILITY STATEMENT

Environmental Programme

ÆON practices a tradition of planting trees. Through this activity the Company aspires to spread the spirit of fostering green spaces in surrounding communities.

The Company extended support in tree planting activities to other companies within the ÆON Group of companies -

- Mall opening celebration at AEON Mall Bandar Dato' Onn, Johor
- 5th Anniversary celebration of AEON BiG at Sekolah Kebangsaan Kampong Perak, Batu Kurau, Perak

In celebration of National Recycling Day (HKSK), ÆON Credit participated in the HKSK Fun Walk organised by Solid Waste and Public Cleansing Management Corporation (SWCorp). The celebration aimed to create awareness on importance of 3R (Reduce, Reuse and Recycle) in daily life.



Planting trees to foster more green spaces

Road Safety Campaign

The Company recognises its role to encourage safer practices and behaviours on the road especially to motorcycle riders.

Campaign	Partnership	Activity Conducted
Kempen Keselamatan Jalan Raya Hari Malaysia Yamaha-Kuching	<ul style="list-style-type: none"> • Hong Leong Yamaha Motor Sdn Bhd • KHI Helmets Industry Sdn Bhd 	<ul style="list-style-type: none"> • Free motorcycle inspection • Sponsored motorcycle helmets and safety vests
Chinese New Year Road Safety Campaign	<ul style="list-style-type: none"> • Kawasaki Motors Malaysia 	<ul style="list-style-type: none"> • Free motorcycle inspection • Complimentary new helmets, rain coat and reflective sticker for motorcycles



Road Safety Campaign With Kawasaki Motors Malaysia

SUSTAINABILITY STATEMENT

Sports Sponsorship

The Company supports healthy lifestyle and youth development. Since 2014, the Company supported the Malaysia Purple League, a local badminton league aimed to develop future world champions in badminton. The Company supports the Ampang Jaya Badminton Club (AJBC) as one of 12 premier clubs participating in the League by providing sponsorship to their Junior Development Programme. Currently there are five (5) players of the club who have made it to the national level.

Besides that, the Company participated in the 10th Annual Charity Badminton Competition organised by Selangor & FT Motorcycle and the Scooter Dealers Association. Proceeds from this event went to selected charity organisations.

The support of AEON Credit in sports is also demonstrated in the recent KUALA LUMPUR 2017, 29th Southeast Asian Games (SEA Games) and the 9th ASEAN Para Games where the Company was a silver sponsor.



Silver sponsor for the 29th Southeast Asian Games (SEA Games) and the 9th ASEAN Para Games in Kuala Lumpur

Corporate Social Responsibility with Malaysian AEON Foundation (MAF)

MAF, established in June 2014 is a charity arm of AEON Group Malaysia. Every year, together with MAF, the Company continues the spirit of giving during festive seasons, flagship education programmes and charity events where the employees volunteered and presented beneficiaries with gifts and financial aid.



Festive Celebrations

We supported MAF in the following festive celebration:

- Sinar Kasih Ramadhan
- Lights of Love Deepavali
- Spread Your Love Chinese New Year
- Joy of Christmas

Total Number of Beneficiaries for Festive Celebrations



571 individuals

45 families



Activities Conducted during Festive Celebrations



Cash donations

Shopping spree



Entertainment outings

Meal treats



Corporate Responsibility & Events 2017

Awards



Customer Service Award 2016 Prize Giving Ceremony

On 8 March 2017, AEON Financial Service Co. Ltd., Japan, held its Customer Service Award 2016 Prize Giving Ceremony. Currently in its third year running, the competition recognises staff of AEON Group for excellent service rendered to AEON customers. The recipients of the awards comprised of Japanese and Malaysian staff. Among the recipients this year was Mr Lee Eng Chye from Customer Service Department, AEON Credit Service (M) Berhad. The award was presented by AFS President, Mr Kenji Kawahara.



The Edge-Billion Ringgit Club & Corporate Awards 2017

The Edge Billion Ringgit Club (BRC) annual gala dinner and corporate awards was held on 21 August 2017 at the Grand Hyatt, Kuala Lumpur. This year's event announced AEON Credit Service (M) Berhad as the winner in the below RM10B Market Cap Highest Return on Equity over Three Years in the Finance Category.



AEON Financial Service Awards: Excellent Management Awards (Japan)

On 17 April 2017, Mr Kenji Fujita, Managing Director of AEON Credit and Ms Lee Tyan Jen, Executive Director of AEON Credit received special commendation awards at the AEON Financial Service Award 2017 Ceremony in Japan. The awards were for the outstanding contribution to the overall development of AEON Credit Service (M) Berhad.

Mr Fujita was awarded with the "Excellent Managing Director for Digitalisation" award for his role in driving the digitalisation agenda at AEON Credit.

Ms Lee was awarded the "Excellent Management Award for Value Chain Transformation" for her role on Value Chain Transformation (VCT) project which aimed to improve customer and merchant service levels for the Company.

Campaigns & Events



AEON Credit-Senheng's "Magical Moment in Korea" prize giving ceremony

AEON Credit Service (M) Berhad collaborated with Senheng Electric (KL) Sdn Bhd for the AEON Credit-Senheng's "Magical Moment in Korea" campaign. The campaign was opened to all Malaysian citizens from 1 September to 30 November 2016.

27 lucky winners won flight tickets to South Korea, at a prize giving ceremony, held on 24 March 2017.



AEON Credit-AEON BiG "Heng Ong Huat Golden Winners Contest"

ACSM collaborated with AEON BiG (M) Sdn Bhd for the "Heng Ong Huat Golden Winners Contest". The contest was launched on 23 December 2016 and was concluded on 12 February 2017. The grand prize winners received gold bars worth RM5,000, 1st prize winners won RM500 worth of AEON BiG Gift Cards and consolation prize winners received RM300 worth of AEON BiG Member Card Points.



AEON Credit 20th Anniversary Thank You Promotion Lucky Draw Contest Prize Giving Ceremony

AEON Credit Service (M) Bhd held its "20th Anniversary Thank You Promotion Lucky Draw Contest" prize giving ceremony on 17 June 2017 at Hilton Hotel, Kuala Lumpur. The contest was held in conjunction with ACSM's 20th Anniversary celebration and was part of the Company's promotional activities aimed at rewarding customers for their support and loyalty to ACSM.

Winners were awarded with prizes worth more than RM500,000 which includes AEON Co. cash vouchers, MOPEDs, electrical goods, flight tickets to Japan and the grand prize, a Nissan X-Trail.



SEA Games 2017 Cheque Presentation Ceremony

AEON Group of Companies signed an agreement to sponsor for the 29th Southeast Asian Games ("SEA Games") and the 9th ASEAN Para Games. As a Silver Sponsor, AEON Credit & AEON Co. were invited to a mock cheque presentation ceremony at Kementerian Belia & Sukan, Putrajaya and recognised as Official Credit Card & Retail Partner respectively.



Signing Ceremony between ACS & Gloria Jean's Coffees

Gloria Jean's Coffees and AEON Credit Service (M) Berhad announced its partnership in support of the Kuala Lumpur 2017 SEA GAMES (KL2017) with a signing ceremony between at Menara PNS, Bangsar South City. This strategic partnership offers consumers the convenience to purchase with credit card or debit card.



SEA Games 2017 Celebration

AEON Credit Service (M) Berhad treated 100 lucky winners to Kuala Lumpur 2017 Sea Games live telecast viewing party at Melur & Thyme, Nu Sentral, Kuala Lumpur. The viewing party was held exclusively for selected ACSM credit cardholders.

Community



MEGA 2017 SALES CARNIVAL BY KPDNKK

AEON Credit participated in the Mega 2017 Sales Carnival was held at Ipoh, Perak from 22 November until 26 November. This sales carnival was organised by the Ministry of Domestic Trade and Consumer Affairs in conjunction with the Visit Perak Year 2017.



AEON Hometown Forest Programme

In conjunction with AEON MALL Bandar Dato' Onn mall opening celebration, key management and staff of AEON Credit joined forces with staff from AEON Co. in the AEON Hometown Forest programme. This programme aims at promoting the environment through tree planting activities.

Community



Kempen Keselamatan Jalan Raya Hari Malaysia Yamaha-Kuching

In conjunction with the 'Kempen Keselamatan Jalan Raya Hari Malaysia Yamaha-Kuching', a road safety campaign organised by Hong Leong Yamaha Motor Sdn Bhd, AEON Credit Service (M) Bhd partnered with KHI Helmets Industry Sdn Bhd to sponsor motorcycle helmets and safety vests. Free vehicle inspection was also offered for free for all the visitors during the campaign.



Penang Flood Aid for ACS (NRO) staff

On 5 November 2017, the nation was shocked with one of the worst floods that have ever taken place in the island of Penang.

AEON Credit Service Northern Region Office (NRO), Raja Uda, Butterworth, Penang was not spared during this tragedy.

A total of 42 staff from NRO were affected. Volunteers from the Company provided assistance to the affected NRO employees by providing food supplies and other necessities.



National Recycling Day Celebration (HKSK) 2017 & 'HKSK Fun Walk'

The National Recycling Day (HKSK) 2017 & HKSK Fun Walk was held by the Solid Waste And Public Cleansing Management Corporation (SWCorp) at Anjung Floria, Putrajaya.

AEON Credit Service (M) Bhd also participated in the celebration and was represented by the Credit Management Group, led by Mr. Poon Kai Chong.



AJBC Junior Development Programme Press Conference

Ampang Jaya Badminton Club (AJBC) announced its Junior Development Plan and introduced its two main sponsors; AEON Credit Service (M) Berhad (AEON Credit) and Senheng Electrical (KL) Sdn Bhd at Menara Shell, KL Sentral, Kuala Lumpur. The club also signed a three-year partnership with the University of Nottingham to help their players pursue higher education, becoming the first club to pull off such collaboration.



10th Annual Charity Badminton Competition

AEON Credit was a co-organizer with the Selangor & FT Motorcycle and Scooter Dealers Association in its Annual Charity Badminton Competition. This event took place at YB Sport Badminton Centre on 27 August 2017 and saw the participation of Mr. Kenji Fujita and Mr. Hau Kok Peck as representatives of the Company. Proceeds of this event will go to selected charity organisations.



AEON BiG's 5th Anniversary Tree Planting Programme

On 1 December 2017, AEON BiG held a Tree Planting Programme in conjunction with its 5th Anniversary celebration at Sekolah Kebangsaan Kampong Perak, Baru Kurau, Perak.

Key management and Eastern Region Office (ERO) staff of AEON Credit Service (M) Bhd also participated in the tree planting programme to show their support to AEON BiG.



"CLEAN EARTH | GREEN EARTH" - Beach Cleaning Programme

"Clean Earth | Green Earth", a beach cleaning programme was held on 9 December 2017, at Pantai Saujana, Port Dickson, Negeri Sembilan.

The programme was organised by AEON Credit and participated by the Solid Waste And Public Cleansing Management Corporation (SWCorp) Management and staff.



Office Relocation Opening Ceremony

The Management organised an office relocations opening ceremony for both the Corporate Office and the Operation Centre on 10 December 2017 and 10 January 2018.

During the two ceremonies, Mr. Kenji Fujita, Managing Director of ACSM, shared with all those present the reasons for the relocation and how we must transform and adapt to change. He also commented that all ACSM staff need to transform from a traditional service provider to new business model and new technology.



Ampang Jaya BC Kenduri Night by Senheng & AEON Credit Service

Senheng and AEON Credit invited over 300 guests to attend a Kenduri Night, held at Sentosa Sports Arena, Kuala Lumpur.

During the event, they get to mingle and play badminton with the players from the Ampang Jaya Badminton Club. Apart from that, a lucky draw with gifts worth up to RM25,000, sponsored by Senheng was also in store for all the guests.



CSOD Team Building Day

More than 800 ACSM Customer Service & Operation Division staff participated in the Creative Sports Olympic Day (CSOD) Team Building Day. The day was filled with fun and challenging activities ranging from athletics to traditional games that brought out all the participants' competitive edge.



Miri Beach Cleaning

AEON Credit Service (M) Berhad's Miri branch, held a beach cleaning programme at Tanjong Lobang beach, Miri, Sarawak. A total of 13 staff participated in this event to help the community keep the local beach clean.



SRO Community Service : Saleng Handicapped Children & Old Folks

195 SRO staff participated in Saleng Handicapped Children & Old Folks Home programme showing their support for the community.



Kempen Keselamatan Jalan Raya Kawasaki 2018

In conjunction with the celebration of Chinese New Year, a road safety campaign was organised by Kawasaki Motors Malaysia and AEON Credit Service (M) Berhad on 25 January 2018, at the Sg Besi Toll Plaza, South Bound.



Meet & Greet Session with AJBC Badminton Players

On 26 January 2018, AEON Credit Service (M) Berhad (ACS) held an exclusive meet and greet session with Ampang Jaya Badminton Club (AJBC) star players, Chan Peng Soon (Rio Olympic 2016 Games, silver medallist), Markis Kido (Beijing Olympic 2008 Games, gold medallist), Goh Jin Wei (2017 SEA Games Women's Singles Gold Medalist) and Anna Cheong Ching Yik (2016 Singapore Youth Under-18 Champion).



Sibü Kidney Foundation Community Cleanup & Donation Campaign (Sibü Branch)

The Sibü branch of AEON Credit Service (M) Berhad held a community clean-up and donation programme at Sibü Kidney Foundation, Sibü, Sarawak.

It was a great opportunity to encourage staff to contribute to the community and also to learn more about kidney diseases, as well as our role in the community to help the patients.



SRO Blood Donation Campaign by KPJ Health

On 7 February 2018, the SRO team in collaboration with KPJ Johor Specialist organized a blood donation campaign at the SRO Training Room, Johor Bahru.

A total of 75 donors comprised of SRO's staff participated in the campaign.



SRO Community Service – Perdana Cosy Home Care

On 11 February 2018, the SRO team continued with their SRO Community Service at the Perdana Cosy Home Care (Pusat Jagaan Warga Tua Maimunah), Batu Pahat Johor.

37 SRO staff (Batu Pahat, ABBP and Kluang) participated in this programme to provide their support for the occupants of the Home.



CMG Kuching – Beach Cleaning Activity

CMG Kuching had organized a beach cleaning activity at Kampung Pasir Pandak near Santubong (about 25km from Kuching).

A total of 29 staff were involved. A total of 5 plastic bags of rubbish were collected from the beach that day.



SRO Community Service - Pertubuhan Kebajikan Villa Harapan, Melaka

On 25 February 2018, the SRO team continued with their SRO Community Service at the Pertubuhan Kebajikan Villa Harapan, Melaka.

30 SRO staff (Melaka, Bandaraya Melaka and Segamat) participated in the programme and had an insightful and wonderful experience with the residents of the villa.

The team held a variety of activities with the residents such as dancing, aerobic exercise and visiting their dorms.



Program Kasih 1



Program Kasih 2

Program Kasih - Distribution of Groceries and Cash Donation to Less Fortunate Families

On 25 February 2018, Corporate Governance Group (CGG) organised two CSR programmes simultaneously, as part of the Group's initiative to help the less fortunate families and educate the community of what the importance of a community outreach programme.

The first programme was called 'Program Kasih 1'. Six (6) CGG staff were despatched to deliver contribution in the form of grocery items and cash donation to three (3) families in Bukit Jalil and Puchong.

The second programme was called 'Program Kasih 2' where the team visited Rumah Kasih Sayang Khidmat Baitulmahabbah (RKS), Rawang. The team held an Educlinic and organised a variety of activities with the children at the home.

Sinar Kasih Ramadhan Celebration

May 2017

In the spirit of Ramadhan, Malaysian AEON Foundation (MAF) once again, brought joy and happiness to 346 underprivileged children and 22 single mothers as part of the yearly festive event, Sinar Kasih Ramadhan 2017. This year Aidilfitri's celebration was extra special for them as the Foundation took them on a shopping spree to AEON outlets.



Lights of Love Deepavali Celebration

October 2017



The joy of Deepavali arrived early for 130 children and 45 families, who were part of the Malaysian AEON Foundation's (MAF) annual Lights of Love Deepavali celebration. Supported by the participation of 60 AEON volunteers, the one-day event saw MAF contributing a total of RM56,000 in monetary donations and essential goods. Kick-

starting in AEON Mall Seremban, the Deepavali initiative saw the children being sent on a shopping spree, with each child receiving RM200 to spend on new outfits. Embracing the spirit of Deepavali, the kids and families were also given the opportunity to put their creativity to use in a kolam-designing competition.

Joy of Christmas Celebration



December 2017

In conjunction with Christmas, Malaysian AEON Foundation (MAF) through its community outreach initiative 'Joy of Christmas 2017', spread good cheer to 135 children of the Portuguese Settlement and Church of St Theresa. The event took place at AEON Mall Bandaraya Melaka. It was supported by 67 volunteers from across AEON Group Malaysia (AEON CO. (M) BHD., AEON CREDIT SERVICE (M) BERHAD and AEON Delight (M) Sdn Bhd). The event kick-started with a shopping spree where each child was given RM200 to purchase their Christmas outfits. In a bid to help relieve their financial constraints during this festive season, MAF also handed out goodie bags containing daily necessities worth RM100 and angpows of RM200 each for the single parents, and RM50 each for the little ones. The joyous occasion completed with the handing over of donations worth RM10,000 each to the Portuguese Settlement and the Church of St Theresa.



Spread Your Love Chinese New Year Celebration

February 2018

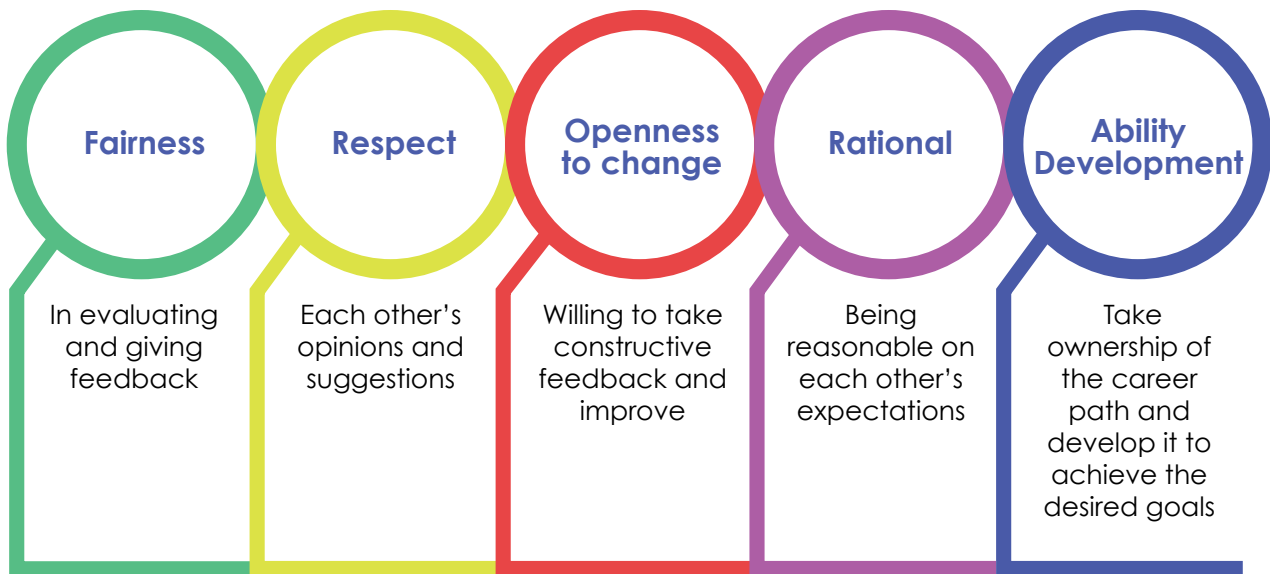
In its 2018 edition of the annual "Spread Our Love" Chinese New Year celebration, Malaysian AEON Foundation (MAF) extended a helping hand to three old folks' homes located throughout Penang. Held over a span of two days—9 and 10 February, the initiative catered to a total of 63 senior citizens from Gan En Zhi Jian Bhd, Peace and Harmony Home, and Persatuan Penyayang Warga Tua Pulau Pinang. Also present to interact with the citizens, and to lend their support, were MAF committee members, and volunteers from AEON CO. (M) BHD. and AEON Credit Service (M) Berhad.

In addition to customary Lion Dance performances, appearances by the God of Prosperity, and the distribution of mandarin oranges, the senior citizens were also treated to delicious meals, and kept entertained with a karaoke session.

In a bid to end the joyous occasion on a more auspicious note, MAF also extended a RM20,000 cheque to Gan En Zhi Jia Bhd, and a RM10,000 cheque each to Peace and Harmony Home and Persatuan Penyayang Warga Tua Pulau Pinang.

ÆON HUMAN RESOURCE PRINCIPLES

ÆON Credit Service (M) Berhad implements its mentoring programme based on the following ÆON Human Resource principles :



Basic Principle on Personnel

ÆON Group's basic principle on personnel revolve around making the most of what employees have to offer by listening to employees aspirations and understanding employees feelings, based on the guiding philosophy of ensuring that all ÆON staffs lead a work life balance at work, at home and in the community.

Basic Approach to Personnel

Creating a corporate environment in which human resource can continue to grow employees in a long term working relationship. Dealing with personnel based on ability and achievement not nationality, age, gender or status.

