

AEON CREDIT SERVICE (M) BERHAD
(Company No. 412767-V)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-SECOND ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BALLROOM 1 AND 2, LEVEL 2, INTERCONTINENTAL HOTEL, 165 JALAN AMPANG, 50450 KUALA LUMPUR ON THURSDAY, 20 JUNE 2019 AT 10.30 A.M.

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2019 AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

- 1.1 The Chairman informed the Meeting that the Audited Financial Statements of the Company for the financial year ended 28 February 2019 (“FYE2019”) together with the Reports of the Directors’ and Auditors’ thereon were meant for discussion only as the provision of Section 340 of the Companies Act 2016 does not require formal approval by the shareholders.
- 1.2 The Chairman then briefly updated the shareholders on the performance and dividend payout of the Company, the prevailing economic environment in Malaysia as well as the challenges faced by the Company. The Chairman indicated that the Company had sustained its financial performance for the FYE2019 despite the challenging environment affecting the global businesses. On behalf of the Board, the Chairman also thanked and expressed his sincere gratitude to the shareholders for their confidence in the Management and for their continuous support of the Company.
- 1.3 At the invitation of the Chairman, Mr. Kenji Fujita, the Managing Director (“MD”) of the Company, gave a brief overview on the Company’s operations for the FYE2019 to the shareholders.
- 1.4 Mr. Lee Kit Seong, the Chief Financial Officer (“CFO”) of the Company, then presented a detailed review of the Company’s financial performance for the FYE2019, Key Policies for the financial year ending 29 February 2020 (i.e. Asset Quality, Database Integration, Product and Service Diversification, Customer Touchpoint Improvement and Productivity Efficiency), Sustainability and Corporate Social Responsibility activities FYE2019 to the shareholders.
- 1.5 The CFO further informed that the Minority Shareholders Watch Group (“MSWG”) had on 10 June 2019 written to the Company seeking clarification/information on several questions pertaining to strategic and financial matters of the Company. He proceeded to read out the questions received from MSWG and provided the answers to the questions raised at the Meeting for the benefit of the shareholders. A copy of the slide presentation on the questions raised by the MSWG and the corresponding answers is attached herein as Appendix A.
- 1.6 Subsequent to the speeches by the Chairman and MD and the presentation by the CFO, the Chairman invited questions from the floor on the Audited Financial Statements of the Company for the FYE2019. A number of shareholders and proxies provided their comments and sought clarification on various issues which were succinctly addressed by the Chairman, MD and CFO. The salient points/issues raised at the Meeting were as follows:

- 1.6.1 To the question raised by a shareholder on the Money Lending License which was granted by the Ministry of Housing and Local Government, the MD responded that, with the Money Lending License, the Company which is already in the financing line of business, notably in personal financing segment, is able to complement and expand its existing consumer financial products to providing working capital financing for corporate customers, especially supporting the business expansion of its business partners, such as the retail merchants and chain stores operating in AEON malls.

It was further noted that the Money Lending License activity is not subject to the minimum capital adequacy ratio ("CAR") requirement of 16.0% imposed by Bank Negara Malaysia.

- 1.6.2 Responding to another question raised by the same shareholder, the CFO replied that the borrowings denominated in US Dollar are fully hedged via cross currency interest rate swap contracts entered into by the Company upon initial drawdown of the borrowings, hence, borrowing cost is well-managed and financial risk exposure to the Company due to currency fluctuations is mitigated.

Correspondingly, the decrease in the derivative financial assets of the Company for the FYE2019 as a result of currency fluctuation reflects the mark-to-market notional amounts of the borrowings.

- 1.6.3 On the suggestion to embed payWave feature into the Company's existing credit card in order to promote customer's usage and convenience, the Company has been looking into converting its traditional magnetic stripe credit card into contactless credit card equipped with payWave for increased convenient use. The Company has also in year 2018 increased the number of complimentary access to Plaza Premium Lounge up to six (6) times for credit cardholders who are in good standing status and introduced AEON redemption Rewards Program with four (4) times AEON points entitled for every RM1.00 spent at AEON stores to promote credit card usage.
- 1.6.4 To the question from a shareholder, the CFO replied that the Company's sources of funds for financing its small and medium-sized enterprises ("SME") business are mainly from internally-generated working capital, bank borrowings and the debt capital market.
- 1.6.5 In response to the question raised by another shareholder on the inadequate information and conclusion relating to key audit matters ("KAM") addressed in the Independent Auditors' Report for the FYE2019 of the Company, particularly on the KAM raised on *Impairment of financing receivables*, the engagement partner of Deloitte clarified and reaffirmed that the said KAM would not trigger any qualified opinion from the External Auditors.

