



AEON CREDIT SERVICE



CREATING WAVES OF CHANGE

Digitalisation. Transformation. Efficiency.

Change is imminent. Change is constant. In this day of digital age, we are poised to be quick to adapt to the ever-changing economic landscape. We set about a series of positive changes in our business and in our organisation. These waves of change stemmed from our leaders, our people, our business operations and processes, down to our products, with an unwavering aim of continuously increasing efficiencies and delivering seamless solutions to our customers.

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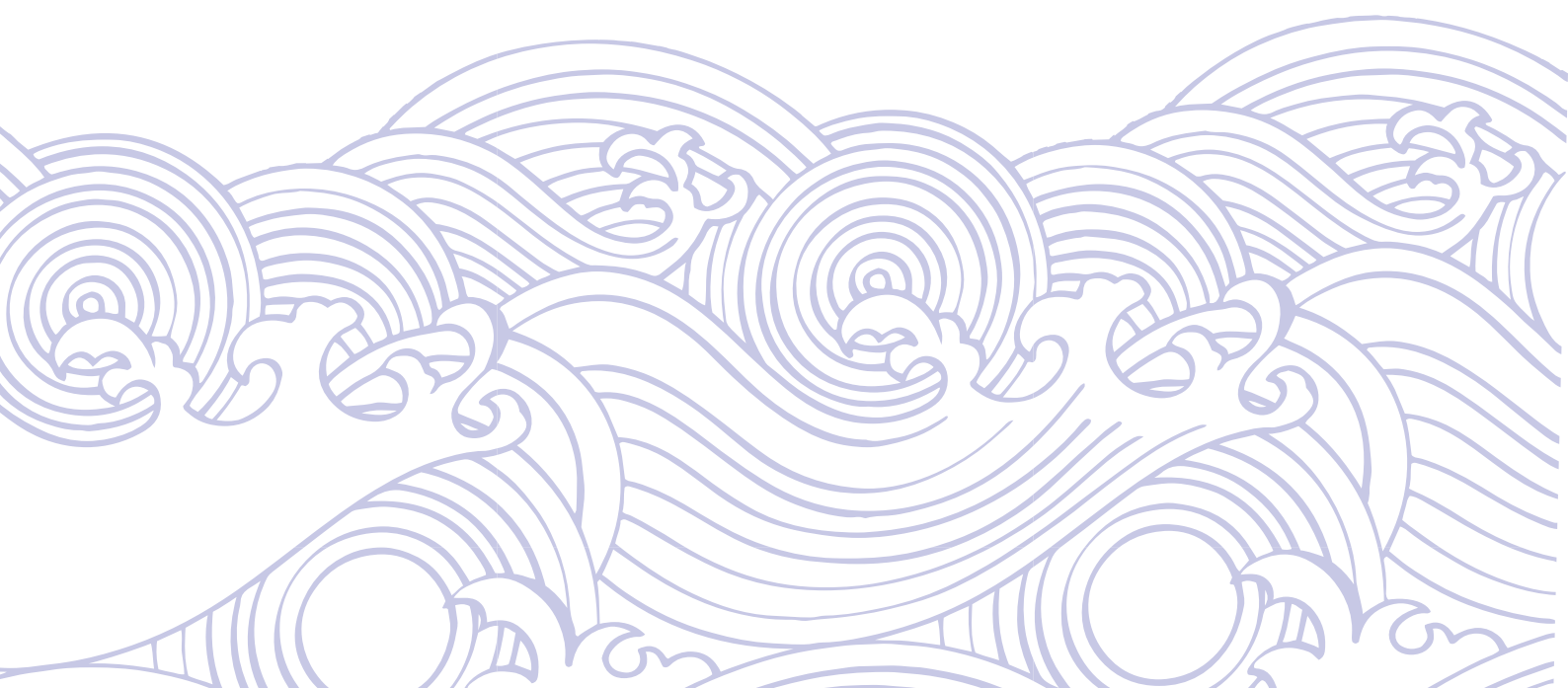
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CONTENTS

02	AEON Basic Principles and Code of Conduct
03	AEON Human Resource Principles
04	Corporate Information
05	Corporate Philosophy and Mission
06	AEON Credit Service (M) Berhad Corporate Milestone
08	An Introduction to AEON Credit Service (M) Berhad
09	AEON Credit Branch / Counter Network / E-Money Network

02 FIVE YEAR FINANCIAL HIGHLIGHTS

12	Five Year Financial Highlights
14	Investor Information

03 CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

18	Chairman's Statement
22	Management Discussion and Analysis

04 LEADERSHIP

28	Board of Directors
35	Top Management
36	Senior Management

05 CORPORATE BRANDING

40	Corporate Events
43	Corporate Social Responsibility Programmes
47	Awards, Accolades and Certifications

06 SUSTAINABILITY STATEMENT

50	Sustainability Statement
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07 CORPORATE GOVERNANCE

68	Corporate Governance Overview Statement
80	Audit Committee Report
84	Board Risk Committee Report
87	Statement On Risk Management And Internal Control
92	Directors' Responsibility Statement
93	Additional Compliance Information Disclosures

08 FINANCIAL STATEMENTS

96	Directors' Report
100	Independent Auditors' Report
104	Statement of Financial Position
105	Statement of Profit or Loss and Other Comprehensive Income
106	Statement of Changes in Equity
107	Statement of Cash Flows
109	Notes to the Financial Statements
171	Statement by Directors and Statutory Declaration

09 OTHER INFORMATION

174	Analysis of Shareholdings
176	Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holdings
178	Notice of Annual General Meeting Form of Proxy



AEON BASIC PRINCIPLES AND CODE OF CONDUCT

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.

■ 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.

■ AEON Basic Principles

At AEON, we abide by the AEON Basic Principles which consists of Peace, People and Community, with focus on the customer at the code.

PEACE

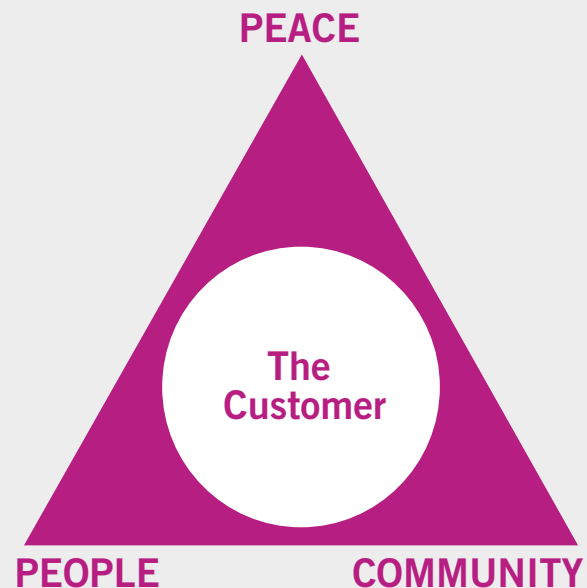
AEON is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.

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.



■ Basic Principle on Personnel

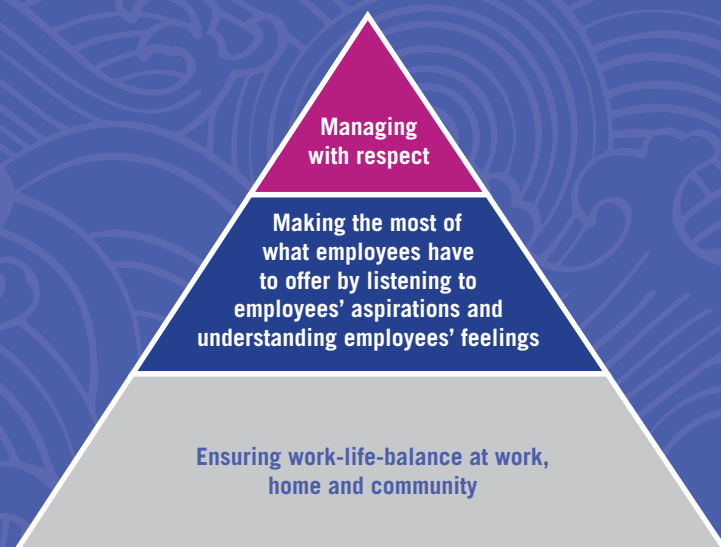
AEON Group's basic principle on personnel revolves around making the most of what employees have to offer by listening to employees' aspirations and understanding employees' feelings, based on the guiding philosophy of ensuring that all AEON staff lead a work life balance at work, home and in the community.

■ Basic Approach to Personnel

Basic Approach to Personnel Creating a corporate environment in which human resources can be developed in a long term working relationship. Dealing with personnel based on ability and achievement not nationality, age, gender or status.

AEON HUMAN RESOURCE PRINCIPLES

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

NG ENG KIAT

Chairman
Non-Independent Non-Executive Director

YURO KISAKA

Managing Director

DATO' MD KAMAL BIN ISMAUN

Non-Independent Non-Executive Director

TOMOKATSU YOSHITOSHI

Independent Non-Executive Director

S SUNTHARA MOORTHY A/L S SUBRAMANIAM

Independent Non-Executive Director

YBHG. DATUK ADINAN BIN MANING

Senior Independent Non-Executive Director

DATIN KHOO PEK LING

Independent Non-Executive Director

DATIN YASMIN AHMAD MERICAN

Independent Non-Executive Director

RASHIDAH BINTI ABU BAKAR

Independent Non-Executive Director

MASAAKI MANGETSU

Non-Independent Non-Executive Director

LEE TYAN JEN

Executive Director

SECRETARIES

Tai Yit Chan

SSM PC No. 202008001023
(MAICSA 7009143)

Wong Wei Fong

SSM PC No. 201908001352
(MAICSA 7006751)

REGISTERED OFFICE

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
T : +603-7890 4800
F : +603-7890 4650

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)
Chartered Accountants
Level 16, Menara LGB
1, Jalan Wan Kadir, Taman Tun Dr Ismail
60000 Kuala Lumpur
T : +603-7610 8888
F : +603-7726 8986

REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
T : +603-7890 4700
F : +603-7890 4670

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

CIMB Bank Berhad
Citibank Berhad
Deutsche Bank (Malaysia) Berhad
Maybank Islamic Berhad
Mizuho Bank (Malaysia) Berhad
MUFG Bank (Malaysia) Berhad
RHB Bank Berhad
RHB Islamic Bank Berhad
Standard Chartered Saadiq Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad

CORPORATE CALENDAR

Notice of Annual General Meeting	21 May 2019
Annual General Meeting	20 June 2019
Payment of Dividend (Interim)	Book Closure 18 October 2019 Payment 7 November 2019
Payment of Dividend (Final)	Book Closure 2 July 2020 Payment 16 July 2020
First Quarter Results Announcement	27 June 2019
Second Quarter Results Announcement	26 September 2019
Third Quarter Results Announcement	19 December 2019
Fourth Quarter Results Announcement	9 April 2020

CORPORATE PHILOSOPHY

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



MISSION

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.

AEON CREDIT SERVICE (M) BERHAD CORPORATE MILESTONE

1996

- Incorporated on 6 December 1996.

1997

- Commenced operations by providing General Easy Payment Scheme for consumer durables.

1998

- Began issuing AEON Express Card (a privilege card).
- Expansion of General Easy Payment Scheme within Peninsular Malaysia, outside Klang Valley namely Ipoh, Perak and Melaka

1999

- Expansion of General Easy Payment scheme and operations to East Malaysia in Kuching, Sarawak and Kota Kinabalu, Sabah.

2001

- Set-up branches in Kuching, Sarawak and Johor Bahru, Johor with marketing, credit assessment and credit management operations.

2002

- Launched Motorcycle Easy Payment (MEP) Scheme, with 50 appointed merchants within Klang Valley and later in Johor Bahru, Johor.
- Changed name from ACS Credit Service (M) Sdn. Bhd. to AEON Credit Service (M) Sdn. Bhd.

2003

- Launched Personal Financing Scheme, which is based on Shariah principles.
- Set-up first AEON Credit Service Centre in Kuala Lumpur.

2004

- Full expansion of Personal Financing Scheme to major towns nationwide.
- Entered into agreements with Visa International Service Association and MasterCard International Incorporated to issue credit cards.
- Obtained ISO 9001:2000 UKAS Quality Management, certified by UKAS, in line with our vision of providing excellent customer service.

2005

- Started insurance sales business.
- Obtained approval from Bank Negara Malaysia to issue credit cards.
- Launched AEON Credit Card.
- Launched JUSCO Credit Card, co-brand credit card with AEON CO. (M) Bhd.
- Opened AEON Credit Service Centre within shopping centres outside Klang Valley.

2006

- Launched specific purpose financing.
- Obtained ISO 27001:2005 for information security management system.
- Established 3 service centres in JUSCO Shopping Centres bringing nationwide network to 24.

2007

- Launched RM400 million commercial paper/medium term notes programme.
- Launched ATM network and AEONCASH @ ATM.
- Launched AEON & JUSCO Gold Visa Credit Card. Launched Motorcycle Association Affinity Gold Visa Card.
- Listed on Main Board of Bursa Malaysia Securities Berhad.

2008

- Launched CRUIZE Visa Card with Automobile Association of Malaysia (AAM).
- Launched AEON Zing card with Touch 'n Go Sdn. Bhd.
- Established 3 regional offices in Penang, Johor and Pahang.
- Expanded nationwide network of service centres and branches by establishing 3 service centres inside new JUSCO Shopping Centres.

2009

- Launched New AEON Card with AEON CO. (M) BHD.
- Established one service centre at AEON Bandaraya Melaka Shopping Centre and 6 marketing offices in Sandakan, Sibul, Segamat, Sitiawan, Taiping and Sungai Petani.
- Established AEON Credit's Representative Office in Mumbai, India.
- Launched RM150 million asset-backed medium term notes programme.

2010

- Launched "2 In 1" AEON Master Card Credit card with JCard loyalty points function.
- Expansion of Motorcycle Easy Payment (MEP) scheme to provide financing for higher c.c. motorcycle.

2011

- Established one new service centre.
- Launched RM200 million single investor medium term programme.
- Launched AEON Prepaid Card.

2012

- Launched Watami co-brand Card.
- Launched nationwide Used Car Easy Payment Scheme (UCEP).
- Established 7 new service centres and branches.
- Recognised by Finance Asia as “Best Mid-Cap” in Malaysia under “Asia’s Best Company 2012”.

2013

- Launched AEON BiG Customer Loyalty programme.
- Established 12 branches and service centres nationwide.
- Launched RM400 million Perpetual Sukuk Programme and RM400 million Perpetual Private Debt Securities Programme.

2014

- Additional 5 branches established nationwide.
- Issued perpetual notes and perpetual sukuk amounting to RM146 million and RM130 million respectively.

2015

- Launched AEON BiG co-brand credit card with Visa payWave function.
- Won awards for “Most Profitable Company” and “Highest Profit Growth Company” at The Edge Billion Ringgit Club Corporate Awards 2015 under the Financial Services sector (Below RM10 billion market capitalisation) category.
- 60th branch opened in Sibul, Sarawak.

2016

- Won awards for “Highest Return on Equity over three years” and “Highest Growth in Profit Before Tax over three years” at The Edge Billion Ringgit Club Corporate Awards 2016 under the Financial Services sector (Below RM10 billion market capitalisation) category.

2017

- Won award for “Highest Return on Equity over three years” at The Edge Billion Ringgit Club Corporate Awards 2017 under the Financial Services sector (Below RM10 billion market capitalisation) category.

2018

- Launched AEON Platinum credit card (Visa and MasterCard).
- Introduced new Personal Financing scheme with risk-based pricing for middle income customer segment.
- Launched the AEON Member Plus Visa card and AEON Wallet, a mobile e-wallet application.
- Launched the Financial Literacy programme as part of AEON Credit’s CSR initiatives.
- Named as one of 46 Malaysian companies and recognised as the “Best companies to work for in Asia” by HR Asia Awards Malaysia 2018.
- Won 3 awards for “Highest Return on Equity Over Three Years”, “Highest Growth in Profit After Tax over three years” and “Highest Returns to Shareholders over three years” at The Edge Billion Ringgit Club Corporate Awards 2018 under the Financial Services sector (Below RM10 billion market capitalisation) category.

2019

- Obtained a moneylending license under the Moneylenders Act 1951 and Moneylenders (Control and Licensing) Regulations 2003.
- Won the “Highest Return to Shareholder after Three Years” award at The Edge Billion Ringgit Club Corporate Awards 2019 under the Financial Services sector (Below RM10 billion market capitalisation) category.
- Named as one of 49 Malaysian companies and recognised as the “Best companies to work for in Asia” by HR Asia Awards Malaysia 2019.
- Awarded ‘Highest Card Growth – Consumer Credit for highest Year On Year growth for Credit Cards acquisition (new issuance) and ‘Highest Payment Volume Growth – Consumer Credit for highest Year On Year growth for Credit Cards usage (CP sales volume) by the Visa Malaysia Bank Awards 2018/2019.
- Established Sukuk Wakalah Programme of RM2.0 billion in nominal value for the issuance of senior sukuk and/or subordinated sukuk.

2020

- AEON Wallet reached 1.5 million users.
- Issued RM500 million and RM200 million inaugural senior sukuk and subordinated sukuk respectively.

AN INTRODUCTION TO AEON CREDIT SERVICE (M) BERHAD

AEON Credit Service (M) Berhad (AEON Credit or the Company) was incorporated on 6 December 1996, converted into a public limited on 9 February 2007 and listed on the Main Market at Bursa Malaysia Securities Berhad on 12 December 2007.

The Company's core businesses are in consumer financing, hire purchase installment plans for consumer durables and motor vehicles, personal financing and issuance of payment cards. Commencing operations in 1996, AEON Credit has expanded across Peninsular Malaysia, Sabah and Sarawak. AEON Credit operations are supported by five Regional Offices, which in return manages the 71 branches and service centres located in major retail malls and towns and with over 12,000 participating merchant outlets.



AEON CREDIT BRANCH / COUNTER NETWORK / E-MONEY NETWORK

■ AEON Credit Branch / Counter Network

Central Region

AEON Mid Valley Counter
AEON BiG Mid Valley
AEON Bandar Sunway
IOI Mall
AEON Mall Rawang Anggun
AEON Mall Bukit Tinggi
AEON Mall Seremban 2
The Sphere
AEON Mall Nilai
Sri Gombak
Setapak
Kajang
Bangi
Menara Olympia
Seremban
AEON Mall AU2
(Setiawangsa)
AEON Mall Taman Equine
AEON Bandar Utama
Banting
Subang
Plaza Masalam
Bandar Sri Permaisuri
AEON BiG Jalan Kapar
(Klang)
AEON Mall Bukit Raja
AEON BiG Section 23
AEON BiG Wangsa Maju
AEON Mall Metro Prima
AEON BiG Subang Jaya
AEON BiG Bukit Rimau
AEON Mall Shah Alam
AEON Taman Maluri
Shopping Centre
AEON BiG Danau Kota

East Malaysia

Kota Kinabalu
Inanam
Sandakan
Kuching
AEON Mall Kuching Central
AEON Mall Kuching Central
Counter
Miri
Sibu

Eastern Region

AEON Mall Kota Bharu
Kota Bharu
Kuala Terengganu
Kuantan
Temerloh

Northern Region

Raja Uda
AEON Mall Seri Manjung
AEON Queensbay
Penang Inderawasih
AEON BiG Penang Prai
AEON Mall Bukit Mertajam
Sungai Petani
AEON BiG Alor Setar
Alor Setar
Ipoh
AEON BiG Falim
AEON Mall Klebang
AEON Mall Ipoh Station 18
AEON Mall Taiping

Southern Region

AEON Mall Bandar Dato' Onn
AEON Mall Tebrau City
AEON Mall Bukit Indah
AEON BiG Kluang
AEON Mall Kulaijaya
Johor Bahru
Batu Pahat
AEON BiG Batu Pahat
Segamat
Melaka
AEON Mall Bandaraya
Melaka Service Centre
AEON Mall Bandaraya
Melaka Counter

■ AEON E-Money Network

Southern Region

AEON Melaka Shopping
Centre
AEON Permas Jaya
Shopping Centre
AEON BiG Sutera Utama
AEON Taman Universiti
Shopping Centre

Northern

AEON BiG Bukit Minyak
AEON Mall Ipoh Klebang
AEON Mall Kinta City
AEON CO. Ipoh Falim
AEON CO. Ipoh Station 18
AEON CO. Seri Manjung

Central Region

AEON BiG Ampang
AEON BiG Tropicana City
Mall
AEON BiG Puchong Utama
AEON BiG Bandar Tun
Hussein Onn
AEON Mall Cheras Selatan
AEON BiG Putrajaya
AEON BiG Sri Petaling
AEON CO. Bandar Baru
Klang
AEON CO. Bandar Puchong
AEON CO. Bandar Sunway
AEON BiG Kepong Member
Counter
AEON BiG Danau Kota
AEON CO. Wangsa Maju





meeting

wfp
- final
conference

wfp
- content
development
- wfp check

meeting
- BOS approval
- final wfp

MAY

JUNE

JULY

AUGUST

SEP

OCT

NOV

DEC



FIVE YEAR FINANCIAL HIGHLIGHTS

02

- 12 Five Year Financial Highlights
- 14 Investor Information

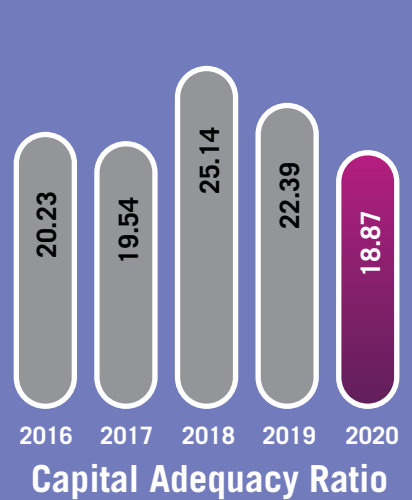
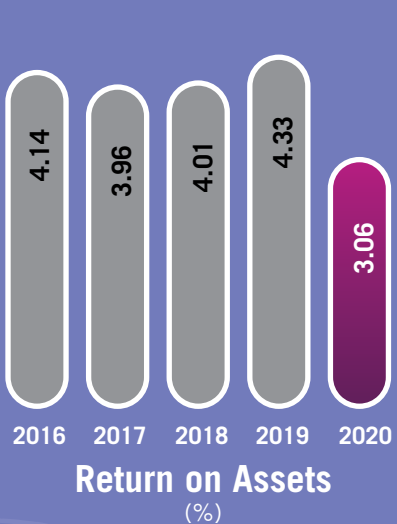
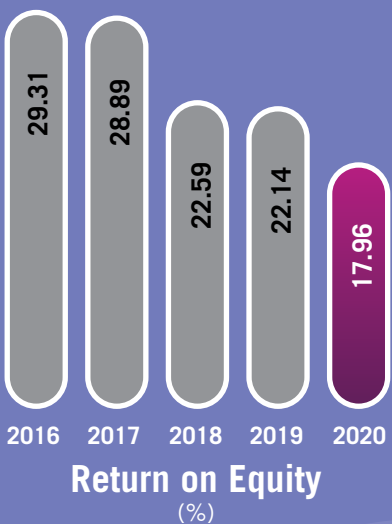
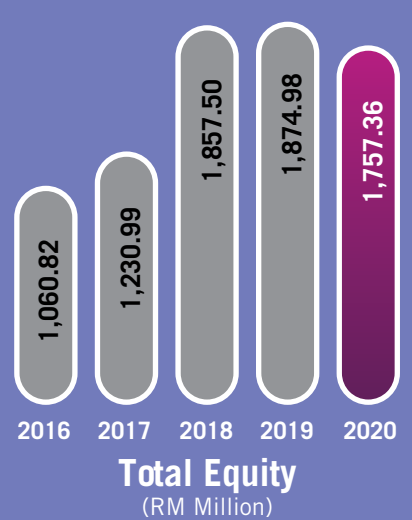
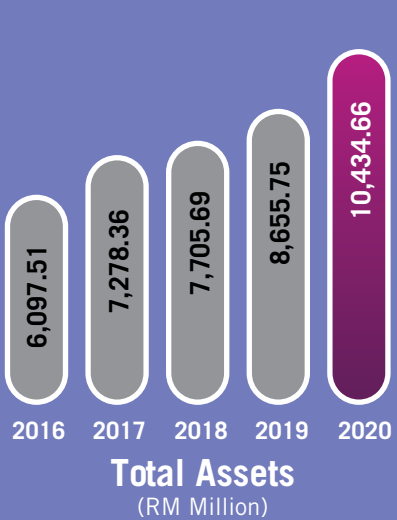
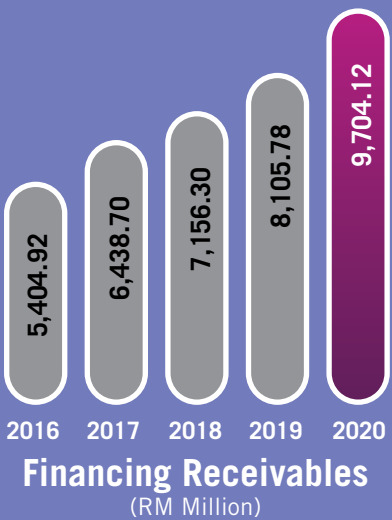
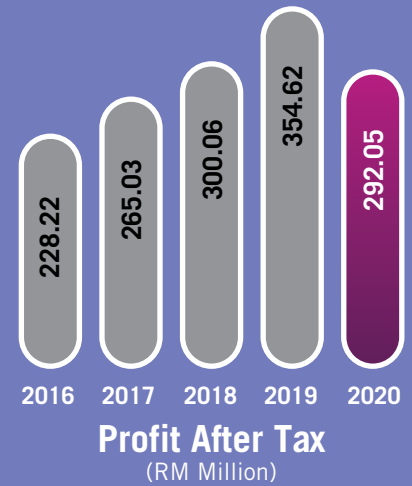
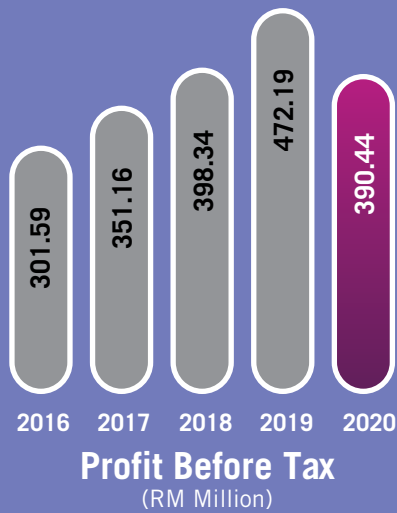
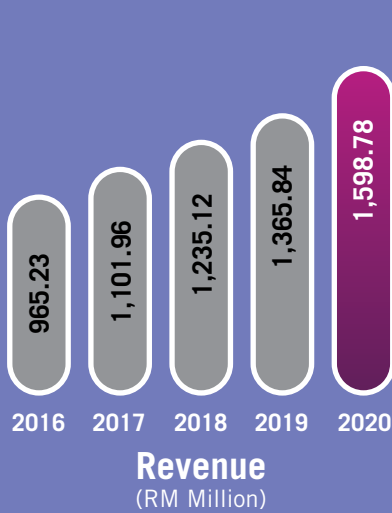
5 YEAR FINANCIAL HIGHLIGHTS

	FYE2020 RM'000	FYE2019 RM'000	FYE2018 RM'000	FYE2017 RM'000	FYE2016 RM'000
STATEMENT OF PROFIT OR LOSS					
Revenue	1,598,775	1,365,843	1,235,122	1,101,955	965,234
Profit before tax	390,441	472,191	398,335	351,162	301,591
Profit after tax	292,046	354,624	300,057	265,027	228,222
STATEMENT OF FINANCIAL POSITION					
Assets					
Plant and equipment	141,161	118,676	92,274	62,233	52,076
Right-of-use assets	70,997	-	-	-	-
Investments	48,699	70,604	18,370	19,045	24,239
Deferred tax assets	213,801	153,916	51,813	49,070	39,043
Receivables	6,265,390	6,003,628	5,030,204	4,480,990	3,630,038
Total Non-current Assets	6,740,048	6,346,824	5,192,661	4,611,338	3,745,396
Receivables, deposits, prepayments, amount owing from related companies and derivative financial assets	3,561,811	2,216,501	2,429,343	2,593,355	2,284,861
Cash, bank balances and deposits	132,798	92,429	83,681	73,667	67,250
Total Current Assets	3,694,609	2,308,930	2,513,024	2,667,022	2,352,111
Total Assets	10,434,657	8,655,754	7,705,685	7,278,360	6,097,507
Equity					
Share capital	565,448	534,907	508,629	116,012	72,000
Share premium	-	-	-	-	44,012
ICULS equity	14,107	43,800	68,306	-	-
Reserves	977,804	920,274	1,004,568	838,975	668,806
Equity attributable to ordinary equity holders of the Company	1,557,359	1,498,981	1,581,503	954,987	784,818
Perpetual notes and sukuk	200,000	376,000	276,000	276,000	276,000
Total Equity	1,757,359	1,874,981	1,857,503	1,230,987	1,060,818
Liabilities					
Borrowings	5,597,516	5,616,006	3,257,145	4,898,808	4,214,649
ICULS liabilities	-	1,595	4,717	-	-
Lease liabilities	52,037	-	-	-	-
Total Non-current Liabilities	5,649,553	5,617,601	3,261,862	4,898,808	4,214,649
Borrowings	2,600,152	814,006	2,296,974	973,417	693,528
Payables, accruals, amount owing to immediate holding company and related companies and derivative financial liabilities	382,518	314,168	259,852	147,866	113,584
ICULS liabilities	630	1,635	2,650	-	-
Lease liabilities	19,140	-	-	-	-
Tax liabilities	25,305	33,363	26,844	27,282	14,928
Total Current Liabilities	3,027,745	1,163,172	2,586,320	1,148,565	822,040
Total Liabilities	8,677,298	6,780,773	5,848,182	6,047,373	5,036,689
Total Equity and Liabilities	10,434,657	8,655,754	7,705,685	7,278,360	6,097,507
STATISTICS					
Earnings per share (sen) *	107.48	133.55	139.23	101.17	149.02
Net dividends per ordinary share (sen)	44.36	42.15	39.86	60.10	59.45
Net assets per share (RM) **	6.14	5.98	6.37	6.63	5.45

Notes:

* 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.

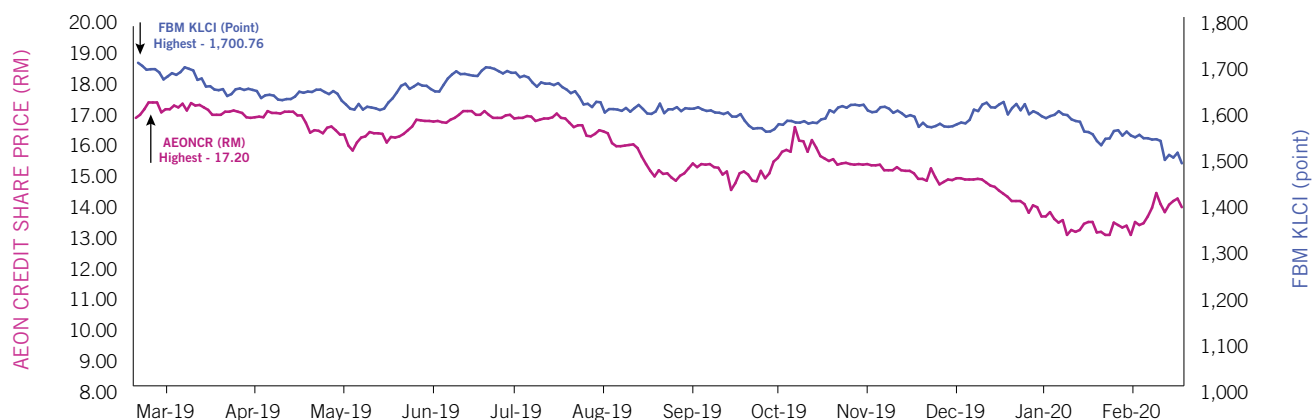


INVESTOR INFORMATION

SHARE PRICE

AEON CREDIT (AEONCR) SHARE PRICE VS. FBM KLCI

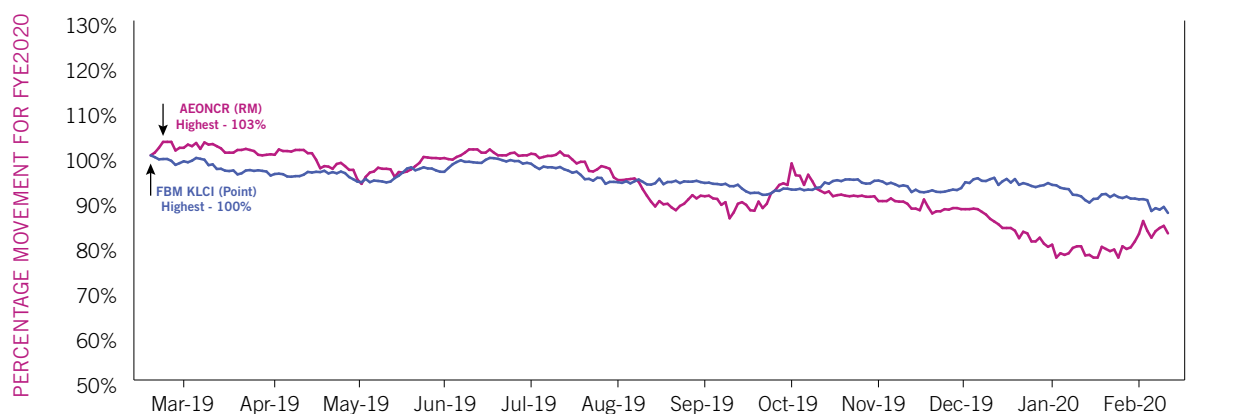
(1 MARCH 2019 TO 29 FEBRUARY 2020)



	AEONCR (RM)	FBM KLCI (Point)
Highest	17.20	1,700.76
Lowest	12.90	1,482.64

AEON CREDIT (AEONCR) SHARE PRICE MOVEMENT VS. FBM KLCI MOVEMENT

(1 MARCH 2019 TO 29 FEBRUARY 2020)



	AEONCR	FBM KLCI
Highest	103%	100%
Lowest	77%	88%

INVESTOR RELATIONS

The Company values the support of investors and the significant role of investors to realizing the Company's growth plans. Focus on the two-way communications between the Company and the investment community, AEON Credit has a dedicated investor relations team (IR team) which lead by the Chief Financial Official (CFO) that constantly relays feedback to the senior management and board of directors. The Company provide timely, accurate and transparent picture of the Company's key strategy and financial performance to investors via multiples communications platform. The Management devotes time to meet investors face-to-face, as well as maintaining a comprehensive and up-to-date investor relations website.