5 Year Financial Highlights

5 YEAR FINANCIAL HIGHLIGHTS

	FYE 2018 RM'000	FYE 2017 RM'000	FPE 2016 RM'000	FYE 2015 RM'000	FYE 2014 RM'000
STATEMENT OF PROFIT OR LOSS					
Revenue	1,235,122	1,101,955	965,234	871,600	672,762
Profit before tax	398,335	351,162	301,591	289,269	233,875
Profit after tax	300,057	265,027	228,222	215,726	175,352
STATEMENT OF FINANCIAL POSITION					
Assets					
Plant and equipment	92,274	62,233	52,076	45,234	46,599
Investments	18,370	19,045	24,239	18,555	5,542
Deferred tax assets	51,813	49,070	39,043	24,693	11,040
Receivables	5,030,204	4,480,990	3,630,038	2,811,030	2,034,533
Total non-current assets	5,192,661	4,611,338	3,745,396	2,899,512	2,097,714
Receivables, deposits, prepayments, amount owing to related companies and derivative financial assets	2,429,343	2,593,355	2,284,861	1,975,119	1,657,003
Cash and bank balances	83,681	73,667	67,250	48,668	12,569
Total current assets	2,513,024	2,667,022	2,352,111	2,023,787	1,669,572
Total assets	7,705,685	7,278,360	6,097,507	4,923,299	3,767,286
Equity					
Share capital	508,629	116,012	72,000	72,000	72,000
Share premium	-	-	44,012	44,012	44,012
ICULS equity	68,306	-	-	-	-
Reserves	1,004,568	838,975	668,806	563,700	429,552
Equity attributable to ordinary equity holders of the Company	1,581,503	954,987	784,818	679,712	545,564
Perpetual notes and sukuk	276,000	276,000	276,000	276,000	100,000
Total equity	1,857,503	1,230,987	1,060,818	955,712	645,564
Liabilities					
Borrowings	3,257,145	4,898,808	4,214,649	2,965,526	2,113,455
ICULS liabilities	4,717	-	-	-	-
Total non-current liabilities	3,261,862	4,898,808	4,214,649	2,965,526	2,113,455
Borrowings	2,296,974	973,417	693,528	856,141	840,908
Payables, accruals, amount owing to immediate holding company and related companies, and derivative financial liabilities	259,852	147,866	113,584	118,709	143,798
ICULS liabilities	2,650	-	-	-	-
Tax liabilities	26,844	27,282	14,928	27,211	23,561
Total current liabilities	2,586,320	1,148,565	128,512	145,920	167,359
Total liabilities	5,848,182	6,047,373	4,343,161	3,111,446	2,280,814
Total equity and liabilities	7,705,685	7,278,360	5,403,979	4,067,158	2,926,378
STATISTICS					
Net earnings per share (sen) *	143.01	101.17	149.02	145.64	121.77
Net dividends per ordinary share (sen)	41.02	63.00	59.45	57.00	46.30
Net assets per share (RM) **	6.37	6.63	5.45	4.72	3.79

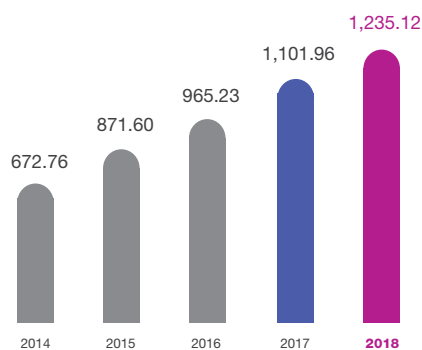
Note :

* Earnings per share has been calculated based on weighted average number of ordinary shares outstanding in the respective year. FYE2017 earnings per share has been restated to reflect the bonus issue and the latest conversion of 3-year, Irredeemable Convertible Unsecured Loan Stocks to Ordinary Shares.

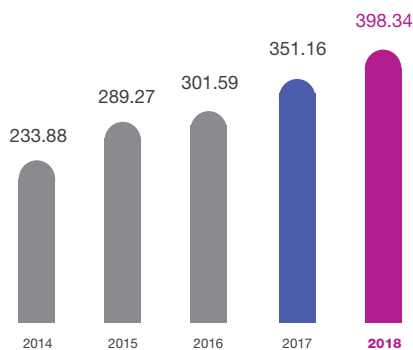
** Net assets per share has been calculated with exclusion of perpetual notes.

5 YEAR FINANCIAL HIGHLIGHTS

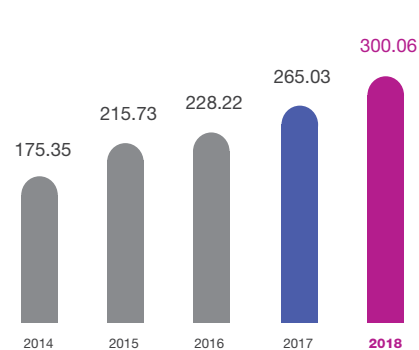
Revenue (RM Million)



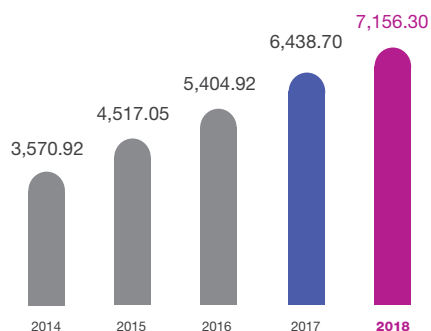
Profit before Tax (RM Million)



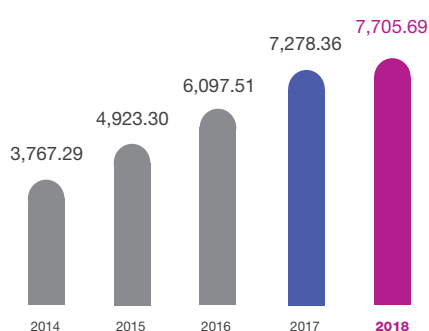
Profit after Tax (RM Million)



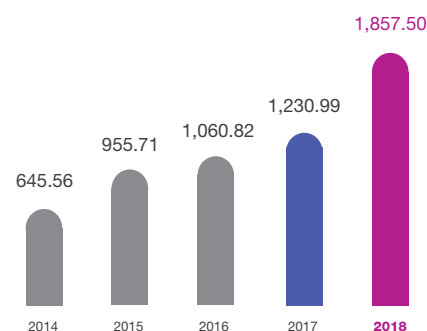
Financing Receivables (RM Million)



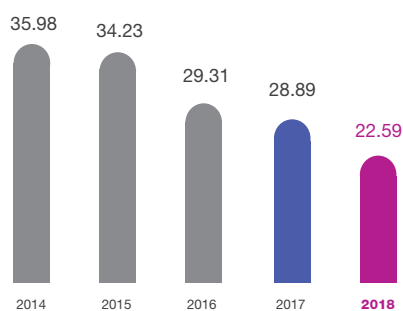
Total Assets (RM Million)



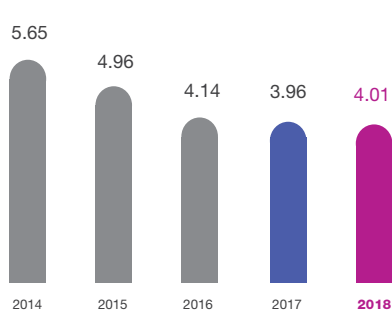
Total Equity (RM Million)



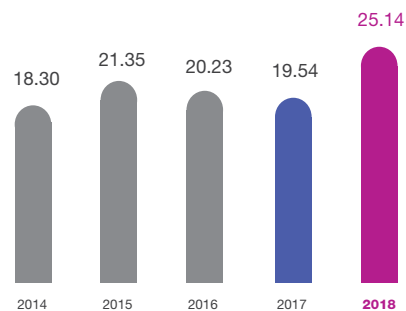
Return on Equity (%)



Return on Assets (%)



Capital Adequacy Ratio (%)



SHARE PRICE

ÆON CREDIT SHARE PRICE VS. FBM KLCI (01-03-17 TO 28-02-18)



ÆON CREDIT SHARE PRICE MOVEMENT VS. FBM KLCI MOVEMENT (01-03-17 TO 28-02-18)



Profile of Directors

PROFILE OF DIRECTORS



MR. NG ENG KIAT

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

Mr. Ng Eng Kiat was appointed Chairman of AEON Credit Service (M) Berhad on 8 May 2018. Prior to his appointment, he has been with the Board as an Independent Non-Executive Director of AEON Credit since 7 August 2007. He is a member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA) and Fellow member of the Chartered Tax Institute of Malaysia and CPA Australia. He has more than forty (40) years of experience in the field of audit, accountancy and taxation. He had previously served as a member on a number of working groups of the Malaysian Accounting Standards Board, a coopted member on a number of committees of the MICPA and an examiner for the final professional examination of the MICPA. Presently, he is the Chairman of the merged firm of Azman, Wong, Salleh & Co. and Folks DFK & Co. He is currently a member of the audit interview panel representing MIA. He also sits on the Board of Directors of several private limited companies. He is currently the Chairman of the Audit Committee and member of the Remuneration Committee. He does not hold any directorship in any other public or public listed company.

He has attended all ten (10) Board meetings held during the year ended 28 February 2018. He holds 18,000 ordinary shares directly and 36,500 ICULS in the Company.



MR. KENJI FUJITA

Managing Director
(49, Japanese, Male)

Mr. Kenji Fujita was appointed as an Executive Director of AEON Credit on 19 June 2013 and as Managing Director of the Company on 23 June 2014. He obtained a Bachelor's Degree in Arts & Humanity from Yamaguchi University, Japan in 1992 and a Master of Business Administration ("MBA") degree from International University of Japan in 2009. He began his career in AEON Co., Ltd., Japan in 1992 and was subsequently transferred to AEON CO. (M) BHD. in 1997. He served in the Business Development function, MD Office and Shopping Centre Development functions over the years before he was appointed as the General Manager of SC Development in 2005. From 2007 until early 2012, he was managing the Human Resource, Administration, Finance and Executive Office functions in AEON Co., Ltd., Japan and AEON Stores (Hong Kong) Co., Ltd., Hong Kong. In March 2012, he was transferred to AFSJ and was appointed as Executive Director of AEON Financial Service (Hong Kong) Co., Ltd. in June 2012, prior to his transfer to the Company in June 2013. He does not hold any directorship in any other public or public listed company.

He has attended all ten (10) Board meetings held during the year ended 28 February 2018. He does not hold any shares in the Company.

Note: All Directors (page 54-58) do not have any family relationship with any Director and/or major shareholder of the Company, any conflict of interest with the Company, or any conviction for offences within the past 5 years, except for traffic offences, if any.

PROFILE OF DIRECTORS



DATO' MD KAMAL BIN ISMAUN

Independent Non-Executive Director
(70, Malaysian, Male)

Dato' Md. Kamal Bin Ismaun was appointed as a Non-Executive Director of AEON Credit on 7 August 2007. He obtained a Bachelor's Degree in Arts from Universiti Malaya in 1975. He had served 32 years in the Foreign Service in various capacities both abroad and in Wisma Putra (Ministry of Foreign Affairs) which included stints as Counsellor at the Embassy of Malaysia in Tokyo, Japan (1986-1990), Charge d'Affaires in Zagreb, Croatia in Bosnia Herzegovina (1994-1996), Ambassador to Cambodia (1996-1999), Under-Secretary at the Ministry of Foreign Affairs (Southeast Asia and Pacific, 1999-2001), Director-General of ASEAN in the Ministry of Foreign Affairs (2001-2003) and Ambassador to Germany (2003 – July 2007). He also serves as a member of the Audit, Remuneration and Nomination Committees. He does not hold any directorship in any other public or public listed company.

He has attended all ten (10) Board meetings held during the year ended 28 February 2018. He holds 9,000 ordinary shares directly and 18,000 ICULS in the Company.



MR. TOMOKATSU YOSHITOSHI

Independent Non-Executive Director
(66, Japanese, Male)

Mr. Tomokatsu Yoshitoshi was appointed as an Independent Non-Executive Director of AEON Credit on 30 June 2016. He obtained a Bachelor's Degree in Law (Political Science) from Keio University, Japan in 1975. He received his post graduate degree from the School of Business Administration Bloomington at Indiana University, United States of America in 1981. He was seconded from the Long-Term Credit Bank of Japan Co., Ltd., Japan to serve as General Manager of Finance at the Dai-Ichi Hotel, Ltd., Japan from 1998 to 1999. He then joined as General Manager at LDA Commercial Division in 1999 and joined ING Life Insurance Co., Ltd as General Manager in the Investment Trust Services Division in 2000. He was appointed as President at ING Mutual Fund Management Co., Ltd. from 2002 to 2003. From 2003 to 2009, he served as General Manager in Bank Distribution Business Development, at ING Life Insurance Co., Ltd. In 2011 he served as Audit & Supervisory Board Member at the Financial Products Group Co., Ltd. In 2015, he was appointed as an Independent Director at AEON Bank Ltd. and as an Audit Committee Board Member at FPG Trust Co., Ltd. He does not hold any directorship in any other public or public listed company.

He has attended seven (7) Board meetings held during the year ended 28 February 2018. He does not hold any shares in the Company.

PROFILE OF DIRECTORS



MR. S. SUNTHARA MOORTHY S. SUBRAMANIAM

Independent Non-Executive Director
(56, Malaysian, Male)

MR. S. SUNTHARA MOORTHY S. SUBRAMANIAM was appointed as an Independent Non- Executive Director of AEON Credit on 1 March 2018. He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant with the Malaysian Institute of Accountants (MIA). He has over 30 years of experience, mainly in general management, strategic business development, corporate finance, accountancy, tax and audit. Mr. Sunthara served as an audit senior in several accounting firms in London, United Kingdom from 1986 to 1995, prior to joining Faber Group Berhad (FGB) (now known as UEM Edgenta Berhad) in 1995, where he served for 16 years. He held a few key positions in FGB and was the Chief Executive Officer of Faber Facilities Sdn Bhd, a wholly-owned subsidiary of FGB, while concurrently holding the position of the Director of Corporate Services of FGB. He was on the Board of of Eversendai Corporation Berhad as Executive Director of Corporate Affairs from October 2011 until March 2017.

He does not hold any directorship in any other public or public listed company. He does not hold any shares in the Company.



MR. TETSURO TAKANO

Non Independent Non-Executive Director
(56, Japanese, Male)

Mr. Tetsuro Takano was appointed Non Independent and Non-Executive Director of AEON Credit on 4 July 2017. He is obtained his Bachelor's Degree in Commerce from Keio University, Japan in 1985. In 2003 he was appointed as Associate Director of the Credit Planning Department at Mizuho Financial Group, Inc. In 2004, he was appointed Assistant Manager of the Sales Department at Nihonbashi branch of Mizuho Corporate Bank, Ltd and later in 2007 promoted to Manager of the Finance Group of Mizuho Corporate Bank, Ltd. In 2010, he was promoted to General Manager of the Finance Group of Mizuho Financial Group, Inc. Later in 2012, he was appointed as Assistant General Manager of the Credit Planning Department of Mizuho Financial Group, Inc and Mizuho Bank, Ltd and subsequently, promoted to General Manager in 2013. In 2015, he was appointed General Manager of the Global Credit Planning Department in AEON Financial Service Co., Ltd. where he serves presently. He does not hold any directorship in any other public or public listed company.

He has attended all ten (10) Board meetings held during the year ended 28 February 2018. He does not hold any shares in the Company.

PROFILE OF DIRECTORS



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

Ms. Lee Tyan Jen was appointed as Executive Director of AEON Credit on 1 July 2013. She obtained a Bachelor's Degree in Business Administration from University of South Alabama, USA in 1996. She joined AEON Credit in 1998 as an Officer in the Credit Assessment Department. Subsequently, she was promoted to various positions in the Credit Assessment Department and was appointed as Assistant General Manager in 2006, heading the Credit Assessment Department. In 2008, she was promoted as General Manager and served as Head of Credit Assessment Group before assuming the position as Head of Business Operations Division in April 2015. As at April 2016, she is the Chief Operating Officer and Head of Customer Service and Operation Division of the Company. She does not hold any directorship in any other public or public listed company.

She has attended nine (9) Board meetings held during the year ended 28 February 2018. She holds 35,661 ordinary shares directly and 72,500 ICULS in the Company.



MR. LEE KIT SEONG
Executive Director
(49, Malaysian, Male)

Mr. Lee Kit Seong was appointed as Executive Director of AEON Credit on 20 June 2014. He obtained the Chartered Certified Accountant qualification from The Association of Chartered Certified Accountants ("ACCA") in 1996 and is currently a Fellow member of ACCA and a member of Malaysian Institute of Accountants ("MIA"). He began his career with Kassim Chan & Co (now known as Deloitte PLT) in 1996. He left to join Rashid Hussain Securities Sdn. Bhd. as an Accountant in 1997 before joining Affin Hwang Investment Bank Berhad as Senior Manager – Finance & Accounts in 2000. Thereafter, he left Affin Securities Sdn. Bhd. to join AEON Credit in 2006 as Senior Manager of Finance. In 2009, he left AEON Credit to join OSK Investment Bank as Senior Vice President, Finance Group and re-joined AEON Credit in 2012 as Assistant General Manager, Finance & Administration Group. In April 2014, he was appointed as Chief Financial Officer and Head of Finance & Administration Division before assuming his current role as the Head of Corporate Management Division. He does not hold any directorship in any other public or public listed company.

He has attended all ten (10) Board meetings held during the year ended 28 February 2018. He does not hold any shares in the Company.

PROFILE OF DIRECTORS



MR. KIYOAKI TAKANO

Executive Director
(54, Japanese, Male)

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

He has attended all ten (10) Board meetings held during the year ended 28 February 2018. He holds 54,000 ordinary shares directly and 108,000 ICULS in the Company.



MR. AJITH A/L JAYARAM

Executive Director
(38, Malaysian, Male)

Mr. Ajith A/L Jayaram was appointed as Executive Director of AEON Credit on 4 July 2017. He obtained his Masters in Management from Open University in September 2017. His career at AEON Credit started in September 2005 at the Credit Management Department where he was promoted to various positions in the said department and was promoted to Assistant General Manager in June 2012, heading the Credit Management Department. In November of the same year, he was appointed as Assistant General Manager to head the Personal Finance Department, moving on to head the Credit Card Department in May 2013. In April 2014, he was assigned to head the Consumer Credit Group (Personal Finance & Credit Card) and in March 2015, he was appointed as Head of the Regional Support Department. In November 2015, he was promoted to Deputy General Manager to head the Corporate Strategy Group and in June 2017, he was promoted to General Manager of the said department. He does not hold any directorship in any other public or public listed company.

He has attended all ten (10) Board meetings held during the year ended 28 February 2018. He holds 3,240 ordinary shares directly and 6,500 ICULS in the Company.

Senior Management & Management

SENIOR MANAGEMENT



MR. KENJI FUJITA
Managing Director
(49, Japanese, Male)



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



MR. LEE KIT SEONG
Executive Director
(49, Malaysian, Male)



MR. KIYOAKI TAKANO
Executive Director
(54, Japanese, Male)



MR. AJITH A/L JAYARAM
Executive Director
(38, Malaysian, Male)

Note: All Senior Management and Management members (page 60-62) do not have any family relationship with any Director and/or major shareholder of the Company, any conflict of interest with the Company, or any conviction for offences within the past 5 years, except for traffic offences, if any.

MANAGEMENT



MR. KRISHNAPPAN S. P. S. SINGARAM
Senior General Manager
 Head of Regulatory Affairs Office
 (51, Malaysian, Male)
 Date of Appointment: 3 July 2000
 Academic/Professional Qualification:
 Malaysian Association of Certified Public
 Accountants (MACPA)



MR. KIYOSHI WADA
Senior General Manager
 Head of Human Resources Management Division
 (58, Japanese, Male)
 Date of Appointment: 10 July 2017
 Academic/Professional Qualification:
 Bachelor of Economics



MR. JAYABALAN RAMAKRISHNAN
Senior General Manager
 Head of Payment System Business
 (45, Malaysian, Male)
 Date of Appointment: 21 August 2013
 Academic/Professional Qualification:
 Bachelor of Economics & Management



MR. PHANG CHEE CHONG
General Manager
 Head of Internal Audit Group
 (51, Malaysian, Male)
 Date of Appointment: 25 February 2015
 Academic/Professional Qualification:
 Master of Business Administration & Chartered Member
 of the Institute of Internal Auditors Malaysia (CMLIA)



MR. TAKUYA SUZUKI
Senior General Manager
 Head of Finance Group
 (46, Japanese, Male)
 Date of Appointment: 27 July 2017
 Academic/Professional Qualification:
 Bachelor of Economics



MR. CHEN HENG GUAN
General Manager
 Head of Product Financing Business
 (45, Malaysian, Male)
 Date of Appointment: 11 August 2003
 Academic/Professional Qualification:
 Master of Business Administration



MS. ALINA TEOH
General Manager
 Head of Human Resources Management Group
 (43, Malaysian, Female)
 Date of Appointment: 7 January 2016
 Academic/Professional Qualification:
 Master of Information Technology



MS. AZAREENA ABDULLAH
Senior Manager
 Head of Policy & Quality Management
 Department
 (42, Malaysian, Female)
 Date of Appointment: 1 December 2014
 Academic /Professional Qualification:
 Masters of Business Administration (Strategic
 Management)



MS. WONG HOOI THENG
Senior Manager
 Head of Credit Assessment Group
 (42, Malaysian, Female)
 Date of Appointment: 2 December 2013
 Academic /Professional Qualification:
 Bachelor of Accountancy & Finance

MANAGEMENT



MR. KEN TANAKA
General Manager

Head of Business Development Department
(56, Japanese, Male)
Date of Appointment: 11 April 2016
Academic/Professional Qualification:
Bachelor of Economics



MR. KATSUSHI IWAMOTO
General Manager

Head of Management Control Department
(43, Japanese, Male)
Date of Appointment: 21 July 2014
Academic/Professional Qualification:
Bachelor of Business Administration



MR. TAN KEAN WOON
General Manager

Head of Credit Operation Group
(41, Malaysian, Male)
Date of Appointment: 1 March 1999
Academic/Professional Qualification:
Bachelor of Economics



MR. POON KAI CHONG
General Manager

Head of Credit Management Group
(47, Malaysian, Male)
Date of Appointment: 2 June 2014
Academic/Professional Qualification:
Master of Business Administration



MR. G. KUMARDEVAN GUNARATNAM
General Manager

Head of Regional Management Business
(40, Malaysian, Male)
Date of Appointment: 30 June 2008
Academic/Professional Qualification:
Bachelor of Economics



MR. FAIZUL HAMZAH
General Manager

Head of Corporate Governance Group
(41, Malaysian, Male)
Date of Appointment: 21 September 2001
Academic/Professional Qualification:
Bachelor of Business Administration



MR. TOSHIMITSU KURE
General Manager

Head of IT Planning, Regional Support and R&D
(43, Japanese, Male)
Academic/Professional Qualification:
Bachelor of Business Administration & Information
System



MR. NAOTO NOMURA
General Manager

Head of Corporate Planning & Regional Support
Department
(46, Japanese, Male)
Date of Appointment: 9 January 2017
Academic/Professional Qualification:
Master of Financial Engineering



MR. HAU KOK PECK
General Manager

Head of Market Development & E-Money Group
(43, Malaysian, Male)
Date of Appointment: 27 December 2011
Academic/Professional Qualification:
Bachelor of Business Administration

Corporate Governance Overview Statement

The Board of Directors ("The Board") of AEON Credit Service (M) Berhad (the "Company") is committed towards ensuring the high standards of corporate governance embodied in the Malaysian Code on Corporate Governance ("MCCG") being maintained by the Company in managing its business affairs and meeting expectations of various stakeholders.