The said shareholder also suggested that the External Auditors provide more clarity and insight on the conclusions reached moving forward as it is significant to the shareholders to determine the impact of the KAM to the financial statements of the Company.

- 1.6.6 In regard to the discontinuation of AEON BiG Member Card Programme subsequent to the launching of AEON Member Plus Visa Card Programme which integrated all membership and loyalty cards under AEON into one single card that is also a Visa prepaid card, the cardholders of AEON BiG Visa Credit Card, which is issued under the Co-Branded Credit Card program between the Company and AEON BiG (M) Sdn. Bhd. that was integrated with the AEON BiG Member Card Programme would also cease to enjoy the benefits/membership points under the AEON BiG Member Card Programme by using the credit card.

On this matter, the Company informed that it is still in the midst of aligning and developing the revised benefits for cardholders across the AEON group of companies and the outcome would be achieved in near the future for the benefit of all its customers.

- 1.6.7 Responding to the query raised by a shareholder on the increase in deferred tax assets, the CFO responded that the same was due to the movement in temporary differences in the carrying amounts of financial assets, mainly on the increase in the provision for the impairment loss on financing receivables for the FYE2019 resulting from the adjustment on initial application of Malaysian Financial Reporting Standard 9 – Financial Instruments.
- 1.6.8 To the question raised by a shareholder on the tax audit disclosed in the Notes to the Financial Statements for the FYE2019, the CFO informed that 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 was imposed as a result of the DGIR varying the loan transaction collateralized by receivables undertaken by the Company with a local financial institution to that of a sale of receivables. The DGIR imposed penalties for alleged submission of incorrect returns.

The CFO added that due to the technical nature of the subject matter, the Company's application for adjudication will take some time but the negotiation with IRB is ongoing at this juncture. The Company maintains its stance that it is not liable to pay the additional taxes and penalties imposed by the DGIR and had reasonable grounds to disagree with the said notices of additional assessment raised, after having consulted with its tax solicitors and corporate tax agents. Therefore, there was no provision made in relation thereto at this juncture.

Notwithstanding the above, the Company shall endeavor to exhaust all available legal avenues to mitigate its exposure to additional taxes on this matter in order to protect its interest.

- 1.6.9 With regard to the future prospect of the Company's business for the next five years, the Company, which had performed well and achieved stable growth for the past few years, would continue to strive for improving performance notwithstanding the challenging global economic environment.
 - 1.6.10 In order to improve the CAR and support further assets growth of the Company, the CFO informed that the Company would continue to explore and evaluate all available sources of fund options which could potentially be classified as equity in accordance with applicable accounting standards and included as capital for the computation of the Company's CAR.
 - 1.6.11 Responding to the question raised by another shareholder in respect of the loss-making SME business, the Chairman commented that the Company is taking a conservative and measured approach on the SME financing business model, which differs from the Company's established consumer financing business model, in order to avoid bigger ticket risks.
- 1.7 After having addressed the questions raised, it was recorded that the Audited Financial Statements of the Company for the FYE2019 had been duly tabled and received by the shareholders.



MSWG - Q & A



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

10 June 2019

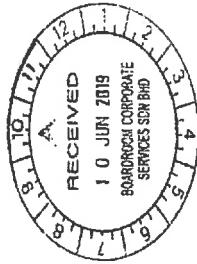
(Fax No: 603-77201111)

The Board of Directors
AEON Credit Service (M) Berhad
Lot 6.05, Level 6, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Attention: Ms Tai Yih Chan
Ms Cheong Lee Wah
Company Secretaries

Dear Directors,

Re: **22nd Annual General Meeting (AGM) of AEON Credit Service (M) Berhad ("ACSB" or "the Company") to be held on Thursday, 20 June 2019**



In the interest of minority shareholders and all other stakeholders of the Group, we would like to raise the following:

Strategy/Financial Matters

1. As stated in the Chairman's Statement (page 20, Annual Report 2018) during the last financial year, the Company has embarked on a number of new and value-driven initiatives to better meet the needs of its customers through the introduction of new Personal Financing Scheme (PFS) with risk based pricing model and the AEON Platinum Credit Card catering specifically for the middle income customer segment. Please brief on the above.
2. Considering that your Easy Payment Schemes (EPS) and PFS had registered RM3.73 billion in financing volume for FYE 2019, please address the following:
 - a) What is the risk based assessment criteria for the EPS and PFS.
 - b) What are the loan targets for EPS and PFS for FY 2019?
 - c) What are the current non-performing ratios for EPS and PFS?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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MSWG

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3. On your credit cards business, you have achieved close to 280,000 principal credit cards in circulation for the financial year. (page 25, Annual Report 2018)
 - a) What is the target for credit cards in circulation in the next 3 years?
 - b) What is your break-even numbers for total card in circulation to be profitable in this business?
 - c) What is the progress and take-up for your newly launched AEON Platinum Card in 2018?
 - d) What is the current non-performing ratio for this business?
4. How much progress and traction have you achieved for your e-wallet product which was launched in November 2018?
5. Moving forward, AEON Credit will be introducing the digital technology advancement in its service to customers. (page 26, Annual Report)
What is the estimated budget for the new IT Infrastructural & FINTECH solution you are considering?

We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



Devanesan Evanson
Chief Executive Officer
019-95318100/019-95318101

Shareholder Attention and Protection of Minority Interest

No.	Question	Answer
1.	<p>As stated in the Chairman's Statement (page 20, Annual Report 2018) during the last financial year, the Company has embarked on a number of new and valued-driven initiatives to better meet the needs of its customers through the introduction of new Personal Financing Scheme (PFS) with risk based pricing model and the AEON Platinum Credit Card catering specifically for the middle income customer segment. Please brief on the above.</p>	<ul style="list-style-type: none"> • In order to tap into the M40 segment and improve on assets quality, the Company launched a risk based pricing model and also issued VISA and MasterCard Platinum Credit Card. • The main initiatives driven during the financial year was focused towards expanding the M40 segment. Risk based pricing was introduced to have competitive rates and Platinum Credit Card was introduced to M40 and T20 customers. • Furthermore, with these initiatives we would see improvement in asset quality.

No.	Question	Answer
2	<p>Considering that your Easy Payment Schemes (EPS) and PFS had registered RM3.73 billion in financing volume for FYE2019, please address the following:</p>	
(a)	<p>What is the risk based assessment criteria for the EPS and PFS?</p>	<p>(a) We have stringent credit assessment criteria using our internal scoring system based on customer attributes such as Income, Debt Service Ratio (“DSR”), down payment, etc.</p>
(b)	<p>What are the loan targets for EPS and PFS for FY 2019?</p>	<p>(b) We are positive to sustain an overall growth rate of 10-15%.</p>
(c)	<p>What are the current non-performing ratios (NPL) for EPS and PFS?</p>	<p>(c) Our overall NPL ratio for the current financial year is 2.04% as disclosed in page 25 of Annual Report.</p>

No.	Question	Answer
3	<p>On your credit cards business, you have achieved close to 280,000 principal credit cards in circulation for the financial year. (page 25, Annual Report 2018)</p>	
(a)	<p>What is the target for credit cards in circulation in the next 3 years?</p>	<p>(a) We target to maintain double digit growth for Credit cards in circulation on annual basis.</p>
(b)	<p>What is your break-even numbers for total card in circulation to be profitable in this business?</p>	<p>(b) Credit card business is the settlement option in our business ecosystem which compliment with all our business segment. Currently, the card business performance is within our expectations. We will continue to expand the card business into the affluent and SME segment with the newly launched Platinum Credit Card.</p>
(c)	<p>What is the current progress and take-up for your newly launched AEON Platinum Card in 2018?</p>	<p>(c) We had issued 20,000 Platinum Cards since April 2018 and we continue to see improvement in card issuance.</p>

No.	Question	Answer
4	How much progress and traction have you achieved for your e-wallet product which was launched in November 2018?	<ul style="list-style-type: none"> - As of May 2019, we have issued 700,000 e-money cards with 200,000 downloads for e-wallet.
5	<p>Moving forward, AEON Credit will be introducing the digital technology advancement in its service to customers. (page 26, Annual Report)</p> <p>What is the estimated budget for the new IT Infrastructural & FINTECH solution you are considering?</p>	<ul style="list-style-type: none"> - We have planned for an investment budget of RM150 million for FYE2018 to FYE2020, which included the investment in IT Infrastructure and Digital / FINTECH solution.