INVESTOR RELATIONS EVENTS FYE2020

Analyst Briefings

AEON Credit has conducted analyst briefings on quarterly basis on the Company's financial performance and strategic focus areas of the Company. CFO and IR team presented during the quarterly analyst briefing and took questions for more detailed discussion and explanation, disseminates the financial results press release to the medias, and make available of the investor presentation to our investors by sending via email and upload to the Company's website under the Investor Relations section.

Date	Event	Venue
28 Jun 19	AEON Credit Q1FYE20 Analyst Briefing	Connexion Conference & Event Centre (Nexus)
26 Sep 19	AEON Credit Q2FYE20 Analyst Briefing	Nexus
20 Dec 19	AEON Credit Q3FYE20 Analyst Briefing	Nexus
10 Apr 20	AEON Credit Q4FYE20 Analyst Briefing	Head office

Conferences and Roadshows

CFO and IR team have participated in various events in FYE2020.

No	Date	Event	Organiser	Location
1	12 & 13 Mar 2019	ASEAN Conference 2019	UOB Kay Hian	Taiwan
2	19 & 20 Mar 2019	Invest Malaysia Kuala Lumpur 2019	Bursa Malaysia Securities & Maybank Investment Bank	Kuala Lumpur
3	7 Aug 2019	Malaysia Mini Corporate Day 2019	Maybank Kim Eng & Bursa Malaysia Securities	Thailand
4	23 Sep 2019	J.P. Morgan Asia Rising Dragons 2019	J.P.Morgan	Kuala Lumpur
5	8 Oct 2019	RHB Investment Bank Retail Briefing 2019	RHB Investment Bank	Kuala Lumpur
6	28 & 29 Oct 2019	CLSA Malaysia Corporate Access event in CLSA Japan	CLSA Securities Malaysia Sdn Bhd	Japan
7	27 Nov 2019	ASEAN TOP Picks Day 2019	CITI Bank	Kuala Lumpur

Research Coverage

The Company covered by the investment community and the stock had active coverage by a total of 7 research houses and continues to be tracked by buy-side analysts and fund managers domestically and globally.

No	Research House
1	Affin Hwang Investment Bank Bhd
2	AllianceDBS Research Sdn Bhd
3	CLSA Securities Malaysia Sdn Bhd
4	KAF Seagroatt & Campbell Securities Sdn Bhd
5	Kenanga Investment Bank Bhd
6	MIDF Amanah Investment Bank Bhd
7	RHB Investment Bank Bhd







CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

03

- 18 Chairman's Statement
- 22 Management Discussion and Analysis

CHAIRMAN'S STATEMENT



NG ENG KIAT
Chairman



On behalf of the Board of Directors ("the Board") of AEON Credit, I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 29 February 2020 ("FYE2020").

Amidst a challenging macro-operating environment, AEON Credit has continued to pursue its business strategies of customer acquisition and retention, product enhancement and diversification and harnessing greater operational efficiencies and productivity. The Company had always remained steadfast in the pursuit of progress and in creating long-term value for stakeholders, in particular shareholders.

AEON Credit has consolidated its resources, mapped out a progressive pathway and is poised to move forward with strength and determination to embrace the future.

■ COMMITTED TO VALUE CREATION

AEON Credit has seen substantial growth since its inception. The Company's presence in Malaysia as at end FYE2020 comprised five regional offices, 71 branches and service centres and over 12,000 merchant outlets. The Company's customer base include 1.5 million AEON Member Plus cardholders and 0.3 million credit cardholders.

The growth achieved thus far is due to the far-sighted strategic perspectives set in expanding AEON Credit's presence and to realise sustainable growth. Similarly, in FYE2020, the Board diligently continued to work in concert with Senior Management to drive value creation.

In doing so, various financial and non-financial highlights have been achieved and a stronger foundation has been built to drive sustainable operations. Details of which are provided in the Management Discussion and Analysis section of this Annual Report.

The Company's efforts in FYE2020 have been well recognised by the financial industry. AEON Credit was recognised by The Edge Billion Ringgit Club in 2019 when the Company was selected as a winner in the category of Highest Returns to Shareholders Over Three Years Award for the Financial Services sector (for market capitalisation below RM10 billion).

The accolade was bestowed on AEON Credit based on the Company's historical performance in terms of strong share price appreciation, reported earnings and dividend returns to the shareholders.

The Company was also the recipient of the HR Asia Awards Malaysia in recognition of creating workplace excellence and promoting greater employee engagement. The award recognises AEON Credit as a company that values its employees and has succeeded in creating a workplace environment that is conducive and well positioned to developing and nurturing talent.



CHAIRMAN'S STATEMENT

REWARDING SHAREHOLDERS THROUGH DIVIDEND RETURNS

In respect of FYE2020, AEON Credit has paid an interim dividend of 22.25 sen per share. The Company, subject to shareholders approval at the forthcoming annual general meeting ("AGM"), has recommended a final dividend of 14.00 sen per share. This brings total dividend declared in FYE2020 to 36.25 sen per share equivalent to a payout ratio of 31.5% for the financial year.

FINANCIAL PERFORMANCE

In FYE2020, AEON Credit registered various business and non-financial highlights. This included revenue growth of 17.1% year-on-year to reach a new high of RM1,598.78 million. Profit after tax stood at RM292.05 million, a reduction of 17.6%, attributed mainly to the increased Impairment Loss of 46.0% compared to the previous year.

Further details of the Company's performance are set out in the Management Discussion and Analysis section of this annual report.

OUTLOOK AND PROSPECTS

FYE2021 has begun with unexpected adversity brought on by the COVID-19 pandemic and other factors. The emergence of COVID-19 has significantly altered the country's economic, business and operating landscape.

Nonetheless, the Company has responded proactively to this crisis to protect customers and staff, while maintaining business operations. The crisis has exacerbated existing operating conditions, but it has also presented opportunities for improvement.

COVID-19 has expedited the deployment and rollout of the Company's digitalisation efforts. It has necessitated a more thorough assessment of present operations towards increasing efficiency and reducing costs. Equally important, the present scenario has showcased the Board's and Management's concern for the welfare of all AEON Credit employees, with everyone being retained despite the downsized operations occasioned by the ongoing Movement Control Order ("MCO").

Having mapped out the necessary strategies and implementation plans, AEON Credit is ready to meet the business challenges head on and propel itself into the future with courage, determination and strength. The Company is prepared to initiate changes to current business policies, identify potential areas of growth and introduce new products while looking to maximise successful ongoing business sectors.

COMMUNITY SERVICE

AEON Credit has kept its focus on corporate sustainability as a key guiding pillar. This responsible business approach attests to the Company's commitment to long-term sustainability, not only on business performance but also in realising the United Nations Sustainability Development Goals ("SDGs").

A wide range of sustainability related programmes and plans have been implemented in FYE2020 with encouraging results achieved by our workforce in collaboration with local agencies. The full details of these are provided in this Annual Report's Sustainability Statement.

APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend my heartfelt thanks to our customers, shareholders, business partners and regulators for their continued support and confidence in the Company.

The Board also wishes to record its heartfelt appreciation to Mr. Kenji Fujita, our immediate past Managing Director who had served the Company with distinction and dedication during his tenure in Malaysia. His dynamic and visionary leadership of AEON Credit, coupled with his untiring and effective implementation of business strategies were pivotal in the Company's continued ascendance and the realisation of many goals and objectives.

The Board expresses its sincere thanks to Mr. Fujita and congratulates him on his appointment as Managing Director of AEON Thana Sinsap (Thailand) PLC. We wish him every success in his new position.

The Board welcomes Mr. Yuro Kisaka, who was appointed Managing Director on 20 June 2019. Mr Kisaka brings a wealth of senior management expertise and experience, having served in a wide range of capacities throughout the global AEON organisation. This includes a prior tenure with AEON Credit in 2007-2011 and the former Managing Director of AEON Microfinance (Myanmar) Co., Ltd., overseeing marketing, credit card and new business operations. His appointment is an asset to the Company and we look forward to his contributions in steering AEON Credit to greater heights going forward.

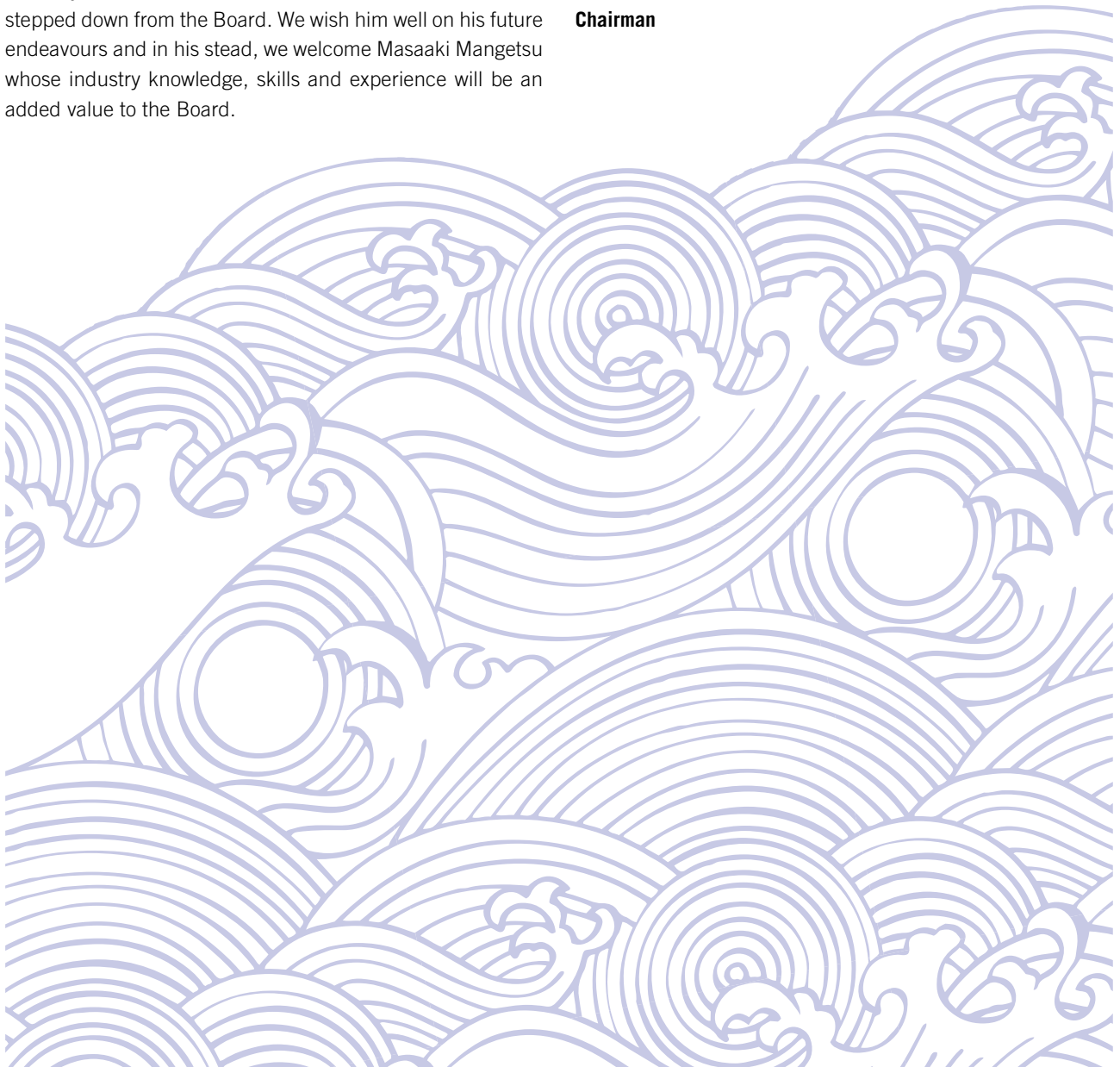
Similarly, I also wish to thank Tetsuro Takano, who has stepped down from the Board. We wish him well on his future endeavours and in his stead, we welcome Masaaki Mangetsu whose industry knowledge, skills and experience will be an added value to the Board.

I take this opportunity to extend my sincere gratitude to the Management team and our dedicated staff. A big thank you for your continued diligence, untiring efforts and sacrifices which are truly appreciated. Thank you all.

We have progressed far together and now stand on the verge of a challenging but exciting future. Let us press on in unison towards achieving continued progress and success while charting new milestones for AEON Credit.

Thank you.

NG ENG KIAT
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS



YURO KISAKA
Managing Director

COMPANY OVERVIEW

Listed on Bursa Malaysia Securities Berhad, AEON Credit is a leading and established non-bank financial services provider, which is continuously looking to further strengthen its position to meet market demand for a wide range of retail financial products.

The Company's core businesses are in consumer financing, easy payment schemes for consumer durables and motor vehicles, personal financing and issuance of payment cards. Commencing operations in 1996, AEON Credit has expanded significantly across the country since. AEON Credit operations are supported by five Regional Offices, which in return manages the 71 branches and service centres located in major retail malls and towns and with over 12,000 participating merchant outlets.

Evidence of AEON's strong brand appeal and customer loyalty is reflected in the 1.5 million AEON Member Plus cardholders and 0.3 million credit cardholders which continues to grow strongly year-on-year. The Company currently employs more than 3,600 employees nationwide.

FINANCIAL PERFORMANCE

AEON Credit's financial performance for the FYE2020 reflected a very challenging operating environment.

Gross Domestic Product ("GDP") growth was slower at 4.3% in 2019 against 4.7% in 2018 on the back of continued reduced public and private sector consumption, decreased foreign investments and weaker export performance. Various issues such as stagnating wages, rising inflation and increased household expenditure impacted consumers' actual ability to spend.

Amidst a challenging macro-operating environment, AEON Credit has registered revenue growth with topline performance of RM1,598.78 million, a 17.1% year-on-year ("YoY") improvement (FYE2019: RM1,365.84 million). Total transaction and financing volume derived from all products expanded 22.7% YoY to reach a new high of RM6,380.98 million (FYE2019: RM5,200.57 million).

Other operating income stood at RM145.92 million for the financial year (FYE2019: RM153.71 million) with the Company's total operating income standing at RM1,744.70 million, a 14.8% improvement YoY (FYE2019: RM1,519.55 million).

Due to higher allowance for impairment losses in FYE2020, profit before tax ("PBT") and profit after tax ("PAT") decreased to RM390.44 million (FYE2019: RM472.19 million) and RM292.05 million (FYE2019: RM354.62 million) respectively.

Operating expenses saw a 29.5% increase YoY to RM1,029.03 million (FYE2019: RM794.48 million) arising mainly from higher allowance for impairment losses, while interest expenses had also escalated to RM325.22 million, 28.6% higher YoY (FYE2019: RM252.88 million) due to higher borrowings in line with the growth of receivables.

Various strategic efforts have been undertaken to yield improved operational and cost efficiency and in ensuring the Company's resilience amidst tough operating conditions and challenging market competition.

As a responsible corporate citizen and recognising the value of a company is reflected in its people, the Company has continued to retain its employees despite the challenging circumstances, posed by the recent COVID-19 outbreak on its business operations.

Statement of Financial Position

Factoring out the book value impact of MFRS 9, core businesses are growing at a steady pace and key ratios are within a healthy range.

Overall asset quality continued to improve. Non-performing loans ("NPL") as at end FYE2020 stood at 1.92%, a healthy ratio as the Company sees progressive improvements in its collection rates. Gross financing receivables grew strongly, registering a 19.6% improvement to reach RM10,394.66 million (FYE2019: RM8,692.36 million).

As at February 2020, net credit cost for the financial year increased to 3.41% compared to just 2.16% as at February 2019. The Group's capital adequacy ratio stood at 18.9% from the previous financial year's 22.4% due to the redemption of perpetual notes and sukuk in FYE2020 but this is within acceptable levels. The Company recorded a Return on Equity ("ROE") and Return on Asset ("ROA") of 18.0% and 3.1% respectively. Debt-to-equity ratio also remains at an acceptable level of 4.59 times (FYE2019: 3.38 times).

OPERATIONAL REVIEW

Easy Payment and Personal Financing Business

Cumulatively, Easy Payment and Personal Financing schemes registered RM4,466.10 million in financing volume for FYE2020. This is a 19.7% YoY improvement (FYE2019: RM3,730.90 million).

Growth in this segment was driven by improved performance in motorcycle financing as well as auto financing, both of which saw increased take-up of 25.4% and 32.3% respectively YoY. Objective financing also saw an increase in take-up by 20.7%, followed by personal financing at 8.6%.

The Company continued to roll-out consumer oriented financial offerings, creatively customised to the requirements of different market segments and income levels. Cross-selling of products has also been a key feature of the financial year towards optimising the existing customer base to use more AEON Credit products.

Card Business

Competition within the card segment remains stiff, but AEON Credit has continued to register growth in credit card circulation for FYE2020. In particular, the AEON Platinum credit card has been a key factor in driving credit card growth.

In FYE2020, credit card transactions saw a 25.6% increase YoY with the bulk of transactions being for card purchases. Card purchase transactions grew by 25.4% YoY, while card advances increase by 28.4% YoY.

Total transaction and financing volume from credit cards grew to RM1,827.25 million (FYE2019: RM1,454.80 million), while E-money transactions volume grew by 589.2% to RM87.61 million as compared to RM14.87 million in FYE2019.



MANAGEMENT DISCUSSION AND ANALYSIS

As at end FYE2020, total AEON cardholders numbered 2.0 million loyalty cardholders, 1.5 million AEON Member Plus Cardholders and 0.3 million credit cardholders. Of this, e-Wallet downloads reached 0.57 million in FYE2020, giving consumers another convenient platform to complete their transaction.

■ OUTLOOK AND PROSPECTS

FYE2021 is expected to be an unprecedented year of challenge and uncertainty as almost the entire world is faced with the serious impact of the COVID-19 pandemic. The virus outbreak has significantly disrupted economic activities as countries continue to impose total lockdown or restricted movement controls. Consequently, economic activities, especially retail consumption and expenditure will be severely curtailed.

No industry or sector has been left unscathed from the COVID-19 pandemic, this includes the financial service sector. Original GDP growth estimates for Malaysia of between 4.3%-4.8% have been revised downward to a low of 0.5% with a possibility of negative growth not exceeding -2.0%. Of note, for the first time in 22 years, a contraction in retail growth has been forecast for 2020 attributed to the drop in retail consumption across the nation.

Like many other customer-facing businesses, AEON Credit has ceased customer-facing and other frontline operations across its entire branch network during the ongoing Movement Control Order ("MCO"). The closure is to safeguard the health and safety of our employees, which is a foremost priority, and also to ensure full compliance to the government's directive under the MCO.

Marketing and promotional activities have also been suspended accordingly, save for the online or digital branding efforts. This notably, has impacted physical sales, loan applications and collections.

Understanding customers' needs and their predicament, AEON Credit has adopted measures to assist customers who are having financial difficulties. The measures taken is aligned to our philosophy of being a "Customer-First" organisation, where we continue to meet their needs and remain a strategic partner that truly extends support, even during times of crisis.

■ TAPPING TECHNOLOGY AND DIGITALISATION

With the growing shift into e-shopping in tandem with growing customer acceptance, the future for retail financing is digital. Online sales with the use of credit cards will increase. AEON's e-wallet will continue to experience a higher usage by customers. AEON Credit will also continue to explore the feasibility of introducing new FinTech solutions catering to enhance customer experience.

In order to remain relevant and competitive, the Company will continue to focus on three strategic business drivers: digitalisation, regionalisation and operational efficiency. Through FinTech, a wide range of opportunities are becoming feasible for non-bank operators as the status quo continues to be disrupted.

Leveraging on FinTech, AEON Credit aims to progressively transition to a lower-cost business model, that offers optimum customer reach and service. AEON Credit intends to develop customer-oriented digital platforms; platforms that will expand the Company's customer base, increase customer access to products and even enable personalised customer experiences. Offering retail financing solutions online is the future for AEON Credit, similar to other financial service providers.

Digitalisation also supports AEON Credit's regionalisation strategy. Through digitalisation, the Company is looking at tapping into the rural and semi rural market and intends to develop an effective means to bring its products and services to these customer segments.

AEON Credit will also continue to tap technology towards yielding greater operational efficiencies. It is imperative that the Company, given the pressing challenges faced, remains focussed on streamlining costs by revisiting business processes to eliminate redundancies and to enhance customer service improvements.

The Company will continuously improve its business processes from end-to-end in ensuring a seamless customer journey and experience.

■ PURSUIT OF SUSTAINABILITY

AEON Credit has registered progress in its sustainability efforts across a wide range of social and environmental topics as well as corporate governance. In FYE2020, the Company established its Board Risk Committee (“BRC”) towards overseeing all principal businesses, financial, strategic and operational risks and to drive risk management efforts organisation wide. AEON Credit adopts the globally recognized ISO 31000 Risk Management Framework as part of its ongoing efforts to implement best practices with regards to risk mitigation processes. To further strengthen sustainability governance, the BRC is assigned with reviewing sustainability related matters including reviewing the overall sustainability plans, objectives and its performance.

The Company embarked on the implementation of an organisation wide Anti-Bribery Management System (“ABMS”) in its effort to implement adequate measures to address the amendment to the Malaysian Anti-Corruption Act 2009, the Corporate Liability Provision under Section S17A, which will come into effect on 1 June 2020. The ABMS ensures that AEON Credit’s management and employees as well as external stakeholders, including business partners and vendors perform their duties and conduct themselves in an ethical and professional manner.

The full details of these and other sustainability and governance highlights are provided in the Sustainability Statement of this Annual Report.

■ ACKNOWLEDGEMENTS

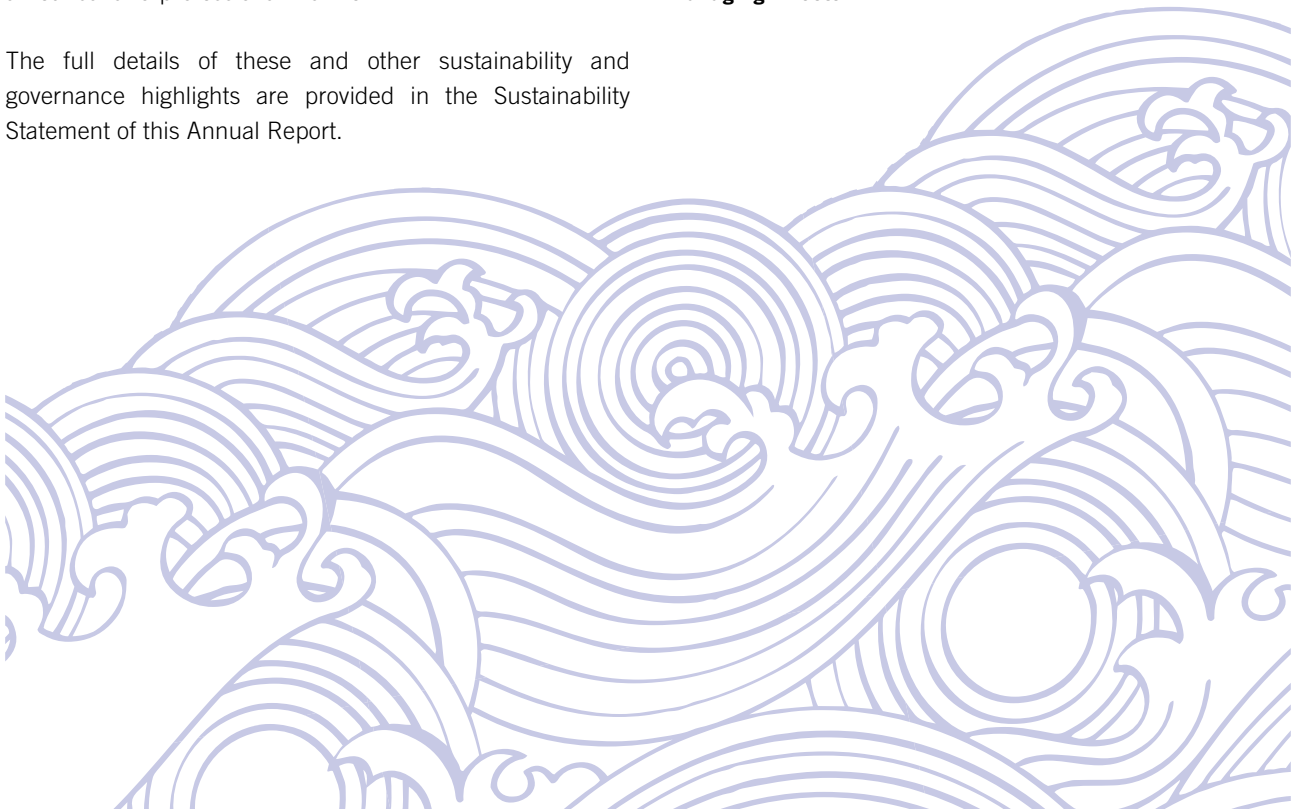
I wish to take this opportunity to express the Company’s sincere appreciation to our employees, whose stellar contributions and exemplary professionalism have been key to the Company’s performance during these challenging times.

Similarly, I wish to accord my appreciation to the Board of Directors for their continued wise counsel and stewardship of the Company and in continuing to demonstrate leadership, drive and perseverance during the year under review. I also wish to acknowledge the Management for their excellent contributions and efforts during FYE2020.

Gratitude should also go to our customers for their continued patronage and loyalty, our business partners and shareholders and all other stakeholders who have journeyed together with AEON Credit. Together, let us strive forward to overcome the challenges ahead and to scale new heights of growth and progress.

Yours sincerely,

YURO KISAKA
Managing Director







LEADERSHIP

- 28 Board of Directors
- 35 Top Management
- 36 Senior Management

04

BOARD OF DIRECTORS



NG ENG KIAT

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

Ng Eng Kiat was appointed as the Chairman of AEON Credit on 8 May 2018. Prior to this appointment, he was an Independent Non-Executive Director of AEON Credit since 7 August 2007, and redesignated as a Non-Independent Non-Executive Director on 23 January 2019. 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.

He has more than 40 years of experience in the field of audit, accountancy, corporate services 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 Senior Partner/Adviser of the merged firm of Azman, Wong, Salleh & Co and Folks DFK & Co.

He is currently a member of the audit license interview panel representing MIA. He also sits on the Board of Directors of several private limited companies.

He is a member of the Remuneration Committee of the Company. He does not hold directorship in any other public or public listed company.

Ng has attended all fourteen (14) Board meetings held during the year ended 29 February 2020 and holds 21,321 ordinary shares directly in the Company.

Note:

All Directors disclosed on pages 28 to 34 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.



YURO KISAKA

Managing Director

(46, Japanese, Male)

Yuro Kisaka was appointed as the Managing Director of AEON Credit on 20 June 2019. He obtained a Bachelor's Degree in Law from Nihon University in Japan in 1997.

Kisaka began his career at AEON Credit Service Co., Ltd. in April 1997 and was subsequently transferred to AEON Credit Service (Asia) Co., Ltd. in 2003 as an Assistant General Manager, heading the Sales and Marketing Division. Thereafter, he managed the Operations Division from 2006 to 2007.

Subsequently, Kisaka was transferred to AEON Credit Service (M) Berhad in December 2007, where he managed the Marketing, Credit Card and New Business Development departments in the period until 2011.

In June 2012, he was appointed as the Chief Representative at the Myanmar Representative Office of AEON Credit Service Co., Ltd. prior to establishment of business operations in Myanmar. In November 2012, he was appointed as the Managing Director of AEON Microfinance (Myanmar) Co., Ltd., a position which he held until his transfer to the Company in Malaysia in June 2019.

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

Kisaka has attended ten (10) Board meetings held during the year ended 29 February 2020. He holds 82,080 ordinary shares directly in the Company.



DATO' MD KAMAL BIN ISMAUN

Non-Independent Non-Executive Director

(72, Malaysian, Male)

Dato' Md. Kamal bin Ismaun was appointed as a Non-Executive Director of AEON Credit on 7 August 2007, and redesignated as a Non-Independent Non-Executive Director on 23 January 2019. He obtained a Bachelor's Degree in Arts with Honours majoring in History and International Relations 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 Nominating Committee in the Company. He does not hold any directorship in any other public or public listed company.

Dato' Kamal has attended all fourteen (14) Board meetings held during the year ended 29 February 2020 and holds 9,000 ordinary shares directly and 18,000 ICULS in the Company.

BOARD OF DIRECTORS



TOMOKATSU YOSHITOSHI

Independent Non-Executive Director

(68, Japanese, Male)

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 education from the Graduate School of Business Administration, Indiana University, Bloomington Indiana, USA in 1981.

He has over 44 years of wide range international business experiences based on 24 years of international banking career at the Long-Term Credit Bank of Japan, Ltd. including assignments at USA, Brazil and UK.

Then he served as General Manager of Finance at the Dai-ichi Hotel, Ltd., Japan in 1998, General Manager of LDA Commercial Division at ING Life Insurance Co., Ltd. in 1999, General Manager at the Investment Trust Services Division in 2000.

He was appointed as President of ING Mutual Fund Management Co., Ltd. from 2002 to 2003.

Subsequently, he served as General Manager of Bank Distribution Business Development at ING Life Insurance Co., Ltd. until 2009.

He serves as an Audit & Supervisory Board Member at the Financial Products Group Co., Ltd. from 2012 until now.

In 2015, he was appointed as an Independent Non-Executive Director at AEON Bank Ltd., and as an Audit & Supervisory Board Member at FPG Trust Company Ltd. until now.

Currently, he holds the chair at both Remuneration Committee and Nominating Committee in the Company.

Yoshitoshi has attended all fourteen (14) Board meetings held during the year ended 29 February 2020. He does not hold any shares in the Company.



S SUNTHARA MOORTHY A/L S SUBRAMANIAM

Independent Non-Executive Director

(58, Malaysian, Male)

S Sunthara Moorthy A/L 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 MIA.

He has over 30 years of experience, mainly in general management, strategic business development, corporate finance, accountancy, tax and audit. Sunthara served as an audit senior in several accounting firms in London, United Kingdom (UK) 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 prior to leaving FGB, he 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 Eversendai Corporation Berhad as Executive Director of Corporate Affairs from October 2011 until March 2017.

Currently, he is the Chairman of the Audit Committee of the Company. He does not hold any directorship in any other public or public listed company.

Sunthara has attended all fourteen (14) Board meetings held during the year ended 29 February 2020. He does not hold any shares in the Company.



YBHG. DATUK ADINAN BIN MANING

Senior Independent Non-Executive Director
(63, Malaysian, Male)

YBhg. Datuk Adinan bin Maning was appointed as an Independent Non-Executive Director of AEON Credit on the 28 June 2018. He was appointed as a Senior Independent Director on 23 January 2019.

YBhg. Datuk Adinan has 38 years of working experience of which 30 years has been in banking. He started in 1980 with Bank Bumiputra Malaysia Berhad and had in the last 10 years of his career served as the Chief Executive Officer of Bank Simpanan Nasional (BSN). Throughout his career he had exposure in various other industries such as property development and construction, manufacturing, loan recovery, assets management, investment and insurance.

He is currently the Non-Executive Chairman of Prokhas Sdn Bhd since September 2019 and a board member of Urusharta Jemaah Sdn Bhd. Previously he had served as Chairman of BSNC Corporation Berhad, a board member of BSN, Prudential BSN Takaful Berhad, Permodalan BSN Berhad and Gibraltar BSN Life Berhad. Datuk Adinan was the President of World Savings Bank Institute (Asia Pacific) and had served as Treasurer of Persatuan Badan Berkanun Malaysia and a council member of Association of Development Financial Institution of Malaysia (ADFIM).

Currently, he is a member of the Audit Committee and Chairman of Board Risk Committee of the Company. He does not hold any directorship in any other public or public listed company.

YBhg. Datuk Adinan has attended thirteen (13) Board meetings held during the year ended 29 February 2020. He does not hold any shares in the Company.



DATIN KHOO PEK LING

Independent Non-Executive Director
(68, Malaysian, Female)

Datin Khoo Pek Ling was appointed as an Independent Non-Executive Director of AEON Credit on 28 June 2018. She qualified as a Chartered Accountant of England & Wales in 1977; and is a Fellow of the Institute of Chartered Accountants England & Wales, a member of the MICPA, a member of the MIA and a member of the Chartered Tax Institute of Malaysia.

She started her career in Malaysia with Turquand Young (now Ernst & Young) in 1977 before taking up role as the Group Financial Controller of a major public listed group for five years. In 1984, she started her own public practice and after several audit firm mergers, she became a senior partner of Folks DFK & Co and Azman Wong Salleh & Co.