The Corporate Governance Overview Statement ("CG Overview Statement") provides an overview of the Company's corporate governance processes and practices applied during the financial year ended ("FYE 2018"), in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), and guided by the practices and recommendations set out in MCCG, which took effect on 26 April 2017.

This overview statement is to be read together with the CG Report 2018 ("CG Report") of the Company on detailed explanation and information on the application of the corporate governance practices, which is available on the Company's website at <https://www.aeoncredit.com.my/aeon-corporate/about-us/Corporate-Governance>.

The Board considers that the Company has applied the practices and main principles of the MCCG with the exception of the following :

- (a) Practice 4.5 : For Large Companies, the Board must have at least 30% women directors.
- (b) Practice 7.2 : The Board discloses on a named basis the top five (5) senior management's remuneration component including salary, bonus, benefits in kind and other emoluments in bands of RM50,000/-
- (c) Practice 11.2 : Large Companies are encouraged to adopt integrated reporting based on a globally recognised framework.
- (d) Practice 12.2 : All directors attend General Meetings.
- (e) Practice 12.3 : Leverage on technology to facilitate voting in absentia and remote shareholders' participation in General Meetings.

The explanation for the above departures and timeframe for measures to be taken, where applicable, are set out in the CG Report.

The Board's key focus areas in relation to corporate governance for the year comprised review of policies, procedures and practices in line with the MCCG, effective oversight on actions required to be taken, and review of the CG Report on the Company's practices. The Company is not only concerned with the interests of the shareholders but also the needs of other stakeholders such as customers, employees, business partners, government authorities, regulating bodies and local communities.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities and Demarcation of Authority

The Board is responsible for the stewardship of the business and affairs of the Company on behalf of the shareholders with a view of enhancing the long-term value of their investment. The Company is led by an effective and experienced Board with members from diverse backgrounds and specialisation. The overall principal roles and responsibilities of the Board are as follows:

- i) Develop, review and revise the Company's long-term strategic plans;
- ii) Provide clear objectives and policies to senior management for operations;
- iii) Oversee the conduct and proper management of the Company's businesses, including succession planning;
- iv) Ensure establishment of appropriate risk management and internal control framework and risk strategy as well as adequate management information and internal control system of the Company;
- v) Ensure the Company's strategies promote sustainability, with attention given to environmental, social and governance aspects of business.
- vi) Review and approve the Company's annual budget and business plan;
- vii) Review and approve Related Party Transactions; and
- viii) Approve transactions and activities outside the discretionary powers of senior management, subject to shareholders' approval where necessary.

Corporate Governance Overview Statement

The Board has established a Board Charter which sets out, among others, the principal role of the Board and the demarcation of the roles, responsibilities and powers of the Board, various Board Committees and senior management of the Company. In addition, the Board Charter also serves as a general statement of intent on how the Board discharges its duties and responsibilities. The Board Charter, which was last revised and approved by the Board in May 2018, is accessible on the Company's website at [https:// www.aeoncredit.com.my/aeon-corporate/about-us/board-charter](https://www.aeoncredit.com.my/aeon-corporate/about-us/board-charter) for reference of shareholders and other stakeholders.

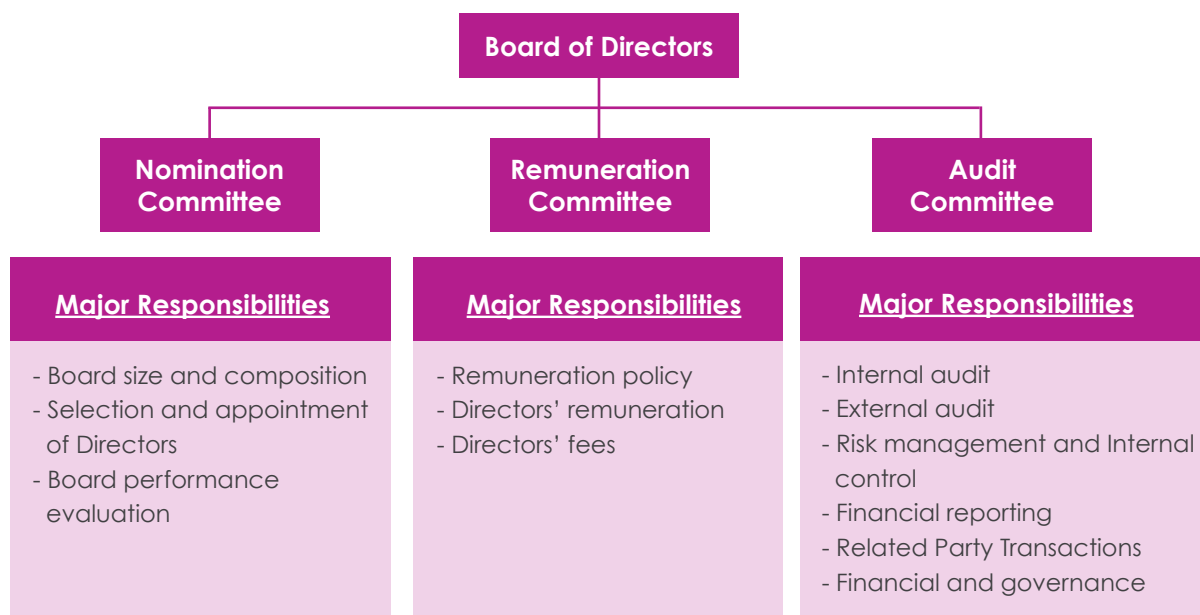
The Board reserves certain powers for itself and delegates other matters to the Executive Directors and Senior Management. The schedule of matters reserved for the Board's decision includes key strategic, financial, operational, compliance and governance issues as well as acquisition/disposal of assets exceeding threshold under management approval, subject to regulatory requirements. Management provide the Board and Board Committees with sufficient information and materials in timely manner to enable Directors to discharge their duties and responsibilities effectively.

There is clear division of responsibilities between the Chairman and the Managing Director ("MD") as the Chief Executive Officer, to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making. The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The MD, supported by the Executive Management team, implements the Company's strategic plans, policies and decision adopted by the Board and oversees the operations and business development of the Company.

The Management team, led by MD and assisted by four (4) other Executive Directors, is responsible for the day-to-day management of the Company and is accountable to the Board. Various powers are further delegated to the Management team of the Company based on the Company's Authority Matrix, which is also subject to periodic review based on changes in organisation structure and business requirements for efficient decision making.

The Board is assisted by its Committees, which have been established under defined Terms of Reference, in accordance with the MMLR and best practices prescribed by the MCCG to assist the Board in discharging its responsibilities. The Committees are the Audit Committee ("AC"), Nomination Committee ("NC"), and the Remuneration Committee ("RC").

The following diagram provides a brief overview of the three main Board Committees of the Company:



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

Corporate Governance Overview Statement

Sustainability

The Board is further committed to ensuring the Company's strategies promote sustainability as encapsulated in AEON Group's basic principles of "pursuit of peace, respect for humanity and contribution to local communities", with the customer at the core. Environmental, Social and Governance (ESG) responsibilities and concerns are integral to the way in which the Company conducts its business. Further details are set out in the Sustainability Statement of the Company set out in the Annual Report.

Supply of and Access to Information/Advice

The Board and the Board Committees are supplied with and granted access to timely information which allows them to discharge their responsibilities effectively and efficiently. The Board or Board Committees may invite Senior Management staff to attend the Board or Board Committees' meetings to brief or present to the Board or Board Committee on the business operations and performance.

Procedures are in place for the Board or Board members to seek independent professional advice in the course of fulfilling their responsibilities, at the Company's expense, in accordance with established procedures set out in the Board Charter in furtherance of their duties.

Directors have unrestricted access to the advice and services of the appointed Company Secretaries, both of whom are experienced and qualified persons as members of the Malaysian Institute of Chartered Secretaries and Administrators. The Directors are regularly updated and advised by the Company Secretaries on new statutory guidelines and regulatory requirements, their impact and implications for the Company and Directors in carrying out their fiduciary duties and responsibilities. The Company Secretaries provide Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

Code of Conduct and Ethics

AEON Group Code of Conduct

The Company's objectives, visions and values are aligned with the AEON Group's Code of Conduct ("CoC") which was established by AEON Co., Ltd. and has since been adopted as the "Code of Conduct and Ethics" of the Company pursuant to the MCCG. The basic principles take into consideration the interests of the Company's customers/ shareholders, employees, business partners and the broader community in which the Company operates.

All employees are briefed on the CoC upon commencement of employment and attend refresher training annually. Directors, Management and employees are expected to observe high standards of integrity and fair dealing in relation to customers, business partners, staff and regulators in the regions where the Company operates. The CoC is accessible at the Company's website at <https://www.aeoncredit.com.my/aeon-corporate/about-us>.

Whistleblowing Channels

The Company has established a whistle blowing channel, identified as AEON Hotline, under the CoC to be complied with by staff and management. Employees can raise genuine concerns without fear, on an anonymous basis or otherwise, on areas such as unethical practices, illegal activities, breach of regulations, financial/accounting fraud, etc. The issues raised through the AEON Hotline, an Intranet communication channel, are investigated and resolved with strict confidentiality by the Company.

For external stakeholders, any concerns on illegal, unethical or questionable practices can be communicated in confidence by the whistleblower without the risk of reprisal to the Senior Independent Director at <SID@aeoncredit.com.my> for further investigation and action.

Board Composition and Diversity Policy

The Board currently consists of ten (10) members, comprising one (1) Chairman who is a Non-Executive Director, five (5) Executive Directors including the MD, and four (4) other Non-Executive Directors. The Chairman and three (3) of the Non-Executive Directors are Independent Directors of the Company. This complies with Paragraph 15.02(1) of the MMLR which requires at least two (2) or one third (1/3) of the Board of the Company, whichever is the higher, to be independent directors.

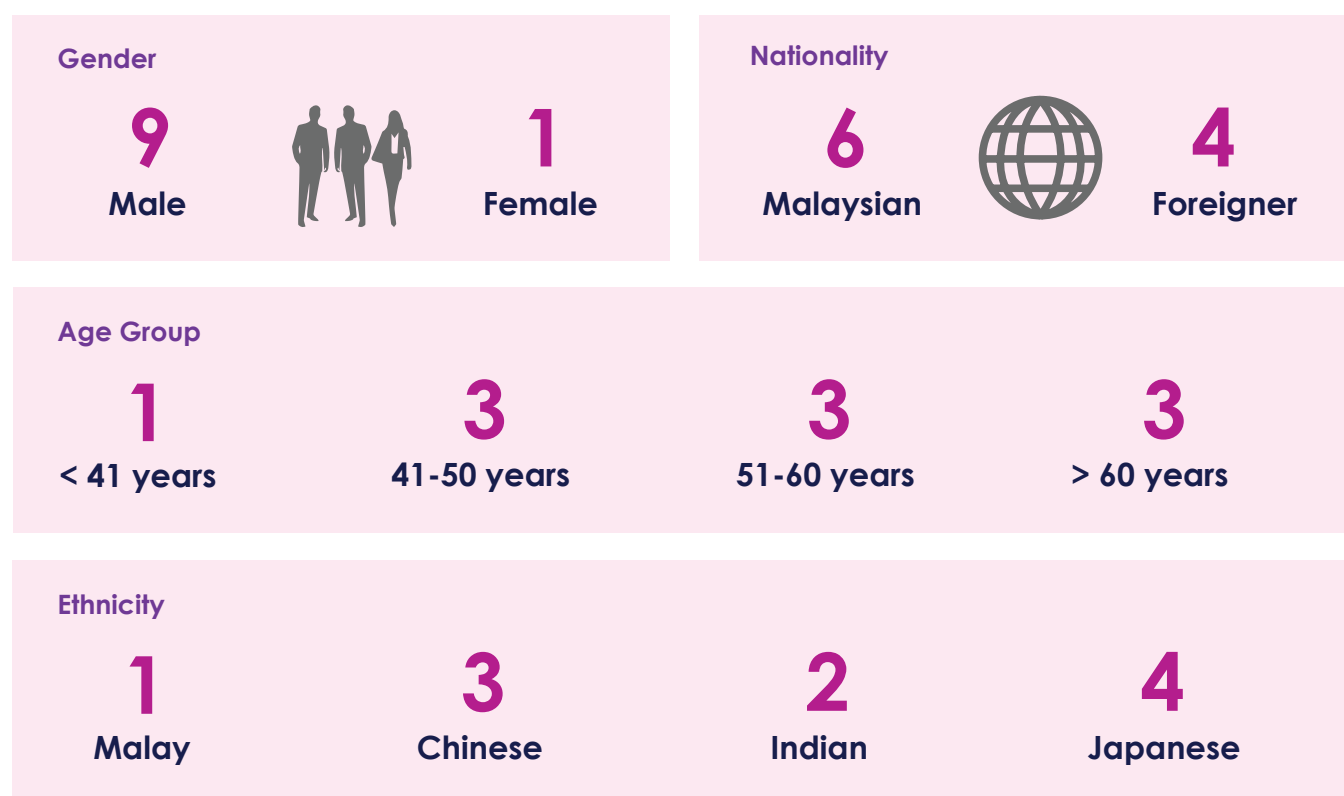
Corporate Governance Overview Statement

The present size and composition of the Board is optimum and well balanced, in terms of the required mix of skills, experience and core competencies as well as need to safeguard the interests of the minority shareholders. Although the NC is satisfied with the current composition of the Board, nevertheless the Board shall endeavour to prevent the dominance of one (1) or more Directors on the Board by reviewing the composition of the Board annually.

In the upcoming Annual General Meeting, three (3) Executive Directors namely Mr. Lee Kit Seong, Mr. Kiyoaki Takano and Mr. Ajith A/L Jayaram shall not be seeking reappointment, and shall therefore retire as directors. Thereafter, the Board shall have majority composition of Independent Directors, in line with the practice stipulated under the MCCG in relation to a "large company" as defined therein.

The Board is well represented by individuals with diverse professional backgrounds and experience in the areas of financial services industry, law, finance and accounting, audit and taxation, commerce and public service. This results in the Board having the skills, knowledge and experience needed to effectively steer the Company forward. There is no individual Director or group of Directors who dominate the Board's decision-making.

A summary of the Board composition as at the date of this CG Overview Statement is set out below:



The Company had announced the demise of the Chairman of the Board, Dato' Abdullah Bin Mohd Yusof on 25 April 2018. Thereafter, Mr. Ng Eng Kiat was redesignated as Chairman of the Board on 8 May 2018. Further to the announcement made by the Company, the composition of the Board and Board Committees of the Company as at the date of this CG Overview Statement is set out in the tables below.

Corporate Governance Overview Statement

Board of Directors – Current Composition

	Name	Designation/Directorate
1.	Mr. Ng Eng Kiat	Chairman/Independent Non-Executive Director
2.	Mr. Kenji Fujita	Managing Director/Executive Director
3.	Dato' Md Kamal Bin Ismaun	Independent Non-Executive Director
4.	Mr. Tomokatsu Yoshitoshi	Independent Non-Executive Director
5.	Mr. S. Sunthara Moorthy A/L S. Subramaniam	Independent Non-Executive Director
6.	Mr. Tetsuro Takano	Non-Independent Non-Executive Director
7.	Ms. Lee Tyan Jen	Executive Director
8.	Mr. Lee Kit Seong	Executive Director
9.	Mr. Kiyoaki Takano	Executive Director
10.	Mr. Ajith A/L Jayaram	Executive Director

The Board of Directors have identified Dato' Md Kamal Bin Ismaun as the Senior Independent Director of the Company with effect from 8 May 2018.

Audit Committee – Current Composition

	Name	Designation
1.	Mr. S. Sunthara Moorthy A/L S. Subramaniam	Chairman of Committee
2.	Dato' Md Kamal Bin Ismaun	Member of Committee

The Board of Directors of the Company will identify or source for a suitable candidate to fill the vacancy within three (3) months from 8 May 2018 pursuant to Paragraph 15.19 of the MMLR.

Nomination Committee – Current Composition

	Name	Designation
1.	Mr. Ng Eng Kiat	Chairman of Committee
2.	Dato' Md Kamal Bin Ismaun	Member of Committee
3.	Mr. Tomokatsu Yoshitoshi	Member of Committee

Remuneration Committee – Current Composition

	Name	Designation
1.	Mr. Ng Eng Kiat	Chairman of Committee
2.	Dato' Md Kamal Bin Ismaun	Member of Committee
3.	Mr. Tomokatsu Yoshitoshi	Member of Committee

Mr. Ng Eng Kiat and Mr. Tomokatsu Yoshitoshi have been appointed as the Chairman and member respectively of both the Nomination Committee and Remuneration Committee further to the demise of Dato' Abdullah Bin Mohd Yusof.

Corporate Governance Overview Statement

The list of trainings attended by members of the Board is set out below:

No	Director	Training Attended in FYE2018
1	Dato' Abdullah Bin Mohd Yusof (Demised on 25 April 2018)	<ul style="list-style-type: none"> Companies Act 2016
2	Mr. Ng Eng Kiat	<ul style="list-style-type: none"> Companies Act 2016 MFRS9, MFRS15 & MFRS16 & Companies Act 2016 - Share Capital Distribution 2018 Budget seminar organized by Chartered Tax Institute of Malaysia Fair value measurement workshop
3	Mr. Kenji Fujita	<ul style="list-style-type: none"> Companies Act 2016 Legal Familiarisation Refreshment Programme Indonesia Board of Commissioners' (BOC) Seminar Directors & Senior Management Training FYE2018
4	Datuk Ramli Bin Ibrahim	<ul style="list-style-type: none"> Companies Act 2016
5	Dato' Md Kamal Bin Ismaun	<ul style="list-style-type: none"> Companies Act 2016
6	Mr. Tomokatsu Yoshitoshi	<ul style="list-style-type: none"> Corporate Governance Companies Act 2016 Risk Management of group company Directors & Senior Management Training FYE2018 The system and rules of internal control Regulation of insider trading Trend of Annual General Meetings
7	Mr. Tetsuro Takano	<ul style="list-style-type: none"> Compliance Code of Conduct Prevention of Bribery & Corruption Training for AEON Financial Services Directors & Managers Conflict of Interest Prevention of Money Laundering, Countermeasures against funding terrorism AFS Harassment Training
8	Ms. Lee Tyan Jen	<ul style="list-style-type: none"> Companies Act 2016 Legal Familiarisation Refreshment Programme Directors & Senior Management Training FYE2018 FYE 2018 Code of Conduct Briefing to Management Team
9	Mr. Lee Kit Seong	<ul style="list-style-type: none"> Companies Act 2016 BTMU Forex & Economics Seminar Legal Familiarisation Refreshment Programme Directors & Senior Management Training FYE2018 Malaysian Institute of Accountants Conference 2017 SEA AEON Group Regional Meeting with Deloitte CFO Luncheon Talk Citi Markets Economic Seminar FYE 2018 Code of Conduct Briefing to Management Team HSBC Asian Outlook Forum 2018 World Capital Market Symposium 2018
10	Mr. Kiyooki Takano	<ul style="list-style-type: none"> Companies Act 2016 Legal Familiarisation Refreshment Programme Directors & Senior Management Training FYE2018 FYE 2018 Code of Conduct Briefing to Management Team
11	Mr. Ajith A/L Jayaram	<ul style="list-style-type: none"> Companies Act 2016 Legal Familiarisation Refreshment Programme Directors & Senior Management Training FYE2018 FYE 2018 Code of Conduct Briefing to Management Team

Corporate Governance Overview Statement

Appointment of directors on the Board (and appointment of senior management of the Company) shall be based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The Board recognises that a diverse Board may offer greater depth and breadth and contribute towards constructive debates, which lead to better decisions. Diversity would better equip the Company to face challenges in an ever-changing environment in terms of technology, consumer preferences, business strategies and models as well as business risk environment.

The Board shall endeavour to realise at least 30% composition of female Directors on the Board within the next three (3) years in line with the practice stipulated in the MCCG. In this regard the Board had made efforts during the financial year to identify qualified female candidates for appointment to the Board through independent sources, although no new appointment has been finalised as at the date of this statement.

The Board is aware of the recommended tenure of an Independent Director which should not exceed nine (9) years cumulatively under the MCCG. Nevertheless, after due deliberation by the NC and the Board, the Company is seeking approval from shareholders at the forthcoming Annual General Meeting ("AGM") for Dato' Md Kamal Bin Ismaun and Mr Ng Eng Kiat to continue in office as Independent Directors of the Company, after having served for a cumulative term exceeding nine (9) years in such capacity, as required under the MCCG. The justifications for the proposed resolutions are appended to the Notice of Annual General Meeting in the Annual Report.

The profile of each Director is set out on pages 54 to 58 of this Annual Report.

Board Meetings

Board meetings are generally held on monthly basis, to facilitate better oversight and review on financial and business performance of the Company, review of key areas for risk management and address other matters arising or requiring Board decision.