She was on the Board of DFK International, an international association of independent accounting firms from 1992 to 1994. In January 2018, she retired from Folks DFK & Co and Azman Wong Salleh & Co after 35 years of professional practice in audit, taxation and insolvency services. She currently serves on the committee of a Non-Governmental Organisation and she also sits on the Board of Directors of several private limited companies.

She is a member of the Audit Committee and Board Risk Committee of the Company. She does not hold any directorship in any other public or public listed company.

Datin Khoo has attended all fourteen (14) Board meetings held during the year ended 29 February 2020. She does not hold any shares in the Company.

BOARD OF DIRECTORS



DATIN YASMIN AHMAD MERICAN

Independent Non-Executive Director

(69, Malaysian, Female)

Datin Yasmin Ahmad Merican was appointed as the Independent Non-Executive Director of AEON Credit on 23 January 2019. A business transformation practitioner, she studied marketing and holds a MBA in Strategic Marketing (Distinction) from the University of Hull, UK.

As a former partner of Ernst & Young in Malaysia and international partner with EY Global Client Consulting, she led the development of knowledge and customer management solutions for the global firm from the mid to the end of the 1990s in the Asia Pacific Region. In 2000, she founded Trax Associates, and since then has supported the enhancement of various organizational capabilities in marketing, product/service development and reputation management at some of Malaysia's largest institutions. In 2013, she authored and published "The Right to Brand" a business book pioneering brand building methods for emerging market companies.

She is currently a director with AEON Fantasy Sdn. Bhd. and HelloGold Sdn. Bhd., and Advisor to the AFS International/ Intercultural Programmes in Malaysia. She served on the board of the Malaysian Productivity Corporation (MPC) and on the industry panel at the School of Information Technology, Monash University (Malaysia) between 2008 and 2012. She is also the President of the Malaysian AEON Foundation, the charity arm of the AEON group of companies in Malaysia.

She is a member of the Nominating and Remuneration Committee of the Company. She does not hold any directorship in any other public or public listed company.

Datin Yasmin has attended all fourteen (14) Board meetings held during the year ended 29 February 2020 and holds 20,000 of ordinary shares directly in the Company.



RASHIDAH BINTI ABU BAKAR

Independent Non-Executive Director

(64, Malaysian, Female)

Rashidah binti Abu Bakar was appointed as an Independent Non-Executive Director of AEON Credit on 23 January 2019. She graduated from University Malaysia in 1979 with LLB (Hons). She commenced work in Bank Negara Malaysia (BNM) on 1 April 1979 at the Investment Department. Rashidah was admitted as an Advocate and Solicitor of the High Court in Malaya in September 1981 upon her completion of legal professional qualifications.

She returned to BNM after being admitted to the Malaysian Bar and continued her service at BNM. In 1993, she was transferred to the Legal Department in BNM.

Rashidah resigned from BNM in 1995 and joined private legal practice. Her area of practice was in conveyancing. She attended to financing documentation based on conventional as well as Shariah principles. She has gained experience in syndicated loans, private debt securities, sukuk documentation and highway financing.

She has also been appointed as a President of the Consumer Tribunal constituted under the Ministry of Domestic Trade and Consumer Affairs with effect from 15 April 2018.

She is a member of the Board Risk Committee of the Company. She does not hold any directorship in any other public or public listed company.

Rashidah has attended all fourteen (14) Board meetings held during the year ended 29 February 2020. She does not hold any shares in the Company.



MASAAKI MANGETSU

Non-Independent Non-Executive Director

(62, Japanese, Male)

Masaaki Mangetsu was appointed as a Non-Independent Non-Executive Director of AEON Credit on 20 June 2019. He obtained a Degree of Bachelor of Law from Keio University in Japan in 1981.

He has over 30 years of working experience, mainly in marketing, business and sales. Mangetsu began his career in AEON Co., Ltd. (then Jusco Co., Ltd.) in March 1981. He was later appointed as the Head of Sales Planning Department of Tokai Business Division of AEON Co., Ltd. in September 1996. In May 2007, Mangetsu became the Head of Sales Promotion Department of AEON Co., Ltd. and subsequently, the Head of Marketing Department in April 2008. He was then appointed as the Head of Nagano Business Department of AEON Retail Co., Ltd. in 2009 and the Head of Chiba Business Department AEON Retail Co., Ltd. in March 2010. In March 2012, he was transferred to AEON (China) Co., Ltd. and held the position of Head of Sales Support Division before being promoted as the Chief Operating Officer of General Merchandise Store (GMS) Business in April 2013.

He began his career with AEON Credit Service Co., Ltd. in June 2014 where he was appointed as the Director, Executive Officer and Head of Marketing Division. In April 2015, Mangetsu was appointed as the Director of AEON Credit Service Co., Ltd.



In June 2015, he was appointed as the Director and Head of Marketing Division of AEON Financial Service Co., Ltd. In June 2016, Mangetsu was appointed as the Managing Director in charge of Business Strategy and Head of Overseas Business Division of AEON Financial Service Co., Ltd. and later appointed as the Managing Director in charge of Global Business Strategy in April 2017.

Masaaki Mangetsu was then appointed as the Director and Chairman of AEON Credit Service (Asia) Co., Ltd. in June 2017. He was later appointed as the Chairman of AEON Micro Finance (Shenzhen) Co., Ltd. in May 2019, Director of AEON Credit Service (Philippines) Inc. in June 2019 and Director, Managing Executive Officer in charge of Overseas Business Strategy and Innovation Planning of AEON Financial Service Co., Ltd. in July 2019. He still holds the 4 positions above to date.

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

Mangetsu has attended ten (10) Board meetings held during the year ended 29 February 2020. He does not hold any shares directly in the Company.

BOARD OF DIRECTORS



LEE TYAN JEN

Executive Director

(46, Malaysian, Female)

Lee Tyan Jen was appointed as an 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 the Assistant General Manager in 2006. In 2008, she was promoted as General Manager and served as the Head of Credit Assessment Group before assuming the position as Head of Business Operations Division in April 2015. In April 2016, she has been designated as the Chief Operating Officer of the Company and as Head of Customer Service and Operations Division. Subsequently, her portfolio was added with Head of IT Group in March 2017. She was redesignated as Chief Information Officer and Head of IT Division since April 2019.

She does not hold any directorship in any other public or public listed company.

Lee has attended all fourteen (14) Board meetings held during the year ended 29 February 2020. She holds 35,661 ordinary shares directly and 72,500 ICULS in the Company.



TOP MANAGEMENT



1 YURO KISAKA

Managing Director
(46, Japanese, Male)

Date of Appointment:
20 June 2019

Academic/Professional Qualification:
Bachelor's Degree of Law

Directorship/Relevant Appointments:
Board Member

Relevant Experience:
His profile is disclosed in the Director's Profiles on page 29 of this Annual Report.

2 LEE TYAN JEN

Chief Information Officer
(46, Malaysian, Female)

Date of Appointment:
3 April 2019

Academic/Professional Qualification:
Bachelor's Degree in Business Administration

Directorship/Relevant Appointments:
Board Member

Relevant Experience:
Her profile is disclosed in the Director's Profiles on page 34 of this Annual Report.

3 LEE KIT SEONG

Chief Financial Officer
Finance Division & Corporate Governance Division
(51, Malaysian, Male)

Date of Appointment:
18 April 2013

Academic/Professional Qualification:
ACCA, MIA

Directorship/Relevant Appointments:
He does not hold any directorship in any other public or public listed company.

Relevant Experience:
Has more than 20 years of experience in Finance and Accounting and holds the position of Chief Financial Officer of AEON Credit since 2013.

4 AJITH A/L JAYARAM

Chief Business Officer
Business Division
(40, Malaysian, Male)

Date of Appointment:
1 July 2019

Academic/Professional Qualification:
Master of Management

Directorship/Relevant Appointments:
He does not hold any directorship in any other public or public listed company.

Relevant Experience:

Has over 18 years of experience in Collection, Sales, Corporate Strategy, Business Development and digital strategy for AEON Credit.

5 SHIRO ISHIDA

Chief Marketing Officer
Marketing & Customer Service Division
(48, Japanese, Male)

Date of Appointment:
2 August 2018

Academic/Professional Qualification:
Associate of General Studies Degree

Directorship/Relevant Appointments:
He does not hold any directorship in any other public or public listed company.

Relevant Experience:

Has more than 20 years of marketing experience throughout Asia and South East Asia. Has more than 2 years of experience in leading the marketing, products and customers service as the Chief Marketing Officer at AEON Credit.

Note:

All Top Management personnel as disclosed above 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.

SENIOR MANAGEMENT

1 LEE TYAN JEN
Head of IT Division
(46, Malaysian, Female)
Date of Appointment:
1 March 2017
Academic/Professional Qualification:
Bachelor's Degree in Business Administration



1. LEE TYAN JEN

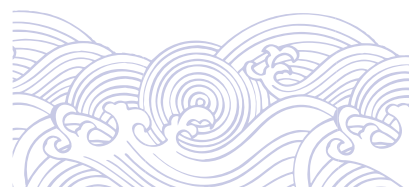
2 LEE KIT SEONG
Head of Finance and Corporate Governance Division
(51, Malaysian, Male)
Date of Appointment:
17 July 2017
Academic/Professional Qualification:
ACCA, MIA

3 AJITH A/L JAYARAM
Head of Business Division
(40, Malaysian, Male)
Date of Appointment:
1 July 2019
Academic/Professional Qualification:
Master of Management



3. AJITH A/L JAYARAM

4 SHIRO ISHIDA
Head of Marketing and Customer Service Division
(48, Japanese, Male)
Date of Appointment:
2 August 2018
Academic/Professional Qualification:
Associate of General Studies Degree



2. LEE KIT SEONG



4. SHIRO ISHIDA

5 KİYOSHI WADA
Head of Human Resource Management Division
(60, Japanese, Male)
Date of Appointment:
10 July 2017
Academic/Professional Qualification:
Bachelor of Economics



5. KİYOSHI WADA

6 TAN KEAN WOOL
Head of Credit Operation Division
(44, Malaysian, Male)
Date of Appointment:
12 November 2018
Academic/Professional Qualification:
Bachelor of Economics

7 CHEN HENG GUAN
Head of Corporate Strategy Division
(47, Malaysian, Male)
Date of Appointment:
1 July 2019
Academic/Professional Qualification:
Masters of Business Administration

8 KATSUSHI IWAMOTO
Head of Management Control Division
(46, Japanese, Male)
Date of Appointment:
3 September 2019
Academic/Professional Qualification:
Bachelor of Business Administration



6. TAN KEAN WOOL



7. CHEN HENG GUAN



8. KATSUSHI IWAMOTO

A photograph of three AEON staff members, two men and one woman, standing in front of a booth. They are all wearing dark blue business suits and red lanyards with identification badges. The man on the left has his hands clasped, the woman in the middle has her hands clasped, and the man on the right is also smiling with his hands clasped. The background features a large blue banner with the text 'CREDIT SERVICE' in white, 3D-style letters. Below this, there are several smaller blue panels with white text. One panel on the left says 'AEON MEMBER PLUS VISA CARD' and lists services like 'New Application', 'Card Replacement', and 'Cardless Payment'. Another panel in the center says 'Cash Deposit Machine' and lists services like 'Deposit', 'Withdrawal', 'Cardless', and 'No Charge'. The booth is well-lit with modern lighting fixtures.

Application • Card Replacement

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[illegible]

100

Service Available
• 24 hours • 7 days a week
• 24 hours for the first 24 hours

10



CORPORATE BRANDING

- 40 Corporate Events
- 43 Corporate Social Responsibility Programmes
- 47 Awards, Accolades and Certifications

CORPORATE EVENTS



Q4 FY2018 Results Announcement
26 April 2019 | Kuala Lumpur



AEON-MDTCA Aidilfitri Shopping Session
at AEON Mall Bukit Mertajam
16 May 2019 | Pulau Pinang



22nd Annual General Meeting at Intercontinental Hotel
20 June 2019 | Kuala Lumpur



AEON Credit Purple League Junior Signing Ceremony and
Press Conference at AEON BiG Mid Valley Megamall
03 September 2019 | Kuala Lumpur



The Grand Match – Thank You, Datuk Wira Lee Chong Wei
28 December 2019 | Genting Highlands

■ AEON WALLET 'MALL WALKING – WALK FOR BETTER HEALTH'

AEON Credit launched the 'Mall Walking – Walk for Better Health' with the 'AEON Wallet Scan and Earn' campaign in AEON Mall Nilai, an event to reward its AEON Member Plus Visa cardholders and AEON Wallet users. The event was officiated by Yang Berhormat Tuan Veerapan A/L Superamaniam, Negeri Sembilan State Executive Councillor for Health, Environment, Cooperative and Consumerism.

The AEON Mall Walking 'Scan and Earn' game was opened to AEON Member Plus Visa Card. To participate, cardholders are required to spend a minimum purchase of RM50 in a maximum of two combined receipts prior to the registration. In addition to that, the AEON Wallet app is to be downloaded and installed on their respective mobile phones.

To earn 4,000 AEON points, participants were required to scan QR codes displayed on a total of 20 pit-stop poles located on ground floor and second floor of AEON Mall Nilai, in the correct sequence, within the stipulated time. Throughout the campaign period from 23 March to 31 December 2019, a total of 2,027 AEON Wallet users earned 719,600 AEON Points.

The AEON Wallet is the first mobile application system by retailers in Malaysia and it was launched alongside the AEON Member Plus Visa Card in November 2018. It supplements functionality of the AEON Member Plus Visa Card. The app is linked to an AEON Member Plus Visa Card and it allows for payment via QR code at all AEON Retailers Outlets.



■ AEON CREDIT SUPPORTS SOCSO LABOUR DAY RUN AND RIDE 2019

As a financial institution that provides financing schemes for cyclists or bicycle enthusiasts and to promote a healthy lifestyle among Malaysians, we supported the Social Security Organization (SOCSO) of Malaysia - Labour Day Run and Ride 2019 as Platinum Sponsor.

The event which was held at Dataran Putrajaya, Presint 3 witnessed a total of 9,000 participants taking part in four (4) categories of activities, i.e. 20 km and 40 km for cycling and 5 km and 10 km for fun run. Participants were flagged off by Yang Berhormat Tuan M. Kulasegaran,

Minister of Human Resources and Yang Berbahagia Dato' Sri Dr. Mohammed Azman bin Dato' Aziz Mohammed, Chief Executive Officer of SOCSO. Activities included the setting up of promotional booth to promote attractive Objective Financing Scheme for Bicycle and free snacks giveaway at the end of the event. 40 AEON Credit volunteers were also present to assist distributing breakfast packs and drinks to participants. YBhg. Datuk Adinan bin Maning and Mr. Ajith Jayaram, Chief Business Officer participated in the 20 km cycling category.



CORPORATE EVENTS

■ AEON CREDIT PURPLE LEAGUE JUNIOR SPONSORSHIP PROGRAMME

AEON Credit has been an active supporter of the junior badminton scene in Malaysia since 2016 through the Ampang Jaya Badminton Club (AJBC). Under the ACS-AJBC Junior Development Programme, numerous young talented badminton players were identified and are either currently playing for the national team or undergoing training with the Malaysian Sports Schools.

To further lend its support in honing talents of future world champions like Dato' Lee Chong Wei, we entered into an agreement as the title sponsor for Malaysia Purple League's Junior Purple League 2019-2021. Rising junior players from community clubs nationwide and foreign countries

participated in this tournament in five (5) categories namely the boy's single, boy's double, girl's single, girl's double and mixed doubles.

The 2019 edition saw the registration of a total of 350 junior players including 56 foreign entries from 22 teams for the league.



■ THE LAUNCH OF AEON CREDIT EMPLOYMENT PROGRAMME FOR AMPANG JAYA BADMINTON CLUB PLAYERS

In its bid to further contribute to the development of local communities, AEON Credit has launched a programme to help young badminton players gain exposure in the corporate world and explore the opportunity of having a dual career.

The Company in collaboration with AJBC, launched the AEON Credit-AJBC Young Badminton Player Internship

and Employment Programme at the Connexion Conference and Event Centre in Bangsar South, Kuala Lumpur on 22 November 2019.

As a start, the Company will focus in providing soft skills training to the selected players in communication, personal grooming and enhancing their professional etiquette.



CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES

AEON Credit supports local community growth as part of the Company's Corporate Commitment in serving the needs of the community through various corporate social responsibility initiatives. Volunteers of AEON Credit, under the CSR Outreach Programmes, have been actively engaging with Governmental Agencies and the Local Community via concerted efforts in creating programmes to benefit our stakeholders.

EDUCATION

AEON Credit collaborated with the Ministry Domestic of Trade and Consumer Affairs to organise the 'Back to School Programme' at AEON Mall Kuching Sentral, Sarawak. The programme saw a total of 150 school children from Sekolah Kebangsaan RPR Batu Kawa, Kuching, Sarawak received RM150 shopping vouchers and a new school backpack. To date, 1,550 primary school children have benefitted from the programme nationwide.



As part of the Company's initiative to reduce fatalities and accidents during festive seasons, AEON Credit collaborated with the Road Safety Department and motorcycle manufacturers to organise Road Safety Advocacy Programmes. The annual programme held before Chinese New Year and Hari Raya Aidilfitri holidays saw a total of 900 kids helmets being distributed to ensure the safety of young pillion riders. For FYE2020, AEON Credit organised the 1st Joint Ops Launching Ceremony at AEON Mall Nilai alongside the Road Safety Department to heighten awareness among AEON shoppers on the importance of creating safe journey back to their hometowns during the upcoming Hari Raya Aidilfitri.

COMMUNITY WELLBEING

To support local blood bank centers, AEON Credit organised a total of 11 blood donation drives in collaboration with local hospitals. The blood donation drives which were organised by AEON Credit Regional Offices saw a total registration of 387 donors, contributing 279 pints of blood compared to FYE2019 which registered only 206 donors with 183 pints of blood collected from four (4) blood donation drives.



CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES

Apart from that, a total of 44 activities were carried out by 1,254 volunteers during the year, recording 6,270 of volunteer hours under the AEON Credit Outreach Programme, a volunteer programme initiated by employees of AEON Credit and local stakeholders aimed at giving back to the community. Comparatively, there was only 32 activities were initiated in last year. Activities included contributions and engagement sessions at old folks homes, orphanages and children with learning disabilities. Gotong-royong sessions with local communities to clean-up public areas were also organised by the volunteers.



In addition to the volunteer activities that were carried out regularly, AEON Credit is also sympathetic towards the plight of those in need. FYE2020 saw two communities affected by fires which razed their homes and belongings in Kg. Baru Sibu, Sarawak (13 families) and Kg. Ayer Panas, Kuala Lumpur (3 families) receiving monetary donations and contributions consisting of basic essential items. These efforts were aimed at helping to alleviate the burden faced by the families affected.

ENVIRONMENTAL

A total of 11,050 trees were planted by AEON Credit volunteers alongside the AEON Group of Companies and its stakeholders on 14 September 2019 through the second phase of the Bidor Reforestation Project as part of AEON CO. (M) BHD.'s initiative to rehabilitate 35.3 ha of former tin tailing mine. The event saw 10,000 trees from 35 forest endangered species being planted by 1,030 local and Japanese volunteers. AEON Credit mobilised a total of 110 volunteers for the event. In November 2019, East Malaysia Regional Office volunteers planted 1,000 trees from local Sarawakian tree species at the Sabal Forest Reserve in Simunjan, Sarawak. The event was initiated together with the Sarawak Forestry Department after 15 ha of the forest reserve was destroyed by fire during the haze season in March 2019.



Coastal clean-up programmes for FYE2020 saw a total of 5.16 tonnes of rubbish collected from five (5) coastal area in Pahang, Johor, Pulau Pinang and Sabah compared to 3.48 tonnes of rubbish collected in FYE2019. Out of the 5.16 tonnes of rubbish collected, 1.13 tonnes were recyclable wastes. It is hopeful that with the continuous effort by AEON Credit's volunteers to reduce plastic waste from the coastal area, a safer environment can be created for lives both on and under water.



SPORTS

AEON Credit continues to support AJBC Junior Development Programme for its third year. The Junior players finished as semi-finalist during Astro Junior Badminton Championship and 4th placing for Division 1 during AEON Credit Purple League Junior in October 2019. Two trainees under the Programme were also recruited into the Malaysian Junior Badminton team under Malaysian Sports School in Bukit Jalil. During the year, the Company had also organized Coaching Clinics to primary schools in Ampang which saw 2,310 primary students joined the clinics. ACS-AJBC Junior Badminton Championship which was held in June and October 2019 received overwhelming response for its inaugural year where 199 girls and 839 boys participated in the two-leg tournament.



CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES

■ MALAYSIAN AEON FOUNDATION

Together with other AEON Group of Companies, AEON Credit further supported the Foundation's efforts and initiatives in helping the less-privileged communities through direct donations and festive shopping contributions. A total of 1,952 children and single parents benefitted during the festive shopping sessions where they were treated to RM200 shopping vouchers each in addition to receiving basic essential items and money packets. In March 2019, the Foundation donated disaster relief aid to 250 Pasir Gudang residents who were affected by the Sg. Kim Kim ammonia pollution.



AEON Credit also supported the Foundation during its fund-raising activities such as the AEON Fun Run and Ride event in June 2019, Malaysian AEON Foundation Charity Golf Tournament in October 2019 and Malam Mesra AEON by collaboratively contributing a total of RM482,250 with our business partners.



AWARDS, ACCOLADES & CERTIFICATIONS



“HIGHEST RETURN TO SHAREHOLDER AFTER THREE YEARS”

The Edge Billion Ringgit Club Corporate Awards 2019 Under the Financial Services sector (Below RM10 billion market capitalisation) category.



NAMED AS ONE OF 49 MALAYSIAN COMPANIES

Recognised as the “Best companies to work for in Asia” by HR Asia Awards Malaysia 2019



HIGHEST CARD GROWTH

Consumer Credit for highest Year On Year growth for Credit Cards acquisition (new issuance)

HIGHEST PAYMENT VOLUME GROWTH

Consumer Credit for highest Year On Year growth for Credit Cards usage (CP sales volume) by the Visa Malaysia Bank Awards 2018/2019







SUSTAINABILITY STATEMENT

50 Sustainability Statement

SUSTAINABILITY STATEMENT

AEON Credit is guided steadfastly in all aspects of its business operations by its Corporate Philosophy to support customers' lifestyle and enable each individual to maximise future opportunities through effective use of credit. This serves as a beacon to further strengthen business sustainability by focusing primarily on economic, environmental and social drivers.

Led by these key factors, the Company continues to uphold the principles of governance and transparency in its business dealings, in line with stringent requirements of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and the Company's Sustainability Reporting Framework.

This Statement is prepared in accordance with Global Reporting Initiative ("GRI") Standards: Core Option, the global standards for sustainability reporting. It highlights AEON Credit's sustainability performance, reporting on activities organised over the period from 1 March 2019 to 29 February 2020, charting its progressive development in the areas of governance, proactive stakeholder engagement, awareness and management of material factors and outlines innovative approaches to enhance customers' experience. The GRI Content Index is available on the Company's website at <https://www.aeoncredit.com.my/aeon-corporate/about-us> under Corporate Governance.

Working on the premise of giving back to the community that the Company operates in, the Statement also shares the Company's environmental stewardship and community initiatives.

■ SUSTAINABILITY GOVERNANCE

Tone at the Top [GRI 102-20]

It is a well acknowledged fact that the work culture of employees within the organisation is formed by the behaviour of the leader. This 'tone at the top' largely epitomises how AEON Credit governs and manages its business. The leaders at AEON Credit, such as the Managing Director, Executive Director, Executive Officers and members of the Senior Management Team shoulder this important responsibility and thus have an intrinsic responsibility to shape the environmental, social and governance ("ESG") landscape at AEON Credit.

ESG is essentially the three key factors needed in measuring the sustainability and societal impact in AEON Credit and better determine its business sustainability. Hence, the role these senior officials of the Company play are critical to AEON Credit's overall business sustainability and wellbeing of its operations.

Sustainability Governance and Working Committee [GRI 102-32, 103-2, 103-3]

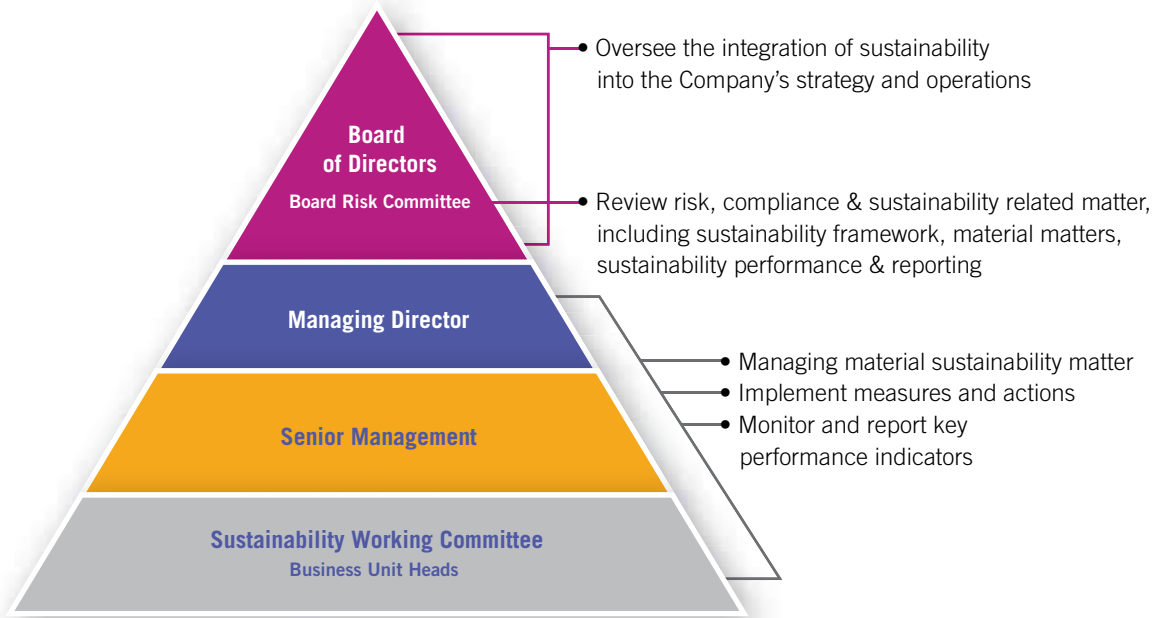
The Board recognises the importance of pursuing a business sustainability agenda and sets the tone to promote sustainability practices by balancing ESG aspects of the business in its decision-making. To further strengthen sustainability governance, the Board Risk Committee ("BRC")

now has an added role and accountability in reviewing sustainability related matters including reviewing the overall sustainability plans, objectives and its performance.

Senior Management is responsible for driving the improvement and execution of the Company's overall sustainability framework, strategy and roadmap. The leadership team collectively plays an active role in ensuring that sustainability is part of AEON Credit's business approach and is embedded in the Company's daily operations.

AEON Credit has enhanced the organisation structure to embed sustainability firmly within the organisation with the establishment of a Sustainability Working Committee in FYE2020, comprising key management personnel from various functions and product groups. The Committee was established to support sustainability strategy development and embed sustainability management practices, based on understanding of potential sustainability impact from operations as well as risk and opportunities across the Company.

The Sustainability Working Committee has adopted a measured, systematic and phased approach towards meeting sustainability objectives, with a monthly meeting of the Committee being held to discuss plans, actions taken and issues arising.



■ STAKEHOLDER MANAGEMENT [GRI 102-21, 102-40, 102-42, 102-43, 102-44]

AEON Credit aspires to give back to the community in an effective and meaningful manner, thus requiring emphasis on engagement with various stakeholders for exchange of viewpoints on a regular basis.

The Company was able to reach out to the stakeholders through various communication channels to gain valuable insights on the requirements and perspective of the stakeholders on issues of concern, as set out in the table below:

Stakeholders	Engagement Activities	Issues of Interest
Customers	<ul style="list-style-type: none"> • Face to face interactions • Call centre and complaints channel • Customer advocate • Social media • External dispute resolutions 	<ul style="list-style-type: none"> • Customer service • Feedback on products and services
Employees	<ul style="list-style-type: none"> • Meetings • Training programmes • Team meeting and exercises • Employee Hotline • Annual employee engagement survey 	<ul style="list-style-type: none"> • Culture, diversity and inclusion • Health, safety and wellbeing • Employee grievances • Training & development
Government & Regulators	<ul style="list-style-type: none"> • Briefings • Submission/ proposals • Commission and inquiries • Financial institutions and associations 	<ul style="list-style-type: none"> • Compliance • Innovation in financial services
Shareholders & Investors	<ul style="list-style-type: none"> • Investor Relations • Annual General Meeting • Quarterly reports, annual reports and media releases • Survey 	<ul style="list-style-type: none"> • Business strategy • Financial performance • ESG performance

SUSTAINABILITY STATEMENT

Stakeholders	Engagement Activities	Issues of Interest
Media	<ul style="list-style-type: none"> • Press release/ interview • Annual General Meetings • Corporate events • Digital and social channels 	<ul style="list-style-type: none"> • Business Strategy • Financial Performance • ESG Performance • Conduct & Culture
Business Partners	<ul style="list-style-type: none"> • Merchant service • Support channels • Innovation programmes • Business alliance events 	<ul style="list-style-type: none"> • Business opportunities • Business strategy • Performance and compliance
Local Communities/ NGO	<ul style="list-style-type: none"> • Community activities • Sponsorship of events 	<ul style="list-style-type: none"> • Charitable donations • Volunteering • Social welfare
Industry Association Groups	<ul style="list-style-type: none"> • Conferences • Events 	<ul style="list-style-type: none"> • Market development and customer segment issues • Regulatory issues • Risk management issues

MATERIAL SUSTAINABILITY MATTERS [GRI 102-31, 102-47]

Material Sustainability Matters is a key concept related to sustainability strategies and reporting under the GRI Standards adopted by AEON Credit.

AEON Credit conducts an annual review of its Material Sustainability Matters, involving the Senior Management and the Sustainability Working Committee. The output of the review provides clarity concerning matters deemed to be material to the stakeholders.

The review exercise is a platform to identify potential opportunities that could provide an edge for improved company performance as well as challenges and risks currently faced or which may arise in the future, related to sustainability issues. At the same time, the review also facilitates benchmarking of sustainability initiatives of AEON Credit against its peers in the industry within and outside the country, and identification of areas for investment in sustainability efforts by the Company.

To achieve this objective, a three-stage process was adopted:



Material Sustainability Matters:

 Economic  Social  Environmental

Level	Matters
High 	1. Excellent Customer Experience, Support & Access 2. Data Security, IT Infrastructure & Digital Transformation 3. Good Business & Financial Performance 4. Excellent Ethics, Governance, Risk & Compliance 5. Business Innovation
Medium 	6. Financial Inclusion 7. Employee Recognition 8. Employee Engagement
Low 	9. Community Investment & Development 10. Environmental Management

Mapping The Material Sustainability Matters to Sustainable Development Goals [GRI 103-1]

The table set out below maps the Material Sustainability Matters related to relevant stakeholder group(s), against the relevant GRI Standard and the corresponding Sustainable Development Goals* (SDGs).

** Note: A collection of 17 SDGs [also known as the Global Goals] were set by the United Nations General Assembly in 2015 for achievement by the year 2030, representing a universal call for action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.*

Material Matters	SDGs	GRI Standards
1 Excellent Customer Experience, Support and Access		GRI 102: General Disclosures GRI 418: Customer Privacy
2 Data Security, IT Infrastructure & Digital Transformation	 	GRI 418: Customer Privacy
3 Good Business and Financial Performance	 	GRI 102: General Disclosures GRI 201: Economic Performance
4 Excellent Ethics, Governance, Risk & Compliance	 	GRI 103: Management Approach GRI 201: Economic Performance
5 Business Innovation	  	GRI 102: General Disclosures
6 Financial Inclusion	  	GRI 102: General Disclosures GRI 201: Economic Performance
7 Employee Recognition	   	GRI 401: Employment
8 Employee Engagement	   	GRI 401: Employment GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity
9 Community Investment & Development	  	GRI 201: Economic Performance GRI 413: Local Communities
10 Environmental Management		GRI 102: General Disclosures GRI 302: Energy GRI 305: Emissions GRI 413: Local Communities

SUSTAINABILITY STATEMENT

SUSTAINABILITY PILLARS

The AEON Credit sustainability framework comprises 6 pillars:

1. **Conduct and Trust** 
2. **Customer Experience** 
3. **Digital Products and Service Transformation** 
4. **Employee Recognition and Engagement** 
5. **Environmental Stewardship** 
6. **Contributing to Communities** 

1. Conduct and Trust [GRI 102-17]

AEON Credit places great importance in carrying on business in responsible manner, complying with applicable laws and regulations and ensuring that staff at all ranks conduct themselves ethically.

Financial Inclusion and Responsible Financing Practices

AEON Credit remains committed towards providing suitable, affordable and quality financial services to targeted customer segments, in line with the requirements of relevant regulatory bodies. The Company promotes inclusive finance where all segments of society have convenient access to suitable and affordable financial services in contributing towards equitable and sustainable growth. Such services provide opportunities for Malaysians, including from the lower income segment (B40), to borrow for productive activities and enhance their lifestyle.

Products and services offered are aligned with the corporate values and are offered in the market after appropriate development, evaluation and approval processes in compliance with 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. Clear and concise product

information is provided to customers to ensure important information and risk disclosures are highlighted. The employees are equipped with sound knowledge on product features and ethically promote the products based on customer needs.