During the FYE2018, the Board met 14 times where it deliberated and considered a variety of matters, inclusive of financial results, operations' performance, potential investments, strategic decisions, risk management and other matters requiring the decision of the Board. The details of Directors' attendance are as follows:

No.	Name of Director	Attendance*
1.	Dato' Abdullah Bin Mohd Yusof (Demised on 25 April 2018) - Independent Non - Executive Director	13/14 ^[1]
2.	Mr. Kenji Fujita - Managing Director	14/14
3.	Datuk Ramli Bin Ibrahim (retired on 28 February 2018) - Independent Non-Executive Director	14/14
4.	Dato' Md Kamal Bin Ismaun - Independent Non-Executive Director	12/14 ^[2]
5.	Mr. Ng Eng Kiat - Independent Non-Executive Director	14/14
6.	Mr. Tomokatsu Yoshitoshi - Independent Non-Executive Director	14/14
7.	Mr. Testsuro Takano (appointed on 4 July 2017) - Non-Independent Non-Executive Director	9/9
8.	Mr. Lee Kit Seong - Executive Director	14/14
9.	Ms. Lee Tyan Jen - Executive Director	12/14 ^[3]
10.	Mr. Kiyooki Takano - Executive Director	14/14
11.	Mr. Ajith A/L Jayaram (appointed on 4 July 2017) - Executive Director	9/9

Corporate Governance Overview Statement

No.	Name of Director	Attendance*
12.	Mr. Krishnappan A/L S.P.S. Singaram (resigned on 5 July 2017) - Executive Director	5/5
13.	Mr. Koji Hatakeda (retired on 21 June 2017) - Non-Independent Non-Executive Director	4/4
14.	Mrs. Jiraporn Kongcharoenwanich (retired on 21 June 2017) - Non-Independent Non-Executive Director	4/4

(*Number of Board Meetings attended/ held during the Directors' term in office)

Note: ⁽¹⁾ Unable to attend 1 out of 14 meetings due to medical reasons.

⁽²⁾ Unable to attend 2 out of 14 meetings due to medical reasons.

⁽³⁾ Unable to attend 2 out of 14 meetings due to overseas assignments.

Nomination Committee

The NC established by the Board comprises three (3) members, all of whom are Independent Directors. Three (3) NC meetings were held during the year. Details of the NC members during the FYE 2018 are set out below:

No.	Name of Director
1.	Dato' Abdullah Bin Mohd Yusof (Chairman)(Demised on 25 April 2018) - Independent Non-Executive Director
2.	Datuk Ramli Bin Ibrahim - Independent Non-Executive Director
3.	Dato' Md Kamal Bin Ismaun - Independent Non-Executive Director

During the FYE 2018, the key activities undertaken by the NC are summarised as follows:

- i) Review of the size of the Board, required mix of skills, experience and other qualities of the Board including core-competencies that both Executive and Non-Executive Directors should bring to the Board;
- ii) Assessment of the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director, the effectiveness and performance of the Executive Directors and independence of the Independent Directors;
- iii) Identification and review of the training needs of the Directors;
- iv) Nomination and assessment of suitability of Mr. Tetsuro Takano, Mr. Ajith A/L Jayaram and Mr. S. Sunthara Moorthy A/L S. Subramaniam for appointment* as Director, and thereafter recommendation on the proposed nomination for Board's approval;
- v) Nomination and assessment of suitability of Mr. S. Sunthara Moorthy A/L S. Subramaniam for appointment as member of the Audit Committee, and thereafter recommendation on the proposed nomination for Board's approval;
- vi) Review the retirement of Directors by rotation and their eligibility for re-election; and
- vii) Review and justification for continuation in office of Dato' Md Kamal Bin Ismaun and Mr. Ng Eng Kiat as Independent Directors of the Company after having served for a cumulative term exceeding nine (9) years in such capacity.

(*Note: Mr. Tetsuro Takano and Mr. Ajith A/L Jayaram were appointed as Non-Independent Non-Executive Director and Executive Director respectively on 4 July 2017 while Mr. S. Sunthara Moorthy A/L S. Subramaniam was appointed as an Independent Director effective 1 March 2018.)

Based on the reviews and assessment conducted, the NC is satisfied with the current composition and performance of the Board. Further details of policy on board composition having regard to the mix of skills, independence and diversity, Board nomination and election process of directors and criteria used by the NC in the selection process and the assessment undertaken by the NC in respect of its board, committees and individual directors together with the criteria used for such assessment are set out in the CG Report.

The Terms of Reference of the NC is available on the website of the Company.

Corporate Governance Overview Statement

Remuneration of Directors and Senior Management

The Board has in place pre-requisite Remuneration Policy and Procedures, which is designed to:-

- i) provide comprehensive remuneration package for Executive Directors and Senior Management which is able to attract, engage and retain the required talent and to motivate Executive Directors and Senior Management to drive the Company's long term objectives and to ensure business sustainability and growth; and
- ii) develop appropriate remuneration structure for Non-Executive Directors, taking into consideration the complexity of the Company's business, contribution and time commitment of each director and trends for similar positions in the market.

The Remuneration Policy and Procedures are reviewed periodically.

The RC, comprising wholly of Independent Non-Executive Directors, assists the Board in the implementation of the above-mentioned policy and procedures based on the Terms of Reference of the RC, which is available at the Company's website. Two (2) RC meetings were held during the year. Details of the RC members during the FYE 2018 are set out below:

No.	Name of Director
1.	Dato' Abdullah Bin Mohd Yusof (Chairman)(Demised on 25 April 2018) - Independent Non-Executive Director
2.	Dato' Md Kamal Bin Ismaun - Independent Non-Executive Director
3.	Mr. Ng Eng Kiat - Independent Non-Executive Director

The Board will recommend the Directors' remuneration payable to the Non-Executive Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act, 2016.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The AC comprises three (3) Non-Executive Directors, all of whom are Independent, with Mr. Ng Eng Kiat as the AC's Chairman during the FYE 2018*. Mr. Ng Eng Kiat is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and a fellow member of the Chartered Tax Institute of Malaysia and Certified Practising Accountants, Australia.

All AC members are financially literate and the AC's composition and performance are reviewed annually by the NC and recommended to the Board for its approval. The composition of the AC and activities of the AC for the financial year under review are set out in the Audit Committee Report in this Annual Report.

(*Note: Further to the redesignation of Mr. Ng Eng Kiat as Chairman of the Board on 8 May 2018, he has ceased to be a member of the AC. Thereafter, Mr. S. Sunthara Moorthy A/L S. Subramaniam was redesignated as Chairman of the AC on the same date.)

Risk Management and Internal Control Framework

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management and internal control framework, overseeing the Company's strategic risk management and ensuring adequacy of internal control system in the Company.

The key features of the risk management and internal control framework and processes to identify, evaluate, control, monitor and report the principal business risks faced by the Company on an ongoing basis are set out in the Statement on Risk Management and Internal Control in this Annual Report.

The AC assists the Board in discharging the above responsibility by overseeing and reviewing the risk management framework and key risk areas periodically. The Board is of the view that the system of internal control and risk management in place during the FYE 2018, is sound and sufficient to safeguard the Company's assets, as well as shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

Corporate Governance Overview Statement

PRINCIPLE C- INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with stakeholders

The Board is aware that a key element of good corporate governance is the effective communication and timely dissemination of clear, relevant and comprehensive information which is readily accessible by the Company's stakeholders. It also recognises the importance of maintaining transparency and accountability to stakeholders, in line with the principles and practices set out in Bursa Securities' Corporate Disclosure Guide and applicable laws.

The various channels of communication with stakeholders include:-

- i) The Company's website (www.aeoncredit.com.my) where information on the Company's announcements, financial information, Board Charter and other policies, Code of Ethics, the Company's Annual Reports and whistleblowing channel, etc. may be accessed. The website is continuously updated to ensure that the information contained within is current;
- ii) Announcements to Bursa Securities on the quarterly/annual financial performance and corporate developments in the Company;
- iii) Meetings, engagements and participation in events involving regulators, industry associations, business partners, merchants, segments of local community etc.;
- iv) Updates of the Company's activities, product launching and operations are also disseminated through dialogues with analysts, fund managers and investors as well as press releases from time to time;
- v) Publication of Annual Report and CG Report, containing comprehensive information on the financial results, operations, prospects, activities undertaken, sustainability statement and state of corporate governance in the Company;
- vi) Engagement with shareholders during the Company's AGM; and
- vii) A dedicated investor relations' e-mail contact which is available at ir_info@aeoncredit.com.my for shareholders to submit queries or comments on any issue of concern.

The list of stakeholder groups and communication channels is set out in the FYE 2018 Sustainability Statement in this Annual Report.

Conduct of General Meetings

The Company's AGM has been a main forum of dialogue for shareholders to raise their concerns and provide feedback to the Board on the Company's performance and direction. It serves as a platform for shareholders to obtain full understanding on the Company and its operations. Notice of AGM setting out the agenda together with the Annual Report is sent to the shareholders at least 28 days prior to the date of AGM.

The AGM of the Company has always been held in city centre of Kuala Lumpur to facilitate maximum participation of shareholders. For the presentation by the Management at the AGM, all Chairman of Committees are present to respond to any enquiries from the shareholders. The Board has always given consideration to the location of its general meetings that is easily accessible to shareholders. The Company had conducted poll voting for all the resolutions put to vote at the Twentieth (20th) AGM on 21 June 2017, utilising electronic polling devices for greater efficiency in proceedings.

The Company shall explore ways to further leverage on technology to improve communication/engagement with stakeholders and AGM proceedings. Moving forward, the Company shall also endeavour to adopt the Integrated Reporting based on a globally recognised framework to allow clear, concise and integrated report that explains how value is created within the Company. This will increase stakeholders' confidence and allow them make informed decisions based on the Company's performance.

This Corporate Governance Overview Statement was approved by the Board of Directors on 8 May 2018.

AUDIT COMMITTEE REPORT

Composition and Meetings

The Audit Committee ("AC") members are appointed by the Board from amongst its non-executive members. The AC comprises three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the AC is appointed by the Board and is not the Chairman of the Board.

During the financial year ended 28 February 2018, the AC convened four (4) scheduled quarterly meetings on 18 April 2017, 22 June 2017, 28 September 2017 and 13 December 2017. There were also three (3) Special Meetings held on 9 May 2017, 22 August 2017 and 21 November 2017. The details of attendance of each AC member during the financial year are as follows:-

Name of Director	Status of Directorship	Attendance of Meeting
Mr. Ng Eng Kiat	Independent Non-Executive Director (Chairman of AC)	7/7
Datuk Ramli Bin Ibrahim	Independent Non-Executive Director	7/7
Dato' Md Kamal Bin Ismaun	Independent Non-Executive Director	5/7*

*: Absence on medical grounds

Mr. Ng Eng Kiat (Chairman of the AC) and Datuk Ramli Bin Ibrahim are members of the Malaysian Institute of Accountants.

During the financial year, Datuk Ramli Bin Ibrahim ceased to be a member of the AC pursuant to his retirement as Director of the Company on 28 February 2018. Subsequently, Mr. S Sunthara Moorthy A/L S Subramaniam, an Independent Non-Executive Director and a member of the Malaysian Institute of Accountants, who joined the Board on 1 March 2018, was appointed as a member of the AC on the same date.

The AC composition is in line with Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("MMLR") of Bursa Securities, which prescribe that the AC must comprise at least three members with the Chairman and a majority of the members being independent non-executive directors and at least one member of the AC must be a member of the Malaysian Institute of Accountants, and no alternate director is appointed as a member of the AC.

The Company Secretary, being the Secretary of the AC, the Chief Financial Officer and Head of Internal Audit Group, had attended all the meetings held during the financial year. Upon invitation, the Managing Director, Executive Directors, Head of Corporate Governance Group, related management personnel and representatives of the External Auditors also attended specific meetings.

The Chairman of the AC reported to the Board on matters deliberated during the AC Meetings and minutes of each AC Meetings were recorded, circulated to all members of the Board and tabled for consideration at Board Meetings.

During the year under review, the Board, via the NC, had performed the annual assessment on the term of office and performance of the AC and each of its members pursuant to Paragraph 15.20 of the MMLR of Bursa Securities to evaluate whether the AC and each of its members have discharged their responsibilities and duties in accordance with the AC Terms of Reference.

The responsibilities and duties of the AC are set out in the AC Terms of Reference and approved by the Board, and it is accessible for viewing on the Company's corporate website at www.aeoncredit.com.my.

AUDIT COMMITTEE REPORT

Summary of Work Undertaken by the AC During the Financial Year

During the year under review, the AC carried out the following work in the discharge of its functions and duties as set out in its Terms of Reference:

1. Financial Statements and Reporting

- a) Reviewed and discussed the unaudited quarterly financial results of the Company with the Management at the scheduled quarterly AC meetings, and recommended the same to the Board for consideration and approval before releasing to Bursa Securities.
- b) Reviewed and discussed with the External Auditors and Management on the Audited Financial Statements of the Company for the financial year ended 28 February 2017, and recommended the same for the Board's consideration and approval.

2. External Audit

- a) Reviewed and deliberated reports issued by the previous External Auditors, KPMG PLT, on significant findings and remedial actions to be taken by Management to address the issues raised arising from the statutory audit and the key audit matters raised by the External Auditors at the AC Meeting held on 18 April 2017.
- b) Reviewed and recommended to the Board for consideration the proposed audit fees for the Company's previous External Auditors in respect of the statutory audit fees, recurring non-audit fees and one-off non-audit fees.
- c) At the Special AC Meeting held on 9 May 2017, reviewed and recommended to the Board on the proposed appointment of Deloitte PLT as the External Auditors of the Company for the financial year ended 28 February 2018 in place of the previous External Auditors, KPMG PLT.
- d) Reviewed with the External Auditors, Deloitte PLT the scope of work and the audit plan for the year under review.
- e) During the financial year, the AC met with the Engagement Partner of KPMG PLT on 18 April 2017, and also the Engagement Partner of the newly appointed Deloitte PLT on 13 December 2017 to discuss any issues or significant matters in relation to their work without the presence of the Executive Board members, Management staff of the Company and Internal Audit Group.

3. Internal Audit

- a) Reviewed and approved the annual internal audit plan of the Internal Audit Group for the financial year ending 28 February 2019, including its scope, coverage and the resource requirements of the Internal Audit function to carry out its work.
- b) Reviewed and deliberated reports prepared by the Internal Audit Group at the scheduled quarterly AC meetings, which highlighted the audit issues and recommendations as well as the Management's action plans thereto, to ensure that appropriate actions had been taken to address the issues raised.
- c) Reviewed and discussed with the Management the progress of agreed remedial action plans on audit issues at the scheduled quarterly AC meetings, to ensure that the remedial measures are implemented promptly and appropriately.
- d) The AC had also evaluated the performance and effectiveness of the Internal Audit function pursuant to Paragraph 15.12 of the MMLR of Bursa Securities, which include the scope, functions, competency and resources of the Internal Audit Group.
- e) During the financial year, the AC held one (1) meeting with the Internal Auditor on 18 April 2017 without the presence of the Executive Board members and Management staff of the Company to discuss any issues or significant matters, which the Internal Auditor wished to raise.

AUDIT COMMITTEE REPORT

4. Related Party Transactions

- a) Reviewed the recurrent related party transactions of a revenue or trading nature entered into by the Company at the scheduled quarterly AC meetings.
- b) Reviewed the annual circular to shareholders in respect of the proposed renewal of existing Shareholders' mandate for recurrent related party transactions and new mandate for additional recurrent related party transactions of a revenue or trading nature and recommended the same to the Board for consideration and approval.

5. Internal Control Over Financial Reporting ("Japanese Sarbanes-Oxley" or "J-SOX")

- a) Discussed and recommended to the Board for approval, the engagement of Deloitte PLT to conduct independent assessment on the effectiveness of the Company's internal controls over financial reporting (J-SOX) for the financial year ended 28 February 2018 to provide reasonable assurance about whether effective internal control over financial reporting is maintained in all material respects. The assessment includes the evaluation on the Company's Entity Level Control, Financial Closing Reporting Process, Process Level Control, and Information Technology General Control.
- b) Reviewed and deliberated J-SOX Internal Control Audit Report issued by Deloitte Enterprise Risk Services Sdn Bhd on the findings and Management's action plans put in place to address the issues raised arising from the independent testing on the effectiveness of the Company's internal control over financial reporting, which covered the areas of Financial Closing Reporting Process, Process Level Control and Information Technology General Control.

6. Annual Reporting

- a) Discussed and recommended to the Board for approval, the Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control, and the AC Report and Directors' Responsibility Statement in relation to the Audited Financial Statements for inclusion in the Annual Report.

7. Other Matters

- a) Reviewed the risk management reports presented by Management, and considered the adequacy of actions taken to identify, address, mitigate and resolve reported risks.
- b) Reviewed the proposals presented by Management to declare annual distributions to shareholders, and recommended such proposals to the Board for consideration.

AUDIT COMMITTEE REPORT

Internal Audit Function

The Board has established an in-house internal audit function. The primary responsibility of the Internal Audit Group is to provide independent and objective assessment on the adequacy and effectiveness of the governance, risk and control processes implemented by the Management.

As guided by the Internal Audit Charter, Policy and Procedure, the Internal Audit Group maintained their independence and impartiality on the activities and functions it audits. To reflect the independence of internal audit function, the Internal Audit Group reports functionally to the AC and administratively to the Managing Director, and has unfettered access to the AC. The AC also ensures that the Internal Audit Group has the authority to carry out their work objectively and independently.

The Internal Audit Group adopts a risk-based approach to plan and prioritise audit work focusing on high risk auditable areas, which encompass auditing the Company's business activities and operations, information systems including the Outsourced Service Providers. These are guided by an annual internal audit plan, which is approved by the AC.

During the year under review, the Internal Audit Group conducted the internal audit engagements in accordance with the approved annual internal audit plan to review the adequacy and effectiveness of the internal control system as well as compliance with relevant policies, procedures and regulations. The Internal Audit Group also reviewed the recurrent related party transactions entered into by the Company on a quarterly basis, and observed and reviewed the Business Continuity Plan and Disaster Recovery Plan tests to provide independent evaluation of the testing performed.

Internal control deficiencies noted from these audits were highlighted to the appropriate level of Management for resolution. In relation to this, Internal Audit Group also presented the audit issues and remedial action plans thereto, as well as the progress of remedial actions taken on open audit issues, at the monthly Internal Audit Meetings attended by the Managing Director / Executive Directors of the Company.

Internal Audit Reports arising from the audits and reviews conducted by Internal Audit Group were tabled to the AC for review and deliberation at each of the scheduled AC Meetings held on 18 April 2017, 22 June 2017, 28 September 2017 and 13 December 2017 respectively. The relevant Management of the operating units are responsible to ensure that remedial measures are taken on reported internal control deficiencies within the required timeframe. Follow-up reviews were conducted by Internal Audit Group, and status updates were provided to the AC on the progress of remedial measures taken.

The total cost incurred in respect of the internal audit function for the financial year under review was in the region of RM1,780,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board of Directors ("Board") recognises that risk management and internal control is about commitment to safeguard shareholders' investment and the Company's assets.

The Board is committed to its responsibility of maintaining a sound system of risk management and internal control, covering financial and operating activities to safeguard shareholders' investment, the Company's assets and customers' interests. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Accordingly, the Board is pleased to provide the Statement on Risk Management and Internal Control ("Statement") prepared in accordance with the "Statement on Risk Management & Internal Control – Guidelines for Directors of Public Listed Issuers" ("Guidelines") issued by Bursa Malaysia Securities Berhad which outlines the processes to be adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the organisation.

This Statement outlines the processes that have been implemented to ensure the adequacy and integrity of the system of risk management and internal control of the Company during the financial year ended 28 February 2018 and it has been prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Risk Management Committee being the delegated committee of the Board, are responsible for the preparation of the Statement on Risk Management and Internal Control in accordance with the Guidelines. Set out below is the Statement on Risk Management and Internal Control which has been prepared in accordance with the Guidelines.

Board Responsibilities

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

The Board is assisted by the Company's Management in the implementation of the approved policies and procedures on risks and controls, in which the Company's Management identifies and assesses the risks faced as well as implements and monitors appropriate control measures to mitigate and control these risks. Further, the Board is assisted by the Audit Committee to review the adequacy and integrity of the system of internal controls in the Company as part of the internal control and risk management processes.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring, and managing significant risks that may affect the achievement of business objectives. The control structure and process which have been instituted throughout the organisation are updated and reviewed from time to time to suit the changes in the business environment, and this on-going process has been in place for the whole financial year under review and up to the date of approval of this statement for inclusion in the annual report.

System of Internal Controls

The Board is responsible for managing the key business risks of the Company and implementing an appropriate internal control system to manage those risks. The Board reviewed the adequacy and integrity of the system of internal controls during the financial year.

Enterprise-wide Risk Management Framework

The Board is committed to operating within a system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The Enterprise-wide Risk Management Framework ("ERMF") is the overarching framework that sets out the Company's approach to risk management. It establishes the mechanisms and processes by which the Board directs the risk management function of the organisation, through setting the tone and expectations from the top, delegating its authority and monitoring compliance.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The purpose of the ERMF is to identify and set minimum requirements in respect of the main risks to achieving the Company's strategic objectives and to provide reasonable assurance that internal controls are effective. The key elements of the Company's system of risk management and internal control are set out in the risk management control frameworks relating to each of the Company's Key Risks and in the organisation's operational risk policies and procedures. The ERMF is reviewed annually by the Management.

The Board has established a management structure of the Company and clearly defined lines of responsibility, authority limits, and accountability aligned to business and operations requirements which support the maintenance of a strong control environment. The Board has extended the responsibilities to assess the internal controls to Audit Committee through the Internal Audit function.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"), comprising members of key management team, with objective of assessment and management of the identified risks. Monthly meetings are held to address the various risk areas associated with the Company's business and operations including credit risk, operational risk, market risk and liquidity risk. The Company's exposure to risk events, impact arising and mitigation measures are presented and discussed at the said meetings. The effectiveness of the risk management system is monitored and evaluated by the Company's Risk Management Department, on an ongoing basis. Changes to policies and framework formulated to identify, measure and monitor various risk components shall be reviewed and recommended by the RMC to the Board.

Additionally, the RMC assesses the adequacy of these risk management policies and ensures infrastructure, resources and systems are emplaced for risk management. Risk management reports are presented to the Board on monthly basis, highlighting the key risk areas, impact arising to the Company from risk events, changes to risk assessment evaluation, risk mitigation measures, etc. for Board review and feedback.

Risk management policies, procedures and practices are updated regularly to ensure relevance and compliance with current/applicable laws and regulations, and are made available to all employees. The Company also adopted a whistle blowing policy, providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Company's policies and regulations in a secure and confidential manner.

The Company via the ERMF has established the necessary mechanism in the light of changing business conditions and risks based on the key risk profiles and key risk indicators in place to alert management (and the Board as necessary) by reviewing the current level of risks in relation to risk appetite as an integral part of monitoring and measuring performance.

The Company has also established structure of "three lines of defense" for risk management: risk taking units (Business Units), risk control unit (Risk Management Department), and internal audit. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities, while the risk control unit is responsible for setting the risk management framework and developing related tools and methodologies. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

Internal Audit Function

The Audit Committee, assisted by the Internal Audit Group, provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls. The Audit Committee has an oversight function of all activities carried out by the Internal Audit Group.

The Internal Audit Group adopts a risk-based approach in preparing its audit strategy and plan. The Internal Audit Group independently reviews the risk exposures and control processes implemented by the Management and conducts assignments which encompass auditing and review of critical areas within the Company, including operations and information systems. The internal audit activities are guided by an annual internal audit plan, which is approved by the Audit Committee and the internal audit reports are tabled at the Audit Committee Meetings for review. Further, the Internal Audit Group engages in regular communication with the senior management team and various departments within the Company related to Internal Audit activities and efforts for continuous improvement in operations and systems. External auditors' recommendations for improvements noted during their audit are also monitored and followed-up.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Key Elements of Internal Controls

Other key elements of the processes established by the Board which provides effective internal control include:

- An annual business plan and budget are submitted to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis for Management response and action required, where applicable. Prior to July 2016, such review was performed on quarterly basis. The Board reviews monthly reports from the management on the key operating statistics and risk management, and feedback on action required is furnished to the senior management team.
- The Company's core values and Code of Conducts are the essential guiding principles which are observed in all business dealings and sets out standards of good practice to be observed by all staff.
- The corporate decision authority matrix, corporate purchasing authority matrix and respective business units authority matrix with defined empowerment and authority serves as framework in regulating all business activities and decisions within the Company.
- The Company has in place written operating procedures in various areas of operations, which also incorporate risk management issues and are subject to biannual review and updated as and when necessary to improve on the control environment and operational efficiency.
- Various Management Committees at senior level have been established by Management to assist and support the Board to oversee areas such as business operations, risk management, system implementation and support, staff disciplinary issues etc. These include the Company's Executive Committee, Risk Management Committee, Investment Committee and Disciplinary Action Committee (under Human Resource function).
- The Audit Committee is responsible for reviewing the statutory annual financial statements and the quarterly announcements to Bursa Securities and recommends to the Board for approval prior to submission to Bursa Securities.
- The Company has been identified as a significant subsidiary of the holding corporation, AEON Financial Service Co., Ltd. ("AFSJ"), for purposes of AFSJ's compliance with the Framework of Internal Controls over Financial Reporting ("Japanese Sarbanes-Oxley or J-Sox") pursuant to the Financial Instruments and Exchange Law of Japan. Based on the said requirements, management conduct evaluation of internal controls in the Company that have a significant and pervasive impact over financial reporting and internal controls corresponding to relevant specific processes. Thereafter, an external risk management consultant engaged by the Company conducts an annual assessment on the effectiveness of internal controls on financial reporting, and furnishes a report on related findings, if any.

All the above mentioned processes are in place with the aim to provide reasonable assurance on the effectiveness of the internal control system. The Board will conduct reviews on continuing basis to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets and stakeholders' interests.

Conclusion

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

OTHER INFORMATION

1. Material Contracts Involving Directors and Substantial Shareholders

There were no material contracts entered into by the Company (not being contracts entered into the ordinary course of business) involving Directors' and major Shareholders' interests which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year.

2. Audit and Non-Audit Fees

The details of the audit and non-audit fees paid/payable for the financial year ended 28 February 2018 to the External Auditors and a firm or corporation affiliated to the External Auditors are set out below:

	RM
Audit Fees	165,000
Non-Audit Fees	
i) Review of Internal Control	10,000
ii) Quarterly Review	60,000
iii) J-SOX Audit	95,000
iv) E-Money Accounting Advisory Fees	35,000
v) E-Money Tax Advisory Fees	80,000
Total	280,000



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Report of the Directors

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 28 February 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of easy payment schemes, personal financing schemes and issuance of credit cards under the international brand names of Visa and MasterCard. The personal financing schemes and certain easy payment schemes are based on Islamic principles. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

Profit for the year

RM'000

300,057

In the opinion of the Directors, the results of operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

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

- (i) A final ordinary dividend of 32.5 sen per ordinary share, totalling RM46,800,000 in respect of the financial year ended 28 February 2017 on 19 July 2017; and
- (ii) An interim ordinary dividend of 21.13 sen per ordinary share, totalling RM52,225,000 in respect of the financial year ended 28 February 2018 on 7 November 2017.

The Directors propose a final cash dividend of 20.00 sen per share, amounting to approximately RM49,689,800, computed based on the outstanding issued and paid-up capital held by the Company of 248,449,117 ordinary shares in respect of the current financial year.

The proposed final dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in the financial statements. Upon approval by the shareholders, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 28 February 2019.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid up share capital of the Company was increased from 144,000,000 ordinary shares to 248,449,117 ordinary shares by way of:

- (i) a bonus issue of 72,000,000 new ordinary shares on the basis of one new ordinary share for every two existing ordinary shares held; and
- (ii) the issuance of 32,449,117 new ordinary shares pursuant to the conversion of 356,616,790 units of Irredeemable Convertible Unsecured Loan Stocks.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

Report of the Directors

ISSUE OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ('ICULS')

During the financial year, the Company issued 432,000,000 units of 3.5% 3 year ICULS amounting to RM432,000,000 for working capital.

The salient features of the ICULS are set out in Note 19 to the financial statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Abdullah bin Mohd Yusof (demised on 25 April 2018)
 Kenji Fujita
 Dato' Md Kamal bin Ismaun
 Ng Eng Kiat
 Lee Tyan Jen
 Lee Kit Seong
 Kiyooki Takano
 Tomokatsu Yoshitoshi
 Tetsuro Takano (appointed on 4 July 2017)
 Ajith A/L Jayaram (appointed on 4 July 2017)
 S Sunthara Moorthy A/L S Subramaniam (appointed on 1 March 2018)
 Jiraporn Kongchatoenwanich (retired on 21 June 2017)
 Koji Hatakeda (retired on 21 June 2017)
 Krishnappan A/L S.P.S Singaram (resigned on 5 July 2017)
 Datuk Ramli bin Ibrahim (retired on 28 February 2018)

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares of the Company and of its related companies of those who are Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

(a) The Company

/-----Number of ordinary shares -----/				
	At 1.3.2017/ Date of appointment	Bonus issue ⁽¹⁾	Sold	At 28.2.2018
Direct interest:				
Dato' Abdullah bin Mohd Yusof	5,180	2,590	(5,000)	2,770
Datuk Ramli bin Ibrahim	100,000	50,000	-	150,000
Dato' Md Kamal bin Ismaun	6,000	3,000	-	9,000
Ng Eng Kiat	12,000	6,000	-	18,000
Lee Tyan Jen	23,774	11,940	(53)	35,661
Kiyooki Takano	36,000	18,000	-	54,000
Ajith A/L Jayaram	2,160	1,080	-	3,240
Deemed interest:				
Dato' Abdullah bin Mohd Yusof ⁽²⁾	46,000	23,000	-	69,000

Report of the Directors

DIRECTORS' INTERESTS (continued)

(a) The Company (continued)

	Number of Irredeemable Convertible Unsecured Loan Stocks ("ICULS")			At 28.2.2018
	At 1.3.2017	Bought	Sold	
Direct interest:				
Dato' Abdullah bin Mohd Yusof	-	15,540	-	15,540
Datuk Ramli bin Ibrahim	-	150,000	-	150,000
Dato' Md Kamal bin Ismaun	-	18,000	-	18,000
Ng Eng Kiat	-	36,500	-	36,500
Kiyoaki Takano	-	108,000	-	108,000
Lee Tyan Jen	-	72,500	-	72,500
Ajith A/L Jayaram	-	6,500	-	6,500
Deemed interest:				
Dato' Abdullah bin Mohd Yusof ⁽²⁾	-	138,000	-	138,000

(b) Ultimate Holding Company
AEON Co., Ltd.

	/-----Number of ordinary shares -----/			At 28.2.2018
	At 1.3.2017	Bought	Sold	
Deemed interest:				
Kiyoaki Takano ⁽²⁾	100	-	-	100

(c) Immediate Holding Company
AEON Financial Service Co., Ltd.

Direct interest:				
Kiyoaki Takano	6,520	-	-	6,520
Deemed interest:				
Kiyoaki Takano ⁽²⁾	1,692	-	-	1,692

(d) Related Company
AEON Co. (M) Bhd

	/-----Number of ordinary shares -----/			At 28.2.2018
	At 1.3.2017	Bought	Sold	
Direct interest:				
Dato' Abdullah bin Mohd Yusof	2,070,000	-	(778,100)	1,291,900
Datuk Ramli bin Ibrahim	290,000	-	(90,000)	200,000
Deemed interest:				
Dato' Abdullah bin Mohd Yusof ⁽³⁾	2,360,000	1,050,000	(1,240,000)	2,170,000
Datuk Ramli bin Ibrahim ⁽²⁾	380,000	-	(30,000)	350,000

⁽¹⁾ Bonus issue as described in Note 12 to the financial statements.

⁽²⁾ Deemed interest through spouse and/or children pursuant to Section 59(11)(c) of the Companies Act 2016.

⁽³⁾ Deemed interest by virtue of shareholdings in Status Resources Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

The Directors in office at the financial year end who have an interest in the shares of the ultimate holding company and immediate holding company as disclosed above are also deemed to have an interest in the shares of the Company and of the related companies to the extent of the shareholdings of the holding companies.

Report of the Directors

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions under review except as disclosed in the financial statements during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the Directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.

Report of the Directors

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

In the opinion of the Directors:

- (i) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Company's operations for the financial year in which this report is made.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for Directors and Officers of the Company are RM10,000,000 and RM28,700 respectively.

HOLDING COMPANIES

The immediate and ultimate holding companies are AEON Financial Service Co., Ltd. and AEON Co., Ltd. respectively. Both companies were incorporated in Japan and listed on Tokyo Stock Exchange.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 28 February 2018 is as disclosed in Note 22 to the financial statements.

EVENTS AFTER REPORTING PERIOD

Events after reporting period are as disclosed in Note 23(ii) and Note 26 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

Kenji Fujita

Lee Tyan Jen

Kuala Lumpur
8 May 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AEON CREDIT SERVICE (M) BERHAD

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of **AEON CREDIT SERVICE (M) BERHAD**, which comprise the statement of financial position of the Company as at 28 February 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 90 to 137.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 28 February 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Impairment of financing receivables

The allowance for impairment of loans and receivables is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management.

The Company assesses at the end of each reporting period whether there is any objective evidence that financing receivables are impaired based on the evaluation of collectability and ageing analysis of financing receivables.

Collective assessment allowance is maintained to reduce the carrying amount of portfolio of similar loans to their estimated recoverable amounts at the reporting date. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loan with similar credit risk characteristics and collectively assessed for impairment.

Refer to the significant accounting policy in Note 3, the disclosure of financing receivables in Note 8 and the disclosure of credit risk in Note 30.

Our audit performed and responses thereon

Our audit procedures included, among others:

- Evaluated the design and implementation of the key controls over the lending process and tested the operating effectiveness of these controls;
- Assessed whether the Company's impairment provisioning policy on financing receivables is in accordance with MFRS 139, Financial Instruments: Recognition and Measurement;
- We involved our IT specialist to test the ageing of loans, accuracy of source data and completeness of accounts impaired in the application system using computer assisted audit techniques; and
- Reviewed the reasonableness of the assumptions used by management in calculating the allowance for impairment loss.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEON CREDIT SERVICE (M) BERHAD

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEON CREDIT SERVICE (M) BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We will also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current year and are therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Company for the preceding year ended 28 February 2017 were audited by another firm of auditors whose report thereon dated 9 May 2017 express an unqualified opinion on those financial statements.

DELOITTE PLT (LLP0010145-LCA)
AF 0080
Chartered Accountants

WONG KAR CHOON
Partner - 03153/08/2018 J
Chartered Accountant

8 May 2018

STATEMENT OF FINANCIAL POSITION

as at 28 February 2018

	Note	2018 RM'000	2017 RM'000
ASSETS			
Non-current Assets			
Plant and equipment	5	92,274	62,233
Investments	6	18,370	19,045
Deferred tax assets	7	51,813	49,070
Financing receivables	8	5,030,204	4,480,990
Total Non-current Assets		5,192,661	4,611,338
Current Assets			
Financing receivables	8	2,126,095	1,957,713
Other receivables, deposits and prepayments	9	52,615	47,860
Amount owing by related companies	25	1,076	1,514
Derivative financial assets	10	249,557	586,268
Cash and bank balances	11	83,681	73,667
Total Current Assets		2,513,024	2,667,022
TOTAL ASSETS		7,705,685	7,278,360
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12	508,629	116,012
ICULS equity	19	68,306	-
Hedging reserve	13	(9,982)	(27,354)
Retained earnings	14	1,014,550	866,329
Equity attributable to ordinary equity holders of the Company		1,581,503	954,987
Perpetual notes and sukuk	15	276,000	276,000
Total Equity		1,857,503	1,230,987
Non-current Liabilities			
Borrowings	16	3,257,145	4,898,808
ICULS liabilities	19	4,717	-
Total Non-current Liabilities		3,261,862	4,898,808
Current Liabilities			
Borrowings	16	2,296,974	973,417
Trade payables	17	21,755	29,825
Other payables and accruals	18	121,589	104,750
Amount owing to immediate holding company	25	6,557	5,006
Amount owing to related companies	25	2,225	1,994
Derivative financial liabilities	10	107,726	6,291
ICULS liabilities	19	2,650	-
Tax liabilities		26,844	27,282
Total Current Liabilities		2,586,320	1,148,565
Total Liabilities		5,848,182	6,047,373
TOTAL EQUITY AND LIABILITIES		7,705,685	7,278,360

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 28 February 2018

	Note	2018 RM'000	2017 RM'000
Revenue	20	1,235,122	1,101,955
Staff costs		(198,934)	(183,167)
Depreciation of plant and equipment		(25,215)	(22,887)
Operating expenses		(511,811)	(464,929)
Other income		126,484	120,237
Profit from operations		625,646	551,209
Finance cost	21	(227,311)	(200,047)
Profit before tax	22	398,335	351,162
Taxation	23	(98,278)	(86,135)
Profit for the financial year		300,057	265,027
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Cash flow hedge		17,372	5,367
Total comprehensive income for the year		317,429	270,394
Profit attributable to equity holders of the Company		300,057	265,027
Total comprehensive income attributable to equity holders of the Company		317,429	270,394
Earnings per ordinary share attributable to owners of the Company (sen)			
Basic	24	143.01	101.17
Diluted	24	138.34	N/A

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 28 February 2018

		/-----Non-distributable-----/			Distributable		
	Note	Share capital RM'000	Share premium RM'000	Perpetual notes and sukuk RM'000	Hedging reserve RM'000	Retained earning RM'000	Total RM'000
At 1 March 2016		72,000	44,012	276,000	(32,721)	701,527	1,060,818
Cash flow hedge (net of tax)		-	-	-	5,367	-	5,367
Profit for the year		-	-	-	-	265,027	265,027
Total comprehensive income for the year		-	-	-	5,367	265,027	270,394
Distribution on perpetual notes and sukuk (net of tax)		-	-	-	-	(13,681)	(13,681)
Dividends		26	-	-	-	(86,544)	(86,544)
		72,000	44,012	276,000	(27,354)	866,329	1,230,987
Transfer pursuant to Section 618(2) of the Companies Act 2016		12	44,012	(44,012)	-	-	-
At 28 February 2017		116,012	-	276,000	(27,354)	866,329	1,230,987

		/-----Non-distributable-----/				Distributable	
Note	Share capital RM'000	Share premium RM'000	Irredeemable Convertible Unsecured Loan Stocks ("ICULS") equity RM'000	Perpetual notes and sukuk RM'000	Hedging reserve RM'000	Retained earning RM'000	Total RM'000
At 1 March 2017	116,012	-	-	276,000	(27,354)	866,329	1,230,987
Cash flow hedge (net of tax)	-	-	-	-	17,372	-	17,372
Profit for the year	-	-	-	-	-	300,057	300,057
Total comprehensive income for the year	-	-	-	-	17,372	300,057	317,429
Issuance of bonus shares	12	36,000	-	-	-	(36,000)	-
Issuance of ICULS	19	-	390,514	-	-	-	390,514
Conversion of ICULS	19	356,617	(322,370)	-	-	-	34,247
Deferred tax effects on ICULS	19	-	162	-	-	-	162
ICULS issuance expenses	-	-	-	-	-	(3,190)	(3,190)
Distribution on perpetual notes and sukuk (net of tax)	-	-	-	-	-	(13,621)	(13,621)
Dividends	26	-	-	-	-	(99,025)	(99,025)
At 28 February 2018	508,629	-	68,306	276,000	(9,982)	1,014,550	1,857,503

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the financial year ended 28 February 2018

	2018 RM'000	2017 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Profit before tax	398,335	351,162
Adjustments for:		
Interest income	(2,768)	-
Gain on disposal of plant and equipment	(171)	(6)
Finance costs	227,311	200,047
Depreciation of plant and equipment	25,215	22,887
Impairment loss on financing receivables	335,920	306,163
Write-off of plant and equipment	800	-
Impairment loss on investment in unquoted shares	675	5,194
Operating Profit Before Changes in Working Capital	985,317	885,447
Changes in working capital:		
Financing receivables	(1,053,516)	(1,339,950)
Other receivables, deposits and prepayments	(4,755)	(21,027)
Amount owing by related companies	438	3,414
Trade payables	(8,070)	(1,735)
Other payables and accruals	13,323	23,693
Amount owing to immediate holding company	1,551	731
Amount owing to related companies	231	831
Cash held on behalf of a related company	1,084	(920)
Cash Used In Operations	(64,397)	(449,516)
Tax paid	(102,481)	(81,183)
Net Cash Used In Operating Activities	(166,878)	(530,699)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of plant and equipment	(56,058)	(33,044)
Proceeds from disposal of plant and equipment	173	6
Interest received	2,768	-
Net Cash Used In Investing Activities	(53,117)	(33,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholders of the Company	(99,025)	(86,544)
Proceeds from bank borrowings	974,000	1,460,000
Repayment of bank borrowings	(847,122)	(580,700)
Proceeds from issuance of ICULS	432,000	-
Issuance expenses relating to ICULS	(3,190)	-
Distribution paid to perpetual notes and sukuk holders	(17,922)	(18,002)
Finance costs paid	(223,667)	(195,577)
Net Cash From Financing Activities	215,074	579,177
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,921)	15,440
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	23,676	8,236
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (i)	18,755	23,676

STATEMENT OF CASH FLOWS

for the financial year ended 28 February 2018

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2018 RM'000	2017 RM'000
Cash and bank balances	11	78,915	70,195
Deposits placed with licensed banks	11	4,766	3,472
		83,681	73,667
Bank overdrafts	16	(56,102)	(40,083)
Cash held in trust of a related company	11	(8,824)	(9,908)
		18,755	23,676

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in the provision of easy payment schemes, personal financing schemes and issuance of credit cards under the international brand names of Visa and MasterCard. The personal financing schemes and certain easy payment schemes are based on Islamic principles. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at Level 18, UOA Corporate Tower Avenue 10, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The immediate and ultimate holding companies are AEON Financial Service Co., Ltd. and AEON Co., Ltd. respectively. Both companies were incorporated in Japan and listed on Tokyo Stock Exchange.

The financial statements were approved and authorised for issue in accordance with a Board of Directors' resolution dated 8 May 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance

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

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

Adoption of Amendments to Malaysian Financial Reporting Standards

In the current financial year, the Company adopted the following amendments to MFRSs issued by Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for annual period beginning on or after 1 January 2017:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2014 - 2016 Cycle

The adoption of these Amendments to MFRSs have not had material impact on the amounts reported in the financial statements of the Company in the current financial year and previous financial years except for the below:

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

Amendments to MFRS 107 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings (Note 16). A reconciliation between the opening and closing balances of these items is provided in Note 33. Consistent with the transition provisions of the amendments, the Company have not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 31, the application of these amendments has had no impact on the Company's financial statements.

Standards, Amendments and Issues Committee ("IC") Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the relevant new and revised Standards, Amendments and IC Interpretations which were in issue but not yet effective and not early adopted by the Company are as listed below:

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers and related clarifications ¹
MFRS 16	Leases ²
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to MFRS 9	Prepayment Features with Negative Compensation ²
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
IC Interpretation 23	Uncertainty over Income Tax Payments ²

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2014 - 2016 Cycle¹

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2015 - 2017 Cycle²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

The Directors anticipate that the abovementioned Standards, Amendments and IC Interpretations will be adopted in the annual financial statements of the Company when they become effective and that the adoption of these Standards, Amendments and IC Interpretations will have no material impact on the financial statements of the Company in the period of initial application except for MFRS 9, 15 and 16.

MFRS 9 Financial Instruments

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

In general, the Directors anticipate that the application of the expected credit losses model of MFRS 9 will result in earlier recognition of credit losses for the respective items and will decrease the opening retained earnings. The Company is currently assessing the detailed financial impact that may arise from the adoption of MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

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

MFRS 16 Leases

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared under the historical cost convention unless otherwise stated in the significant accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for any share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Interest income, profit revenue and finance charges from easy payment, personal financing schemes based on Islamic principles and credit card business

Interest income, profit revenue and finance charges from easy payment, personal financing schemes and credit card business are recognised in profit or loss using the Effective Interest/Profit Rate ("EIR") method.