AEON Credit recognises certain customers may face financial challenges or difficulties in making repayment after obtaining credit facilities from the Company due to unavoidable circumstances. In this regard, the Company engages with the affected customers to understand their situation, and if appropriate, recommend certain "debt restructuring" or "rescheduling" facilities offered by the Company to assist them, with lower monthly repayment obligations. Customers may also seek debt restructuring under the Credit Counselling and Debt Management Agency (AKPK) scheme facilitated by the government.

AEON Code of Conduct ("CoC") [GRI 102-17]

The AEON CoC serves to interpret AEON's basic principles, to communicate to employees what the Company believes in and the responsibility to earn stakeholders' confidence. AEON Credit's corporate philosophy and approach to business epitomises the CoC, in conducting operations with high integrity and fair dealings with all stakeholders.

The induction training and orientation programme for new staff includes the CoC as an important component, which is thereafter reinforced through annual CoC refresher training session aimed towards inculcating a strong sense of belonging at AEON Credit.

Anti-Bribery Management System ("ABMS")

In FYE2020, the Company implemented an Anti-Bribery Management System compliant with the ISO 37001:2016 standard, to reinforce basic principles of AEON Credit on integrity and create anti-bribery culture within the organisation. The implementation also served to meet requirement for the Company to have adequate procedures pursuant to introduction of Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2019, which introduced a statutory corporate liability offence. The law now provides that a commercial organisation commits an offence if any person associated with the commercial organisation commits a corrupt act in order to obtain or retain business or an advantage in the conduct of business for the commercial organisation.

AEON Credit's implementation of the ABMS motivates employees to carry out their duties conscientiously and mitigates risk of corrupt activities or actions. A Corruption Risk Assessment was conducted to identify risks and assess adequacy of controls in place, with the aim of strengthening existing Company policies and procedures. The Anti-Bribery Policy of AEON Credit has been approved by the Board and subsequently communicated internally to all employees as well as externally to business associates and other stakeholders through various communication channels, including the corporate website.

The adoption of anti-bribery culture in business operations and familiarisation with ABMS procedures as well as whistleblowing channels was facilitated by various training sessions held for the Board, Senior Management and staff at all levels within AEON Credit. The multifaceted training and awareness initiatives include classroom training, e-learning, posters, bulletins, commitment to anti-bribery pledge across the organisation and anti-bribery campaign to raise awareness amongst the staff as well as relevant stakeholders.

During FYE2020, there was no reported case of corrupt act by any employee of AEON Credit. Meanwhile, pursuant to disclosure requirements under GRI Standards, AEON Credit confirms that no political contributions were made directly or indirectly by the Company in FYE2020.

Customer Data Protection

The fundamental importance of integrity of systems and processes along with confidentiality of information in business operations have always recognised by AEON Credit. The Company's commitment towards assurance of quality in providing services to customers and ensuring the confidentiality, integrity and availability of critical information has been incorporated in the Company's Integrated Management Systems ("IMS") Policy.

The Personal Data Protection Act 2010 (PDPA) and secrecy provisions under the Financial Services Act 2013 govern customer data management policies of AEON Credit. The Company has obtained certification under the ISO/IEC 27001:2013 Information Security Management System standard, thus providing assurance to both internal and external stakeholders on information security management and risk mitigation on unauthorised disclosure, misuse or loss of information.

Training and awareness programmes are regularly conducted to drive employees' understanding of the policies and processes in place to manage the handling and storage of customer and business information at every stage of the information lifecycle, as well as process for reporting security breaches.

Business Continuity Management and Cyber Security

To ensure the continuity of critical business functions and essential services, AEON Credit has in place policies, processes and systems under the Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) to respond to a range of unexpected disruptions.

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.

During the recent COVID-19 pandemic, AEON Credit is able to expand BCP scenarios to enable staff in less critical and oversight functions to work from home, with remote access to the Company's IT systems and servers using VPN (virtual private network) technology for secure access.

Meanwhile, with increase in usage of online and digital platforms for service delivery and communications, AEON Credit recognises the need for an effective cyber security framework and effective practices that are both technologically innovative and resilient to cyber 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. The Company has implemented adequate measures to address evolving cyber security threats, towards ensuring integrity and availability of services as well as customer and business data protection. The Company continues to enhance its information technology and resiliency capabilities by putting in place further cyber security controls.

SUSTAINABILITY STATEMENT

Compliance

The Board Risk Committee, comprised Independent Directors, plays a key role in oversight of compliance and risk management functions in AEON Credit. The Board has established a Compliance Framework which governs the processes that drive compliance across operations, including compliance monitoring mechanisms embedded within the business processes. Training and awareness activities were conducted company-wide annually to reinforce accountability and ownership of compliance processes across business units.

The Corporate Governance Group worked in tandem with business units in monitoring and managing compliance risks, as well as conducting periodic review of related policies and internal controls.

Whistleblowing Channels [GRI 102-17]

In line with accepted norms of corporate safeguards against wrongdoing or risky behaviour, AEON Credit has long instituted a whistleblowing channel under the Company's Code of Conduct, branded as the AEON Hotline. Using this hotline, employees can draw attention to genuine concerns on any illegal or unethical practice, financial fraud, irregularity or breach of regulations; anonymously or otherwise and without fear of reprisals.

In case any business partner, customer, other stakeholder or member of the public has knowledge of any irregularity or improper conduct, reporting via email can be made to the Senior Independent Director at eSID@aeoncredit.com.my. Thereafter, investigation shall be carried out in confidential manner and further action taken, where necessary.

2. Customer Experience

Customer experience is essentially a customer's holistic perception of personal experience using a product or service. It encompasses every process, every interaction with AEON Credit, from navigating the website and applying for a product to engaging with customer service personnel and performing transactions.

Service Convenience and Customer Feedback [GRI 417-1]

AEON Credit places strong emphasis on a two-way relationship with customers and values customer feedback in relation to products offered and services rendered. Such feedback is valuable towards further improvement in service quality and enhancement of customer satisfaction.

The Company provides various channels for customers to reach out for enquiry or feedback via live chat online (OMNI channel, utilising chatbot software application with account enquiry and account maintenance self-service functions), website online feedback form, email and telephone calls. Customers may also walk to any AEON Credit branch nationwide if face-to-face communication is preferred in certain situations.

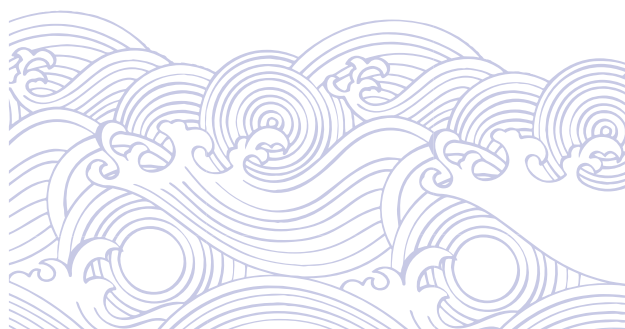
With a robust complaint management process in place, all complaints received through the Company's touch points and via regulatory bodies were resolved within the committed TAT (Turn-Around-Time) in FYE2020.

Customer Service Focus

Mandatory training on customer management and customer service is provided by AEON Credit to all new recruits in frontline roles who need to interact with customers and business partners. In addition, the Company conducts other soft skills training regularly for both existing staff and new hires.

Staff are constantly reminded to engage with customers in a conscientious and courteous manner when handling issues, and to seek appropriate resolution in the shortest possible time. The customer service programmes and initiatives carried out in FYE2020 towards promoting excellent customer service included the following :

Service Excellence Awards Programmes (WoW Compliment)



Some other engaging programmes initiated were Mystery Calling and OMNI Channel, with the aim to motivate customer service personnel as well as to promote excellent customer service spirit.

Mystery Calling and OMNI Channel



Staff are constantly reminded to engage with customers in a conscientious and courteous manner when handling issues and to seek appropriate resolutions in the shortest possible time. Another programme is 'The Voice of Customers', an innovative means to address customers' issues with the view of identifying the root cause of issues and engaging in a brainstorming session to then arrive at an effective solution. Through this route, all cases were successfully resolved.



AEON Credit is committed to maintaining high standards of customer service aligned with ISO 9001:2015 Quality Management System standard certification obtained by the Company, governing assurance on product and service quality, as well as continual improvement under the IMS Policy.

3. Digital Product & Service Transformation

Over the past decade, the combination of technological innovations and shift in consumer preferences has had a transformative impact on industries globally, with financial services industry being radically impacted. Digital transformation in numerous areas have helped AEON Credit improve customer experience and service level to business partners such as merchants in many ways, including greater convenience and simplicity of processes as well as attracting new customers.

Product Innovation

Further to launching of the AEON Wallet digital platform by AEON Credit in November 2018, the major focus of the Company in FYE2020 was on the growth of customer base downloading the application and storing the AEON Member Plus Visa Card as well as other credit card and prepaid cards issued by AEON Credit on mobile devices.

AEON Credit recorded tremendous increase in retail transactions made using QR code as mobile payment method in FYE2020, arising from both increase in users of AEON Wallet as well as increase in AEON payment cards in circulation. Such increase in digital payments using mobile devices has contributed to corresponding increase in "cashless payments" at retailers, including within AEON Group.

Since the AEON Member Plus Visa Card also functions as a membership loyalty card, cardholders enjoy the convenience of having reward point, card transaction and member privileges' information being consolidated in a single user friendly application on their mobile devices. With this mobile app, the Company and AEON Group retailers are also able to reach out to customers via a push notification to inform of upcoming promotions, thus cutting costs on SMS messages. Further, the AEON Wallet has made it unnecessary for customers to carry physical payment cards, thus also mitigating associated security risks.



Mall Walking with AEON Wallet was an activity conducted jointly with AEON CO. (M) BHD. from 23 March to 31 December 2019 to encourage shoppers to be more health conscious through this digital platform.

SUSTAINABILITY STATEMENT



AEON Wallet app also proved to be a useful tool for electronic registration of participants in the AEON Charity Run & Ride on 16 June 2019.

Another innovative initiative with the AEON Wallet app was the e-Stamps Programme from 1 July to 17 November 2019, implemented for AEON CO. (M) BHD. to encourage usage of digital stamps for customer reward programme based on retail spending, replacing the paper stamps used previously.

Back Office Transformation

Within the Company's back office operations, implementation of Robotic Process Automation ("RPA") remained as a key focus for innovation and productivity improvement. RPA is essentially software that emulates human execution of repetitive work, built on technologies designed to orchestrate, execute and enhance business workflows, set in motion through Graphical User Interface (GUI). Such RPA implementation for automation of certain processes in the finance function, implemented in October 2019, has enabled the Company to reassign allocated staff to more challenging and demanding roles.

Meanwhile, in relation to process of acquiring new customers, AEON Credit has started the development of digital onboarding process, i.e. online process to reduce or eliminate the need for customers to go to the Company's

branch to apply for products and services. The Company shall introduce e-KYC (electronic Know-Your-Customer) process to obtain customer's personal data online and perform identity verification digitally. This would improve operational efficiency and enhance customer experience for service delivery in seamless manner at customer's location.

4. Employee Recognition and Engagement

AEON Basic Principles on Personnel respects the rights of the employees and requires enabling them to achieve their full potential. The human resource policies and practices at AEON Credit have always been guided by the notion that recognising and rewarding the work that employees do is essential to motivating passion, focus and commitment of employees towards achievement of corporate objectives.

Workforce Diversity [GRI 102-8, 405-1]

AEON Credit's approach towards diversity is anchored on due regard, fairness and inclusion. In line with the AEON CoC, the Company respects the rights of every individual and fosters diversity and inclusivity towards aim of building a harmonious, dynamic and strong workforce.

The Company recognises that diversified talent is necessary to innovate and compete in a rapidly changing business landscape. By promoting inclusivity and equality in the workplace, employees will be happier and more comfortable in their work environment. Thus, creating a diverse work force can contribute to increased retention, motivation and productivity as well as contribute to responsiveness of AEON Credit to an increasingly diverse world of customers and expand the creativity of the organisation overall.

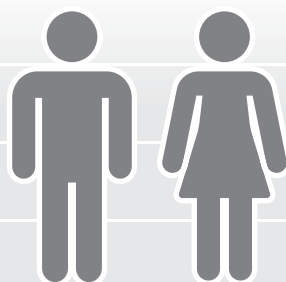
The Company's total staff strength as at February 2020 of 3,632 employees comprised 2,350 female employees (65%) and 1,282 male employees (35%). With 53% female representation at management level, AEON Credit recognises importance of women in leadership positions, effectively

Gender Diversity

64%

47%

35%



36%

53%

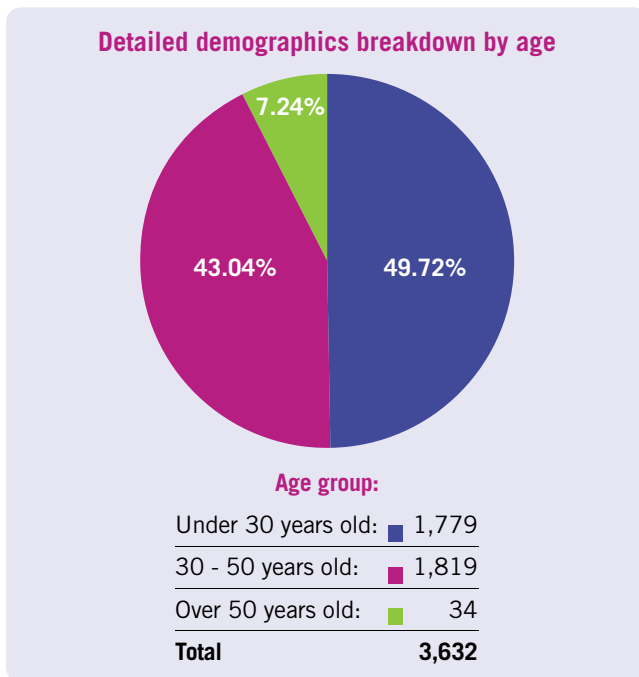
65%

■ Directors

■ Management

■ Employees

supporting decision-making and business performance of the Company. Meanwhile, breakdown of employees by age band is set out below:



Talent Development and Retention [GRI 401-2, 404-1, 404-2]

The financial services sector is highly competitive and continues to evolve at a fast pace, thus making talent development and retention a key business priority of AEON Credit.

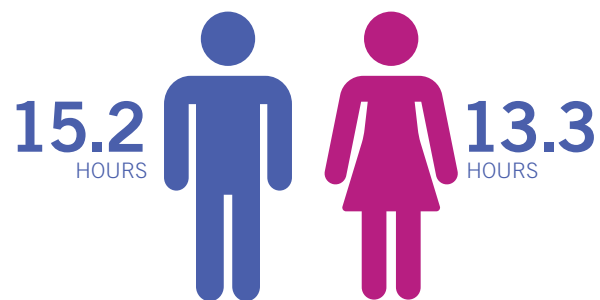
In line with the Company's aspiration to build and maintain a dynamic workforce, staff training and development plans are reviewed periodically and executed across business units, aligned to operational requirements, succession planning requirements and employee career growth plans.

In FYE2020, the Company had invested RM1.9 million for external training and development initiatives, in addition to utilisation of internal resources for numerous in-house training programmes conducted. The training programmes covered a broad spectrum of areas, including technical knowledge, job-specific training and soft skills training covering subjects such as customer service training, problem solving training and leadership training.

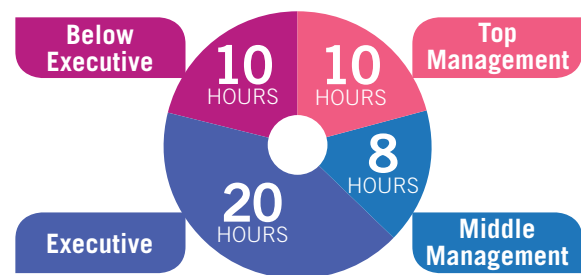
Selected employees were given the opportunity to participate in management training programmes conducted by AEON

Financial Service Co. Ltd., Japan (AFSJ) and in AEON Global internship programme of AFSJ for upgrading of skills. The average training and development hours clocked in FYE2020 by staff at various levels in the Company are set out as below:

Average training hours per employee by gender



Average training hours by employee category



Remuneration and Employee Benefits [GRI 401-2]

AEON Credit is committed to offering competitive remuneration and benefits scheme to its employees, benchmarked periodically against market salary levels and employment benefits, for both financial services and non-financial service industry sectors. The Company's remuneration and benefits' policies and practices have enabled recruitment of required talent for operations and business expansion while maintaining staff turnover rate at relatively low levels. Processes are in place for annual review of salaries and allowances.

Employment benefits provided by the Company to employees adhere to laws governing Human Resource. In addition to medical, optical and dental benefits, the Company also provides Group Term Life and Group Hospitalisation & Surgical insurance cover to employees as additional benefits, covering permanent disability or death as well as numerous types of illnesses. Based on employee's length of service, AEON Credit also provides contribution to Employees' Provident Fund (EPF) exceeding the statutory contribution rate, with aim of increasing retirement savings of employees.

SUSTAINABILITY STATEMENT

The Company also provides options on flexible working hours to assist employees to balance their work, family and personal obligations.

Improving Employee Engagement

Recognising the importance of communications at the workplace, AEON Credit has established numerous two-way communication channels for employees to create a positive work environment and improve employee engagement. These include various periodic and ad-hoc meetings between management and staff, the Human Resource (HR) Help Desk, monthly morning assemblies and daily morning briefings.

AEON Credit has in place a structured performance evaluation system incorporating target setting and performance assessment on annual basis with involvement of both the employee and his/her superiors, with processes in place for face-to-face interaction, feedback, performance review and career development review. Employees are also able to provide feedback to the Company on areas of concern at the workplace through participation in an annual climate survey to identify needs of staff, grievances, if any, and areas where improvement is required.

Based on the interaction and feedback obtained, AEON Credit obtains a clearer view on the needs and expectations of employees, thus facilitating appropriate action, support or guidance when required. This would drive improvement in employee engagement in terms of level of enthusiasm and dedication to assigned role for mutual benefit of the employee and the Company.

Employee recognition for exemplary performance and contributions is important in order for any organisation to succeed. AEON Credit recognises service excellence and employee loyalty annually through various awards such as Excellent Service Awards, Meritorious Service Awards and Long Service Awards.

For the second time, AEON Credit was among 50 employers named "The Best Companies to work for in Asia" for year 2019 by HR Asia, a reputable publication for HR professionals. The award serves as a further recognition of conducive working environment, staff welfare and human resource development opportunities provided by the Company to employees.

Employee Safety and Wellbeing [GRI 403]

AEON Credit recognises the strategic importance of maintaining safety at workplace and having a healthy workforce, in terms of increased efficiency in operations, reduced medical and insurance costs and improved reputation as an employer of choice.

To achieve the objective, the Company organised numerous activities such as weekly badminton sessions and yoga classes, and ad-hoc updates on health awareness issues were communicated to all staff. The activities also served to promote a heightened sense of camaraderie and team spirit across the various departments.

The Company's Occupational Safety and Health (OSH) Policy reaffirms commitment of AEON Credit to provide a safe and conducive working environment for all employees and safeguard customers and visitors from potential hazards caused by the Company's business activities. The OSH working committee and assigned employees regular conduct safety inspections at various offices and branches of AEON Credit nationwide for the said purpose.

In FYE2020, a number of health and workplace safety awareness programmes were conducted:

1. Office and Fire Safety Awareness
2. Workplace Health and Safety Awareness
3. Emergency Response Team (ERT) Emergency Response and Preparedness
4. Essential First Aid Training
5. Fire Marshal Refresher Course
6. Emergency Response Guideline Briefing
7. Safety Briefing for CSR Programmes

These training and awareness programmes serve to remind employees of their shared responsibility to be constantly alert of workplace surroundings and to report any safety and health issues under the OSH Policy to the Company. No work safety related incidents were recorded by AEON Credit in FYE2020.

Apart from the above, the Company has put in place the Pandemic Preparedness Plan to manage and mitigate the impact of any pandemic outbreak. Measures for protecting employees from exposure to, and infection with, COVID-19 has been implemented by the Company from the early stages of the outbreak in 2020.

5. Environmental Stewardship

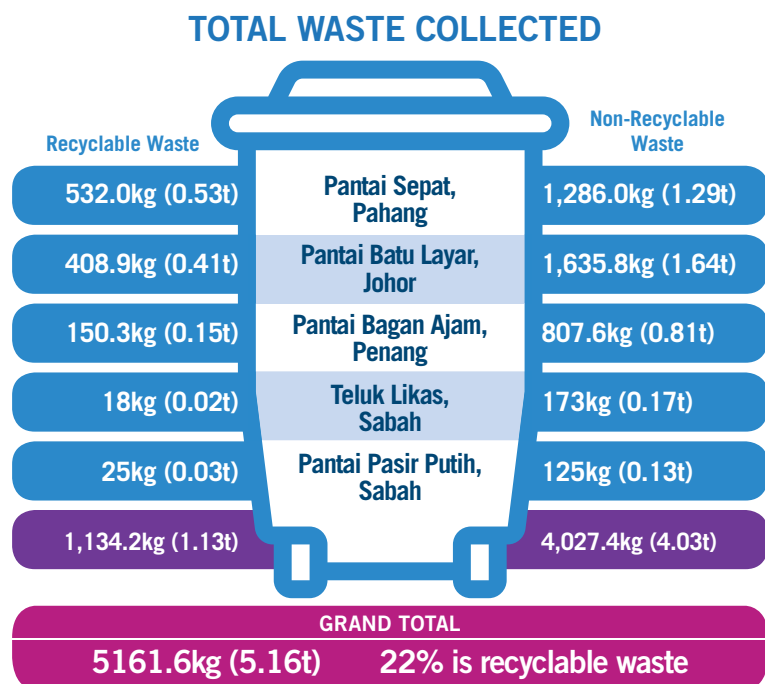
Global warming has been recognised as the greatest threat to human health in history. Thus, it is imperative that businesses of all sizes take effective action to reduce their “carbon footprint”, representing the total amount of greenhouse gases produced directly and indirectly from business operations, for both humanitarian and business reasons.

Environmental Conservation Programmes

Under the Company’s environmental conservation efforts, AEON Credit reached out to the local communities via joint activities such as the AEON Group tree planting programmes and coastal clean-up activities. In September 2019, a total of 10,000 trees from 35 forest endangered species were planted by 1,030 local and Japanese volunteers at Forest Research Institute of Malaysia’s (FRIM) Bidor Research Station, under Bidor Reforestation Project to rehabilitate the former tin-tailing site. The project was organised in collaboration with the AEON Group of Companies, including the AEON Environmental Foundation, with the support of FRIM. In November 2019, 250 volunteers from AEON Group’s East Malaysia Regional Office planted 1,000 trees at Sabal Forest Reserve, Sarawak together with Sarawak Forestry Department while a further 32 volunteers planted 50 mangrove saplings at Kota Kinabalu Wetland Centre in collaboration with Sabah Wetlands Conservation Society.

FRIM Bidor Research Station, Perak	10,000 Trees
Sabal Forest Reserve, Sarawak	1,000 Trees
Kota Kinabalu Wetlands Park, Sabah	50 Trees
Tree Planting	TOTAL 11,050 Trees

In the coastal clean-up exercises, a total of 5.16 tonnes of waste consisting of 1.13 tonnes of recyclable waste and 4.03 tonnes of other waste were collected with the participation of 500 employees who volunteered together with others from local authorities, local communities and AEON business partners.



Such partnership activities with local communities reinforces the Company’s commitment as a good corporate citizen to nurture collaborative relationships, harnessing synergies toward common environmental conservation goals.

Environmental Management System (“EMS”) [GRI 302]

AEON Credit has obtained certification under the Environmental Management System (ISO 14001) standard, covering the Company’s processes and practices aimed at reducing environmental impact from operations. The EMS certification also governs areas such as the Company’s waste management practices for collecting, recycling and disposal of waste.

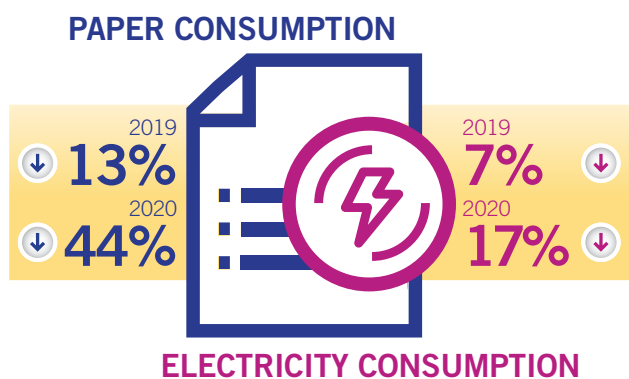
SUSTAINABILITY STATEMENT

Under the Environmental Quality Act 1974, two categories of scheduled wastes applicable to the Company have been identified, namely waste containing mercury (e.g. fluorescent tube) (SW109) and e-waste containing specified components (SW110), and such waste are periodically disposed of appropriately by licensed vendors with notification submitted to the Department of Environment.

Responsible Consumption [GRI 301-1]

Despite progress in technological developments, the Company's transition toward a "paperless" office has been constrained in some areas due to business environment as well as force of habit. Nonetheless, AEON Credit remains committed on pledge to minimise paper consumption and work towards a paperless office.

The digital transformation of the Company, through utilisation of online channels for service delivery and automated operations, as well as prudent usage of paper resulted in a significant reduction in paper usage in FYE2020 by 44%. Meanwhile, electricity consumption in the same period was reduced by 17%.



Environmental Awareness Campaign – 'Say No to Plastic'

AEON Credit organised an environmental awareness campaigns themed 'Say No to Plastic' in FYE2020 with the intent of educating its employees on the adverse impact of plastic pollution on the environment. To ensure a broader reach, the campaign employed various innovative means such as monthly bulletins, talks on "How to live plastic free", staff pledges, quizzes and an environmental poster competition to raise awareness of pollution and to encourage the adoption of 5R practices (refuse, reduce, reuse, repurpose and recycle), targeting in particular the refusal of single-use plastic ("SUP"). AEON Credit firmly believes that with a more environmentally conscious workforce, the mindset of the community on plastic consumption could be positively

influenced, given that the workplace is a microcosm of the communities in which the Company operates. This campaign was also aligned with the nation's ongoing efforts to eliminate the use of SUP by 2030.

AEON Credit's Quality Management Department (QMD) conducted the "Say No to Plastic" Pledge activity in August 2019 with 2,108 staff, representing 59% of the Company's total workforce, making a personal pledge in support of the environment. The Company anticipates that their personal commitment would have an influence on their respective families and immediate circle of friends.

The "Say No to Plastic" campaign was further reinforced by the absence of plastic straws and other SUP products during one of the Company's major teambuilding events in FYE2020. The Company further reinforced the commitment of employees by requesting participants to bring their own recyclable food containers, with food supplied by mobile food trucks.

Environmental Survey

An online survey was conducted for AEON Credit staff on the current environmental situation, and a large majority of the staff (63%) displayed strong awareness on the Company's initiative on Sustainable Development Goal (SDG) related to the environment. Overall, this survey on the state of the global environment proved encouraging with valuable feedback obtained from participating staff. An intrinsic success was that in response to the trigger survey questions, majority of the staff (58%) agreed to adopt a more environmentally conscious lifestyle in contributing towards improving society's environmental footprint.

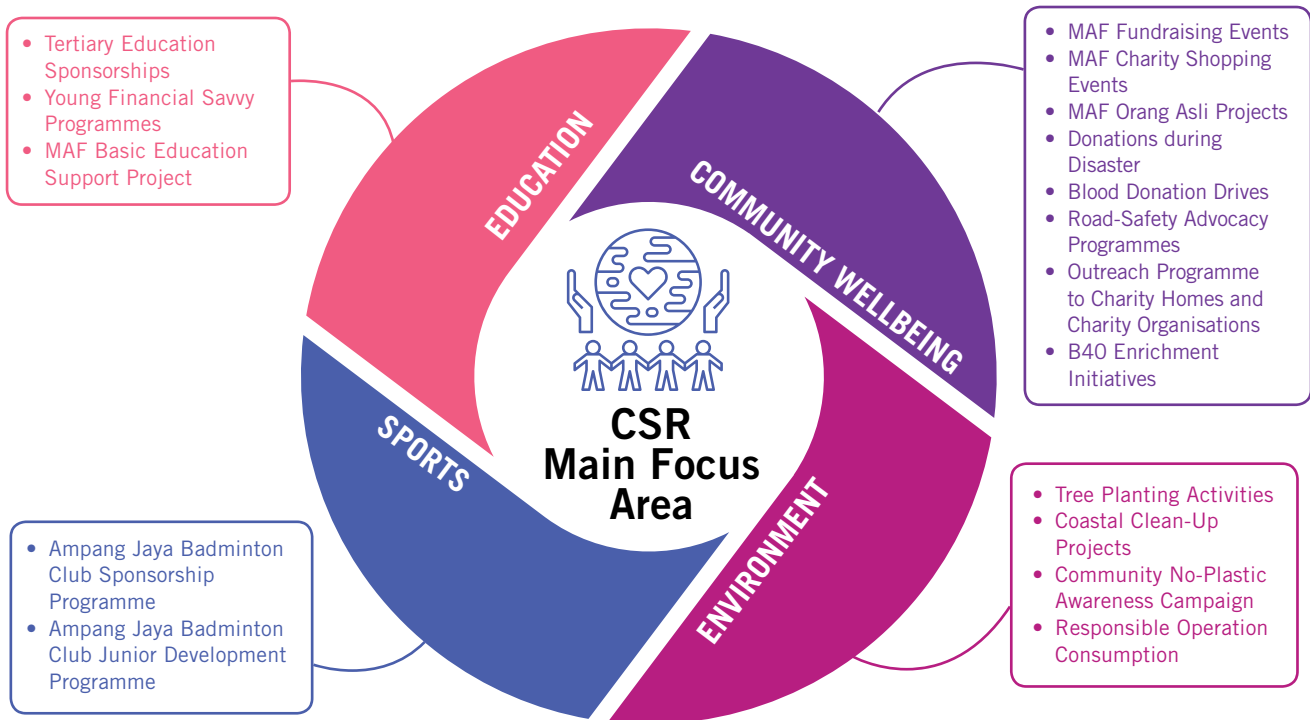
Contributing to Communities [GRI 413-1]

In the 24 years of operations in the country, AEON Credit has been steadfastly working to establish and nurture a close partnership with the community. The Company takes great pride in giving back to the local community, by driving innovative and engaging corporate social responsibility (CSR) initiatives. CSR is defined as management concept to integrate social and environmental concerns in business operations and interactions with stakeholders.

At AEON Credit, such concept is embodied in AEON's Basic Principle to set an example as a good corporate citizen, responding to the needs of the local community and working together with the community for its growth and the improvement of quality of life. To achieve this end, the Company

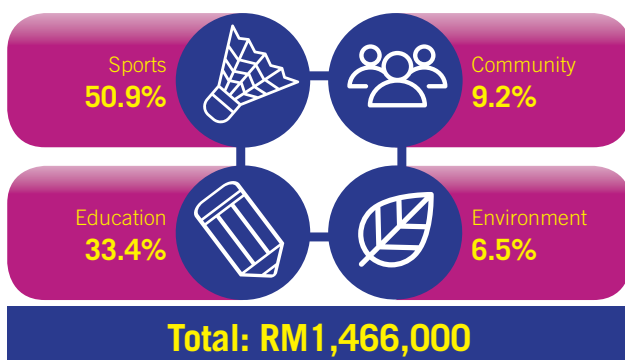
has streamlined its CSR initiatives into four key focus areas of Education, Community Wellbeing, Environment and Sports. The Company believes that it is able to make meaningful contribution to the lives of the community in these four areas, spanning wide age groups as well as addressing environmental concerns.

Specific initiatives of the Company under each focus area to meet the needs of the community are outlined in the table below:



FYE2020 CSR Activity Summary [GRI 102-12, 413-1]

In FYE2020, AEON Credit organised a wide range of CSR initiatives, investing approximately RM1.47 million, with participation of 1,254 employees from all levels of the organisation. The employees recorded a total of 6,270 hours on the initiatives, i.e. spending an average of 5 hours per person.



Beneficiaries

On the premise that children are the nation's future leaders, AEON Credit had organised various CSR initiatives for children from selected homes under its own AEON Credit Outreach Programme as well as under Malaysian AEON Foundation's (MAF) 'Mesra Festive' Programmes, involving staff from AEON Group of Companies.

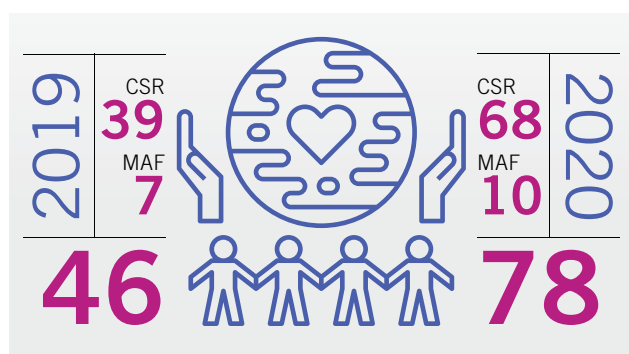


SUSTAINABILITY STATEMENT

CSR outcomes

Whilst it is the aim of AEON Credit to maintain its position as a leading non-bank financial service company through increased revenue and profit year on year, the Company remains committed to sustainable development goals through various CSR projects and activities.

The total CSR activity as of 29 February 2020 is as below:

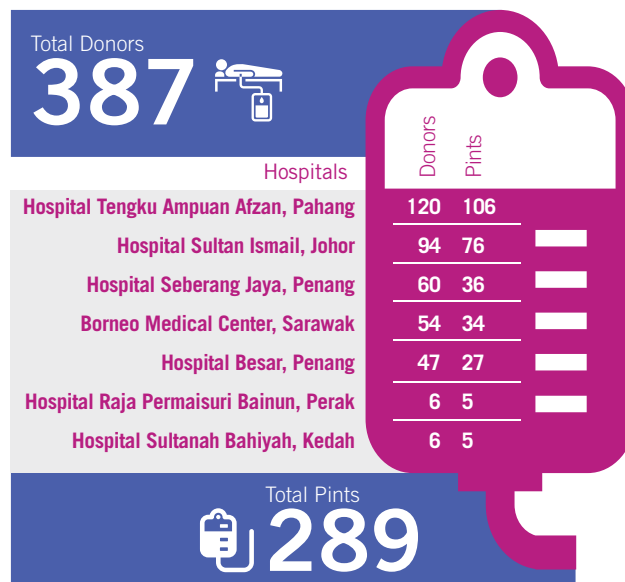


Donation and Contribution

Staff at AEON Credit are encouraged to participate in community outreach programmes with the aim to nurture considerate and compassionate individuals, in reaching out to the underprivileged and needy. With this noble aim, the Company contributed more than RM133,000 in FYE2020, including sum of RM102,250 channelled to the MAF, the AEON Group of Companies' charity arm, to carry out its activities and initiatives throughout FYE2020. A further sum of RM31,680 was donated during the year to victims affected by disasters and calamities in Sibul, Sarawak and Setapak, Kuala Lumpur.

Blood Donation Campaigns

With blood acknowledged as a most precious gift to human life, AEON Credit teamed up with local hospitals and non-governmental organisations (NGOs) to organise blood donation campaigns hosted at the Company's Regional Offices, with a total of 387 staff coming forward to donate a total of 289 pints of blood nationwide in FYE2020.



University Students' Sponsorship

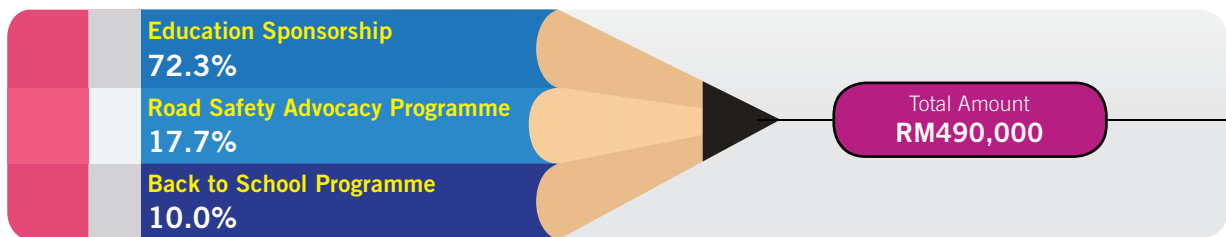
With education being the cornerstone of a nation's wellbeing, AEON Credit offered education sponsorships for tertiary studies at local universities to eligible but financially challenged candidates. In FYE2020, the Company sponsored 37 students for total amount of RM354,200 at selected universities, including Universiti Sains Malaysia (USM), University Putra Malaysia (UPM) and Universiti Malaya (UM). Students awarded these sponsorships were from a wide range of disciplines namely Accounting, Economics, Computer Science, Business Administration, Management and Law. Since inception of the sponsorship programme, a total of RM694,600 has been invested in educational sponsorships.

Back to School Programme

In the same year, the Company sponsored a 'Back to School' programme, an initiative designed to provide underprivileged young children financial support to prepare for the new school term in 2020. In this effort, the Company partnered with the Ministry of Domestic Trade and Consumer Affairs (MDTCA) to support 150 students from Sekolah Kebangsaan RPR Batu Kawa, Sarawak and contributed school bags, attire and stationeries worth a total of RM49,000.

Road Safety Advocacy Programmes

With traffic accidents seen peaking during major festive seasons, AEON Credit tied up with motorcycle manufacturers/ distributors and government agencies to hold road safety campaigns to advocate safe travel. The Company spent RM86,680 for this event in FYE2020 through contribution of kids' helmets and advocacy programmes at AEON Malls before the Hari Raya Aidilfitri 'Balik Kampung' rush.



Ampang Jaya Badminton Club Junior Badminton Development Programme

AEON Credit is a firm advocate of adoption an active and healthy lifestyle by Malaysians, as manifested by the Company's sponsorship of the Ampang Jaya Badminton Club Junior Badminton Development Programme with investment amount of RM224,530 in FYE2020. To-date, a total of RM850,000 has been invested to support young, talented badminton players in their journey to be professionals in the future. The Junior Team finished as semi-finalist during Astro Junior Badminton Championship and achieved 4th placing for Division 1 during AEON Credit Purple League Junior in October 2019.

AEON Credit Purple League Junior 2019-2022 Sponsorship Programme

To further promote young, talented badminton players in Malaysia to compete, the Company invested RM1.56 million as the title sponsor for AEON Credit Purple League Junior for 2019 to 2022. This league provides an avenue for young, talented players with keen interest to pursue the sport professionally as well as to help identify potential local talents. For the 2019 edition, a total of 350 junior players participated in the league, including 56 foreign entries from 22 teams.







CORPORATE GOVERNANCE

07

- 68 Corporate Governance Overview Statement
- 80 Audit Committee Report
- 84 Board Risk Committee Report
- 87 Statement On Risk Management And Internal Control
- 92 Directors' Responsibility Statement
- 93 Additional Compliance Information Disclosures

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“The Board”) of AEON Credit is committed towards ensuring the high standards of corporate governance structure embodied in the Malaysian Code of Corporate Governance 2017 (“MCCG”) is being maintained by the Company in managing its business affairs to meet the expectations of various stakeholders. The Board has a sound and effective governance framework in place in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and is guided by the practices and recommendations set out in MCCG.

This Corporate Governance Overview Statement (“CG Overview Statement”) provides shareholders and other stakeholders with an overview of how the Company has applied the three (3) key Principles of the MCCG during the financial year ended 29 February 2020 (“FYE2020”):

- i. Board leadership and effectiveness;
- ii. Effective audit and risk management; and
- iii. Integrity in corporate reporting and meaningful relationship with stakeholders.

This overview statement is to be read together with the Corporate Governance Report 2020 (“CG Report”) of the Company on the detailed explanations and information relating to the application of prescribed corporate governance best practices, which is available on the Company’s website at <https://www.aeoncredit.com.my/aeon-corporate/about-us> under Corporate Governance.

The Board recognises that high corporate governance standards are essential to retain the trust and confidence of all stakeholders including the public in the Company. Such trust and market confidence in the AEON Credit brand are vital for the continuous growth and success of the Company.

The Board’s key focus areas in relation to corporate governance for the FYE2020 comprised:

- establishing anti-bribery policy and procedures as well as creating organisation wide anti-bribery culture and awareness among staff and relevant stakeholders such as merchants, vendors and business partners; and
- enhancing oversight on risk management of the Company through the Board Risk Committee, which was established in January 2019.

The Company advocates zero tolerance towards corruption. The Company has in place an anti-bribery policy which sets out the Company’s policies to mitigate risk of acts of bribery and/or corruption in line with the new Section 17A of the Malaysia Anti-Corruption Commission Act 2009. The policy applies to all directors, employees and external stakeholders when dealing with the Company, in order to ensure and uphold the Company’s zero tolerance policy on bribery and corruption. The Company has obtained ISO 37001:2013 Anti-Bribery Management Systems certification from SIRIM QAS International Sdn. Bhd in the FYE2020.

■ 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;
- iv. Review and approve the Company's annual budget and business plan;
- v. Ensure establishment of appropriate risk management framework and risk strategy as well as adequate management information and internal control system of the Company;
- vi. Ensure compliance by the Company with relevant laws and regulations; and
- vii. Approve transactions and activities outside the discretionary powers of Senior Management, subject to shareholders' approval where necessary.

The Board has established a Board Charter which sets out, amongst 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 is accessible on the Company's website at <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, Executive Officers 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 and investments exceeding threshold under management approval, subject to regulatory requirements. The Management provides the Board and the Board Committees with sufficient information and materials in a timely manner to enable the Directors to discharge their duties and responsibilities effectively.

The responsibilities between the Chairman and the Managing Director ("MD") as the Chief Executive Officer are clearly separated for accountability, with no one individual having unfettered powers over decision making. The Chairman is responsible for the operation and leadership of the Board to ensure the adequacy and effectiveness of the Board's governance processes. The Chairman 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 implements the Company's strategic plans, policies and decisions adopted by the Board. The MD is responsible for leading and managing the overall operations and business development of the Company, with the support of the Executive Management team within a set of authorities delegated by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Executive Management team, led by the MD and assisted by the Senior Management team (Executive Director and Executive Officers), 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 the organisation structure and business requirements for efficient and effective 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"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Board Risk Committee ("BRC").

The following diagram provides a brief overview of the four 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 periodically 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.

Sustainability

The Board recognises the importance of pursuing a business sustainability agenda and sets the tone to promote sustainability practices by balancing Environmental, Social and Governance (ESG) aspects of the business in its decision-making. To further strengthen sustainability governance, the BRC now has added a role and accountability in reviewing sustainability related matters including reviewing the overall sustainability plan, objectives and its performances. Further details are set out in the Sustainability Statement of the Company 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 Committees on the business operations, activities and financial 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.

All Board members 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 and the Senior Management team on the overall compliance and adherence to regulatory guidelines and statutory requirements, their impact and implications to the Company and its Directors. The Executive Management team and 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 ("CoC")

AEON Group Code of Conduct

The Company's objectives, visions and values are aligned with the 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 to ensure the Company operates its business with integrity, transparency and accountability.

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>.

Whistle-blowing Channels

The Company has established a whistle-blowing channel, identified as AEON Hotline, for employees to raise genuine concerns without fear, on 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 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 whistle-blower without the risk of reprisal to the Senior Independent Director at eSID@aeoncredit.com.my for further investigation and action.

Board Composition and Diversity Policy

The Board currently consists of eleven (11) members, comprising the Chairman who is a Non-Independent Non-Executive Director, six (6) Independent Directors, three (3) Non-Independent Non-Executive Directors and two (2) Executive Directors including the MD.

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. The Board is well represented by individuals with diverse professional backgrounds and experience in the areas of financial services, law, finance and accounting, audit and taxation, commerce, sales and marketing, corporate branding, information technology, public relations and public service. 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:

Gender		Nationality		Age Group			Ethnicity			
Male	Female	Malaysian	Non-Malaysian	41-50 years	51-60 years	>60 year	Malay	Chinese	Indian	Japanese
7	4	8	3	2	1	8	4	3	1	3

Appointment of Directors and Senior Management shall be based on objective criteria, merit and with due regard for diversity in skill sets, experience, age, cultural background and gender. The Board recognises that a diverse Board would offer greater depth and breadth and contribute towards constructive debates, which lead to better decision making. Further, Board diversity shall also 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 has identified YBhg. Datuk Adinan bin Maning as the Senior Independent Director of the Company with effect from 23 January 2019. The profile of each Director is set out on pages 28 to 34 of this Annual Report.

Directors' Training

For the newly appointed Directors, induction programs are conducted to provide them with the necessary information to assist them in understanding the operations of the Company including the products offered, management structure and corporate strategies. In addition, the Directors are encouraged to attend continuous education programs, briefings, seminars and conferences to enhance their skills and knowledge to keep abreast with new developments in the business environment, corporate governance and regulatory requirements.

To further enhance the knowledge of the Directors to enable them to discharge their duties and responsibilities more effectively, the Company had engaged third party professionals to conduct in-house trainings during the year.

The list of training programs attended by members of the Board in FYE2020 is set out below:

Name	Trainings attended
1. Ng Eng Kiat	<ul style="list-style-type: none"> Invest Malaysia 2019 Conference Integrated Reporting Seminar Companies Act 2016 Anti-Bribery Briefing Finance for Non-Finance 2020 Budget Seminar The Malaysian Code on Corporate Governance Corporate Liability Provision (MACC Act section 17A) Risk Based Auditing ISQM Auditing Standard CNBC Hard Talk Series Business Product Briefing Corporate Liability (MACC Act)

Name	Trainings attended
2. Yuro Kisaka	<ul style="list-style-type: none"> • Companies Act 2016 • Anti-Bribery Briefing • Legal Familiarization for New Joiners • Finance for Non-Finance • Mandatory Accreditation Programme • AEON TOP Seminar • Business Product Briefing • FYE2020 Code of Conduct (COC) Briefing for Management • Governance & Accountability Under New Section 17A Malaysian Anti-Corruption Commission Act 2009 • Corporate Liability (MACC Act)
3. Dato' Md Kamal bin Ismaun	<ul style="list-style-type: none"> • Companies Act 2016 • Anti-Bribery Briefing • Finance for Non-Finance • The Malaysian Code on Corporate Governance • Business Product Briefing • Corporate Liability (MACC Act)
4. Tomokatsu Yoshitoshi	<ul style="list-style-type: none"> • Companies Act 2016 • Measures toward Corporate Misconducts • EY seminar on Independent Directors • Comparison of Audit & Supervisory Board of Japan as to Audit Committee of US • 2019 World Major Risk Trend • Power Harassment • Japan's world policy driven by Prime Minister of Japan, Shinz Abe • Islamic Finance: a basics for Japanese • US corporate 2019 Board Agenda, from Tone at the Top to Buzz on the Floor • Toward Sustainable Growth of Corporation • EY seminar on Internal Control and Govenance Scheme • PwC seminar on Independent Directorship under Controlling shareholder • Coaching as a mean of Corporate Governance • SDGs and ESG • Importance of communication to prevent from Fraud • Corporate misconducts • Issues on Food sufficiency rate • PwC seminar on Board Effectiveness & Performance Evaluation • Japan Defense Outlook, present and future

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Trainings attended
5. S Sunthara Moorthy A/L S Subramaniam	<ul style="list-style-type: none"> Governance Symposium 2019 Demystifying the Diversity Conundrum: Road to Business Excellence Companies Act 2016 Anti-Bribery Briefing Finance for Non-Finance The Malaysian Code on Corporate Governance Corporate Liability Provision (MACC Act section 17A) Audit Oversight Board-Conversation with Audit Committees The Malaysian Code on Corporate Governance Corporate Liability (MACC Act)
6. YBhg. Datuk Adinan bin Maning	<ul style="list-style-type: none"> IERP Global 2019 Corporate Liability (MACC Act)
7. Datin Khoo Pek Ling	<ul style="list-style-type: none"> Fundamentals of Corporate Directorship- Module A: The Role of the Board in Strategy & Risk Management Oversight How Strategic is Your Board? Board Strategy & Risk Programme An Overview of the Malaysian Private Entities Reporting Standard IERP Global 2019 Companies Act 2016 Anti-Bribery Briefing Finance for Non-Finance The Malaysian Code on Corporate Governance Risk Based Auditing 2020 Budget Seminar Business Product Briefing Corporate Liability (MACC Act)
8. Datin Yasmin Ahmad Merican	<ul style="list-style-type: none"> Mandatory Accreditation Programme Fundamentals of Corporate Directorship- Module A: The Role of the Board in Strategy & Risk Management Oversight IERP 2019 Companies Act 2016 Finance for Non-Finance The Malaysian Code on Corporate Governance Business Product Briefing Corporate Liability (MACC Act)
9. Rashidah binti Abu Bakar	<ul style="list-style-type: none"> Mandatory Accreditation Programme Fundamentals of Corporate Directorship - Module A: The Role of the Board in Strategy & Risk Management Oversight Leadership Greatness in Turbulent Times: Building Corporate Longevity Companies Act 2016 Anti Bribery Briefing Finance for Non-Finance The Malaysian Code on Corporate Governance Business Product Briefing Corporate Liability (MACC Act)

Name	Trainings attended
10. Masaaki Mangetsu	<ul style="list-style-type: none"> Companies Act 2016 Anti Bribery Briefing Seminar on the current state of European cashless, business environment in South Asia Officer compliance Trends in data utilization Mandatory Accreditation Programme Officer / manager training AEON TOP Seminar New business opportunities created by 5G
11. Lee Tyan Jen	<ul style="list-style-type: none"> Companies Act 2016 Anti Bribery Briefing International Director's Summit 2019: The Trust Compass: Resetting the Course EY Budget & Tax Conference AEON TOP Seminar The Malaysian Code on Corporate Governance FYE2020 Code of Conduct (COC) Briefing for Management AFS Directors Training Governance & Accountability Under New Section 17A Malaysian Anti-Corruption Commission Act 2009 Corporate Liability (MACC Act)
12. Kenji Fujita (Retired on 20.06.2019)	<ul style="list-style-type: none"> NIL
13. Tetsuro Takano (Retired on 20.06.2019)	<ul style="list-style-type: none"> A Work Style Reform Training in AEON

Board Meetings

Board Meetings are generally held on a monthly basis, to facilitate regular and current 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 FYE2020, the Board met fourteen (14) times where it deliberated and considered a variety of matters, inclusive of financial result, operations' performance, potential investments, strategic decisions, risk management and other matters requiring the decision of the Board. All proceedings of the Board meetings are minuted and circulated to the Board members in advance of the next Board meeting including the follow up action items that has been duly updated. Where necessary, decisions of the Board are also made by way of circular resolutions in between scheduled Board meetings. The details of Directors' attendance at the Board meetings are as follows:

Name of Director	Designation/Directorate	Attendance
Ng Eng Kiat	Chairman/Non-Independent Non-Executive Director	14/14
Yuro Kisaka (Appointed on 20 June 2019)	Managing Director	10/10
Dato' Md Kamal bin Ismaun	Non-Independent Non-Executive Director	14/14

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name of Director	Designation/Directorate	Attendance
Tomokatsu Yoshitoshi	Independent Non-Executive Director	14/14
S Sunthara Moorthy A/L S Subramaniam	Independent Non-Executive Director	14/14
YBhg. Datuk Adinan bin Maning	Senior Independent Non-Executive Director	13/14 ⁽¹⁾
Datin Khoo Pek Ling	Independent Non-Executive Director	14/14
Datin Yasmin Ahmad Merican	Independent Non-Executive Director	14/14
Rashidah binti Abu Bakar	Independent Non-Executive Director	14/14
Masaaki Mangetsu (Appointed on 20 June 2019)	Non-Independent Non-Executive Director	10/10
Lee Tyan Jen	Executive Director	14/14
Kenji Fujita (Retired on 20.06.2019)	Managing Director	4/4
Tetsuro Takano (Retired on 20.06.2019)	Non-Independent Non-Executive Director	4/4

⁽¹⁾ Unable to attend 1 out of 14 meetings being overseas and without access to teleconference facilities.

Nominating Committee ("NC")

The NC established by the Board comprises three (3) members, a majority of whom are Independent Directors. Six (6) NC meetings were held during the year. Details of the NC members during FYE2020 are set out below:

Name/Status of Directorship	Number of Meetings	
	Held During Tenure in Office	Attended
Tomokatsu Yoshitoshi Chairman/Independent Non-Executive Director	6	6
Dato' Md Kamal bin Ismaun Member/Non-Independent Non-Executive Director	6	6
Datin Yasmin Ahmad Merican Member/Independent Non-Executive Director	6	5

During FYE2020, the key activities undertaken by the NC are summarised as follows:

- 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;
- Assessment of the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director;
- Assessment of the effectiveness and performance of the Executive Directors and independence of the Independent Directors;
- Identification and review of the training needs of the Directors;

- v. Nomination and assessment of suitability of Yuro Kisaka and Masaaki Mangetsu for appointment to the Board, nomination and assessment of suitability of appointment of Yuro Kisaka as the new MD and thereafter recommendation on the proposed nominations for Board's approval; and
- vi. Review of the retirement of Directors and their eligibility for re-election.

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 the board, board committees and individual directors together with the criteria used for such assessment are set out in the CG Report and in the Board Charter.

The Terms of Reference of the NC is available on the website of the Company at <https://www.aeoncredit.com.my/aeon-corporate/about-us> under Corporate Governance.

Remuneration of Directors and Senior Management

The Board has in place Remuneration Policy and Procedures applicable to Directors and Senior Management, which is designed to:

- i. Provide comprehensive remuneration package for Executive Director, Executive Officers and Senior Management which is tailored to attract, engage and retain the required talent and to motivate the Executive Director, Executive Officers 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 by the RC and the Board.

The RC, comprising a majority of Independent 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 <https://www.aeoncredit.com.my/aeon-corporate/about-us> under Corporate Governance.

Two (2) RC meetings were held during the financial year. Details of the RC members during FYE2020 are set out below:

Name/Status of Directorship	Number of Meetings	
	Held During Tenure in Office	Attended
Tomokatsu Yoshitoshi Chairman/Independent Non-Executive Director	2	2
Ng Eng Kiat Member/Non-Independent Non-Executive Director	2	2
Datin Yasmin Ahmad Merican Member/Independent Non-Executive Director	2	2

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

■ PRINCIPLE B

■ EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee (“AC”)

The AC comprises three (3) Independent Directors, with S Sunthara Moorthy A/L S Subramaniam as the Chairman of the AC. He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA).

All AC members are financially literate, with the AC’s composition and performance being subject to annual review by the NC before recommendation to the Board for approval. The composition of the AC and activities of the AC for the financial year under review are contained in the Audit Committee Report in this Annual Report.

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 in this Annual Report.

The Board is of the view that the system of internal control and risk management in place during FYE2020 is sound and sufficient to safeguard the Company’s assets, shareholders’ investment and the interests of customers, regulators, employees as well as other stakeholders.

Board Risk Committee (“BRC”)

The BRC assisted the Board in discharging the oversight responsibility for risk management in FYE2020 by reviewing the risk management framework, key risk indicators and risk mitigation measures for key focus areas, and compliance risk management periodically.

Four (4) BRC meetings were held during the financial year. Details of the BRC members during FYE2020 are as follows:

Name/Status of Directorship	Number of Meetings	
	Held During Tenure in Office	Attended
YBhg. Datuk Adinan bin Maning Chairman/Senior Independent Non-Executive Director	4	4
Datin Khoo Pek Ling Member/Independent Non-Executive Director	4	4
Rashidah binti Abu Bakar Member/Independent Non-Executive Director	4	4

■ 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 to 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 Conduct, the Company's Annual Reports and whistle-blowing channel, etc. may be accessed;
- 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 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 issues of concern.

The list of stakeholder groups and communication channels is set out in the FYE2020 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. In line with best practice, the notice of AGM setting out the agenda together with the Annual Report is sent to shareholders at least twenty-eight (28) days prior to the date of AGM.

In 2019, as in the previous years, the AGM of the Company was held in the city centre of Kuala Lumpur in order to facilitate easy access for, and maximum participation of, shareholders. All Directors were present at the AGM to engage with shareholders and address issues of concern raised by shareholders.

The Board and Senior Management recognise the importance of Integrated Reporting ("IR") as an approach to bring together material information about AEON Credit's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which the company operates. The Company has embarked on journey to fully comply and adopt the International <IR> Framework for IR by FYE2021, and is currently developing the IR roadmap encompassing "integrated thinking".

This Corporate Governance Overview Statement was approved by the Board of Directors on 5 May 2020.

AUDIT COMMITTEE REPORT

■ COMPOSITION AND MEETING ATTENDANCE

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 AC composition meets the requirements of Paragraphs 15.09 and 15.10 of the MMLR of Bursa Securities, which set out that the AC must be composed of not fewer than three (3) members, all of whom must be non-executive directors, with the Chairman and a majority of the members being independent directors and at least one (1) 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 Chairman of the AC, S Sunthara Moorthy A/L S Subramaniam and Datin Khoo Pek Ling are members of the Malaysian Institute of Accountants.

During the FYE2020, the AC convened seven (7) meetings with four (4) scheduled quarterly meetings held on 16 April 2019, 18 June 2019, 18 September 2019 and 12 December 2019 respectively, and three (3) Special Meetings held on 28 March 2019, 27 June 2019 and 25 July 2019 respectively. Details of the composition of the AC and attendance by each member at the AC Meetings are as follows:

Name/Status of Directorship	Number of Meetings	
	Held During Tenure in Office	Attended
S Sunthara Moorthy A/L S Subramaniam Chairman/Independent Non-Executive Director	7	7
YBhg. Datuk Adinan bin Maning Member/Senior Independent Non-Executive Director	7	6
Datin Khoo Pek Ling Member/Independent Non-Executive Director	7	7

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 Director, Executive Officers, related management personnel and representatives of the External Auditors also attended specific meetings.

During the year under review, the Board, via the Nominating Committee, 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. The Board is satisfied that the AC and each of its members have discharged their responsibilities and duties in accordance with the AC's Terms of Reference. The responsibilities and duties of the AC are set out in the AC's Terms of Reference and approved by the Board, and it is accessible for viewing on the Company's website at <https://www.aeoncredit.com.my/aeon-corporate/about-us> under Corporate Governance.

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 at the Board Meetings for notation.

■ SUMMARY OF ACTIVITIES OF THE AC DURING THE FINANCIAL YEAR

For the FYE2020, the AC in the discharge of its functions and duties as set out in its Terms of Reference, has carried out the following main activities:

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 2019, and recommended the same for the Board's consideration and approval.

2. External Audit

- a) Reviewed and deliberated reports issued by the External Auditors, Messrs. Deloitte 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 16 April 2019. At the same meeting, Messrs. Deloitte PLT had also tabled the Independent Auditors' Limited Assurance Report on the adequacy of controls for the Company's Trust Account in accordance with Principle 4 of the Bank Negara Malaysia Guideline on E-Money, for the AC's deliberation.
- b) Reviewed and recommended to the Board for consideration the proposed audit fees and non-audit fees for the Company's External Auditors in respect of the statutory audit and other non-audit work.
- c) At the AC Meeting held on 16 April 2019, reviewed and recommended to the Board on the re-appointment of Messrs. Deloitte PLT as the External Auditors of the Company for the financial year ended 29 February 2020.
- d) Reviewed with the External Auditors, Messrs. Deloitte PLT their terms of engagement, proposed audit remuneration and the audit plan for the year under review to ensure that their scope of work adequately covers the activities of the Company.
- e) During the financial year, the AC met with the Engagement Partner of Messrs. Deloitte PLT on 16 April 2019 and 12 December 2019 respectively 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) At the AC Meeting held on 18 June 2019, reviewed and approved the revised Internal Audit Group's Internal Audit Charter for adoption.
- b) Reviewed and deliberated internal audit reports, which highlighted the audit issues and recommendations as well as the Management's action plan 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 actions plans on audit issues at the scheduled quarterly AC meetings, to ensure that the remedial measures are implemented promptly and appropriately.

AUDIT COMMITTEE REPORT

- d) The AC has 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 Head of Internal Audit Group on 16 April 2019 without the presence of the Executive Board members and Management staff of the Company to discuss any issues or significant matters, which the Head of Internal Audit Group wished to raise.
- f) At the AC Meeting held on 12 December 2019, reviewed and approved the annual internal audit plan of the Internal Audit Group for the financial year ending 28 February 2021, to ensure the adequacy of the scope, coverage of work and the resource requirements of the Internal Audit function to perform its work.

4. Related Party Transactions

- a) Reviewed the recurrent related party transactions and new related party transactions of a revenue or trading nature entered into by the Company at the scheduled quarterly AC meetings and special AC Meetings to ensure the transactions were fair, reasonable, on normal commercial terms, not detrimental to the interests of the minority shareholders and in the best interest of the Company and recommended the same to the Board for consideration and approval.
- b) Reviewed the annual circular to shareholders in respect of the proposed renewal of existing Shareholders' mandate for recurrent related party transactions and proposed new shareholders' 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) Reviewed and deliberated J-SOX Internal Control Audit Report for the financial year ended 28 February 2019 issued by Messrs. Deloitte PLT 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 Entity Level Control, Financial Closing Reporting Process, Process Level Control, and General IT 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, AC Report and Directors' Responsibility Statement in relation to the Audited Financial Statements for inclusion in the Annual Report 2019.

7. Others

- a) Reviewed the proposals presented by Management to declare annual distributions to shareholders, and recommended such proposals to the Board for consideration.
- b) Reviewed and recommended to the Board for approval the adoption of new accounting standard (Malaysian Financial Reporting Standard 16 – Leases).
- c) Reviewed proposals for the disposal of written-off accounts as presented by Management before recommending for the Board's approval.

- d) Discussed and recommended to the Board for approval, the appointment of KPMG Tax Services Sdn Bhd to provide transfer pricing advisory services to the Company.
- e) Reviewed and deliberated the Tax Health Check Report issued by Deloitte Tax Services Sdn Bhd on the review results and findings in connection with their reviews in the areas of individual tax, corporate income tax, withholding tax and stamp duty.

■ 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 system of internal control processes implemented by the Management.

The Internal Audit Group's mission, scope of work, responsibilities and authority are governed by its Internal Audit Charter, which is approved by the AC. 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 the 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. Through this reporting relationship, the AC also ensured that the Internal Audit Group has the authority to carry out their work objectively and independently.

The Internal Audit Group adopts a risk-based audit methodology to plan and prioritise audit work focusing on high risk areas, which encompass auditing the Company's business activities and operations, information systems including the Outsourced Service Providers to ensure they are reviewed on a rotational basis. 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 carried-out audit reviews based on requests from the regulator, Bank Negara Malaysia, 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 Director and Executive Officers 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 16 April 2019, 18 June 2019, 18 September 2019 and 12 December 2019 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 RM2,590,000 (FYE2019: RM2,450,000).

BOARD RISK COMMITTEE REPORT

■ INTRODUCTION

The Board Risk Committee (“BRC”) is a governing or supervision body appointed by the Board of Directors (the “Board”), which is charged with oversight of the organisation’s risk, and internal control functions as embodied in the Company’s Risk Management framework.

■ COMPOSITION AND MEETING ATTENDANCE

The Committee is appointed by the Board, all of whom are independent and currently comprises non-executive directors.

The appointment or termination of appointment of any Committee member is at the discretion of the Board, upon recommendation by Nominating Committee.

The Secretary to the BRC is the Company Secretary. According to the Terms of Reference, the Secretary holds the responsibility to draw up an agenda, which shall be circulated together with relevant support papers, at least one (1) week prior to each meeting, to the Committee members.

The Committee meets at least four (4) times a year and additional meetings may be called by the Chairman if necessary in order to fulfil its duties. For the FYE2020, four (4) BRC meetings were held and the attendance of the BRC members is recorded as follows:

Name/Status of Directorship	Number of Meetings	
	Held During Tenure in Office	Attended
YBhg. Datuk Adinan bin Maning Chairman/Senior Independent Non-Executive Director	4	4
Datin Khoo Pek Ling Member/Independent Non-Executive Director	4	4
Rashidah binti Abu Bakar Member/Independent Non-Executive Director	4	4

The Managing Director, Executive Director, Executive Officers, other Board members, management, consultants or other advisors may be invited to attend the BRC meetings, as and when required.

The quorum for the meeting consists of two (2) and the majority of members present must be independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Committee shall meet at least once a year with the Chief Risk Officer and Chief Compliance Officer to discuss any matters without the presence of the management and any executive members of the Board. The Committee may conduct its meetings to include participation by any member or invitee.

■ SUMMARY OF ACTIVITIES OF BRC DURING THE FINANCIAL YEAR

For the FYE2020, the BRC in the discharge of its functions and duties as set out in its Terms of Reference, have carried out the following principal activities:

- a. Review the quarterly risk management report of the Company,
- b. Review and deliberate market/environment and emerging risks,
- c. Review and recommend risk/compliance related Framework/Policies to Board for approval,
- d. Review and discuss legal and compliance matters,
- e. Discuss matters arising from risk management and compliance reports and resolutions of matters addressed.

■ RESPONSIBILITIES

Risk Management

- Assess the Company's processes relating to its risks and control environment.
- Review and recommend risk management strategies, policies, and risk tolerance for the Board's approval.
- Review the adequacy of Company's risk management framework, monitor principal risks that affects the Company and ensure that the evaluation of risk management and mitigation measures are in place in order to safeguard shareholders' investments and the Company's assets.
- Conduct annual review on the adequacy and effectiveness of risk management process.
- Review the Company's stress test procedures including simulation scenarios, parameters, key assumptions and results.
- Review management's periodic report on risk appetite, risk exposure, risk portfolio composition, and risk management activities to ensure that the risk reports are provided with appropriate risk responses.
- Review the Company's Business Continuity Management Framework and policy for dealing with extreme internal/external events and disasters.
- Review and recommend corrective and preventive measures undertaken to remedy failings and/or weaknesses in the risk management process.
- Review the risk management report and whether appropriate actions are taken by management on the recommendations made.
- Review the appointment, and dismissal of the Chief Risk Officer as well as to evaluate the performance of the risk management function.
- Review the statement on risk management and internal controls of the Company for inclusion in the Annual Report.

BOARD RISK COMMITTEE REPORT

Compliance

- To review and approve legal and compliance framework and policies.
- Discuss and deliberate legal and compliance risk issues regularly to ensure the issues are resolved effectively and in timely manner.
- Review the appointment, and dismissal of the Chief Compliance Officer as well as to evaluate the performance of the legal and compliance function.
- To evaluate the effectiveness of the Company's compliance function and overall management of compliance risk.

Other responsibilities

- Review governance related matters that may be considered/requested by the Board from time to time.
- Review sustainability related matters, including the Sustainability Framework, material matters, sustainability performance and reporting.
- To carry out such other assignments as may be agreed upon or delegated by the Board.
- Strengthen the role of the independent directors by giving them a greater depth of knowledge as to the operations of the Company.