EIR is a method of calculating the amortised cost of financing receivables and of allocating the corresponding interest income, profit revenue and finance charges over the relevant year. EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the receivable or, when appropriate, a shorter year to the net carrying amount of the financing receivables.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(ii) **Fee income from easy payment, personal financing schemes based on Islamic principles and credit card business**

Fee income from easy payment and personal financing schemes comprise late payment / penalty charges, processing fees and credit recovery charges. Fee income from credit card business comprises credit recovery charges, cash advance fees, transaction charges, annual fees, merchant commission and Visa/MasterCard interchange fees.

Fee income is generally recognised on an accrual basis when services have been provided.

Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences for paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

The Company is required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan, for all its eligible employees based on certain prescribed rates of the employees' salaries. The Company's contributions to EPF are disclosed separately. The employees' contributions to EPF are included in staff costs.

Foreign Currency Transactions

The financial statements of the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax

Deferred tax is recognised on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited directly in other comprehensive income or to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Earnings per ordinary share

The Company presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Company, less distribution on perpetual notes and perpetual sukuk, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to equity holders of the Company, less distribution on perpetual notes and perpetual sukuk, and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares arising from the conversion of the Irredeemable Convertible Unsecured Loan Stocks.

Leases

Operating leases - The Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of the plant and equipment are recognised in profit or loss as incurred.

(ii) Depreciation

Depreciation is calculated based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal annual rates for the current and comparative financial years are as follows:

Office equipment	2 - 5 years
Computer equipment and software	2 - 5 years
Motor vehicles	5 years
Furniture and fittings	2 - 4 years
Renovation	2 - 5 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

(i) Initial recognition and measurement

Financial instruments are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(ii) Financial instrument categories and subsequent measurement

Financial assets

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest/profit method, less any impairment. Interest income is recognised by applying the effective interest/profit rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial assets (continued)

- (b) Effective interest/profit method

The effective interest/profit method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest/profit rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest/profit basis for debt instruments other than those financial assets classified as at FVTPL.

- (c) AFS Financial Assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at fair value through profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

- (d) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

- (e) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate ("EIR").

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial assets (continued)

(e) Impairment of financial assets (continued)

The Company addresses the impairment of loans and receivables via collective assessment allowance. Collective assessment allowance is maintained to reduce the carrying amount of portfolio of similar loans to their estimated recoverable amounts at the reporting date. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loan with similar credit risk characteristics and collectively assessed for impairment.

When a financing receivable is aged past a certain threshold, the financing is written off against collective assessment allowance. Future recoveries of written off financing receivables will be recognised in profit or loss as and when consideration is received.

An impairment loss in respect of AFS financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment loss recognised in profit or loss for an investment in an equity instrument carried at cost shall not be reversed.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(i) Perpetual notes

Perpetual notes are classified as equity. Distributions on perpetual notes are recognised in equity in the year in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Equity instruments (continued)

- (ii) Perpetual sukuk

Perpetual sukuk are classified as equity. Distributions on perpetual sukuk are recognised in equity in the year in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

- (iii) Share Capital

Ordinary shares are classified as equity instruments. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

Distributions to holders of ordinary shares are debited directly to equity and interim dividends declared on or before the end of the reporting date are recognised as liabilities. Final dividends are recognised upon the approval of shareholders in a general meeting.

Irredeemable convertible unsecured loan stocks ("ICULS")

The ICULS are regarded as compound instruments, consisting of a liability component and an equity component. The component of ICULS that exhibits characteristics of a liability is recognised as a financial liability in the statement of financial position.

The fair value of the liability component is determined by discounting the future contractual cash flows of principal and interest payments at the prevailing market rate for equivalent non-convertible loan stocks. This amount is carried as liability on the amortised cost basis until extinguished on conversion or maturity of the instruments.

The interests on ICULS are recognised as finance cost in the profit or loss using the effective interest rate method.

The fair value of the equity component represented by the conversion option is determined by deducting fair value of the liability component from the notional amount of the loan stocks and is included in equity.

Derivative instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date of the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable in a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Cash and cash equivalents

The Company adopts the indirect method in the preparation of the statement of cash flows.

Cash and cash equivalents comprise cash and bank balances, deposits placed with licensed banks and short-term highly liquid investments which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and cash held in trust of a related party.

Provisions

Provisions are made when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At the end of the reporting period, provisions are reviewed by the Directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Company will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgement in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 3, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as follows:

- (i) Impairment loss on financing receivables (Note 8) - the Company assesses at the end of each reporting period whether there is any objective evidence that a financing receivable is impaired based on evaluation of collectability and ageing analysis of financing receivables and management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these financing receivables, including the creditworthiness and the past collection history of each customer.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

- (ii) Deferred tax assets (Note 7) - the Company assesses at the end of the reporting period whether if there is probable and sufficient future taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE
FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT

	Office equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Renovation RM'000	Capital work-in- progress RM'000	Total RM'000
Cost							
At 1 March 2016	10,225	126,702	3,463	4,947	29,269	3,122	177,728
Additions	1,266	18,434	-	267	1,666	11,411	33,044
Disposals	(78)	(952)	-	-	-	-	(1,030)
Write-off	(31)	(96)	-	(8)	(45)	-	(180)
Reclassification	42	8,495	-	23	3,010	(11,570)	-
At 28 February 2017/ 1 March 2017	11,424	152,583	3,463	5,229	33,900	2,963	209,562
Additions	818	11,282	205	4,045	902	38,806	56,058
Disposals	(32)	(123)	(487)	(2)	-	-	(644)
Write-off	(6,263)	(8,113)	-	(3,792)	(13,610)	-	(31,778)
Reclassification	57	6,999	-	778	24,773	(32,607)	-
At 28 February 2018	6,004	162,628	3,181	6,258	45,965	9,162	233,198
Accumulated depreciation							
At 1 March 2016	8,964	90,219	1,570	4,752	20,147	-	125,652
Charge for the year	744	17,111	691	174	4,167	-	22,887
Disposals	(78)	(952)	-	-	-	-	(1,030)
Write-off	(31)	(96)	-	(8)	(45)	-	(180)
At 28 February 2017/ 1 March 2017	9,599	106,282	2,261	4,918	24,269	-	147,329
Charge for the year	847	17,132	563	1,232	5,441	-	25,215
Disposals	(32)	(123)	(485)	(2)	-	-	(642)
Write-off	(6,243)	(8,061)	-	(3,711)	(12,963)	-	(30,978)
Reclassification	4	-	-	16	(20)	-	-
At 28 February 2018	4,175	115,230	2,339	2,453	16,727	-	140,924
Carrying amounts							
At 28 February 2017	1,825	46,301	1,202	311	9,631	2,963	62,233
At 28 February 2018	1,829	47,398	842	3,805	29,238	9,162	92,274

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS

	2018 RM'000	2017 RM'000
Unquoted shares - at cost	24,239	24,239
Less: Impairment loss	(5,869)	(5,194)
	18,370	19,045

The details of the unquoted shares are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2018 %	2017 %
AEON Credit Service (Philippines) Inc. ("ACSS")	Philippines	Provision of financial services	10	10
AEON Credit Service India Private Limited ("ACSI")*	India	Provision of non-banking financial services	7	20
AEON Credit Service Systems (Philippines) Inc.	Philippines	Provision of information technology services	3	3

The Directors have determined that the above investments should be designated as "other investments" as the Company does not have influence over their activities and distribution policies.

During the year, the Company recognised impairment loss on investments amounting to RM675,000 (2017: RM5,194,000).

* During the year, the immediate holding company, AEON Financial Service Co., Ltd., has further increased its investment in ACSI which has resulted in the effective equity interest held by the Company in ACSI to decrease from 20% to 7%.

7. DEFERRED TAX ASSETS

Deferred tax assets and liability are in respect of the tax effect of the following:

	2018 RM'000	2017 RM'000
Plant and equipment	(2,421)	(4,040)
Hedging reserves	3,145	8,630
Impairment loss on financing receivables	11,863	11,956
Recognition of interest income/profit revenue	32,121	25,707
Provision for bonus and others	6,943	6,817
ICULS	162	-
Net deferred tax assets	51,813	49,070

NOTES TO THE
FINANCIAL STATEMENTS

7. DEFERRED TAX ASSETS (continued)

Movement in temporary differences during the year

	At 29 February 2016 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in other comprehensive income RM'000	At 28 February 2017/1 March 2017 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in other comprehensive income RM'000	Recognised in ICULS equity RM'000	At 28 February 2018 RM'000
Plant and equipment	(4,727)	687	-	(4,040)	1,619	-	-	(2,421)
Hedging reserves	10,325	-	(1,695)	8,630	-	(5,485)	-	3,145
Impairment loss on receivables	9,861	2,095	-	11,956	(93)	-	-	11,863
Recognition of interest income/ profit revenue	19,416	6,291	-	25,707	6,414	-	-	32,121
Provision for bonus and others	4,168	2,649	-	6,817	126	-	-	6,943
ICULS	-	-	-	-	-	-	162	162
	39,043	11,722	(1,695)	49,070	8,066	(5,485)	162	51,813

8. FINANCING RECEIVABLES

	2018 RM'000	2017 RM'000
Total gross financing receivables	9,864,667	8,950,745
Less: Unearned carrying charges	(2,545,537)	(2,359,848)
Allowance for impairment loss	(162,831)	(152,194)
	7,156,299	6,438,703
Less: Non-current financing receivables	(5,030,204)	(4,480,990)
Current financing receivables	2,126,095	1,957,713

During the year, financing receivables amounting RM325,283,000 (2017: RM291,890,000) was written off against the allowance for impairment loss.

Included in gross financing receivables are:

- (i) An amount of RM6,065,851,000 (2017: RM5,382,500,000) relating to the Company's easy payment and personal financing schemes based on Islamic principles; and
- (ii) An amount of RM1,374,000 (2017: RM2,254,000) owing by a related company which is subject to normal trade terms.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 RM'000	2017 RM'000
Other receivables	20,275	20,206
Deposits	8,246	6,504
Prepayments	24,094	21,150
	52,615	47,860

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	Notional value RM'000	2018 Assets/ (Liabilities) RM'000	Notional value RM'000	2017 Assets/ (Liabilities) RM'000
Derivative used for hedging				
- Cross currency interest rate swaps	1,771,600	249,557	3,012,421	586,268
- Cross currency interest rate swaps	1,216,417	(107,726)	249,721	(6,291)

Cross currency interest rate swaps are used to manage the foreign currency and interest rate exposures arising from the borrowings denominated in foreign currency.

11. CASH AND BANK BALANCES

	2018 RM'000	2017 RM'000
Cash and bank balances	78,915	70,195
Deposits placed with licensed banks	4,766	3,472
	83,681	73,667

Included in cash and bank balances is an amount of RM8,824,000 (2017: RM9,908,000) representing cash held in trust of a related company, in relation to a trust fund management for a loyalty points programme.

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FINANCIAL STATEMENTS

12. SHARE CAPITAL

	Number of shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
As at 1 March	144,000	144,000	116,012	72,000
Transfer pursuant to Section 618(2) of the Companies Act 2016*	-	-	-	44,012
Issuance of bonus shares	72,000	-	36,000	-
Conversion of ICULS (Note 19)	32,449	-	356,617	-
As at 28 February	248,449	144,000	508,629	116,012

* The Companies Act, 2016 which came into operation on 31 January 2017 abolished the concept of authorised share capital and par value of share capital.

On 19 July 2017, the Company completed a bonus issue exercise which resulted in issuance of 72,000,000 new ordinary shares to be credited as fully paid up, on the basis of one (1) bonus share for every two (2) existing ordinary shares held. The new shares rank pari passu with the then existing shares.

13. HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

14. RETAINED EARNINGS

The Company is currently under the single-tier income tax system in accordance with Finance Act, 2007 and accordingly, the entire retained earnings of the Company is available for distribution under the single-tier income tax system.

15. PERPETUAL NOTES AND SUKUK

	2018 RM'000	2017 RM'000
Perpetual notes	146,000	146,000
Perpetual sukuk	130,000	130,000
	276,000	276,000

(a) Perpetual notes

On 11 April 2014 and 21 April 2014, the Company issued perpetual notes amounting to RM146,000,000 in total. The salient features of the perpetual notes issued are as follows:

- The distribution rate for the year for five (5) years from issuance date is 6.5% (2017: 6.5%) per annum, with the distribution to be made on semi-annual basis in arrears;
- If the Company does not exercise its option to redeem at the end of the 5th year, the periodic distribution rate increases by 1% per annum above the prevailing distribution rate subject to a maximum of 20% per annum;
- The Company may defer part or all distribution, which shall then become due and payable on the next distribution date unless it is further deferred by the Company;

NOTES TO THE FINANCIAL STATEMENTS

15. PERPETUAL NOTES AND SUKUK (continued)

(a) Perpetual notes (continued)

- (iv) The perpetual notes are perpetual in nature with no contractual maturity date. The Company has the option to redeem the perpetual notes on the date of the fifth anniversary of the date of issue and thereafter on each subsequent semi-annual distribution payment date;
- (v) The Company has the option to redeem the perpetual notes earlier upon the occurrence of deferred accounting event, tax event, privatisation event and shareholder event;
- (vi) The redemption of the perpetual notes by the Company is subject to the prior approval of Bank Negara Malaysia;
- (vii) The holders of the perpetual notes do not have any voting rights in the Company; and
- (viii) The perpetual notes rank ahead of the Company's ordinary share capital and rank junior to the claims of all other present and future creditors of the Company.

(b) Perpetual sukuk

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

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

- (i) The distribution rate for the year for five (5) years from issuance date is 6.5% (2017: 6.5%) per annum, with the distribution to be made on semi-annual basis in arrears;
- (ii) If the Company does not exercise its option to redeem at the end of the 5th year, the periodic distribution rate increases by 1% per annum above the prevailing distribution rate subject to a maximum of 20% per annum;
- (iii) The Company may defer part or all distribution, which shall then become due and payable on the next distribution date unless it is further deferred by the Company;
- (iv) The perpetual sukuk are perpetual in nature with no contractual maturity date. The Company has the option to redeem the perpetual sukuk on the date of the fifth anniversary of the date of issue and thereafter on each subsequent semi-annual distribution payment date;
- (v) The Company has the option to redeem the perpetual sukuk earlier upon the occurrence of defined accounting event, tax event, privatisation event and shareholder event;
- (vi) The redemption of the perpetual sukuk by the Company is subject to the prior approval of Bank Negara Malaysia;
- (vii) The holders of the perpetual sukuk do not have any voting rights in the Company; and
- (viii) The perpetual sukuk rank ahead of the Company's ordinary share capital and rank junior to the claims of all present and future creditors of the Company.

NOTES TO THE
FINANCIAL STATEMENTS

16. BORROWINGS

	2018 RM'000	2017 RM'000
Non-current (Unsecured)		
Term loans/financing	3,257,145	4,898,808
Current (Unsecured)		
Bank overdraft	56,102	40,083
Revolving credits	-	260,000
Term loans/financing	2,240,872	473,334
Medium term notes	-	200,000
	2,296,974	973,417
	5,554,119	5,872,225

Bank overdrafts, revolving credits and term loans/financing

The bank overdrafts, revolving credits and term loans/financing are provided on the basis of a letter of awareness from the immediate holding company or on clean basis.

The currency profile of borrowings is as follows:

	2018 RM'000	2017 RM'000
Ringgit Malaysia		
- Term loans/financing	2,510,000	2,110,000
- Bank overdraft	56,102	40,083
- Revolving credit	-	260,000
- Medium term notes	-	200,000
	2,566,102	2,610,083
United States Dollar		
- Term loans/financing	2,988,017	3,262,142
	5,554,119	5,872,225

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

As at 28 February 2018, the Company has banking facilities totalling RM8,640,000,000 (2017: RM8,160,000,000) obtained from licensed banks.

Single investor medium term notes amounting to RM200,000,000 were redeemed during the year.

17. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Company range from 2 to 3 (2017: 2 to 3) days.

NOTES TO THE FINANCIAL STATEMENTS

18. OTHER PAYABLES AND ACCRUALS

	2018 RM'000	2017 RM'000
Other payables	26,616	28,723
Accruals	94,973	76,027
	121,589	104,750

19. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

	Equity component RM'000	Liability component RM'000	Total RM'000
As at 1 March 2017	-	-	-
Issued during the year	390,514	41,486	432,000
Converted into ordinary shares during the year (Note 12)	(322,370)	(34,247)	(356,617)
Deferred tax effect: (Note 7)			
- on issuance	930	-	930
- on conversion	(768)	-	(768)
Accrual of interest	-	128	128
As at 28 February 2018	68,306	7,367	75,673

The liability component is as follows:

	2018 RM'000	2017 RM'000
Current liabilities	2,650	-
Non-current liabilities	4,717	-
	7,367	-

On 21 September 2017, the Company completed a renounceable rights issue of a 3 years, 3.5% ICULS amounting to RM432,000,000 on the basis of two rights ICULS for every one existing share held. The ICULS were listed on Bursa Malaysia on 21 September 2017. The salient features of the ICULS issued are as follows:

- (i) The coupon rate for the ICULS is 3.5% per annum, payable on an annual basis in arrears;
- (ii) The conversion price for the ICULS has been fixed at RM10.99 for each new share of the Company and the new shares to be issued rank pari passu with the then existing shares;
- (iii) The ICULS holder is entitled to exercise the right of conversion from date of issuance up to the maturity date; and
- (iv) Any ICULS not converted by the maturity date will be mandatorily converted into new shares of the Company on the maturity date.

During the financial year, 32,449,117 new ordinary shares were issued resulting from the conversion of 356,616,790 units of ICULS (Note 12).

**NOTES TO THE
FINANCIAL STATEMENTS**

20. REVENUE

	2018 RM'000	2017 RM'000
Revenue from easy payment, personal financing based on Islamic principles and credit card business:		
Interest income, profit revenue and finance charges	1,096,721	965,159
Fee income	138,401	136,796
	1,235,122	1,101,955

21. FINANCE COSTS

	2018 RM'000	2017 RM'000
Interest expense on financial liabilities that are not stated at fair value through profit or loss:		
Bank overdrafts	932	846
Revolving credits	5,751	5,964
Term loans/financing and medium term loans	220,500	193,237
ICULS interest	128	-
	227,311	200,047

NOTES TO THE FINANCIAL STATEMENTS

22. PROFIT BEFORE TAX

	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging:		
Auditors' remuneration:		
- Audit fees	165	193
- Non-audit fees	280	136
Depreciation of plant and equipment	25,215	22,887
Write-off of plant and equipment	800	-
Impairment loss on:		
- Financing receivables (Note 30)	335,920	306,163
- Investment in unquoted shares (Note 6)	675	5,194
Personnel expenses:		
- Contributions to EPF	22,171	18,181
- Wages, salaries and others	176,763	164,986
Rental of expenses in respect of:		
- Office premises	17,785	16,703
- Motor vehicles	4	4
- Office equipment	1,189	797
And after crediting:		
Bad debts recovered	108,362	105,382
Gain on disposal of plant and equipment	171	6
Interest income	2,768	-

Compensation of Key Management Personnel

The remuneration of the key management personnel during the year are as follows:

	2018 RM'000	2017 RM'000
Directors' remuneration:		
Fees	814	804
Remuneration	3,071	2,808
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	191	251
	4,076	3,863

NOTES TO THE
FINANCIAL STATEMENTS

23. TAXATION

(i) Tax expenses

	2018 RM'000	2017 RM'000
Income tax payable:		
Current financial year	107,374	97,465
(Over)/Under provision in prior years	(1,030)	392
	106,344	97,857
Deferred tax (Note 7):		
Current year	(8,632)	(13,564)
Under provision in prior years	566	1,842
	(8,066)	(11,722)
Total tax expense	98,278	86,135

A reconciliation of tax expense applicable to profit before tax at the applicable statutory income tax rate to tax expense at the effective income tax rate of the Company is as follows:

	2018 RM'000	2017 RM'000
Profit before tax	398,335	351,162
Tax calculated using Malaysian income tax rate of 24% (2017: 24%)	95,600	84,279
Tax effect of non-deductible expenses	4,968	3,442
	100,568	87,721
(Over)/Under provision in prior years - current tax	(1,030)	392
Underprovision in prior years - deferred tax	566	1,842
Effect of reduction in tax rate*	(1,826)	(3,820)
	98,278	86,135
Deferred tax recognised directly in other comprehensive income		
Cash flow hedge reserve	5,485	1,695

* On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate based on the percentage of increase in chargeable income.

NOTES TO THE FINANCIAL STATEMENTS

23. TAXATION (continued)

(ii) Material litigation

On 12 December 2017, The Company was served with notices of additional assessment with penalties by the Director General of Inland Revenue ("DGIR") for year of assessment of 2010 till year of assessment of 2016. The additional assessments and penalties imposed amounted to RM96,820,000.

The said notices of additional assessment were raised by the DGIR among others, pursuant to:

- (a) The DGIR varying the loan transaction collateralised by receivables undertaken by the Company with a local financial institution to that of a sale of receivables. The DGIR did not specify which provision of the Income Tax Act 1967 in making this variation.
- (b) The DGIR also raised time barred assessments for the years of assessment 2010 and 2011. The DGIR also did not provide any reason for raising the time barred assessments.
- (c) The DGIR imposed penalties for alleged submission of incorrect returns.

In consultation with its tax solicitors and corporate tax agents, the Company is of the view that there are reasonable grounds to disagree with the said notices of additional assessment raised by the DGIR.

Accordingly, the Company has initiated the necessary legal proceedings to seek a judicial review and stay of proceedings at the Kuala Lumpur High Court. The Company has also filed a notice of appeal to the Special Commissioners of Income Tax pursuant to Section 99(1) of the Income Tax Act 1967. To date, the Notice of Appeal is currently under review by the DGIR.

On 5 March 2018, the Kuala Lumpur High Court had decided not to grant the Application for Leave for Judicial Review. On the same day, the Company filed an appeal to the Court of Appeal against the Kuala Lumpur High Court's decision and had also filed a formal application for a stay against the enforcement of the notices of additional assessment to the Kuala Lumpur High Court. An interim stay was granted to the Company until the formal hearing of application for a stay.

Consequently, on 8 May 2018, the Kuala Lumpur High Court did not grant the Company's application for a stay of the notices of additional assessment. On the same day, the Company filed an appeal to the Court of Appeal against the Kuala Lumpur High Court's decision. To date, the Court of Appeal has yet to hear the Company's appeal application.

24. EARNING PER ORDINARY SHARE

Basic earnings per ordinary share

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

	2018 RM'000	2017 RM'000
Profit attributable to equity holders	300,057	265,027
Distribution to the holders of perpetual notes and sukuk, net of tax	(13,621)	(13,681)
Profit attributable to ordinary equity holders	286,436	251,346
	2018	2017
Profit attributable to ordinary equity holders (RM'000)	286,436	251,346
Weighted average number of ordinary shares ('000 unit)	200,290	248,449*
Basic earnings per share (sen)	143.01	101.17

* The previous year's earnings per share have been restated to reflect the bonus issue which was completed on 19 July 2017 and the latest conversion of 3-year, 3.5%, Irredeemable Convertible Unsecured Loan Stocks to ordinary shares.

NOTES TO THE
FINANCIAL STATEMENTS

24. EARNING PER ORDINARY SHARE (continued)

Diluted earnings per ordinary share

Diluted earnings per share is calculated by dividing the net profit after distribution on perpetual notes and sukuk, by the weighted average number of ordinary share that would have been in issue upon the full conversion of all outstanding ICULS into ordinary shares.

	2018 RM'000	2017 RM'000
Profit attributable to ordinary equity holders	286,436	251,346
Add: Accrual of interest arising from ICULS	128	-
	286,564	251,346
	2018 '000	2017 '000
Weighted average number of ordinary share	200,290	248,449
Potential dilution arising from outstanding ICULS	6,859	-
	207,149	248,449
Diluted earnings per share (sen)	138.34	N/A

25. RELATED PARTY DISCLOSURES

Amount owing to immediate holding company, which arose mainly from payments on behalf, is unsecured, interest-free and repayable on demand.

Amount owing by/to related companies, which arose mainly from payments on behalf, is unsecured, interest-free and repayable on demand.

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel comprise all the Directors of the Company. The key management personnel compensation is disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

25. RELATED PARTY DISCLOSURES (continued)

The currency profile of amount owing to immediate holding company and amount owing by/to related companies is as follows:

	2018 RM'000	2017 RM'000
Ringgit Malaysia		
- Amount owing by related companies	1,076	1,514
- Amount owing to related companies	(573)	(537)
	503	977
Japanese Yen		
- Amount owing to immediate holding company	(6,557)	(5,006)
- Amount owing to related companies	(1,310)	(611)
	(7,867)	(5,617)
United States Dollar		
- Amount owing to related companies	(342)	(846)

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below:

	2018 RM'000	2017 RM'000
Related companies		
AEON CO. (M) BHD.		
Trade		
Customers' transactions via related company		
Sales through Easy Payment Schemes	5,975	5,743
Sales through AEON Credit Cards	5,902	55,877
Revenue		
Credit cards commission income	145	848
Non-Trade		
Expense		
Convertible AEON-Card points purchased	(1,909)	(2,386)
Office and promotion space rental	(5,005)	(3,950)
AEON Big (M) Sdn. Bhd.		
Trade		
Customers' transactions via related company		
Sales through Easy payment Schemes	3,119	2,457
Sales through AEON Credit Cards	2,077	2,022
Revenue		
Loyalty programme processing fee	4,203	4,226
Credit cards commission income	73	72
Non-Trade		
Expense		
Office and promotion space rental	(2,854)	(2,791)

NOTES TO THE
FINANCIAL STATEMENTS

25. RELATED PARTY DISCLOSURES (continued)

	2018 RM'000	2017 RM'000
AEON Credit Service System (Philippines) Inc.		
Non-Trade Assets		
IT systems development cost	(4,436)	(7,701)
AEON Delight (Malaysia) Sdn. Bhd.		
Trade		
Provision of financing		
Instalment scheme for purchase of equipment	-	779
Revenue		
Interest income from Easy Payment Scheme	110	151
Non-Trade Expenses		
Cleaning services	(595)	(569)
AEON Index Living Sdn. Bhd.		
Trade		
Customers' transactions via related company		
Sales through Easy payment Schemes	190	-
Sales through AEON Credit Cards	94	-
Immediate holding company		
AEON Financial Service Co., Ltd.		
Non-Trade Expenses		
Corporate support fees	(10,263)	(10,193)

26. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Net dividend per share sen	Total amount RM'000	Date of payment
2018			
Interim 2018 ordinary	21.13	52,225	7 November 2017
Final 2017 ordinary	32.50	46,800	19 July 2017
		99,025	
2017			
Interim 2017 ordinary	30.50	43,920	7 November 2016
Final 2016 ordinary	29.60	42,624	15 July 2016
		86,544	

After the end of the reporting period, the following dividend was proposed by the Directors.

NOTES TO THE FINANCIAL STATEMENTS

26. DIVIDENDS (continued)

	Sen per share (single tier)	Total amount RM'000
Final 2018 ordinary	20.00	49,690

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

27. OPERATING SEGMENTS

The principal activity of the Company is the provision of easy payment schemes, personal financing schemes based on Islamic principles and credit cards business, all of which are categorised under consumer financing business.

On this basis, the Managing Director ("MD") reviews the business performance of the Company as a whole. Further analysis will be provided or furnished upon request from the MD.

Accordingly, the segmental reporting used is equivalent to presentation of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

28. OPERATING LEASE

Non-cancellable operating lease rentals are payable as follows:

	2018 RM'000	2017 RM'000
Less than one year	12,003	13,368
Between one and five years	10,195	7,582

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

29. CAPITAL COMMITMENT

	2018 RM'000	2017 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	13,507	1,069

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its risks. The Company operates within clearly defined guidelines that are approved by the Board of Directors and the Company's policy is not to engage in speculative transactions.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

Categories of Financial Instruments

	Carrying amount RM'000	Loan and receivables/ (Other financial liabilities) RM'000	AFS financial assets RM'000	FVTPL Derivatives used for hedging RM'000
2018				
Financial assets				
Investments	18,370	-	18,370	-
Financing receivables	7,156,299	7,156,299	-	-
Other receivables and deposits	28,521	28,521	-	-
Amount owing by related companies	1,076	1,076	-	-
Cash and bank balances	83,681	83,681	-	-
Derivative financial assets	249,557	-	-	249,557
	7,537,504	7,269,577	18,370	249,557
Financial liabilities				
Borrowings	(5,554,119)	(5,554,119)	-	-
Trade payables	(21,755)	(21,755)	-	-
Other payables and accruals	(121,589)	(121,589)	-	-
Amount owing to immediate holding company	(6,557)	(6,557)	-	-
Amount owing to related companies	(2,225)	(2,225)	-	-
ICULS liabilities	(7,367)	(7,367)	-	-
Derivative financial liabilities	(107,726)	-	-	(107,726)
	(5,821,338)	(5,713,612)	-	(107,726)

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Carrying amount RM'000	Loan and receivables/ (Other financial liabilities) RM'000	AFS financial assets RM'000	FVTPL Derivatives used for hedging RM'000
2017				
Financial assets				
Investments	19,045	-	19,045	-
Financing receivables	6,438,703	6,438,703	-	-
Other receivables and deposits	26,710	26,710	-	-
Amount owing by related companies	1,514	1,514	-	-
Cash and bank balances	73,667	73,667	-	-
Derivative financial assets	586,268	-	-	586,268
	7,145,907	6,540,594	19,045	586,268
Financial liabilities				
Borrowings	(5,872,225)	(5,872,225)	-	-
Trade payables	(29,825)	(29,825)	-	-
Other payables and accruals	(104,750)	(104,750)	-	-
Amount owing to immediate holding company	(5,006)	(5,006)	-	-
Amount owing to related companies	(1,994)	(1,994)	-	-
Derivative financial liabilities	(6,291)	-	-	(6,291)
	(6,020,091)	(6,013,800)	-	(6,291)

The main risks and corresponding management policies arising from the Company's normal course of business are as follows:

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Company's activities and remains an important feature in all its business, operations, delivery channels and decision making processes. The extent to which the Company is able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Company's risk management function is independent of its operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to review by the Risk Management Committee ("RMC") prior to Management or Board approval.

The objectives of the Company's risk management activities are to:

- (i) Identify and monitor the various risk exposure and risk requirements;
- (ii) Ensure high risk activities are in accordance with the approved policies and the aggregate risk position is within the risk level approved by the Board of Directors; and
- (iii) Help to create shareholder value through proper allocation and management of risk, and facilitate the risk assessment of new business and products independently.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk management framework

The Company employs an Enterprise-wide Risk Management Framework ("ERMF") to manage its risks effectively. The framework involves on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Company through the RMC. This framework provides the Board of Directors and management with a tool to anticipate and manage both existing and potential risks, taking into consideration the dynamic risk profiles, as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

(c) Risk organisation and reporting

The responsibility of risk management lies with the Board of Directors, which comprises executive and non-executive directors of the Company. In line with best practices, the Board of Directors determines the risk policy objectives for the Company, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the RMC which undertakes the oversight function for overall risk limit and ensures that the Company is within the risk appetite as established by the Board. The RMC also deliberates the implementation of the enterprise-wide risk management framework which addresses credit, market, operational and strategic risks within the policies established by the Board of Directors and recommending policy changes to the Board of Directors.

Quarterly reporting is made to Audit Committee and the Board by RMC on risk exposures, impact and mitigation measures, covering all areas of risk faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of a financial loss to the Company due to the deterioration in credit worthiness of its borrowers and consequently their ability to discharge their contractual obligations to the Company. Credit risk remains the most significant risk to which the Company is exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The Company's exposure to credit risk arises principally from its financing receivables from customers and investment securities.

Receivables

(i) Risk management objectives, policies and processes for managing the risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit and the credit acceptance procedures are monitored by the management. Collateral is required for the business of financing vehicles. The Company does not require collateral in respect of the easy payment schemes, personal financing schemes and credit cards issuance business.

The Company has taken reasonable steps to ensure that receivables from customers that are neither past due nor impaired are stated at its realisable values.

The Company conducts regular monitoring on credit exposure trend, asset quality by impaired loans, portfolio concentration analysis.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Risk organisation and reporting (continued)

Receivables (continued)

(ii) Exposure to credit risk, credit quality and collateral

At end of the reporting period, the Company does not have any significant exposure to any individual customers or industry sector. The *maximum exposure to credit risk is represented by the carrying amount of each financial asset.*

Financing receivables amounting to RM4,050,352,000 (2017: RM3,794,477,000) are secured by vehicles of customers financed by the Company.

(iii) Credit risk reporting and monitoring

The Company's credit portfolios are monitored through monthly and/or adhoc reporting to ensure credit deterioration is promptly detected and mitigated through implementation of risk remediation strategies. Credit Policy and Review Department ("CPRD") undertakes regular and comprehensive analysis of credit portfolios and reports to the RMC on emerging credit issues.

(iv) Credit risk mitigation

All credit facilities are granted on the credit standing of the borrower, source of repayment, debt servicing ability and the collateral pledged. Personal guarantees are obtained when the borrower's credit worthiness is insufficient to justify granting facilities.

(v) Concentration risk

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company monitors various portfolios, to identify and assess risk concentrations. The credit portfolios are monitored and reviewed to identify, assess and guard against unacceptable risk concentrations.

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit quality and allowance for impairment losses

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

	Gross RM'000	Allowance for impairment losses RM'000	Net RM'000
2018			
Not past due	6,529,526	(8,006)	6,521,520
Past due 1 month	438,947	(13,270)	425,677
Past due 2 to 3 months	180,617	(28,154)	152,463
Past due more than 3 months	170,040	(113,401)	56,639
	789,604	(154,825)	634,779
	7,319,130	(162,831)	7,156,299
2017			
Not past due	5,886,483	(8,868)	5,877,615
Past due 1 month	400,954	(13,793)	387,161
Past due 2 to 3 months	152,938	(27,157)	125,781
Past due more than 3 months	150,522	(102,376)	48,146
	704,414	(143,326)	561,088
	6,590,897	(152,194)	6,438,703

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

	2018 RM'000	2017 RM'000
At beginning of year	152,194	137,921
Impairment loss recognised (Note 22)	335,920	306,163
Impairment loss written off	(325,283)	(291,890)
At end of year	162,831	152,194

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

- (b) Included in net financing receivables is an amount of RM192,019,000 (2017: RM151,249,000) which are under renegotiated/restructured activities.

Renegotiated/restructured activities include extended payment arrangements, and the modification and deferral of payments. The Company has impaired RM68,539,000 (2017: RM39,955,000) of the renegotiated/restructured financing receivables. The status of renegotiated/restructured receivables are as follows:

	2018 RM'000	2017 RM'000
Not past due	128,367	95,263
Past due 1 month	33,200	29,056
Past due 2 to 3 months	21,680	18,160
Past due more than 3 months	8,772	8,770
	192,019	151,249

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company's liquidity risk management practice is to maintain high quality and well diversified portfolios of liquid assets and source of funds under both normal business and stressed conditions. The Company maintains optimum ratio of long term funding, i.e. debts maturing after 12 months from the end of the reporting period against total debts. This ratio significantly match the ratio of long terms financing receivables determined based on customers' contracted terms of repayment and payment pattern for revolving credit limits granted.

The Treasury unit reviews the asset and liability maturity profile and identifies any maturity mismatch for escalation to the Risk Management Committee ("RMC") which is responsible for the independent monitoring of the Company's liquidity risk profile. The RMC meets every month to discuss the liquidity risk and funding profile of the Company and works closely with the Treasury unit on the surveillance of market conditions and stress testing analysis on liquidity positions. The Company maintains sufficient credit lines to ensure that all current obligations are able to be met. As at 28 February 2018, the Company has unutilised lines of credit amounting to RM3,241,074,000 (2017: RM2,903,317,000) obtained from licensed banks.

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The table below summarises the maturity profile of the Company's non-derivative financial assets and non-derivative financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual profit/interest/ coupon rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000	No specific maturity RM'000
2018								
Financial assets								
Cash and bank balances	78,915	-	78,915	78,915	-	-	-	-
Deposits placed with licensed banks	4,766	2.80% - 3.15%	4,766	4,766	-	-	-	-
Financing receivables	7,156,299	21.18%*	9,602,447	3,174,458	2,154,751	3,455,514	817,724	-
Other receivables and deposits	28,521	-	28,521	28,521	-	-	-	-
Amount owing by related companies	1,076	-	1,076	1,076	-	-	-	-
Investments	18,370	-	-	-	-	-	-	18,370
	7,287,947		9,715,725	3,287,736	2,154,751	3,455,514	817,724	18,370
Financial liabilities								
Bank overdraft	56,102	3.68%	56,102	56,102	-	-	-	-
Unsecured term loans/financing	5,498,017	3.85% - 4.50%	6,014,900	2,307,577	426,878	2,691,561	588,884	-
Trade payables	21,755	-	21,755	21,755	-	-	-	-
Other payables and accruals	121,589	-	121,589	121,589	-	-	-	-
Amount owing to immediate holding company	6,557	-	6,557	6,557	-	-	-	-
Amount owing to related companies	2,225	-	2,225	2,225	-	-	-	-
ICULS liabilities	7,367	-	7,915	2,638	5,277	-	-	-
	5,713,612		6,231,043	2,518,443	432,155	2,691,561	588,884	-

* Note: This represents the average annual effective interest rate on financing receivables outstanding at end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Carrying amount RM'000	Contractual profit/interest/ coupon rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000	No specific maturity RM'000
2017								
Financial assets								
Cash and bank balances	70,195	-	70,195	70,195	-	-	-	-
Deposits placed with licensed banks	3,472	2.70% - 3.20%	3,472	3,472	-	-	-	-
Financing receivables	6,438,703	21.20%*	8,716,286	2,877,534	1,903,897	3,094,203	840,652	-
Other receivables and deposits	26,710	-	26,710	26,710	-	-	-	-
Amount owing by related companies	1,514	-	1,514	1,514	-	-	-	-
Investments	19,045	-	-	-	-	-	-	19,045
	6,559,639		8,818,177	2,979,425	1,903,897	3,094,203	840,652	19,045
Financial liabilities								
Bank overdraft	40,083	3.30%	40,083	40,083	-	-	-	-
Unsecured term loan/financing	5,372,142	3.85% - 4.51%	5,964,868	483,042	2,613,912	2,623,604	244,310	-
Unsecured medium- term notes	200,000	4.00%	201,826	201,826	-	-	-	-
Unsecured revolving credits	260,000	3.65%	260,576	260,576	-	-	-	-
Trade payables	29,825	-	29,825	29,825	-	-	-	-
Other payables and accruals	104,750	-	104,750	104,750	-	-	-	-
Amount owing to immediate holding company	5,006	-	5,006	5,006	-	-	-	-
Amount owing to related companies	1,994	-	1,994	1,994	-	-	-	-
	6,013,800		6,608,928	1,127,102	2,613,912	2,623,604	244,310	-

* Note: This represents the average annual effective interest rate on financing receivables outstanding at end of the reporting period.

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movement in market variables such as interest rate, foreign exchange rates, equity pricing and other related macro-economic factors that will eventually affect the Company's profitability, cash flows and capital preservation.

The Company's market risk management includes the monitoring of the fluctuations in net interest income or investment value due to changes in relevant risk factors. RMC monitors the exposure on monthly basis through reports and analysis with the support of the Treasury unit.

In managing interest rate risk, the Company intends to maximise net interest income and net interest margin; and to minimise the significant volatility in relation to the Company's assets and liabilities.

Interest rate risk

The Company's fixed rate borrowings are expected to a risk of change in their fair value due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments, financing receivables, other receivables, deposits and prepayments, amount owing by/to related companies, amount owing to immediate holding company, trade payables, other payables and accruals are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Company borrows for its operations at fixed and variable rates and monitors the interest rate exposure by assessing the interest rate gap of interest bearing financial assets and financial liabilities. The Company also uses cross currency interest rate swaps to hedge its interest rate risk on bank borrowings as stated in hedging activities below. The management continuously seeks for alternative banking facilities, which provide competitive interest rates to finance its capital expenditure, financing and working capital requirements.

Exposure to interest risk

The interest rate profile of the Company's significant interest-banking financial instruments, based on carrying amounts as at the end of the reporting period was:

	2018 RM'000	2017 RM'000
Fixed rate instruments		
Financial liabilities	2,510,000	2,570,000
Floating rate instruments		
Financial liabilities	3,044,119	3,302,225

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Company does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bps) in interest rates at the end of the reporting period would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	2018		2017	
	100 bps increase RM'000	100 bps decrease RM'000	100 bps increase RM'000	100 bps decrease RM'000
Floating rate instruments	(30,441)	30,441	(33,022)	33,022

Hedging activities

Cash flow hedge

The Company has entered into cross currency interest rate swaps to hedge the variability of cash flow risk in relation to the foreign currency denominated borrowings of RM2,988,017,000 (2017: RM3,262,142,000). The cross currency interest rate swaps have the same notional value of RM2,988,017,000 (2017: RM3,262,142,000) and are to be settled in full upon maturity.

The following table indicates the years in which the cash flows associated with the derivative financial assets with carrying amount of RM249,557,000 (2017: 586,268,000) and derivative financial liabilities of RM107,726,000 (2017: RM6,291,000) that are expected to occur and affect profit or loss.

	Expected cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2018				
Cross currency interest rate swaps (gross settled):				
Outflow	(3,080,044)	(1,369,711)	(67,377)	(1,642,956)
Inflow	2,990,288	1,332,621	43,190	1,614,477
	(89,756)	(37,090)	(24,187)	(28,479)
2017				
Cross currency interest rate swaps (gross settled):				
Outflow	(2,947,228)	(313,823)	(1,352,659)	(1,280,746)
Inflow	2,767,557	250,402	1,301,396	1,215,759
	(179,671)	(63,421)	(51,263)	(64,987)

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

The Company is exposed to foreign currency risk mainly on borrowings that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily U.S. Dollar (USD) and Japanese Yen (JPY).

Risk management objectives, policies and processes for managing the risk

The repayment of all borrowings in foreign currency is fully hedged by cross currency interest rate swaps entered into by the Company upon initial drawdown of the borrowings.

Foreign currency risk management

The Company's exposure to foreign currency risk, based on carrying amounts at the end of the reporting period was:

	Denominated in USD RM'000	JPY RM'000
2018		
Inter-company balances	(342)	(7,867)
Borrowings	(2,988,017)	-
Net exposure	(2,988,359)	(7,867)
	Denominated in USD RM'000	JPY RM'000
2017		
Inter-company balances	(846)	(5,617)
Borrowings	(3,262,142)	-
Net exposure	(3,262,988)	(5,617)

Currency risk sensitivity analysis

No sensitivity analysis was presented for USD currency on borrowings which is fully hedged.

A 10% strengthening or weakening of foreign currencies against the functional currency at the end of the reporting period would have (decreased)/increased pre-tax profit or loss by the amounts shown below. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive/ (negative) number below indicates an increase/(decrease) in profit and other equity where the relevant currency strengthens/(weakens) by 10% against the Ringgit Malaysia.