AUTHORITY

The BRC has the following authority as empowered by the Board:

- a. Investigate any matter within its terms of reference.
- b. Seek any information it requires from employees who are required to cooperate with any request made by Committee.
- c. Full and unrestricted access to any information pertaining to the Company.
- d. Direct communication channels with internal and external auditors and with senior management of the Company.
- e. Adequate resources required to perform its duties including legal or other independent professional advice as it considers necessary, at the expense of the Company.
- f. Report to Bursa Securities any matter that has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, after the matter has been reported to the Board.

The Chairman of the Committee shall engage on a continuous basis with the Chairman of the Board and Senior Management including the Managing Director, Chief Risk Officer and Chief Compliance Officer in order to be kept informed of matters affecting the Company.

PERFORMANCE

On an annual basis, the Board via the Nominating Committee will review and evaluate the performances of the BRC to determine whether the BRC and its members have carried out their duties in accordance with their terms of reference.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

■ INTRODUCTION

In line with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”), the Board of Directors (the “Board”) of a listed issuer is required to include in its Company’s Annual Report a statement on the state of internal control of the listed issuer. This statement which comprises the main features of risk management and internal control within AEON Credit Service (M) Berhad (“Company”) has been prepared in accordance to:

- a) Statement on Risk Management & Internal Control – Guidelines for Directors of Public Listed Issuers which was approved by Bursa Securities; and
- b) Malaysian Code on Corporate Governance 2017 (“MCCG”).

The Statement outlines the key features of the risk management and internal control system of the Company during the year under review.

Board Responsibilities

The Board is responsible to review and approve the Company’s overall risk strategy, including risk appetite, risk tolerance and overseeing its implementation to support the sustainability initiatives of the Company. The Board also acknowledges the presence of a sound internal control system in safeguarding shareholders’ interest, as well as to ensure compliance with applicable laws and regulations. In light of the above, the Board affirms that there is a proper risk management process in place to identify, evaluate and manage significant or emerging risks that could derail the Company’s aim in meeting its objectives.

The risk management and internal control framework is designed to manage rather than to eliminate the risk of failure in the achievement of goals and objectives of the Company. The system can therefore only provide reasonable and not absolute assurance against the occurrence of material misstatement or loss, and that the risk management process is designed to minimise or mitigate it.

In acknowledging that having a sound risk management and internal control system is crucial, the Board has established a governance structure that ensures effective oversight of risks and internal controls in the Company. For this, the Board is assisted by the Audit Committee (AC) and the newly formed Board Risk Committee (“BRC”) to provide primary oversight responsibilities on the Company’s risk management and internal control system. The Board remains responsible for the governance of the risk and internal controls with regard to the execution of the delegated oversight responsibilities.

On 16 April 2019, the first BRC meeting was conducted with the purpose of overseeing the Company’s risk and compliance particularly on the adequacy and effectiveness of risk management and compliance processes. The BRC is also responsible to review the Company’s sustainability related matters, including Sustainability Framework, material matters covering Environment, Social and Governance (ESG) risks, and sustainability reporting. For more details on the function of the BRC, please refer to pages 84 to 86, Board Risk Committee Report.

Management Responsibilities

The Management’s overall responsibility is to assist the Board in implementing the Company’s policies and procedures on risk and control by:

- Identifying, assessing, monitoring and reporting risks and internal control, as well as taking proper actions. In identifying and mitigating or minimising the risks, it is relevant to the business of the Company to ensure the achievement of its objectives and goals.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Continuously review the changes in the market environment, be it economic, environmental, political or social, on any emerging risks that could affect the Company and its businesses.
- Implementing remedial action to address deficiencies that were being identified and tracked for closure. Thereafter, to report to the Board for deliberation.
- Formulating and reviewing relevant policies and procedures to manage risks in accordance to the Company's strategic goals.
- Reporting in timely manner to the Board on any changes in risks or emerging risks, and the corresponding corrective actions taken.

The Management has further assured the Board that the Company's risk management and internal control system is operating adequately and effectively in all material aspects with the necessary processes being implemented.

■ RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The key functions and processes that the Board has established in reviewing the adequacy and effectiveness of risk management and internal control system include the following:

Risk Management

Risk Management has become an important driver to support business strategies while balancing the appropriate level of risk taken without exposing itself to unacceptable potential losses or reputational damage. The Company has adopted the Enterprise Risk Management (ERM) Framework that sets out the mechanism and processes in managing risk management.

The BRC is assisted by the Risk Management Committee (RMC) to review the effectiveness of risk management. The RMC comprises the key management team of the Company, which includes the Managing Director, Divisional Heads and Group Heads. The RMC meetings, coordinated by the Risk Management Department are held on monthly basis, to address risk and compliance issues together with mitigating measures, reviewing policies and procedures and deliberating key emerging issues that possibly impact the Company. Any new or changes in policies related to risk and compliance, are reviewed and recommended by the RMC to the BRC, and subsequently to the Board for approval.

The key features of the ERMF include:

Risk Appetite

It is defined as the amount and types of risk that the Company is willing to accept, in pursuit of its business objectives.

The Company's risk appetite is an integral component of the Company's robust risk management framework. The risk appetite also provides a structure in understanding risk and is embedded in the day to day business activities.

Risk Governance & Oversight

Risk governance provides a formalized and transparent structure that promotes involvement from the Board and management in the risk management process to ensure a uniformed view of risk across the Company.

The Company had put in place a model of Three Line of Defense in managing risk and compliance collectively based on their roles below:

1st Line of Defense – Risk Taking

Business units are the owners of the risk, responsible to identify, manage and mitigate their risks.

2nd Line of Defense – Risk Controlling

Risk control functions are represented by the Risk Management, Legal & Compliance and Quality Management Department.

Risk Management is responsible to formulate and deploy overall risk management framework as well as developing and assessing related risk tools and methodologies across the Company.

Legal and Compliance is responsible to provide advice to Business units to ensure the Company's compliance to applicable law and regulations, whilst minimising the risk of non-compliance.

Quality Management ensures that the internal policies, procedures and ISO Management System Standards are adhered to.

3rd Line of Defense – Assurance Party

Internal audit is responsible to provide independent assessment and assurance on the adequacy and effectiveness of internal control related to process, risks and compliance, and governance functions.

Risk and Compliance Culture

Risk Management Department continuously seeks to build a strong risk management and compliance culture by promoting awareness, ownership, and accountability. Training, e-learning and awareness are being emphasized in order to promote the risk and compliance culture.

Risk and Compliance related policies and procedures are reviewed on a periodic basis to meet changes in the business environment, as well as the requirements of applicable law and regulations.

As part of the risk and compliance culture, the Company has instilled a culture where the Board, management and all employees of the Company are committed to adhere to the requirement of relevant laws and regulations. This commitment is clearly demonstrated through the establishment and strengthening of policies, processes and controls in managing and preventing non-compliance.

Risk Management Process

a) Risk Identification

It is a process of identification, understanding and assessment of inherent risk for relevant products, new products or processes and business initiatives. It enables early detection of risk and ensures sound risk management practices are in place.

b) Risk Evaluation and Treatment

A combination of qualitative and quantitative methods are used by the Management to assess and evaluate the risk identified from two perspectives – risk likelihood and impact parameters. Management will then decide, in consultation with Risk Management Department on the risk treatment options for subsequent implementation. Treatment options are being monitored and tracked till closure in order to mitigate the identified risk effectively from future occurrence.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

c) Risk Monitoring and Reporting

Monitoring of early warning and key indicators are crucial in alerting the management on any potential risk events, and to put in place timely action to mitigate the potential risk. The results are then being reported and communicated at the respective platform.

d) Communication

The Company, through the Risk Management Department, continuously communicates and engages with stakeholders to identify possible risks in addition to the events and circumstances that could affect the achievement of the objectives which includes the realization of the opportunities.

Internal Control System

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 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.

To ensure that a sound system of controls is in place, the Board has established primary processes in reviewing the adequacy and integrity of the system of internal controls. The primary processes include:

- An annual business plan and budget which are submitted to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis for Management responses and actions, where applicable. Board reviews monthly reports from the management on the key operating statistics and risk management, and feedback on actions required are furnished to the senior management team.
- The Company core values and Code of Conduct 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 a 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 updated as and when necessary to improve on the control environment and operational efficiency.
- During the financial year, the Company has established additional policies in order to strengthen the overall governance. These policies were reviewed by the RMC, the BRC and subsequently approved by the Board. The policies mentioned are:

a) Anti-Bribery Management Policy

The Company has recently implemented the Anti-bribery management policy to prevent, detect and respond to bribery and to comply with applicable laws and regulations. The Company has also established and performed the corruption risk assessment in order to assess the key risk areas and to identify the required relevant controls. In supporting the anti-bribery initiatives, the Company has implemented the Entertainment and No-Gift Policy in order to set the appropriate guidelines for the Company.

b) Cyber Security Policy

Cyber threats are becoming more prevalent worldwide. In addressing this, the Company had established comprehensive guidelines on the Cyber Security Program, to provide guidance for the Company in managing cyber security risk to ensure adequate cyber-security preparedness on a continuous basis.

c) Whistleblowing Policy

The Company has implemented a whistle blowing policy and whistle blowing channel to provide an avenue for employees and the public to report actual or suspected malpractices, misconducts or violations of the Company's policies and regulations in a secure and confidential manner.

- Various Management Committees have been established to assist and support the Board such as the Company's Executive Committee, Risk Management Committee, Investment Committee, Disciplinary Action Committee, Human Resource Development Committee, IT Steering Committee and Credit Committee.
- 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, the Management regularly conducts evaluation of internal controls in the Company that have a significant and pervasive impact over financial reporting and internal controls. In addition, the Company has engaged Messrs Deloitte PLT to conduct an annual assessment on the effectiveness of internal controls on financial reporting and furnishes a report including related findings, if any.

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

■ INTERNAL AUDIT FUNCTION

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, finance, information systems as well as outsourced activities. 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.

For more details on the function of the Internal Audit Department, please refer to page 83, Audit Committee Report.

■ REVIEW OF STATEMENT BY EXTERNAL AUDITORS

According to Paragraph 15.23 of the MMLR, this Statement been reviewed by external auditors for the financial year ended 29 February 2020. The limited assurance was conducted in accordance with the Audit Assurance Practice Guide 3 (AAPG3), which was issued by the Malaysian Institute of Accountants (MIA), and it does not require the external auditors to form an opinion on the effectiveness and adequacy of the Company's risk management and internal control system.

■ 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 Officer 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.

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 (CA) to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs), the requirements of the CA and the MMLR of Bursa Securities.

The Directors are responsible to ensure that the financial statements of the Company are prepared with reasonable accuracy from the accounting records so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the results and cash flows of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements on a going concern basis.

The Directors have overall responsibility for taking such steps necessary to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

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 or payable for the financial year ended 29 February 2020 to the External Auditors and a firm or corporation affiliated to the External Auditors are set out below:

	RM'000
Audit Fees	
- Statutory audit	190
- Assurance and compliance related services	345
Total	535
Non-Audit Fees	
- Statement of Risk Management and Internal Control review	10
- Regulatory reporting review	30
Total	40

3. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Twenty-Second Annual General Meeting ("AGM") held on Thursday, 20 June 2019, the Company obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions of a revenue or trading nature. The disclosure of the recurrent related party transactions conducted during the financial year ended 29 February 2020 is set out on pages 144 to 147 of the Annual Report.



FINANCIAL STATEMENTS

96	Directors' Report
100	Independent Auditors' Report
104	Statement of Financial Position
105	Statement of Profit or Loss and Other Comprehensive Income
106	Statement of Changes in Equity
107	Statement of Cash Flows
109	Notes to the Financial Statements
171	Statement by Directors and Statutory Declaration

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 29 February 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of easy payment schemes, personal financing schemes and issuance of payment cards under the international brand names of Visa and MasterCard. The personal financing schemes and certain easy payment schemes are based on Islamic principles.

RESULTS

	RM'000
Profit for the financial year	292,046

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

The dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 28 February 2019:	
- Final single-tier dividend of 22.35 sen per ordinary share, paid on 18 July 2019	56,075
In respect of the financial year ended 29 February 2020:	
- Interim single-tier dividend of 22.25 sen per ordinary share, paid on 7 November 2019	56,426
Total	112,501

The Directors propose a final single-tier dividend of 14.00 sen per share, amounting to approximately RM35,507,000 computed based on the outstanding issued and paid-up capital held by the Company of 253,619,123 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 final dividend payment will be accounted for in equity as an appropriation of retained earnings in the financial year ending 28 February 2021.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from 250,840,151 ordinary shares to 253,619,123 ordinary shares by way of the issuance of 2,778,972 new ordinary shares pursuant to the conversion of 30,541,202 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.

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

On 21 September 2017, the Company issued 432,000,000 units of 3-year, 3.5% ICULS amounting to RM432,000,000 for the purpose of working capital.

The salient features of the ICULS are set out in Note 21 to the financial statements.

As at the end of the financial year, 18,563,472 units of ICULS remained outstanding.

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:

Ng Eng Kiat
Yuro Kisaka (appointed on 20 June 2019)
Dato' Md Kamal bin Ismaun
Tomokatsu Yoshitoshi
S Sunthara Moorthy A/L S Subramaniam
YBhg. Datuk Adinan bin Maning
Datin Khoo Pek Ling
Datin Yasmin Ahmad Merican
Rashidah binti Abu Bakar
Masaaki Mangetsu (appointed on 20 June 2019)
Lee Tyan Jen
Kenji Fujita (retired on 20 June 2019)
Tetsuro Takano (retired on 20 June 2019)

DIRECTORS' INTERESTS

According to the Register of Directors Shareholdings, the interests of Directors in office at the end of the financial year in the ordinary shares and ICULS of the Company were as follows:

	At 1.3.2019/ Date of appointment	Number of ordinary shares		At 29.2.2020
		Bought	Sold	
Direct interest:				
Ng Eng Kiat	21,321	—	—	21,321
Yuro Kisaka	82,080	—	—	82,080
Dato' Md Kamal bin Ismaun	9,000	—	—	9,000
Datin Yasmin Ahmad Merican	20,000	—	—	20,000
Lee Tyan Jen	35,661	—	—	35,661

DIRECTORS' REPORT

DIRECTORS' INTERESTS (Continued)

	At 1.3.2019	Number of ICULS		At 29.2.2020
		Bought	Converted	
Direct interest:				
Dato' Md Kamal bin Ismaun	18,000	–	–	18,000
Lee Tyan Jen	72,500	–	–	72,500

None of the other directors in office at end of the financial year hold shares or had beneficial interest in the shares of the Company or its related companies during or at the beginning and end of the financial year.

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 25 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 the Director 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.

OTHER STATUTORY INFORMATION

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 be realised 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 of the Company 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.

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 which is likely to affect substantially the results of the Company's operations for the financial year in which this report is made.

INDEMNITY AND INSURANCE COSTS

The Company maintains Directors' and Officers' liability insurance for purposes of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the Directors of the Company. The amount of insurance coverage and premium paid for Directors and Officers of the Company during the year amounted to RM10,000,000 and RM28,700 respectively.

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

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 are listed on the Tokyo Stock Exchange.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 29 February 2020 is as disclosed in Note 25 to the financial statements.

SIGNIFICANT EVENT AFTER FINANCIAL REPORTING DATE

Significant event after financial reporting date is as disclosed in Note 38 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,

NG ENG KIAT

YURO KISAKA

Kuala Lumpur
5 May 2020

INDEPENDENT AUDITORS' REPORT

To the Members of AEON Credit Service (M) Berhad
(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 29 February 2020, 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 104 to 170.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 29 February 2020, 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 MATTERS (Continued)

Key Audit Matter	Our audit performed and responses thereon
<p>Impairment of financing receivables</p> <p>As at February 2020, financing receivables stand at RM9,704,121,000 (2019: RM8,105,779,000) representing 93.0% (2019: 93.6%) of total assets of the Company. MFRS 9 requires such financing receivables to be measured using expected credit losses (ECL) model.</p> <p>The measurement of ECL is complex and requires the application of significant judgement which includes the identification of credit exposures with significant deterioration in credit quality, assumptions used in the ECL models such as the expected future cash flows, time value of money, forward-looking macroeconomic factors and probability-weighted multiple scenarios.</p> <p>Refer to the significant accounting policy in Note 3 to the financial statements, the disclosure of financing receivables in Note 9 to the financial statements and the disclosure of credit risk in Note 33 to the financial statements.</p>	<p>Our audit procedures included, among others:</p> <p>Evaluation of the design and implementation of key controls over impairment of financing receivables, including the governance over the ECL methodology and model development.</p> <p>Involved financial risk specialists to;</p> <ul style="list-style-type: none"> • assess whether the Company's enhanced ECL model on financing receivables is in accordance with MFRS 9. The assessment includes assessment of significant assumptions and considerations applied by the Company in the ECL model to address the requirements of MFRS 9 such as criteria for significant deterioration in credit quality, expected future cash flows, time value of money, forward-looking macroeconomic factors and probability-weighted multiple scenarios; independently recompute the Company's provision for impairment based on the Company's enhanced ECL model against the impairment of financing receivables recorded by the Company; and • perform an independent ECL assessment based on data derived from the Company's financing receivables and compared the independent estimate developed against the impairment of financing receivables recorded by the Company. <p>Involved information technology specialists to test the inputs into the enhanced ECL model developed to ensure accuracy and completeness of inputs using computer assisted audit techniques.</p>

INDEPENDENT AUDITORS' REPORT

To the Members of AEON Credit Service (M) Berhad
(Incorporated in Malaysia)

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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 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 MATTER

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.

DELOITTE PLT (LLP0010145-LCA)
AF 0080
Chartered Accountants

WONG KAR CHOON
Partner - 03153/08/2020 J
Chartered Accountant

5 May 2020

STATEMENT OF FINANCIAL POSITION

As at 29 February 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Non-current Assets			
Plant and equipment	5	141,161	118,676
Right-of-use assets	6	70,997	–
Investments	7	48,699	70,604
Deferred tax assets	8	213,801	153,916
Financing receivables	9	6,265,390	6,003,628
Total Non-current Assets		6,740,048	6,346,824
Current Assets			
Financing receivables	9	3,438,731	2,102,151
Other receivables, deposits and prepayments	10	83,564	89,103
Amount owing by related companies	28	10,706	6,069
Derivative financial assets	11	28,810	19,178
Cash, bank balances and deposits	12	132,798	92,429
Total Current Assets		3,694,609	2,308,930
TOTAL ASSETS		10,434,657	8,655,754
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	565,448	534,907
Irredeemable Convertible Unsecured Loan Stocks ("ICULS") equity	21	14,107	43,800
Hedging reserve	14	(115,870)	(21,491)
Fair value reserve	15	27,571	37,528
Retained earnings	16	1,066,103	904,237
Equity attributable to ordinary equity holders of the Company		1,557,359	1,498,981
Perpetual notes and sukuk	17	200,000	376,000
Total Equity		1,757,359	1,874,981
Non-current Liabilities			
Borrowings	18	5,597,516	5,616,006
ICULS liabilities	21	–	1,595
Lease liabilities	6	52,037	–
Total Non-current Liabilities		5,649,553	5,617,601
Current Liabilities			
Borrowings	18	2,600,152	814,006
Trade payables	19	32,913	27,032
Other payables and accruals	20	204,348	168,962
Amount owing to immediate holding company	28	6,978	6,917
Amount owing to related companies	28	5,702	5,762
Derivative financial liabilities	11	132,577	105,495
ICULS liabilities	21	630	1,635
Lease liabilities	6	19,140	–
Tax liabilities		25,305	33,363
Total Current Liabilities		3,027,745	1,163,172
Total Liabilities		8,677,298	6,780,773
TOTAL EQUITY AND LIABILITIES		10,434,657	8,655,754

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 29 February 2020

	Note	2020 RM'000	2019 RM'000
Interest income, profit revenue and finance charges		1,404,372	1,190,369
Fee income	22	194,403	175,474
Revenue		1,598,775	1,365,843
Staff costs	23	(250,085)	(224,013)
Depreciation of plant and equipment		(45,353)	(36,160)
Operating expenses		(629,643)	(563,879)
(Allowance)/Reversal of allowance for impairment			
loss on financing receivables		(103,952)	29,573
Other income		145,921	153,707
Profit from operations		715,663	725,071
Finance cost	24	(325,222)	(252,880)
Profit before tax	25	390,441	472,191
Taxation	26	(98,395)	(117,567)
Profit for the financial year		292,046	354,624
Other comprehensive income, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net changes in cash flow hedge		(94,379)	(11,509)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Net fair value changes on investments at fair value			
through other comprehensive income		(9,991)	37,528
Total other comprehensive income for the financial year		(104,370)	26,019
Total comprehensive income for the year		187,676	380,643
Profit attributable to equity holders of the Company		292,046	354,624
Total comprehensive income attributable to equity holders of the Company		187,676	380,643
Earnings per ordinary share attributable to owners of the Company (sen)			
Basic	27	107.48	133.55

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

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 29 February 2020

Note	Non-distributable			Distributable			Total RM'000
	Share capital RM'000	ICULS equity RM'000	Perpetual notes and sukuk RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
At 1 March 2018	508,629	68,306	276,000	(9,982)	–	1,014,550	1,857,503
Effect of change in accounting policy due to adoption of MFRS 9, net of tax	–	–	–	–	32,351	(344,527)	(312,176)
At 1 March 2018, as restated	508,629	68,306	276,000	(9,982)	32,351	670,023	1,545,327
Cash flow hedge, net of tax	–	–	–	(11,509)	–	–	(11,509)
Fair value through other comprehensive income	–	–	–	–	5,177	–	5,177
Profit for the year	–	–	–	–	–	354,624	354,624
Total comprehensive income for the year	–	–	–	(11,509)	5,177	354,624	348,292
Conversion of ICULS 21	26,278	(24,397)	–	–	–	–	1,881
Deferred tax effects on ICULS 21	–	(109)	–	–	–	–	(109)
Issuance of perpetual notes and sukuk 17	–	–	200,000	–	–	–	200,000
Placement fee of issuance of perpetual notes and sukuk 17	–	–	–	–	–	(1,030)	(1,030)
Redemption of perpetual notes 17	–	–	(100,000)	–	–	–	(100,000)
Distribution on perpetual notes and sukuk, net of tax 29	–	–	–	–	–	(13,659)	(13,659)
Dividends 29	–	–	–	–	–	(105,721)	(105,721)
At 28 February 2019/ 1 March 2019	534,907	43,800	376,000	(21,491)	37,528	904,237	1,874,981
Cash flow hedge, net of tax	–	–	–	(94,379)	–	–	(94,379)
Fair value through other comprehensive income	–	–	–	–	(9,991)	–	(9,991)
Profit for the year	–	–	–	–	–	292,046	292,046
Total comprehensive income for the year	–	–	–	(94,379)	(9,991)	292,046	187,676
Conversion of ICULS 21	30,541	(29,646)	–	–	–	–	895
Deferred tax effects on ICULS 21	–	(47)	–	–	–	–	(47)
Redemption of perpetual notes 17	–	–	(176,000)	–	–	–	(176,000)
Distribution on perpetual notes and sukuk, net of tax 29	–	–	–	–	–	(17,645)	(17,645)
Dividends 29	–	–	–	–	–	(112,501)	(112,501)
Transfer upon the disposal of equity investment designated at fair value through other comprehensive income	–	–	–	–	34	(34)	–
At 29 February 2020	565,448	14,107	200,000	(115,870)	27,571	1,066,103	1,757,359

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

STATEMENT OF CASH FLOWS

For the Financial Year Ended 29 February 2020

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		390,441	472,191
Adjustments for:			
Interest income/profit revenue		(2,043)	(1,207)
Gain on disposal of plant and equipment		(321)	(142)
Finance costs		322,358	252,880
Interest expense on lease liabilities		2,864	–
Depreciation of plant and equipment		45,353	36,160
Depreciation of right-of-use assets		19,581	–
Impairment loss on financing receivables		450,313	308,372
Write-off of plant and equipment		411	372
Operating Profit Before Changes in Working Capital		1,228,957	1,068,626
Changes in working capital:			
Financing receivables		(2,048,655)	(1,711,178)
Other receivables, deposits and prepayments		5,539	(36,488)
Amount owing by related companies		(4,637)	(4,993)
Trade payables		5,881	5,277
Other payables and accruals		28,424	40,937
Amount owing to immediate holding company		61	360
Amount owing to related companies		(60)	3,537
Cash held in trust for customers		(10,349)	(9,632)
Cash held in trust for a related company		3,110	3,873
Cash Used In Operations		(791,729)	(639,681)
Tax paid		(119,157)	(108,364)
Net Cash Used In Operating Activities		(910,886)	(748,045)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(68,257)	(62,935)
Proceeds from disposal of plant and equipment		329	143
Additions to investments		–	(2,855)
Proceeds from disposal of an investment		63	–
Interest received		2,043	1,207
Net Cash Used In Investing Activities		(65,822)	(64,440)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to equity holders of the Company		(112,501)	(105,721)
Proceeds from bank borrowings		9,898,129	4,615,640
Repayment of bank borrowings		(8,262,215)	(3,489,930)
Coupon payment of ICULS		(1,698)	(2,144)
Distribution paid to perpetual notes and sukuk holders		(23,217)	(17,973)
Repayment of lease liabilities		(22,265)	–
Redemption of perpetual notes		(176,000)	(100,000)
Issuance of perpetual notes and sukuk		–	200,000
Issuance expenses relating to perpetual notes and sukuk		–	(1,030)
Increase in deposit held in trust account		(63)	(127)
Finance costs paid		(315,403)	(246,556)
Net Cash Generated From Financing Activities		984,767	852,159

STATEMENT OF CASH FLOWS

For the Financial Year Ended 29 February 2020 (Continued)

	Note	2020 RM'000	2019 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,059	39,674
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		58,429	18,755
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(i)	66,488	58,429

(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	2020 RM'000	2019 RM'000
Cash and bank balances	12	114,865	83,112
Deposits placed with licensed banks	12	17,933	9,317
		132,798	92,429
Bank overdrafts	18	(44,298)	(19,290)
Cash held in trust for a related company	12	(1,841)	(4,951)
Cash held in trust for customers	12	(19,981)	(9,632)
Deposit held in trust account	12	(190)	(127)
		66,488	58,429

(ii) *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 statement of cash flows as cash flows from financing activities:

	Borrowings (Note 18)	
	2020 RM'000	2019 RM'000
At beginning of year	6,430,012	5,554,119
Drawdowns/(Repayments) of bank overdraft	25,008	(36,812)
Proceeds from bank borrowings	9,898,129	4,615,640
Repayments of bank borrowings	(8,262,215)	(3,489,930)
Foreign exchange movement	106,734	(213,005)
At end of year	8,197,668	6,430,012

Included in the proceeds from bank borrowings and repayment of bank borrowings are the issuance of Islamic commercial paper of RM5,540,000,000 (2019: RM200,000,000) and redemption of Islamic commercial paper of RM5,030,000,000 (2019: RM50,000,000) respectively, which are on short term and clean basis.

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 payment cards under the international brand names of Visa and MasterCard. The personal financing schemes and certain easy payment schemes are based on Islamic principles.

The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, 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 are listed on the Tokyo Stock Exchange.

The financial statements were approved and authorised for issue in accordance with a Board of Directors' resolution dated 5 May 2020.

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 thousand (RM'000 or '000), unless otherwise stated.

Adoption of New MFRS, Issues Committee ("IC") Interpretation and Amendments to MFRSs

In the current financial year, the Company adopted all the new MFRS, Amendment to MFRS and IC Interpretations issued by Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for financial periods commencing on or after 1 March 2019.

MFRS 16 *Leases*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Amendments to MFRSs *Annual Improvements to MFRSs 2015 - 2017*

The Company has adopted MFRS 16 for the first time in the 2020 financial statements, which resulted in changes in accounting policies, as described in Note 3. The Company has applied MFRS 16 with date of initial application of 1 March 2019 by applying the modified retrospective method. The impact of adoption of MFRS 16 is set out in Note 37. The adoption of other Amendments to MFRS and IC interpretation 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.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

New and Revised Standards and Amendments in issue but not yet effective

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

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to References to the Conceptual Framework in MFRS Standards

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

The Company will adopt the above Amendments when they become effective and that the adoption of these Amendments will have no material impact on the financial statements of the Company in the period of initial application.

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 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value-in-use in MFRS 136 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The principal accounting policies are set out below:

Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with a customer is satisfied, i.e. when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Company’s customary business practices.

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

Interest income/profit revenue and finance charges from easy payment schemes, 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 financing receivable or, when appropriate, a shorter year to the net carrying amount of the financing receivables.

(ii) Fee income from easy payment schemes, personal financing schemes, credit card business and extended warranty program

Fee income from easy payment schemes 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 from extended warranty program comprise commission earned for referral of extended warranty program.

Fee income is generally recognised when the relevant performance obligation has been fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax expense comprises current 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).

Deferred tax

Deferred tax is recognised using the liability method 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Ordinary shares that would be issued upon conversion of a mandatorily convertible instrument are included in the weighted average number of ordinary shares from the date of issuance of the instrument.

Leases

Policies applicable from 1 March 2019

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset that may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) Recognition and initial measurement

Company as a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to exercise the option; and
- Payments of penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an operating expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Policies applicable prior to 1 March 2019

Operating leases – The Company as a 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.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment (Continued)

(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. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal annual rates are as follows:

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

Impairment of non-financial assets

The carrying amounts of assets are reviewed at the end of each reporting period 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

(i) Initial recognition and measurement

Financial assets 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.

A financial asset is initially measured at fair value plus or minus, for an item not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance.

(ii) Classification and subsequent measurement

The Company has applied MFRS 9 and classifies its financial assets in the following measurement categories – amortised cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”).

The Company determines the classification of financial assets at initial recognition. The financial assets are not subsequently reclassified unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Financial assets are measured at amortised cost if the financial assets are held within a business model whose objective is to collect contractual cash flows and its contractual terms give rise to specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, these financial assets are measured at amortised cost using the EIR method. Interest income/profit revenue and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) FVTOCI

The Company designated all investments in equity instruments that are not held for trading as financial assets measured at FVTOCI on initial recognition. Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on equity instruments are recognised in profit or loss when the Company's right's to receive payment is established.

(c) FVTPL

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment of financial assets

Under MFRS 9, impairment model requires the recognition of expected credit loss ("ECL") for all financial assets, except for financial assets classified or designated as FVTPL and equity instruments classified under FVTOCI, which are not subject to impairment assessment.

The Company assesses ECL associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects an unbiased amount that is determined by reasonable as well as supportable information that is available without undue cost or effort at the end of the reporting period about past events and current conditions.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL - not credit-impaired

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL - not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL - credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD are based on the Company's historical experience and informed credit assessment with consideration of forward looking information described below.

As for the EAD, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the customers, and other relevant forward-looking information.

In the measurement of ECL, forward-looking adjustment is in accordance with the expected future macroeconomic conditions, including combination of statistical analysis and expert judgements based on the availability of detailed information. In addition, key macroeconomic variables encompassed in ECL measurement include probability-weighted scenarios based on available forecasts.

Significant increase in credit risk

At the end of each reporting period, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Company considers both quantitative information and analysis based on the Company's historical experience.

The Company assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on a basis of shared credit risk characteristics, taking into account the collection mode, disbursement period and other relevant factors.

If, in a subsequent period, the asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance for that financial asset reverts from lifetime ECL to 12-month ECL.

The Company determines whether a significant increase in credit risk has occurred based on number of days past due since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Company presumes that the credit risk of a borrower has increased significantly since initial recognition when contractual payment are more than 30 days past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Credit impaired (default)

At each reporting date, the Company assesses whether financial assets at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows on the financial assets have occurred.

The Company considers a financial asset to be in default when the principal or interest/profit or both the financing is past due for more than 90 days.

Forward-looking information

Forward-looking information considered includes the future prospects of the industries in which the Company's customers operate, obtained from reports of economic expert, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Write-offs

The Company write-offs a financial asset when there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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 recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the EIR method.

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the differences in the respective carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Company subsequently measure all equity investments at fair value. Where the Company's management has made an irrevocable election to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

(a) Perpetual notes

Perpetual notes are classified as equity when there is no contractual obligation to redeem the instrument. Distributions on perpetual notes are recognised in equity in the year in which they are paid. 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.

(b) Perpetual sukuk

Perpetual sukuk is classified as equity when there is no contractual obligation to redeem the instrument. Distributions on perpetual sukuk are recognised in equity in the year in which they are paid. 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.

(c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 EIR 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 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 as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately 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 expired. 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, cash held in trust of a related party and customers.

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 Company's 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 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.

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 other than as disclosed in Note 26(ii).

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 9) - measurement of impairment losses under MFRS 9 requires judgement. The impairment losses computed based on ECL models are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring impairment losses, such as determining criteria for significant increase in credit risk, choosing the appropriate models, determining the suitability of forward-looking information and the number of probability weighting outcome scenario.
- (ii) Deferred tax assets (Note 8) - 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.
- (iii) Fair value estimation of financial instruments (Note 7 and Note 11) - The fair value of financial instruments measured at fair value are determined using a variety of valuation techniques. The Company generally uses widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities, discount rates, growth rates and cash flow projections.