	Profit or loss			
	2018		2017	
	10% increase RM'000	10% decrease RM'000	10% increase RM'000	10% decrease RM'000
JPY	(787)	787	(562)	562
USD	(34)	34	(85)	85

NOTES TO THE FINANCIAL STATEMENTS

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2018										
Financial assets										
Financing receivables										
Non-current	-	-	-	-	-	-	4,864,051	4,864,051	4,864,051	5,030,204
Derivatives financial assets	-	249,557	-	249,557	-	-	-	-	249,557	249,557
	-	249,557	-	249,557	-	-	4,864,051	4,864,051	5,113,608	5,279,761
Financial liabilities										
Term loan financing (unsecured)										
Non-current	-	-	-	-	-	-	3,149,039	3,149,039	3,149,039	3,257,145
Derivatives financial liabilities	-	107,726	-	107,726	-	-	-	-	107,726	107,726
	-	107,726	-	107,726	-	-	3,149,039	3,149,039	3,256,765	3,364,871
2017										
Financial assets										
Financing receivables										
Non-current	-	-	-	-	-	-	4,621,077	4,621,077	4,621,077	4,480,990
Derivatives financial assets	-	586,268	-	586,268	-	-	-	-	586,268	586,268
	-	586,268	-	586,268	-	-	4,621,077	4,621,077	5,207,345	5,067,258
Financial liabilities										
Term loan financing (unsecured)										
Non-current	-	-	-	-	-	-	4,849,942	4,849,942	4,849,942	4,898,808
Derivatives financial liabilities	-	6,291	-	6,291	-	-	-	-	6,291	6,291
	-	6,291	-	6,291	-	-	4,849,942	4,849,942	4,856,233	4,905,099

NOTES TO THE
FINANCIAL STATEMENTS

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The methods and assumptions used by management to determine the fair values of the financial instruments are as follows:

(i) Financing receivables

The fair values of financing receivables with remaining maturity of less than one year are estimated to approximate their carrying amounts. For financing receivables with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing rates of loans and receivables of similar credit profile.

The fair values of impaired financing receivables are represented by their carrying amounts, net of any individual assessment allowance, being the expected recoverable amount.

(ii) Term loan financing

The fair values of term loan financing with remaining maturity of less than one year are estimated to approximate their carrying amounts. For term loan financing with remaining maturity of more than one year, the fair values are estimated using discounting technique. The discount rates are based on market rates available to the Company for similar instruments.

(iii) Derivative financial instruments

The fair value of cross currency swap derivatives is the estimated amount that the Company would receive or pay to terminate the contracts at the reporting date and is determined based on discounted future cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period), forward exchange rates (from observable forward exchange rates at the end of reporting period) contract interest rates and contract forward rates, discounted at a rate that reflects the credit risk of counterparties.

The fair value hierarchies used to classify financial instruments not measured at fair value in the statements of financial position, but for which fair value is disclosed, are as follows:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

32. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the financial year, the Company has complied with debt to equity ratio requirement of less than 5.25:1. The debt-to-equity ratio in year 2018 and 2017 were as follows:

	2018 RM'000	2017 RM'000
Total borrowings	5,554,119	5,872,225
Less: Cash and bank balances	(83,681)	(73,667)
Net debt	5,470,438	5,798,558
Total equity	1,857,503	1,230,987
Debt-to-equity ratio	2.95	4.71

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Company's statements of cash flows as cash flows from financing activities:

	Borrowings (Note 16) 2018 RM'000
At beginning of year	5,872,225
Drawdowns of bank overdraft	16,019
Proceeds from bank borrowings	974,000
Repayments	(847,122)
Foreign currency hedge	(461,003)
At end of year	5,554,119

NOTES TO THE
FINANCIAL STATEMENTS

34. RECLASSIFICATION OF COMPARATIVE BALANCES

A reclassification has been made to the prior year's financial statements to conform to current year's financial statements.

	As previously reported RM'000	Reclassification RM'000	As reclassified RM'000
Statement of financial position as at 28 February 2017			
Derivative financial assets	579,977	6,291	586,268
Derivative financial liabilities	-	(6,291)	(6,291)
Statement of cash flows for the financial year ended 28 February 2017			
Cash flows from operating activities			
Finance costs paid	(195,577)	195,577	-
Net cash used in operating activities	(726,276)	195,577	(530,699)
Cash flows from financing activities			
Finance costs paid	-	(195,577)	(195,577)
Net cash from financing activities	774,754	(195,577)	579,177

35. MATERIAL LITIGATION

The Company is not engaged in any material litigation except as disclosed in Note 23(ii).

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act, 2016

The Directors of **AEON CREDIT SERVICE (M) BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 28 February 2018 and of the financial performance and the cash flows of the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 8 May 2018.

KENJI FUJITA

LEE TYAN JEN

Kuala Lumpur
8 May 2018

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **LEE KIT SEONG**, the officer primarily responsible for the financial management of **AEON CREDIT SERVICE (M) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Signed in accordance with
a resolution of the Directors,

LEE KIT SEONG
MIA Membership No: 17292

Subscribed and solemnly declared by the
abovenamed **LEE KIT SEONG at KUALA
LUMPUR** on this 8th day of May, 2018.

Before me,

KAPT (B) JASNI BIN YUSOFF
No. W 465

COMMISSIONER FOR OATH
Kuala Lumpur

ANALYSIS OF SHAREHOLDINGS

Statistics on Shareholdings as at 30 April 2018

Paid-up share capital	: RM512,093,767
Class of shares	: Ordinary Share
Voting rights	: One vote per Ordinary Share
Number of shareholders	: 3,827

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1 - 99	398	10.40	6,641	0.00
100 - 1,000	1,200	31.35	643,693	0.26
1,001 - 10,000	1,628	42.54	5,744,749	2.31
10,001 - 100,000	470	12.28	14,198,692	5.71
100,001 to less than 5% of issued shares	130	3.40	71,153,404	28.60
5% and above of issued shares	1	0.03	157,017,252	63.12
Total	3,827	100.00	248,764,431	100.00

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No	Name	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1	AEON FINANCIAL SERVICE CO., LTD.	157,017,252	63.12	-	-
2	AEON CO., LTD.	-	-	161,661,252*	64.99

Note:

* Deemed interest in the shares held by AEON Financial Service Co., Ltd. and AEON Co. (M) Bhd. by virtue of Section 8 of the Companies Act 2016.

DIRECTORS' INTEREST AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No	Name	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1	Kenji Fujita	-	-	-	-
2	Dato' Md Kamal bin Ismaun	9,000	Negligible	-	-
3	Ng Eng Kiat	18,000	0.01	-	-
4	S. Sunthara Moorthy A/L S. Subramaniam	-	-	-	-
5	Lee Tyan Jen	35,661	0.01	-	-
6	Lee Kit Seong	-	-	-	-
7	Kiyooki Takano	54,000	0.02	-	-
8	Tomokatsu Yoshitoshi	-	-	-	-
9	Tetsuro Takano	-	-	-	-
10	Ajith A/L Jayaram	3,240	Negligible	-	-

ANALYSIS OF SHAREHOLDINGS

LIST OF TOP THIRTY (30) SHAREHOLDERS

No.	Name	No. of Shares	% of Shares
1	AEON FINANCIAL SERVICE CO., LTD.	157,017,252	63.12%
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	4,809,554	1.93%
3	AEON CO. (M) BHD.	4,644,000	1.87%
4	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	4,236,900	1.70%
5	HSBC NOMINEES (ASING) SDN BHD JPMBL SA FOR JPMORGAN FUNDS	3,650,386	1.47%
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-BTR)	3,113,000	1.25%
7	CITIGROUP NOMINEES (ASING) SDN BHD GSCO LLC FOR BUENA VISTA ASIAN OPPORTUNITIES MASTER FUND, LTD.	2,545,528	1.02%
8	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	2,358,900	0.95%
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	1,926,200	0.77%
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	1,656,400	0.67%
11	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS JERSEY FOR ABERDEEN ASIAN INCOME FUND LIMITED	1,626,800	0.65%
12	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK EMERGING MARKETS OPPORTUNITIES FUND	1,224,400	0.49%
13	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AFF HWG6939-403)	1,213,150	0.49%
14	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK INTERNATIONAL OPPORTUNITIES FUND	1,130,560	0.45%
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CONSOLIDATED CHAN REALTY SDN BHD (E-KUG)	935,000	0.38%
16	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK GLOBAL OPPORTUNITIES FUND	880,220	0.35%
17	MOTOYA OKADA	864,000	0.35%
18	CHONG AH SUAN	838,100	0.34%
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AMB DIVIDEND TRUST FUND (5428-401)	798,326	0.32%
20	LEONG LI NAR	774,000	0.31%
21	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO., LTD.	772,500	0.31%
22	AMSEC NOMINEES (TEMPATAN) SDN BHD NOMURA ASSET MANAGEMENT MALAYSIA SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND	738,564	0.30%
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-BTR)	733,200	0.29%
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (NOMURA)	700,000	0.28%
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCE BERHAD (PAR-220082)	699,911	0.28%
26	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND TCTA FOR CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM	678,560	0.27%
27	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	674,840	0.27%
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT - HW FLEXI FUND (270519)	663,624	0.27%
29	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR SERENDIP INVESTMENTS LIMITED	639,000	0.26%
30	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR NOMURA SECURITIES CO LTD (CLIENT AC)	639,000	0.26%

203,181,875

81.68%

ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDINGS

Statistics on ICULS holdings as at 30 April 2018

Type of Securities : 3 year, 3.5% ICULS at nominal value of RM1.00 each
 Total ICULS issued : RM432,000,000 comprising 432,000,000 ICULS at nominal value of RM1.00 each
 Total Outstanding ICULS : RM67,986,933 comprising 67,986,933 ICULS at nominal value of RM1.00 each
 Number of ICULS : 1,465

Category	No. of ICULS Holders	% of ICULS Holders	No. of ICULS Held	% of Outstanding ICULS
Less than 100	20	1.37	547	0.00
100 - 1,000	238	16.25	112,608	0.17
1,001 - 10,000	768	52.42	3,114,166	4.58
10,001 - 100,000	371	25.32	10,269,830	15.10
100,001 to less than 5% of outstanding ICULS	64	4.37	31,339,082	46.10
5% and above of outstanding ICULS	4	0.27	23,150,700	34.05
Total	1,465	100.00	67,986,933	100.00

With reference to the announcements made by the Company on 13 October 2017, the substantial shareholders, namely AEON Financial Service Co., Ltd and AEON Co. Ltd (with deemed interest in the shares held by AEON Financial Service Co. and AEON Co. (M) Bhd. by virtue of Section 8 of the Companies Act 2016), had converted all ICULS held to Ordinary Shares.

DIRECTORS' INTEREST IN ICULS

No	Name	Direct Interest		Indirect Interest	
		No. of ICULS held	%	No. of ICULS held	%
1	Kenji Fujita	-	-	-	-
2	Dato' Md Kamal bin Ismaun	18,000	0.03	-	-
3	Ng Eng Kiat	36,500	0.05	-	-
4	S Sunthara Moorthy A/L S Subramaniam	-	-	-	-
5	Lee Tyan Jen	72,500	0.11	-	-
6	Lee Kit Seong	-	-	-	-
7	Kiyoaki Takano	108,000	0.16	-	-
8	Tomokatsu Yoshitoshi	-	-	-	-
9	Tetsuro Takano	-	-	-	-
10	Ajith A/L Jayaram	6,500	0.01	-	-

ANALYSIS OF ICULS HOLDINGS

LIST OF TOP THIRTY (30) ICULS HOLDERS - 30 APRIL 2018

No.	Name	Holdings	%
1	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	8,473,800	12.46
2	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	7,079,900	10.41
3	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS JERSEY FOR ABERDEEN ASIAN INCOME FUND LIMITED	3,953,600	5.82
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	3,643,400	5.36
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	3,147,800	4.63
6	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	2,625,600	3.86
7	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK EMERGING MARKETS OPPORTUNITIES FUND	2,260,800	3.33
8	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK INTERNATIONAL OPPORTUNITIES FUND	2,235,120	3.29
9	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK GLOBAL OPPORTUNITIES FUND	1,678,440	2.47
10	CHONG AH SUAN	1,384,100	2.04
11	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR SERENDIP INVESTMENTS LIMITED	1,278,000	1.88
12	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	1,254,512	1.85
13	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR KEGANI PACIFIC LTC FUND L.P.	982,300	1.44
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR FONG SHENG MOTOR SDN BHD (MY2815)	780,780	1.15
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR SKYTURE CAPITAL SDN BHD (M51016)	692,400	1.02
16	LOO WAH CHAI	643,000	0.95
17	TAN KOK	621,000	0.91
18	HSBC NOMINEES (ASING) SDN BHD BPSS SIN FOR ABERDEEN MALAYSIAN EQUITY FUND	594,000	0.87
19	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK GLOBAL OPPORTUNITIES, L.P.	525,900	0.77
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHEW HONG	446,200	0.66
21	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK GLOBAL REACH FUND	445,800	0.66
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU TIING UH	407,400	0.60
23	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR SLG INTERNATIONAL OPPORTUNITIES, L.P.	388,800	0.57
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA MALAYSIAN INC FUND	378,300	0.56
25	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR PACIFIC MILLENNIUM FUND	370,600	0.55
26	WONG WAI KUAN	370,400	0.54
27	LIM WEE LIANG	354,000	0.52
28	TOH EAN HAI	350,000	0.51
29	YASUHIRO KASAI	324,000	0.48
30	LEONG LI NAR	290,000	0.43
		47,979,952	70.57

ADDITIONAL INFORMATION

Utilisation of Proceeds Raised from Corporate Proposal

As at 30 April 2018, the total proceeds of RM432,000,000 raised from the rights issue of ICULS were utilised as follow:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
Repayment of bank borrowings	155,000	154,921	79
Working capital	272,400	273,889	(1,489)
Estimated expenses for the proposals*	4,600	3,190	1,410
Total	432,000	432,000	-

* Pursuant to the Circular to Shareholders in relation to the Bonus Issue and Rights Issue dated 6 June 2017, any surplus or shortfall of funds for the payment of expenses for the corporate proposal will be utilised for working capital or be funded from working capital respectively.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting ("21st AGM") of AEON Credit Service (M) Berhad will be held at Ballroom 1 and 2, Level 2, InterContinental Hotel, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 21 June 2018 at 10.30 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 28 February 2018 together with the Reports of the Directors and Auditors thereon. | (Please refer to Note (i) of the Explanatory Notes) |
| 2. To approve the payment of a final dividend of 20.00 sen per ordinary share in respect of the financial year ended 28 February 2018. | Ordinary Resolution 1 |
| 3. To approve the Directors' Fees up to an aggregate amount of RM814,000 per annum for the financial year ended 28 February 2018 and payments thereof. | Ordinary Resolution 2 |
| 4. To re-elect the following Directors retiring pursuant to Article 134 of the Articles of Association of the Company:- | |
| (i) Mr. Tetsuro Takano | Ordinary Resolution 3 |
| (ii) Mr. S Sunthara Moorthy A/L S Subramaniam | Ordinary Resolution 4 |
| <p>Mr. Lee Kit Seong and Mr. Kiyooki Takano, who retire in accordance with Article 129 of the Articles of Association of the Company, have expressed their intention not to seek re-election at the 21st AGM and will retain office until the conclusion of the 21st AGM.</p> <p>Mr. Ajith A/L Jayaram, who retires in accordance with Article 134 of the Articles of Association of the Company, has expressed his intention not to seek re-election at the 21st AGM and will retain office until the conclusion of the 21st AGM.</p> | |
| 5. To re-appoint Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

As Special Business

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

- | | |
|--|------------------------------|
| 6. Authority for Dato' Md Kamal Bin Ismaun to continue in office as Independent Non-Executive Director | Ordinary Resolution 6 |
| <p>"THAT authority be and is hereby given to Dato' Md Kamal Bin Ismaun who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with Malaysian Code on Corporate Governance."</p> | |
| 7. Authority for Mr. Ng Eng Kiat to continue in office as Independent Non-Executive Director | Ordinary Resolution 7 |
| <p>"THAT authority be and is hereby given to Mr. Ng Eng Kiat who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with Malaysian Code on Corporate Governance."</p> | |

NOTICE OF
ANNUAL GENERAL MEETING

8. Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares

Ordinary Resolution 8

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the share capital of the Company at any time until the conclusion of the next AGM, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue."

9. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 9

"THAT, subject to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given for the Company to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.2 of Part A of the Circular to Shareholders dated 23 May 2018 ("Circular") with the related parties mentioned therein which are necessary for the Company's day-to-day operations.

THAT the Company be and is hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that:-

- a) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- b) the disclosure will be made in the Annual Report of the breakdown of the aggregate value of the Recurrent Related Party Transactions entered into pursuant to the Proposed Shareholders' Mandate during the financial year with details on the nature and type of Recurrent Related Party Transactions, the names of the related parties involved in each type of Recurrent Related Party Transactions and their relationships with the Company.

THAT the authority conferred shall continue to be in force until:-

- i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;
 - ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
 - iii) revoked or varied by resolution passed by the shareholders in general meeting
- whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

**NOTICE OF
ANNUAL GENERAL MEETING****10. Proposed Adoption of the Company's New Constitution ("Proposed Adoption")****Special Resolution**

"THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, adopt the proposed new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 23 May 2018 accompanying the Company's Annual Report for the financial year ended 28 February 2018 AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary to give full effect to the Proposed Adoption."

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the 21st AGM, a final dividend of 20.00 sen per ordinary share in respect of the financial year ended 28 February 2018 will be paid to shareholders on 19 July 2018. The entitlement date for the said dividend shall be 29 June 2018.

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

- (a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 29 June 2018 in respect of transfers; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

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

Selangor Darul Ehsan
 Date: 23 May 2018

NOTES:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
2. A member is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/her place, at the same meeting. Where a member appoints up to two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power or authority and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Company's Share Registrar Office at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the 21st AGM or any adjournment thereof.
5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
6. Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the 21st AGM will be put to vote by way of poll.

EXPLANATORY NOTES

(i) Item 1 of the Agenda - to receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

(ii) Authority for the following Directors to continue in office as Independent Non-Executive Directors:-

Ordinary Resolution 6 - Dato' Md Kamal Bin Ismaun

Ordinary Resolution 7 - Mr. Ng Eng Kiat

The Board of Directors has via the Nominating Committee conducted an annual performance evaluation and assessment of Dato' Md Kamal Bin Ismaun and Mr. Ng Eng Kiat, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the justification as set out in Appendix I.

(iii) Ordinary Resolution 8 - Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares

The Company had, during its 20th AGM held on 21 June 2017, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016. As at the date of this notice, the Company has not issued any shares pursuant to that mandate obtained.

The ordinary resolution 8 proposed under item 8 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of Companies Act 2016. The resolution, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

This authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding investment project(s), working capital and/or acquisition(s).

(iv) Ordinary Resolution 9 - Proposed Shareholders' Mandate

Ordinary Resolution 9 proposed under item 9 of the Agenda, if passed, will allow the Company to enter into recurrent related party transactions in accordance with paragraph 10.09 of the MMLR of Bursa Securities and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Company or affecting the business opportunities available to the Company. The proposed shareholders' mandate is subject to renewal on an annual basis.

Further information on the Proposed Shareholders' Mandate is set out in Part A of the Circular to Shareholders dated 23 May 2018 which was despatched together with this Annual Report.

(v) Special Resolution - Proposed Adoption

The Special Resolution, if passed, will bring the Company's Constitution in line with the enforcement of Companies Act 2016 which came into force on 31 January 2017 and the updated provisions of MMLR of Bursa Securities, to enhance administrative efficiency.

Further information on the Proposed Adoption is set out in Part B of the Circular to Shareholders dated 23 May 2018 which was despatched together with this Annual Report.

**NOTICE OF
ANNUAL GENERAL MEETING****PERSONAL DATA PRIVACY**

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

1. ORDINARY RESOLUTION NO. 6

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

Justification

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

2. ORDINARY RESOLUTION NO. 7

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

Justification

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

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AEON CREDIT SERVICE (M) BERHAD
(Company No.412767-V)
(Incorporated in Malaysia)

No. of Shares Held	
CDS Account No.	
Contact No.	

Form of Proxy

*I/We (full name in capital letters) _____
(NRIC No./ Company No. _____) of _____,
being a *member/members of AEON Credit Service (M) Berhad ("Company"), hereby appoint (full name in capital letters),
_____ (NRIC No. _____)
of _____
or failing *him/her, (full name in capital letters) _____
(NRIC No. _____) of _____
or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Twenty-First Annual General Meeting ("21st AGM") of the Company to be held at Ballroom 1 and 2, Level 2, InterContinental Hotel, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 21 June 2018 at 10.30 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:-

No.	Resolutions	For	Against
ORDINARY BUSINESS			
Ordinary Resolution 1	Approval of the payment of a final dividend of 20.00 sen per ordinary share in respect of the financial year ended 28 February 2018.		
Ordinary Resolution 2	Approval of the Directors' Fees up to an aggregate amount of RM814,000 per annum for the financial year ended 28 February 2018 and payments thereof.		
Ordinary Resolution 3	Re-election of Mr. Tetsuro Takano.		
Ordinary Resolution 4	Re-election of Mr. S. Sunthara Moorthy A/L S. Subramaniam.		
Ordinary Resolution 5	Re-appointment of Deloitte PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
Ordinary Resolution 6	Authority for Dato' Md Kamal Bin Ismaun to continue in office as Independent Non-Executive Director.		
Ordinary Resolution 7	Authority for Mr. Ng Eng Kiat to continue in office as Independent Non-Executive Director.		
Ordinary Resolution 8	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares.		
Ordinary Resolution 9	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature.		
Special Resolution	Proposed Adoption of the Company's New Constitution.		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he / she thinks fit.

*Strike out whichever is not applicable

Signature or Common Seal of Shareholder(s)

Dated this _____ day of _____, 2018

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

NOTES:-

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
- A member is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/her place, at the same meeting. Where a member appoints up to two (2) proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy or (in the case of a power of attorney appointing an attorney to or to (inter alia) attend and vote at meetings or polls) such power of attorney or a notarially certified copy of such power or authority and (if required by any Director) any authority under which such proxy or power of attorney is executed or a copy of such authority certified notarially or in some other way approved by the Directors shall be deposited at the Company's Share Registrar Office at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the 21st AGM or any adjournment thereof.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
- Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 21st AGM will be put to vote by way of poll.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the 21st AGM dated 23 May 2018.

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The Share Registrar
AEON CREDIT SERVICE (M) BERHAD (COMPANY NO. 412767-V)
C/O Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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