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 2018	6,004	162,628	3,181	6,258	45,965	9,162	233,198
Additions	1,143	20,688	579	6,127	2,726	31,672	62,935
Disposals	(26)	(6)	(355)	–	–	–	(387)
Write-off	(1,172)	(25,339)	–	(220)	(4,061)	–	(30,792)
Reclassification	557	30,860	–	3,412	3,379	(38,208)	–
At 28 February 2019/ 1 March 2019	6,506	188,831	3,405	15,577	48,009	2,626	264,954
Additions	1,105	28,736	–	365	273	37,778	68,257
Disposals	(2)	–	(911)	–	–	–	(913)
Write-off	(295)	(979)	–	(406)	(1,165)	–	(2,845)
Reclassification	246	15,170	–	775	7,136	(23,327)	–
At 29 February 2020	7,560	231,758	2,494	16,311	54,253	17,077	329,453
Accumulated Depreciation							
At 1 March 2018	4,175	115,230	2,339	2,453	16,727	–	140,924
Charge for the year	968	20,959	513	4,179	9,541	–	36,160
Disposals	(25)	(6)	(355)	–	–	–	(386)
Write-off	(1,128)	(25,256)	–	(208)	(3,828)	–	(30,420)
Reclassification	(86)	–	–	(454)	540	–	–
At 28 February 2019/ 1 March 2019	3,904	110,927	2,497	5,970	22,980	–	146,278
Charge for the year	1,126	28,381	380	5,834	9,632	–	45,353
Disposals	(1)	–	(904)	–	–	–	(905)
Write-off	(253)	(793)	–	(332)	(1,056)	–	(2,434)
Reclassification	(25)	–	–	(131)	156	–	–
At 29 February 2020	4,751	138,515	1,973	11,341	31,712	–	188,292
Carrying amounts							
At 28 February 2019	2,602	77,904	908	9,607	25,029	2,626	118,676
At 29 February 2020	2,809	93,243	521	4,970	22,541	17,077	141,161

6. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	Buildings RM'000	Computer equipment RM'000	Total RM'000
Carrying amounts			
At 1 March 2019	–	–	–
Effect of adoption of MFRS 16	67,550	–	67,550
At 1 March 2019, as restated	67,550	–	67,550
Additions	9,231	13,797	23,028
Depreciation charge for the year	(19,347)	(234)	(19,581)
At 29 February 2020	57,434	13,563	70,997

The Company leases several assets including buildings and computer equipment. The lease terms range from one to six years.

The lease liabilities component is analysed as follows:

	2020 RM'000
Non-current	52,037
Current	19,140
	71,177

The Company does not face a significant liquidity risk with regard to its lease liabilities.

	2020 RM'000
Amount recognised in profit or loss	
Depreciation of right-of-use assets	19,581
Interest expense on lease liabilities	2,864
Expenses relating to short-term leases	5,014
Expenses relating to leases of low value assets	6,078

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS

	2020 RM'000	2019 RM'000
Fair value through other comprehensive income		
Equity ownership in foreign corporations:		
Unquoted shares (Note 34)	48,699	70,604

Details of the investments are as follows:

Name of Company	Country of incorporation	Principal activities	Effective equity interest	
			2020 %	2019 %
AEON Credit Service (Philippines) Inc. ("ACSP")	Philippines	Provision of financial services	5	10
AEON Credit Service India Private Limited ("ACSI")	India	Provision of non-banking financial services	7	7
PT. AEON Credit Service Indonesia ("ACSID")	Indonesia	Provision of financial services	5	5
AEON Credit Service Systems (Philippines) Inc. ("ACSS")	Philippines	Provision of information technology services	–	3

The Company designated these investments as FVTOCI because it does not have influence over their activities and distribution policies. The Company intends to hold its interest for long-term strategic purposes.

During the year, the Company converted all of its 209,000 ACSP's preference shares of PHP1,000 each held into 209,000 ordinary shares with par value of PHP1,000 each. Subsequently, ACSP has also increased its authorised and paid up share capital from PHP500,000,000 to PHP3,500,000,000 following a shareholding restructuring. Consequently, the effective equity interest of the Company decreased from 10% to 5%.

On 1 August 2019, the Company sold its shares in ACSS for a cash consideration of PHP753,850, equivalent to RM63,000. Prior to the disposal, the fair value of investment was RM854,000 and a fair value loss of RM791,000 was recognised in fair value reserve. The net loss of RM34,000 on disposal was recognised in equity for the financial year.

8. DEFERRED TAX ASSETS

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

	2020 RM'000	2019 RM'000
Plant and equipment	(7,059)	(3,899)
Hedging reserve	36,585	6,780
Impairment loss on financing receivables	131,192	118,020
Recognition of interest income/profit revenue	42,086	36,512
Provision for bonus and others	11,160	8,301
ICULS	6	53
Investments	–	(11,851)
Leases	(169)	–
Net deferred tax assets	213,801	153,916

Movement in temporary differences during the year

	At 1 March 2018 RM'000	Adjustments on initial application of MFRS 9 RM'000	At 1 March 2018, restated RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income RM'000	Recognised in ICULS equity RM'000	At 28 February 2019 RM'000
Plant and equipment	(2,421)	–	(2,421)	(1,478)	–	–	(3,899)
Hedging reserve	3,145	–	3,145	–	3,635	–	6,780
Impairment loss on financing receivables	11,863	108,080	119,943	(1,923)	–	–	118,020
Recognition of interest income/profit revenue	32,121	–	32,121	4,391	–	–	36,512
Provision for bonus and others	6,943	–	6,943	1,358	–	–	8,301
ICULS	162	–	162	–	–	(109)	53
Investments	–	(10,216)	(10,216)	–	(1,635)	–	(11,851)
	51,813	97,864	149,677	2,348	2,000	(109)	153,916

NOTES TO THE FINANCIAL STATEMENTS

8. DEFERRED TAX ASSETS (Continued)

Movement in temporary differences during the year (Continued)

	At 1 March 2019 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income RM'000	Recognised in ICULS equity RM'000	At 29 February 2020 RM'000
Plant and equipment	(3,899)	(3,160)	–	–	(7,059)
Hedging reserve	6,780	–	29,805	–	36,585
Impairment loss on financing receivables	118,020	13,172	–	–	131,192
Recognition of interest income/profit revenue	36,512	5,574	–	–	42,086
Provision for bonus and others	8,301	2,859	–	–	11,160
ICULS	53	–	–	(47)	6
Investments	(11,851)	–	11,851	–	–
Leases	–	(169)	–	–	(169)
	153,916	18,276	41,656	(47)	213,801

9. FINANCING RECEIVABLES

	2020 RM'000	2019 RM'000
Total gross financing receivables	13,968,436	11,706,836
Less: Unearned carrying charges	(3,573,780)	(3,014,474)
	10,394,656	8,692,362
Less: Allowance for impairment loss	(690,535)	(586,583)
	9,704,121	8,105,779
Less: Non-current financing receivables	(6,265,390)	(6,003,628)
Current financing receivables	3,438,731	2,102,151

9. FINANCING RECEIVABLES (Continued)

Movements in allowance for impairment which reflects the ECL model on impairment are as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 March 2018	195,438	157,713	263,005	616,156
- Transfers to Stage 1	43,267	(37,788)	(5,479)	–
- Transfers to Stage 2	(10,818)	17,065	(6,247)	–
- Transfers to Stage 3	(2,638)	(17,122)	19,760	–
	29,811	(37,845)	8,034	–
Net measurement of allowances	(89,680)	38,431	385,419	334,170
Written off	–	–	(337,945)	(337,945)
New financial assets originated	92,521	24,913	46,027	163,461
Financial assets derecognised	(25,204)	(42,581)	(121,474)	(189,259)
At 28 February 2019/1 March 2019	202,886	140,631	243,066	586,583
- Transfers to Stage 1	15,610	(10,566)	(5,044)	–
- Transfers to Stage 2	(30,560)	46,595	(16,035)	–
- Transfers to Stage 3	(5,975)	(5,659)	11,634	–
	(20,925)	30,370	(9,445)	–
Net measurement of allowances	(3,160)	15	457,156	454,011
Changes to models/risk parameters	(5,466)	17,303	(49,509)	(37,672)
Written off	–	–	(346,361)	(346,361)
New financial assets originated	123,375	38,654	53,465	215,494
Financial assets derecognised	(31,630)	(42,980)	(106,910)	(181,520)
At 29 February 2020	265,080	183,993	241,462	690,535

Included in gross financing receivables are:

- (i) An amount of RM9,073,145,000 (2019: RM7,038,204,000) relating to the Company's easy payment and personal financing schemes based on Islamic principles; and
- (ii) An amount of RM9,278,000 (2019: RM6,343,000) owing by related companies which is subject to normal trade terms.

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RM'000	2019 RM'000
Other receivables	25,899	38,233
Deposits	8,335	7,434
Prepayments	49,330	43,436
	83,564	89,103

11. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2020		2019	
	Notional value RM'000	Assets/ (Liabilities) RM'000	Notional value RM'000	Assets/ (Liabilities) RM'000
Derivatives used for hedging				
- Cross currency swaps	280,078	28,810	270,222	19,178
- Cross currency swaps	3,225,789	(132,577)	2,155,784	(105,495)

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

12. CASH, BANK BALANCES AND DEPOSITS

	2020 RM'000	2019 RM'000
Cash and bank balances	114,865	83,112
Deposits placed with licensed banks	17,933	9,317
	132,798	92,429

Included in cash, bank balances and deposits are the following:

	2020 RM'000	2019 RM'000
Cash held in trust for a related company in relation to a trust fund management for a loyalty points programme by the Company	1,841	4,951
Cash held in trust for customers in relation to a trust fund for Electronic money ("E-money")	19,981	9,632
Deposit held in trust account with licensed banks	190	127
	22,012	14,710

13. SHARE CAPITAL

	Number of shares		Amount	
	2020 '000	2019 '000	2020 RM'000	2019 RM'000
Issued and fully paid:				
At 1 March	250,840	248,449	534,907	508,629
Conversion of ICULS (Note 21)	2,779	2,391	30,541	26,278
At 29/28 February	253,619	250,840	565,448	534,907

14. HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to borrowings denominated in foreign currency.

15. FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of equity investment designated at FVTOCI until the investments are derecognised or impaired.

16. 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.

17. PERPETUAL NOTES AND SUKUK

	2020 RM'000	2019 RM'000
Perpetual notes	100,000	146,000
Perpetual sukuk	100,000	230,000
	200,000	376,000

(a) Perpetual notes

On 20 November 2013 and 27 November 2013, the Company issued unrated subordinated perpetual notes ("perpetual notes") with nominal value of RM14,750,000 and RM85,250,000 respectively under a perpetual private debt securities programme of up to RM400,000,000 in nominal value. On 21 November 2018 and 27 November 2018, upon obtaining approval from Bank Negara Malaysia ("BNM"), the Company has redeemed the RM14,740,000 and RM85,250,000 perpetual notes respectively.

On 11 April 2014 and 21 April 2014, the Company issued perpetual notes with nominal value of RM30,000,000 and RM16,000,000 respectively under a perpetual private debt securities programme. The Company has redeemed the RM30,000,000 and RM16,000,000 perpetual notes respectively on 11 April 2019 and 21 April 2019.

On 10 December 2018, the Company further issued perpetual notes in nominal value amounting to RM100,000,000 with a tenure of 5 years.

NOTES TO THE FINANCIAL STATEMENTS

17. PERPETUAL NOTES AND SUKUK (Continued)

(a) Perpetual notes (Continued)

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

- (i) The distribution rate for the year for five (5) years from issuance date is 6.65% (2019: 6.50% to 6.65%) per annum, with distributions 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 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 from 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 defined 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.

17. PERPETUAL NOTES AND SUKUK (Continued)

(b) Perpetual sukuk

On 30 December 2014, the Company issued unrated subordinated Islamic Perpetual Sukuk (“perpetual sukuk”) at par amounting to RM105,000,000 based on the Shariah Principles of Musharakah and Musawamah of up to RM400,000,000 in nominal value. On 30 December 2019, upon obtaining approval from BNM, the Company has redeemed the RM105,000,000 perpetual sukuk.

On 16 February 2015, the Company further issued perpetual sukuk amounting to RM25,000,000. The Company has redeemed the RM25,000,000 perpetual sukuk on 17 February 2020.

On 10 December 2018, the Company further issued perpetual sukuk in nominal value amounting to RM100,000,000 with a tenure of 5 years.

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 6.65% (2019: 6.50% to 6.65%) 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 from 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 defined 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

18. BORROWINGS

	Note	2020 RM'000	2019 RM'000
Non-current (Unsecured)			
Term loans/financing	(a)	5,098,913	5,616,006
Senior sukuk	(b)	498,603	–
		5,597,516	5,616,006
Current (Unsecured)			
Bank overdraft	(a)	44,298	19,290
Revolving credits	(a)	–	245,000
Islamic commercial paper	(a)	658,900	149,716
Term loans/financing	(a)	1,896,954	400,000
		2,600,152	814,006
		8,197,668	6,430,012

The currency profile of borrowings is as follows:

	2020 RM'000	2019 RM'000
Ringgit Malaysia		
- Term loans/financing	3,490,000	3,590,000
- Bank overdraft	44,298	19,290
- Islamic commercial paper	658,900	149,716
- Revolving credit	–	245,000
- Senior sukuk	498,603	–
	4,691,801	4,004,006
United States Dollar (“USD”)		
- Term loans/financing	3,505,867	2,426,006
	8,197,668	6,430,012

18. BORROWINGS (Continued)

(a) Bank overdraft, revolving credits, Islamic commercial paper and term loans/financing

The bank overdraft, revolving credits, Islamic commercial paper and term loans/financing are provided on clean basis.

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

As at 29 February 2020, the Company has banking facilities totaling RM12,045,000,000 (2019: RM9,226,000,000) obtained from licensed banks and financial institutions.

(b) Senior sukuk

On 17 December 2019, the Company lodged the Sukuk Wakalah Programme ("sukuk programme") with the Securities Commission Malaysia. The sukuk programme, under the Shariah principle of Wakalah Bi-Al Istithmar and Murabahah (via a Tawarruq arrangement), provides the Company with the flexibility to issue both senior sukuk and/or subordinated sukuk from time to time, subject to the aggregate outstanding nominal amount of the senior sukuk and/or subordinated sukuk not exceeding RM2,000,000,000 at any point in time.

On 10 February 2020, the Company completed the issuance of two (2) tranches of senior sukuk under the sukuk programme with a nominal value of RM300,000,000 and RM200,000,000 with tenures of seven (7) years and eight (8) years, respectively, as follows:

Tranche	Principal RM'000	Maturity date	Profit Rate	Profit payment
1	300,000	10 February 2027	3.80% per annum	Payable semi-annually in arrears
2	200,000	10 February 2028	3.85% per annum	Payable semi-annually in arrears

19. TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Company range from 2 to 3 (2019: 2 to 3) days.

20. OTHER PAYABLES AND ACCRUALS

	2020 RM'000	2019 RM'000
Other payables	45,785	43,936
Accruals	158,563	125,026
	204,348	168,962

NOTES TO THE FINANCIAL STATEMENTS

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

	Equity component RM'000	Liability component RM'000	Total RM'000
At 1 March 2018	68,306	7,367	75,673
Converted into ordinary shares during the year (Note 13)	(24,397)	(1,881)	(26,278)
Deferred tax effect (Note 8):			
- on conversion	(109)	–	(109)
Over accrual of interest	–	(112)	(112)
Coupon payment of ICULS	–	(2,144)	(2,144)
As at 28 February 2019/1 March 2019	43,800	3,230	47,030
Converted into ordinary shares during the year (Note 13)	(29,646)	(895)	(30,541)
Deferred tax effect (Note 8):			
- on conversion	(47)	–	(47)
Over accrual of interest	–	(7)	(7)
Coupon payment of ICULS	–	(1,698)	(1,698)
At 29 February 2020	14,107	630	14,737

The liability component is as follows:

	2020 RM'000	2019 RM'000
Current	630	1,635
Non-current	–	1,595
	630	3,230

On 21 September 2017, the Company completed a renounceable rights issue of a 3-year, 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, 2,778,972 (2019: 2,391,034) new ordinary shares were issued resulting from the conversion of 30,541,202 (2019: 26,278,536) units of ICULS (Note 13).

22. FEE INCOME

The timing of revenue recognition is as follows:

	2020 RM'000	2019 RM'000
Recognised at point in time	149,264	142,264
Recognised over time	45,139	33,210
	194,403	175,474

Except for fee income from extended warranty program and credit card annual fees, the Company's revenue from contracts with customers are recognised at the point in time as and when the services are rendered.

23. STAFF COSTS

	2020 RM'000	2019 RM'000
Salaries, wages, bonuses and allowances	209,906	189,028
Defined contribution plan	29,234	25,808
Other staff benefits	10,945	9,177
	250,085	224,013

24. FINANCE COSTS

	2020 RM'000	2019 RM'000
Interest/Profit expense on financial liabilities that are not stated at fair value through profit or loss:		
Bank overdraft	169	783
Islamic commercial paper	19,085	820
Revolving credits	10,303	5,823
Term loans/financing	291,812	245,566
Senior sukuk	996	–
ICULS interest	(7)	(112)
	322,358	252,880
Interest on lease liabilities	2,864	–
	325,222	252,880

NOTES TO THE FINANCIAL STATEMENTS

25. PROFIT BEFORE TAX

	2020 RM'000	2019 RM'000
Profit before tax is arrived at after charging:		
Auditors' remuneration:		
- Audit fees		
- statutory audit	190	173
- assurance and compliance related service	345	250
- Non-audit fees	40	211
Depreciation of plant and equipment (Note 5)	45,353	36,160
Depreciation of right-of-use assets (Note 6)	19,581	–
Write-off of plant and equipment (Note 5)	411	372
Impairment loss on (Note 9):		
- Financing receivables	450,313	308,372
Rental of expenses in respect of:		
- Office premises	5,014	23,016
- Motor vehicles	7	6
- Office equipment	6,078	2,974
And after crediting:		
Bad debts recovered	125,326	135,647
Gain on disposal of plant and equipment	321	142
Interest income/profit revenue	2,043	1,207

Compensation of Key Management Personnel

The remuneration of the Directors during the year are as follows:

	2020 RM'000	2019 RM'000
Directors' remuneration:		
Fees	1,528	1,177
Remuneration	1,699	2,272
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	64	330
	3,291	3,779

26. TAXATION

(i) Tax expenses

	2020 RM'000	2019 RM'000
Income tax payable:		
Current financial year	120,582	121,749
Over provision in prior years	(3,911)	(1,834)
	116,671	119,915
Deferred tax (Note 8):		
Current year	(21,225)	(5,000)
Under provision in prior years	2,949	2,652
	(18,276)	(2,348)
Total tax expenses	98,395	117,567

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:

	2020 RM'000	2019 RM'000
Profit before tax	390,441	472,191
Tax calculated using Malaysian income tax rate of 24% (2019: 24%)	93,706	113,326
Tax effect of non-deductible expenses	5,651	3,423
	99,357	116,749
Over provision in prior years		
- current tax	(3,911)	(1,834)
Under provision in prior years - deferred tax	2,949	2,652
	98,395	117,567
Deferred tax recognised directly in other comprehensive income		
Cash flow hedge reserve	29,805	3,635
Fair value through other comprehensive income	11,851	(1,635)

NOTES TO THE FINANCIAL STATEMENTS

26. 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 it is relying on 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 solicitor 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 also initiated the necessary legal proceedings to defend and safeguard its position as follows:

(a) Stay of Proceedings

The application for a Stay of Proceedings was filed with the Kuala Lumpur High Court on 14 December 2017. The Kuala Lumpur High Court did not grant the Company's application on 8 May 2018. The Company filed its appeal to the Court of Appeal against this decision on the same day. However, on 5 April 2019, the Court of Appeal dismissed the Company's appeal. The Company will continue to pursue this matter through its Judicial Review application as indicated in item (b) below.

(b) Judicial Review

On 14 December 2017, the Company also commenced proceedings to seek a Judicial Review on this matter. However, the Kuala Lumpur High Court did not grant the required leave on 5 March 2018. On the same day, the Company filed an appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court. The hearing on 1 July 2019 had been vacated. A replacement hearing date has yet to be fixed.

(c) Appeal to Special Commissioners of Income Tax (“SCIT”)

On 5 January 2018, the Company filed an appeal to SCIT pursuant to Section 99(1) of the Income Tax Act 1967. The hearing date has yet to be fixed.

26. TAXATION (Continued)

(ii) Material litigation (Continued)

(d) Civil recovery proceedings by DGIR

On 9 July 2019, the Company received a Writ of Summons together with a Statement of Claim filed by the Government of Malaysia in respect of the taxes which are purportedly due for the years of assessment 2010 to 2016.

On 2 December 2019, the Shah Alam High Court had granted a stay of proceedings against the civil recovery suit commenced by the Government of Malaysia against the Company. The stay is valid until 1 June 2020 pending the discussions between the parties to explore the possibility of an amicable resolution. The matter has now been fixed for case management at the High Court on 1 June 2020 for further instruction and the High Court had advised both parties to proceed with the discussions expeditiously.

In the light of the above on-going developments, no tax provision has been made on the aforesaid matter.

27. EARNINGS 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.

	2020 RM'000	2019 RM'000
Profit attributable to equity holders	292,046	354,624
Distribution to the holders of perpetual notes and sukuk, net of tax	(17,645)	(13,659)
Profit attributable to ordinary equity holders	274,401	340,965
Weighted average number of ordinary shares ('000 unit)	255,308	255,308
Basic earnings per share (sen)	107.48	133.55

Diluted earnings per ordinary share

Diluted earnings per share is equivalent to the basic earnings per share as there are no potential dilutive ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTY DISCLOSURES

Amount owing to immediate holding company, which arose mainly from corporate support fees and payments made on behalf of the Company, is unsecured, interest-free and repayable on demand.

Amount owing by/to related companies, which arose mainly from sales, management fees and payments on behalf, are 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.

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

	2020 RM'000	2019 RM'000
Ringgit Malaysia		
- Amount owing by related companies	10,706	6,069
- Amount owing to immediate holding company	(6,978)	(6,917)
- Amount owing to related companies	(5,702)	(5,762)
	(1,974)	(6,610)

28. RELATED PARTY DISCLOSURES (Continued)

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:

	2020 RM'000	2019 RM'000
Related companies		
AEON CO. (M) BHD.		
Trade		
Customers' transactions via related company		
Sales through easy payment schemes	5,124	5,490
Sales through AEON credit cards	24,730	8,651
Sales through E-Money	47,036	5,169
Revenue		
Credit cards commission income	322	170
Non-Trade		
Expenses		
Convertible AEON-card points purchased	(1,138)	(2,712)
Office and promotion space rental	(23,138)	(8,139)
AEON Big (M) Sdn. Bhd.		
Trade		
Customers' transactions via related company		
Sales through easy payment schemes	3,655	3,321
Sales through AEON credit cards	31,406	3,414
Sales through E-Money	26,706	8,505
Revenue		
Loyalty programme processing fee	31	1,930
Credit cards commission income	269	97
Non-Trade		
Expenses		
Convertible AEON-Big card points	(38)	(692)
Office and promotion space rental	(17,424)	(7,487)
AEON Credit Service Systems (Philippines) Inc.		
Non-Trade		
Assets		
IT systems development cost	(4,186)	(3,478)

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTY DISCLOSURES (Continued)

	2020 RM'000	2019 RM'000
AEON Delight (Malaysia) Sdn. Bhd.		
Trade		
Provision of financing		
Instalment scheme for purchase of equipment	–	3,751
Revenue		
Interest income/profit revenue from easy payment scheme	237	72
Non-Trade		
Expense		
Cleaning services	(646)	(601)
Advertisement space rental	(1,470)	–
AEON Fantasy (Malaysia) Sdn. Bhd.		
Trade		
Provision of financing		
Instalment scheme for purchase of equipment	5,514	2,148
Revenue		
Interest income/profit revenue from easy payment scheme	256	18
J-Horizons Travel (M) Sdn. Bhd.		
Non-Trade		
Expense		
Travel agency services	(756)	(803)
Advertisement space rental	(497)	–
Immediate holding company		
AEON Financial Service Co., Ltd.		
Non-Trade		
Expense		
Corporate support fees	(12,102)	(11,463)

28. RELATED PARTY DISCLOSURES (Continued)

Key management personnel

The remuneration of the key management personnel, including Directors, during the financial year are as follows:

	2020 RM'000	2019 RM'000
Directors' fees	1,528	1,177
Salaries, allowances and bonuses	4,361	3,925
Defined contribution plan	343	303
Other short-term employee benefits	252	448
	6,484	5,853

The above includes Directors' remuneration as disclosed in Note 25.

29. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Net dividend per share sen	Total amount RM'000	Date of payment
2020			
Interim 2020 ordinary	22.25	56,426	7 November 2019
Final 2019 ordinary	22.35	56,075	18 July 2019
		112,501	
2019			
Interim 2019 ordinary	22.25	55,784	8 November 2018
Final 2018 ordinary	20.00	49,937	19 July 2018
		105,721	

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

	Sen per share (single tier)	Total amount RM'000
Final 2020 ordinary	14.00	35,507

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

NOTES TO THE FINANCIAL STATEMENTS

30. OPERATING SEGMENTS

The principal activity of the Company is the provision of easy payment schemes, personal financing schemes based on Islamic principles and payment 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.

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

31. OPERATING LEASE

The Company leases a number of service centres and office premises under operating leases. A summary of the non-cancellable operating lease rentals are payable as follows:

	2020 RM'000	2019 RM'000
Less than one year	—	17,676
Between one and five years	—	10,145
	—	27,821

From 1 March 2019, in compliance with MFRS 16, the Company has recognised right-of-use assets for these leases, except for short-term and low value leases, as disclosed in Note 6 and Note 37.

32. CAPITAL COMMITMENT

	2020 RM'000	2019 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	42,883	15,621

33. 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 basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Categories of Financial Instruments

	Carrying amount RM'000	Amortised cost RM'000	FVTOCI RM'000	FVTPL derivatives used for hedging RM'000
2020				
Financial assets				
Investments	48,699	—	48,699	—
Financing receivables	9,704,121	9,704,121	—	—
Other receivables and deposits	34,234	34,234	—	—
Amount owing by related companies	10,706	10,706	—	—
Cash, bank balances and deposits	132,798	132,798	—	—
Derivative financial assets	28,810	—	—	28,810
	9,959,368	9,881,859	48,699	28,810

	Carrying amount RM'000	Amortised cost RM'000	FVTPL derivatives used for hedging RM'000
Financial liabilities			
Borrowings	(8,197,668)	(8,197,668)	—
Trade payables	(32,913)	(32,913)	—
Other payables and accruals	(204,348)	(204,348)	—
Amount owing to immediate holding company	(6,978)	(6,978)	—
Amount owing to related companies	(5,702)	(5,702)	—
ICULS liabilities	(630)	(630)	—
Derivative financial liabilities	(132,577)	—	(132,577)
Lease liabilities	(71,177)	(71,177)	—
	(8,651,993)	(8,519,416)	(132,577)

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Categories of Financial Instruments (Continued)

	Carrying amount RM'000	Amortised cost RM'000	FVTOCI RM'000	FVTPL derivatives used for hedging RM'000
2019				
Financial assets				
Investments	70,604	–	70,604	–
Financing receivables	8,105,779	8,105,779	–	–
Other receivables and deposits	45,667	45,667	–	–
Amount owing by related companies	6,069	6,069	–	–
Cash, bank balances and deposits	92,429	92,429	–	–
Derivative financial assets	19,178	–	–	19,178
	8,339,726	8,249,944	70,604	19,178
		Carrying amount RM'000	Amortised cost RM'000	FVTPL derivatives used for hedging RM'000
Financial liabilities				
Borrowings		(6,430,012)	(6,430,012)	–
Trade payables		(27,032)	(27,032)	–
Other payables and accruals		(168,962)	(168,962)	–
Amount owing to immediate holding company		(6,917)	(6,917)	–
Amount owing to related companies		(5,762)	(5,762)	–
ICULS liabilities		(3,230)	(3,230)	–
Derivative financial liabilities		(105,495)	–	(105,495)
		(6,747,410)	(6,614,915)	(105,495)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

(i) **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 entry into new strategic alliances are subject to review by the Risk Management Committee ("RMC") and Board Risk Committee ("BRC") prior to Board of Directors ("the Board") approval.

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

- Identify and monitor the various risk exposure and risk requirements;
- 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; and
- Help to create shareholders value through proper allocation and management of risk, and facilitate the risk assessment of new business and products independently.

(ii) **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 and subsequently to BRC and Board. This framework provides the Board 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.

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Risk organisation and reporting

The responsibility of risk management lies with the Board. In line with best practices, the Board determines the risk policy objectives for the Company, and assumes responsibility for the supervision of risk management. To this end, the Board is assisted by BRC to provide primary oversight responsibilities on the Company's 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 ERMF which addresses credit, market, operational and strategic risks within the policies established by the respective business units and recommending policy changes to BRC for review, and subsequently to the Board for approval.

Risk exposures, impact and mitigation measures which cover all areas of risk faced by the Company are reviewed and updated regularly to BRC and the Board to ensure relevance and compliance with current and applicable laws and regulations.

The Company has exposure to the following significant risks in the course of undertaking its ordinary business activities:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(a) 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 manage or maintain credit risk exposure to an acceptable level, in line with the Company's risk appetite and to ensure that the returns commensurate to the risk.

The Company's exposure to credit risk arises principally from its financing receivables from customers.

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, equipment and machineries. Other than this, the Company does not require collateral in respect of the easy payment schemes, personal financing schemes and credit cards issuance business.

The Company conducts regular monitoring on credit exposure trend and portfolio concentration analysis. Asset quality is closely monitored so that deteriorating exposure are identified, analyse and reviewed with relevant business units.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (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.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with hire purchase financing receivables is mitigated because they are secured over the vehicles, equipment and machineries of customers. The carrying amount of hire purchase financing receivables amounts to RM5,926,965,000 (2019: RM4,891,537,000). There has not been any significant change in the quality of the collateral held for hire purchase financing. The Company recognises a loss allowance for these hire purchase financing receivables based on the ECL model of the Company.

Credit risk sensitivity analysis

The Company applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

- Base case: represents 'most likely outcome' of future economic conditions which is aligned with information used by the Company for other purposes such as budgeting and stress testing.
- Best case and worst case: represent the 'upside' and 'downside' outcome of future economic conditions which determined by a combination of statistical analysis and expert credit judgement.

The Company has performed ECL estimation by incorporating forward-looking information based on historical experience and forecasted key economic variables impacting credit risk and expected credit losses for each portfolio. Sensitivity assessment on financing receivables based on its best estimate of the possible outcomes and range of possible weighted scenarios which are reassessed periodically.

The sensitivity factors used are derived based on the changes in worst case, with higher probabilities assigned to worst case, while base case remains constant, is outlined in the table below:

Probabilities weightage assigned to worst case

+ 15%
+ 10%
+ 5%

2020 Increase in ECL RM'000
19,790
18,028
17,633

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

Receivables (Continued)

(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 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.

Credit quality and allowance for impairment losses

The ageing of financing receivables as at the end of the reporting period is shown below:

Staging	Credit quality by days past due	Basic for recognition of ECL provision	Gross receivables RM'000	Allowance for impairment losses RM'000	Net receivables RM'000
2020					
Stage 1	0 to 30	12-months expected losses. Where expected lifetime of an asset is less than 12-months, expected losses are measured at this expected lifetime.	9,311,314	(265,080)	9,046,234
Stage 2	31 to 60 61 to 90	Lifetime expected losses	437,552 197,246	(104,792) (79,201)	332,760 118,045
			9,946,112	(449,073)	9,497,039
Stage 3	More than 90 and restructured	Lifetime expected losses	448,544	(241,462)	207,082
			10,394,656	(690,535)	9,704,121

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

Receivables (Continued)

Credit quality and allowance for impairment losses (Continued)

Staging	Credit quality by days past due	Basic for recognition of ECL provision	Gross receivables RM'000	Allowance for impairment losses RM'000	Net receivables RM'000
2019					
Stage 1	0 to 30	12-months expected losses. Where expected lifetime of an asset is less than 12-months, expected losses are measured at this expected lifetime.	7,766,447	(202,886)	7,563,561
Stage 2	31 to 60	Lifetime expected losses	395,258	(79,999)	315,259
	61 to 90		163,941	(60,632)	103,309
			8,325,646	(343,517)	7,982,129
Stage 3	More than 90 and restructured	Lifetime expected losses	366,716	(243,066)	123,650
			8,692,362	(586,583)	8,105,779

Renegotiated/restructured activities include extended payment arrangements, and the modification and deferral of payments. The Company has recognised allowance for impairment loss of RM105,684,000 (2019: RM161,175,000) for these renegotiated/restructured financing receivables. The status of net renegotiated/restructured receivables are as follows:

	2020 RM'000	2019 RM'000
Not past due	124,227	55,544
Past due 1 to 30 days	9,816	9,751
Past due 31 to 90 days	6,898	6,003
Past due more than 90 days	7,809	4,754
	148,750	76,052

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) 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 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 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 29 February 2020, the Company has unutilised lines of credit amounting to RM3,847,000,000 (2019: RM2,796,000,000) obtained from licensed banks and financial institutions.

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 remaining contractual maturity.

	Average contractual profit/interest/ coupon rate %	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	Total RM'000
2020							
Financial assets							
Investments	–	–	–	–	–	48,699	48,699
Financing receivables	17.09	3,438,731	2,015,439	3,432,373	817,578	–	9,704,121
Other receivables and deposits	–	34,234	–	–	–	–	34,234
Amount owing by related companies	–	10,706	–	–	–	–	10,706
Cash and bank balances	–	114,865	–	–	–	–	114,865
Deposits placed with licensed banks	2.87	17,933	–	–	–	–	17,933
Total assets		3,616,469	2,015,439	3,432,373	817,578	48,699	9,930,558

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

	Average contractual profit/interest/ coupon rate %	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	Total RM'000
2020							
Financial liabilities							
Bank overdraft	3.16	44,298	–	–	–	–	44,298
Unsecured term loans/financing	4.49	1,896,954	1,153,850	3,380,808	564,255	–	6,995,867
Islamic commercial paper	3.17	658,900	–	–	–	–	658,900
Senior sukuk	3.83	–	–	–	498,603	–	498,603
Trade payables	–	32,913	–	–	–	–	32,913
Other payables and accruals	–	204,348	–	–	–	–	204,348
Amount owing to immediate holding company	–	6,978	–	–	–	–	6,978
Amount owing to related companies	–	5,702	–	–	–	–	5,702
ICULS liabilities	3.50	630	–	–	–	–	630
Lease liabilities	4.36	19,140	16,183	29,406	6,448	–	71,177
Total liabilities		2,869,863	1,170,033	3,410,214	1,069,306	–	8,519,416
Net liquidity gap		746,606	845,406	22,159	(251,728)	48,699	1,411,142

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

	Average contractual profit/interest/ coupon rate %	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	Total RM'000
2019							
Financial assets							
Investments	–	–	–	–	–	70,604	70,604
Financing receivables	19.45	2,102,151	1,837,284	3,259,970	906,374	–	8,105,779
Other receivables and deposits	–	45,667	–	–	–	–	45,667
Amount owing by related companies	–	6,069	–	–	–	–	6,069
Cash and bank balances	–	83,112	–	–	–	–	83,112
Deposits placed with licensed banks	3.16	9,317	–	–	–	–	9,317
Total assets		2,246,316	1,837,284	3,259,970	906,374	70,604	8,320,548
Financial liabilities							
Bank overdraft	3.68	19,290	–	–	–	–	19,290
Revolving credits	3.91	245,000	–	–	–	–	245,000
Unsecured term loans/financing	4.45	400,000	1,861,869	2,824,137	930,000	–	6,016,006
Islamic commercial paper	3.82	149,716	–	–	–	–	149,716
Trade payables	–	27,032	–	–	–	–	27,032
Other payables and accruals	–	168,962	–	–	–	–	168,962
Amount owing to immediate holding company	–	6,917	–	–	–	–	6,917
Amount owing to related companies	–	5,762	–	–	–	–	5,762
ICULS liabilities	3.50	1,635	1,595	–	–	–	3,230
Total liabilities		1,024,314	1,863,464	2,824,137	930,000	–	6,641,915
Net liquidity gap		1,222,002	(26,180)	435,833	(23,626)	70,604	1,678,633

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

The table below summarises the maturity profile of the Company's non-derivative financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	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
2020							
Financial liabilities							
Bank overdraft	44,298	44,298	44,298	–	–	–	–
Unsecured term							
loans/financing	6,995,867	7,835,158	2,139,548	1,369,276	3,742,675	583,659	–
Islamic commercial paper	658,900	660,000	660,000	–	–	–	–
Senior sukuk	498,603	640,510	19,100	19,100	57,352	544,958	–
Trade payables	32,913	32,913	32,913	–	–	–	–
Other payables and accruals	204,348	204,348	204,348	–	–	–	–
Amount owing to immediate holding company	6,978	6,978	6,978	–	–	–	–
Amount owing to related companies	5,702	5,702	5,702	–	–	–	–
ICULS liabilities	630	630	630	–	–	–	–
Lease liabilities	71,177	79,569	21,916	18,100	33,236	6,317	–
	8,519,416	9,510,106	3,135,433	1,406,476	3,833,263	1,134,934	–
2019							
Financial liabilities							
Bank overdraft	19,290	19,290	19,290	–	–	–	–
Revolving credits	245,000	245,589	245,589	–	–	–	–
Unsecured term							
loans/financing	6,016,006	6,848,266	409,423	1,984,320	3,281,150	1,173,373	–
Islamic commercial paper	149,716	150,000	150,000	–	–	–	–
Trade payables	27,032	27,032	27,032	–	–	–	–
Other payables and accruals	168,962	168,962	168,962	–	–	–	–
Amount owing to immediate holding company	6,917	6,917	6,917	–	–	–	–
Amount owing to related companies	5,762	5,762	5,762	–	–	–	–
ICULS liabilities	3,230	3,437	1,719	1,718	–	–	–
	6,641,915	7,475,255	1,034,694	1,986,038	3,281,150	1,173,373	–

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) 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/profit rate, currency 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/profit revenue 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 income/profit revenue rate, the Company intends to maximise net interest income/profit revenue; and to minimise the significant volatility in relation to the Company's assets and liabilities.

Interest rate risk

The Company's fixed rate borrowings and derivatives are exposed to a risk of change in their fair value due to changes in the interest income/profit revenue rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The other financial assets and liabilities 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (Continued)

Interest rate risk (Continued)

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 is shown below:

	2020 RM'000	2019 RM'000
Fixed rate instruments		
Financial liabilities	4,647,503	3,984,717
Floating rate instruments		
Financial liabilities	3,550,165	2,445,295

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 designates derivatives as hedging instruments under the cash flow hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(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			
	2020		2019	
	100 bps increase RM'000	100 bps decrease RM'000	100 bps increase RM'000	100 bps decrease RM'000
Floating rate instruments	(35,502)	35,502	(24,453)	24,453

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (Continued)

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 RM3,505,867,000 (2019: RM2,426,006,000). The cross currency interest rate swaps have the same notional value of RM3,505,867,000 (2019: RM2,426,006,000) and are to be settled in full upon maturity, terms matching the hedged items.

The following table indicates the years in which the cash flows associated with the derivative financial assets with carrying amount of RM28,810,000 (2019: RM19,178,000) and derivative financial liabilities of RM132,577,000 (2019: RM105,495,000) 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 - 7 years RM'000
2020				
Cross currency swaps (gross settled):				
Outflow	(3,904,086)	(1,106,570)	(961,197)	(1,836,319)
Inflow	3,745,783	1,071,606	909,618	1,764,559
	(158,303)	(34,964)	(51,579)	(71,760)
2019				
Cross currency swaps (gross settled):				
Outflow	(2,794,077)	(109,757)	(1,061,926)	(1,622,394)
Inflow	2,727,048	86,154	1,041,167	1,599,727
	(67,029)	(23,603)	(20,759)	(22,667)

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 currency giving rise to this risk is primarily USD.

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (Continued)

Currency risk (Continued)

Foreign currency risk management

The Company's exposure to foreign currency risk, based on carrying amounts at the end of the reporting period is shown below:

	Denominated in USD	
	2020 RM'000	2019 RM'000
Borrowings	(3,505,867)	(2,426,006)
Net exposure	(3,505,867)	(2,426,006)

Currency risk sensitivity analysis

No sensitivity analysis is presented for USD currency on borrowings which have been fully hedged.

34. 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
2020										
Financial assets										
Financing receivables										
- Non-current	-	-	-	-	-	-	6,178,215	6,178,215	6,178,215	6,265,390
Derivatives financial assets	-	28,810	-	28,810	-	-	-	-	28,810	28,810
Investments	-	-	48,699	48,699	-	-	-	-	48,699	48,699
	-	28,810	48,699	77,509	-	-	6,178,215	6,178,215	6,255,724	6,342,899
Financial liabilities										
Term loans/financing										
- Non-current (unsecured)	-	-	-	-	-	-	5,665,054	5,665,054	5,665,054	5,597,516
Derivatives financial liabilities	-	132,577	-	132,577	-	-	-	-	132,577	132,577
	-	132,577	-	132,577	-	-	5,665,054	5,665,054	5,797,631	5,730,093

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	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		
2019										
Financial assets										
Financing receivables										
- Non-current	-	-	-	-	-	-	5,947,399	5,947,399	5,947,399	6,003,628
Derivatives financial assets	-	19,178	-	19,178	-	-	-	-	19,178	19,178
Investments	-	-	70,604	70,604	-	-	-	-	70,604	70,604
	-	19,178	70,604	89,782	-	-	5,947,399	5,947,399	6,037,181	6,093,410
Financial liabilities										
Term loans/financing										
- Non-current (unsecured)	-	-	-	-	-	-	5,542,222	5,542,222	5,542,222	5,616,006
Derivatives financial liabilities	-	105,495	-	105,495	-	-	-	-	105,495	105,495
	-	105,495	-	105,495	-	-	5,542,222	5,542,222	5,647,717	5,721,501

The methods and assumptions used by management to determine the fair values of the financial instruments are as follows:

(i) Financing receivables

The fair value 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.

(ii) Term loans/financing

The fair value of term loans/financing with remaining maturity of less than one year are estimated to approximate their carrying amounts. For term loans/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.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(iv) Investments

The fair value of investments are based on the expected cash flows discounted as at reporting date. The discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The key inputs are discount rate, terminal growth rate and discount for lack of control, as described in this Note.

(v) Other financial instruments

The fair value of other instruments are determined to approximate to its carrying value due to the short term nature of these financial instruments.

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).

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2020 RM'000	2019 RM'000
At 1 March	70,604	60,937
Addition	–	2,855
Disposal	(854)	–
Changes in fair value recognised in other comprehensive income	(21,051)	6,812
At 29/28 February	48,699	70,604

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Company's financial assets that are measured at fair value on a recurring basis

The Company's investments are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial liability is determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value 2020 RM'000	Fair value 2019 RM'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investments	48,699	70,604	Level 3	<u>Technique:</u> Discounted cash flows	Discount rate: 7.15% - 9.11% (2019: 12.00% - 22.88%)	A slight increase in the discount rate used would result in a significant decrease in fair value, and vice versa.
				<u>Key inputs:</u> Discount rate Terminal growth rate Discount for lack of control	Terminal growth rate: 5.20% - 6.30% (2019: 0.50% - 2.00%) Discount for lack of control: 62.00% - 97.50% (2019: 30.00% - 75.00%)	A slight increase in the terminal year growth rate used would result in a significant increase in fair value, and vice versa. A slight increase in the discount for lack of control used would result in a significant decrease in fair value, and vice versa.

35. 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 2020 and 2019 are as follows:

	2020 RM'000	2019 RM'000
Total borrowings	8,197,668	6,430,012
Less: Cash and bank balances	(132,798)	(92,429)
Net debt	8,064,870	6,337,583
Total equity	1,757,359	1,874,981
Debt-to-equity ratio	4.59	3.38

36. MATERIAL LITIGATION

The Company is not engaged in any material litigation except as disclosed in Note 26(ii).

37. SIGNIFICANT CHANGE IN ACCOUNTING POLICY

During the year, the Company adopted MFRS 16 that is effective for annual periods that begin on or after 1 January 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of MFRS 16 on the Company's financial statements is described below.

The date of initial application of MFRS 16 for the Company is 1 March 2019.

The Company has adopted MFRS 16 using the modified retrospective approach which:

- Requires the Company to recognise the cumulative effect of initially applying MFRS 16 at the date of initial application, i.e. 1 March 2019.
- Does not permit restatement of comparatives, which continue to be presented under MFRS 117 and IC Interpretation 4.

NOTES TO THE FINANCIAL STATEMENTS

37. SIGNIFICANT CHANGE IN ACCOUNTING POLICY (Continued)

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IC Interpretation 4 will continue to be applied to those leases entered or changed before 1 March 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in MFRS 117 and IC Interpretation 4.

The Company applies the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or changed on or after 1 March 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on lessee accounting

Former operating leases

MFRS 16 changes how the Company accounts for leases previously classified as operating leases under MFRS 117, which were off balance sheet.

Applying MFRS 16, for all leases (except as noted below), the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss.
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

37. SIGNIFICANT CHANGE IN ACCOUNTING POLICY (Continued)

Impact on lessee accounting (Continued)

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within 'operating expenses' in statement of profit or loss.

The Company has recognised RM67,550,000 right-of-use assets and lease liabilities upon transition to MFRS 16.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- excluded initial direct cost from the measurement of right-of-use asset at the date of initial application.
- use hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Financial impact of initial application of MFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 March 2019 range from 4.36% to 4.48%.

The following table shows the operating lease commitments disclosed applying MFRS 117 at 28 February 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Reconciliation for the differences between the operating lease commitments disclosed under MFRS 117 at 28 February 2019 to the lease liabilities recognised at 1 March 2019 is as follows:

	Note	RM'000
Operating lease commitments disclosed at 28 February 2019	31	27,821
Discounted using the borrowing rate		27,045
Recognition of extension option		42,255
Recognition of exemption for short-term lease		(1,750)
Lease liabilities recognised at 1 March 2019		67,550

The Company has recognised RM67,550,000 right-of-use assets and lease liabilities upon adoption of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

38. SIGNIFICANT EVENT AFTER FINANCIAL REPORTING DATE

Save for the undermentioned, there was no other significant event subsequent to the end of the financial year up to the date these financial statements were authorised and approved for issuance, that have a material bearing on the Company.

The recent COVID-19 outbreak has evolved into a global pandemic that is adversely affecting global and national economies due to the imposition of extensive and unprecedented related public health measures, travel restrictions, social distancing regulations, constraints on the movement and gathering of people, and the suspension of many business operations and other activities, by many countries in order to curb the spread of the virus.

Domestically, the Movement Control Order (“MCO”) was imposed by the Malaysian Government on 18 March 2020 and todate, the MCO, with some modifications, is still in place. The MCO has caused major disruptions to the Company’s operations nationwide. During the MCO, the Company’s front line customer facing business activities had to be discontinued and only essential services such as self-service terminals, online applications and online payments are in operation. Most of the Company’s employees were compelled to work from home, resulting in substantial drop in sales, collections and productivity. The Company’s overall collection performance has markedly dropped as customer’s payment behaviour and pattern noticeably change amidst heightened uncertainties.

It is expected that the ongoing pandemic will have a negative bearing on the Company’s financial performance and condition, and also its liquidity position for the forthcoming financial year. The extent of the financial impact on the Company is difficult to assess at this time in light of prevailing uncertainties over when the pandemic will end. To mitigate its potential risks exposure, the Company has taken and will continue to take the necessary steps to safeguard and preserve its financial condition which include, amongst others, enhancing asset quality, embracing prudent cost and cash management, and improving on financial and operational efficiency by leveraging on its positive business fundamentals and extensive customer reach.

Moving forward, the Company will continue to place emphasis on liquidity management to meet its continuing financial commitments and obligations by optimising the cash generated from operating and financing activities. Based on its cashflow projection simulations after incorporating anticipated reductions in collection performance, together with the Company’s unutilised credit lines of RM3.85 billion as at 29 February 2020, the Company is confident that it will be able to meet its continuing financial commitments and obligations as and when they arise. Please refer to Note 33(b).

The Company will also continue to closely monitor and assess its inherent credit risks in its financing portfolio by considering all relevant information including forward looking ones, taking into account the expected economic and financial impact of the COVID-19 pandemic and the government’s measures to address the pervasive and underlying effects of the pandemic on everyone.

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 29 February 2020 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 5 May 2020.

NG ENG KIAT

YURO KISAKA

Kuala Lumpur
5 May 2020

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.

LEE KIT SEONG

MIA Membership No: 17292

Subscribed and solemnly declared by the abovenamed **LEE KIT SEONG** at **KUALA LUMPUR** on this 5th day of May, 2020.

Before me,

KAPT (B) JASNI BIN YUSOFF
NO. W 465

COMMISSIONER FOR OATHS
Kuala Lumpur



OTHER INFORMATION

- 174** Analysis of Shareholdings
- 176** Analysis of Irredeemable Convertible Unsecured
Loan Stocks ("ICULS") Holdings
- 178** Notice of Annual General Meeting
Form of Proxy

ANALYSIS OF SHAREHOLDINGS

Statistics on shareholdings as at 30 April 2020

Paid-up share capital : RM565,516,664
 Class of shares : Ordinary shares
 Voting rights : One vote per ordinary share
 Number of shareholders : 5,437

Category	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
1 - 99	583	10.72	9,100	0.00
100 - 1,000	2,267	41.70	1,257,393	0.50
1,001 - 10,000	1,949	35.84	6,840,987	2.70
10,001 - 100,000	512	9.42	15,388,756	6.06
100,001 to less than 5% of issued shares	125	2.30	73,111,872	28.83
5% and above of issued shares	1	0.02	157,017,252	61.91
Total	5,437	100.00	253,625,360	100.00

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1.	AEON FINANCIAL SERVICE CO., LTD.	157,017,252	61.91	–	–
2.	AEON CO., LTD.	–	–	161,661,252*	63.74

Note

* Deemed interest in the shares held by AEON FINANCIAL SERVICE CO., LTD. and AEON CO. (M) BHD. by virtue Section 8 of the Companies Act 2016.

DIRECTORS' INTEREST AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares Held Through Own Name	% of Shares
1.	Ng Eng Kiat	21,321	0.01
2.	Yuro Kisaka	82,080	0.03
3.	Dato' Md Kamal bin Ismaun	9,000	0.00
4.	Tomokatsu Yoshitoshi	–	–
5.	S Sunthara Moorthy A/L S Subramaniam	–	–
6.	YBhg. Datuk Adinan bin Maning	–	–
7.	Datin Khoo Pek Ling	–	–
8.	Datin Yasmin Ahmad Merican	20,000	0.01
9.	Rashidah binti Abu Bakar	–	–
10.	Masaaki Mangetsu	–	–
11.	Lee Tyan Jen	35,661	0.01

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 30 APRIL 2020

No.	Name	No. of Shares	% of Shares
1.	AEON FINANCIAL SERVICE CO LTD.	157,017,252	61.91
2.	AEON CO. (M) BHD.	4,644,000	1.83
3.	HSBC NOMINEES (ASING) SDN BHD BPSS LDN FOR ABERDEEN STANDARD ASIA FOCUS PLC	3,705,146	1.46
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	3,304,154	1.30
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	3,084,419	1.22
6.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	3,007,700	1.19
7.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG VALUE FUND	2,580,000	1.02
8.	HSBC NOMINEES (ASING) SDN BHD JPMBL SA FOR JPMORGAN FUNDS	2,362,686	0.93
9.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	2,361,000	0.93
10.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	2,185,300	0.86
11.	PERTUBUHAN KESELAMATAN SOSIAL	2,094,300	0.83
12.	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS JERSEY FOR ABERDEEN ASIAN INCOME FUND LIMITED	1,986,545	0.78
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	1,510,924	0.60
14.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1,241,538	0.49
15.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	1,229,900	0.48
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM EASTSPRING) (410140)	1,021,350	0.40
17.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND TCTA FOR CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM	993,960	0.39
18.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	985,943	0.39
19.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AFF HWG6939-403)	968,650	0.38
20.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO., LTD.	934,500	0.37
21.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	913,100	0.36
22.	PERMODALAN NASIONAL BERHAD	913,100	0.36
23.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	909,700	0.36
24.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PARTICIPATING FUND	867,200	0.34
25.	MOTOYA OKADA	864,000	0.34
26.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR GRANDEUR PEAK EMERGING MARKETS OPPORTUNITIES FUND	855,114	0.34
27.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	852,240	0.34
28.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR NOMURA SECURITIES CO LTD (CLIENT AC)	828,000	0.33
29.	LEONG LI NAR	774,000	0.31
30.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGE BANK (FI 17)	755,100	0.30
TOTAL		205,981,664	81.21

ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDINGS

Statistics on ICULS holdings as at 30 April 2020

Type of Securities : 3-year, 3.5% ICULS at nominal value of RM1.00 each
 Class of shares : RM432,000,000 comprising 432,000,000 ICULS at nominal value of RM1.00 each
 Total Outstanding ICULS : RM18,494,906 comprising 18,494,906 at nominal value of RM1.00 each
 Number of ICULS Holders : 1,020

Category	No. of ICULS Holders	% of ICULS Holders	No. of ICULS Held	% of Outstanding ICULS
1 - 99	19	1.86	351	0.00
100 - 1,000	183	17.94	81,148	0.44
1,001 - 10,000	549	53.82	2,218,633	11.99
10,001 - 100,000	247	24.23	6,336,082	34.26
100,001 to less than 5% of issued shares	19	1.86	4,972,792	26.89
5% and above of issued shares	3	0.29	4,885,900	26.42
Total	1,020	100.00	18,494,906	100.00

With reference to the announcement made by the Company on 13 October 2017, the substantial shareholders, namely AEON FINANCIAL SERVICE CO., LTD. (with 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), had converted all ICULS held to Ordinary Shares.

DIRECTORS' INTEREST IN ICULS

No.	Name of Substantial Shareholders	Direct Interest	Indirect Interest	%
		No. of ICULS Held	No. of ICULS Held	
1.	Ng Eng Kiat	—	—	—
2.	Yuro Kisaka	—	—	—
3.	Dato' Md Kamal bin Ismaun	18,000	—	0.10
4.	Tomokatsu Yoshitoshi	—	—	—
5.	S Sunthara Moorthy A/L S Subramaniam	—	—	—
6.	YBhg. Datuk Adinan bin Maning	—	—	—
7.	Datin Khoo Pek Ling	—	—	—
8.	Datin Yasmin Ahmad Merican	—	—	—
9.	Rashidah binti Abu Bakar	—	—	—
10.	Masaaki Mangetsu	—	—	—
11.	Lee Tyan Jen	72,500	—	0.39

LIST OF TOP THIRTY (30) ICULS HOLDERS AS AT 30 APRIL 2020

No.	Name	No. of ICULS	% of ICULS
1.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	2,625,600	14.20
2.	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS VICKERS SECS (S) PTE LTD FOR SERENDIP INVESTMENTS LIMITED	1,278,000	6.91
3.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR KEGANI PACIFIC LTC FUND L.P.	982,300	5.31
4.	LIM AH CHOO	826,300	4.47
5.	TAN KOK	711,000	3.84
6.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	581,472	3.14
7.	WONG WAI KUAN	390,400	2.11
8.	YASUHIRO KASAI	324,000	1.75
9.	LEONG LI NAR	290,000	1.57
10.	CHIN PHOY HOY	282,800	1.53
11.	LIM PUI NGAN	237,000	1.28
12.	TAN KIM LAN	216,000	1.17
13.	KHAW KHEAN HUAT	182,700	0.99
14.	HAUW TIO HIONG	180,000	0.97
15.	HOH YIN HEONG	144,100	0.78
16.	LIM PUI YING	138,000	0.75
17.	CHONG AH SUAN	135,400	0.73
18.	CHOW SONG KUANG	123,300	0.67
19.	LEE SIOK KIOK	109,600	0.59
20.	KIYOAKI TAKANO	108,000	0.58
21.	LAI KAM KEONG	104,800	0.57
22.	LOO KUAN CHIN	100,000	0.54
23.	KONG SIOK YIAN	99,000	0.54
24.	GAN CHENG POH	90,000	0.49
25.	LIZAWANA BT ABDULLAH @ HO AH KHIN	78,000	0.42
26.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TEONG KIAN (CCTS)	77,000	0.42
27.	LYE CHIN SIN	74,200	0.40
28.	LEE TYAN JEN	72,500	0.39
29.	YEOW SIEW KENG	72,000	0.39
30.	GOH ENG NGAI	72,000	0.39
TOTAL		10,705,472	57.88

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting ("23rd AGM") of AEON Credit Service (M) Berhad will be conducted virtually for the purpose of considering and, if thought fit, passing with or without modifications the resolutions as set out in this Notice.

Meeting Date : Wednesday, 24 June 2020
 Time : 10.30 a.m.
 Meeting Platform : <https://web.lumiagm.com/>
 Mode of Communication : i. Submit questions to the Board prior to the 23rd Annual General Meeting ("AGM") by emailing to ir_info@aeoncredit.com.my no later than 10.30 a.m. on Friday, 19 June 2020.
 ii. Pose questions to the Board via real time submissions of typed texts at <https://web.lumiagm.com/> during live streaming of the 23rd AGM.

AGENDA

As Ordinary Business

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 29 February 2020 together with the Reports of the Directors and Auditors thereon. | (Please refer to the Explanatory Note (i)) |
| 2. To approve the payment of a final dividend of 14.00 sen per ordinary share in respect of the financial year ended 29 February 2020. | Ordinary Resolution 1 |
| 3. To approve the Directors' Fees up to an aggregate amount of RM1.528 million in respect of the financial year ended 29 February 2020 and payments thereof. | Ordinary Resolution 2
(Please refer to the Explanatory Note (ii)) |
| 4. To approve the payment of Benefits Payable to the Chairman/Non-Independent Non-Executive Director up to an aggregate amount of RM31,150 from 25 June 2020 until the next AGM of the Company in year 2021. | Ordinary Resolution 3 |
| 5. To re-elect the following Directors who are retiring pursuant to Clause 148 of the Constitution of the Company: | |
| (i) Ng Eng Kiat | Ordinary Resolution 4 |
| (ii) Dato' Md Kamal bin Ismaun | Ordinary Resolution 5 |
| (iii) Tomokatsu Yoshitoshi | Ordinary Resolution 6 |
| (iv) S Sunthara Moorthy A/L S Subramaniam | Ordinary Resolution 7 |
| (v) YBhg. Datuk Adinan bin Maning | Ordinary Resolution 8 |
| (vi) Datin Khoo Pek Ling | Ordinary Resolution 9 |
| (vii) Datin Yasmin Ahmad Merican | Ordinary Resolution 10 |
| (viii) Rashidah binti Abu Bakar | Ordinary Resolution 11 |
| (ix) Lee Tyan Jen | Ordinary Resolution 12 |
| 6. To re-elect the following Directors who are retiring pursuant to Clause 153 of the Constitution of the Company: | |
| (i) Yuro Kisaka | Ordinary Resolution 13 |
| (ii) Masaaki Mangetsu | Ordinary Resolution 14 |
| 7. To re-appoint Messrs. Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 15 |

As Special Business

To consider and, if thought fit, to pass the following resolutions:

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 16
(Please refer to the
Explanatory Note (iii))

“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 17
(Please refer to the
Explanatory Note (iv))

“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 the Circular to Shareholders dated 22 May 2020 (“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;

NOTICE OF ANNUAL GENERAL MEETING

- 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."

- 10. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders at the 23rd AGM, a final dividend of 14.00 sen per ordinary share in respect of the financial year ended 29 February 2020 will be paid to shareholders on 16 July 2020. The entitlement date for the said dividend shall be 2 July 2020.

A depositor shall qualify for entitlement to the Dividend only in respect of:

- (a) shares transferred into the Depositor's securities account before 4.30 p.m. on 2 July 2020 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 (SSM PC No. 202008001023) (MAICSA 7009143)
WONG WEI FONG (SSM PC No. 201908001352) (MAICSA 7006751)
Company Secretaries

Selangor Darul Ehsan
Date: 22 May 2020

NOTES:

1. As part of the initiatives to curb the spread of Coronavirus Disease 2019 (COVID-19), the Company will conduct the 23rd AGM entirely via remote participation and electronic voting facilities. Kindly refer to the attached Administrative Details for the 23rd AGM for more information.
2. The only venue involved is the broadcast venue for the compliance with Section 327(2) of the Companies Act 2016 that the Chairman of the Meeting shall be present at the main venue of the AGM. No Shareholders/Proxies/Corporate Representatives from the public should be physically present nor admitted at the broadcast venue on the day of the AGM.
3. As the 23rd AGM will be conducted as a fully virtual meeting, a member who is not able to participate in the AGM is encouraged to appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy.
4. A member of the Company entitled to attend, participate, speak and vote at this Meeting is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/her stead 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. A proxy may but need not be a member of the Company.
5. 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.
6. The instrument appointing a proxy by a member who is entitled to participate and vote at the Meeting, shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid. Alternatively, the instrument appointing a proxy can be deposited electronically (for individual shareholders only) through the Share Registrar's website, Boardroom Smart Investor Online Portal at <https://www.boardroomlimited.my/> or via email to bsr.helpdesk@boardroomlimited.com before the Form of Proxy lodgement cut-off time as mentioned above.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 12 June 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, participate and/or vote on his/her behalf.
8. Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the 23rd AGM will be put to vote by way of poll.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

(i) Item 1 of the Agenda - To receive the Audited Financial Statements

Agenda item 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) Ordinary Resolution 3 - To approve the payment of Benefits Payable to the Chairman/Non-Independent Non-Executive Director up to an aggregate amount of RM31,150 from 25 June 2020 until the next AGM of the Company in year 2021

The benefits payable (excluding Directors' Fees) to Mr. Ng Eng Kiat, the Chairman/Non-Independent Non-Executive Director of the Company, comprises benefits-in-kind (computed in accordance with Lembaga Hasil Dalam Negeri's guideline) for the use of a company car, driver and petrol.

(iii) Ordinary Resolution 16 - 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 Twenty-Second AGM held on 20 June 2019, 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 16 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 ten per centum (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 17 - Proposed Shareholders' Mandate

Ordinary Resolution 17 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 shareholders' mandate is subject to renewal on an annual basis.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 22 May 2020 which was despatched together with this Annual Report.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, 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.

**AEON CREDIT SERVICE (M) BERHAD**Registration No. 199601040414 (412767-V)
(Incorporated in Malaysia)**FORM OF PROXY**

*I/We (name in full and in block letters) _____ (NRIC No./Passport No./Registration No. _____) of _____, (full address) being *a member/members of AEON CREDIT SERVICE (M) BERHAD ("Company"), hereby appoint (name in full and in block letters), _____ (NRIC No. _____) of _____ (full address) and/or failing *him/her, (name in full and in block letters) _____ (NRIC No. _____) of _____ (full address) or failing *him/her, #THE CHAIRMAN OF THE MEETING as *my/our proxy/proxies to vote for *me/us and on *my/our behalf at the Twenty-Third Annual General Meeting ("23rd AGM") of the Company to be held as a fully virtual meeting at broadcast venue at Level 3A, UOA Corporate Tower, Avenue 10, The Vertical, Bangsar South City, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Wednesday, 24 June 2020 at 10.30 a.m. and at any adjournment thereof.

* Strike out whichever is inapplicable.

Please delete the words "THE CHAIRMAN OF THE MEETING" if you wish to appoint some other person to be your proxy.

I/We indicate with an "x" in the spaces below how I/we wish my/our vote to be cast.

No.	Resolutions	For	Against
ORDINARY BUSINESS			
Ordinary Resolution 1	Approval of the payment of a final dividend of 14.00 sen per ordinary share in respect of the financial year ended 29 February 2020		
Ordinary Resolution 2	Approval of the payment of Directors' Fees of up to an aggregate amount of RM1.528 million in respect of the financial year ended 29 February 2020		
Ordinary Resolution 3	Approval of the payment of Benefits Payable to the Chairman/Non-Independent Non-Executive Director up to an aggregate amount of RM31,150 from 25 June 2020 until the next AGM of the Company in year 2021		
Ordinary Resolution 4	Re-election of Ng Eng Kiat		
Ordinary Resolution 5	Re-election of Dato' Md Kamal bin Ismaun		
Ordinary Resolution 6	Re-election of Tomokatsu Yoshitoshi		
Ordinary Resolution 7	Re-election of S Sunthara Moorthy A/L S Subramaniam		
Ordinary Resolution 8	Re-election of YBhg. Datuk Adinan bin Maning		
Ordinary Resolution 9	Re-election of Datin Khoo Pek Ling		
Ordinary Resolution 10	Re-election of Datin Yasmin Ahmad Merican		
Ordinary Resolution 11	Re-election of Rashidah binti Abu Bakar		
Ordinary Resolution 12	Re-election of Lee Tyan Jen		
Ordinary Resolution 13	Re-election of Yuro Kisaka		
Ordinary Resolution 14	Re-election of Masaaki Mangetsu		
Ordinary Resolution 15	Re-appointment of Messrs. Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
Ordinary Resolution 16	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares		
Ordinary Resolution 17	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		

Subject to the abovementioned voting instructions, my/our proxy/proxies may vote or abstain from voting on any resolutions as *he/*she/*they may think fit.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:-

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

Signed this _____ day of _____ 2020.

If appointment of proxy is under hand _____ Signed by "individual member/*officer or attorney of member/*authorised nominee of _____ (beneficial owner)	No. of shares held: _____ Securities Account No.: _____ (CDS Account No.) (Compulsory) Contact No.: _____ Email address: _____ Date: _____
If appointment of proxy is under seal The Common Seal of _____ was hereto affixed in accordance with its Constitution in the presence of: _____ Director Director / Secretary In its capacity as *member/*attorney of member/*authorised nominee of _____ (beneficial owner)	Seal No. of shares held: _____ Securities Account No.: _____ (CDS Account No.) (Compulsory) Contact No.: _____ Email address: _____ Date: _____

* Strike out whichever is not desired. Unless otherwise instructed, the proxy may vote as he/she thinks fit.



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POSTAGE
STAMP

The Share Registrar
AEON CREDIT SERVICE (M) BERHAD
(Registration No. 199601040414 (412767-V))
Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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Notes:-

- As part of the initiatives to curb the spread of Coronavirus Disease 2019 (Covid-19), the Company will conduct the 23rd AGM entirely via remote participation and electronic voting facilities. Kindly refer to the attached Administrative Details for the 23rd AGM for more information.
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- 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 by a member who is entitled to participate and vote at the Meeting, shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney. The instrument appointing a proxy or the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid. Alternatively, the instrument appointing a proxy can be deposited electronically (for individual shareholders only) through the Share Registrar's website, Boardroom Smart Investor Online Portal at <https://www.boardroomlimited.my/> or via email to bsr.helpdesk@boardroomlimited.com before the Form of Proxy lodgement cut-off time as mentioned above.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 12 June 2020 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, participate and/or vote on his/her behalf.
- Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the 23rd AGM will be put to vote by way of poll.

PERSONAL DATA PRIVACY

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 23rd AGM dated 22 May 2020.

AEON CREDIT SERVICE (M) BERHAD

Registration No. 199601040414 (412767-V)

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