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## CORPORATE INFORMATION AND DIRECTORY

### BOARD OF DIRECTORS

**Datuk Iskandar bin Sarudin**  
(Chairman)  
(Redesignated as Chairman on 24 August 2017)

**Shinobu Washizawa**  
(Managing Director)

**Poh Ying Loo**

**Hiroyuki Kotera**

**Datuk Syed Ahmad Helmy bin Syed Ahmad**

**Dato' Tunku Putra Badlishah Ibni Tunku Annuar**

**Abdul Rahim bin Abdul Hamid**

**Charles Tseng @ Charles Tseng Chia Chun**

**Kenji Horii**

**Dato' Abdullah bin Mohd Yusof**  
(Retired on 24 August 2017)

### SECRETARIES

Tai Yit Chan (MAICSA 7009143)

Tan Ai Ning (MAICSA 7015852)

### REGISTERED OFFICE AND HEAD OFFICE

3rd Floor, AEON Taman Maluri Shopping Centre, Jalan Jejaka Taman Maluri, Cheras 55100 Kuala Lumpur

Tel : 03-9207 2005  
Fax : 03-9207 2006 / 2007

### AUDITORS

KPMG Desa Megat PLT (LLP0010082-LCA & AF 0759)

Chartered Accountants Level 10, KPMG Tower 8, First Avenue, Bandar Utama 47800 Petaling Jaya

Tel : 03-7721 3388  
Fax : 03-7721 3399

### SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)

Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No.8, Jalan Kerinchi 59200 Kuala Lumpur

Tel : 03-2783 9299  
Fax : 03-2783 9222

### DATE OF INCORPORATION

15 September 1984

### STOCK EXCHANGE LISTING

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

Stock Name : AEON  
Stock Code : 6599

### HOMEPAGE

[www.aeonretail.com.my](http://www.aeonretail.com.my)

### PRINCIPAL BANKERS

MUFG Bank (Malaysia) Berhad (302316-U)

Malayan Banking Berhad (3813-K)

CIMB Bank Berhad (13491-P)

Mizuho Bank (Malaysia) Berhad (923693-H)

RHB Bank Berhad (6171-M)

Sumitomo Mitsui Banking Corporation Malaysia Berhad (926374-U)

## CORPORATE CALENDAR

### NOTICE OF ANNUAL GENERAL MEETING

28 April 2017

### ANNUAL GENERAL MEETING

25 May 2017

### PAYMENT OF DIVIDEND

Book Closure 15 June 2017

Payment 13 July 2017

### QUARTERLY RESULTS ANNOUNCEMENT

1st Quarter 25 May 2017

2nd Quarter 24 August 2017

3rd Quarter 23 November 2017

4th Quarter 28 February 2018

## FIVE-YEAR FINANCIAL HIGHLIGHTS

Year Ended 31 December	2017* RM'000	2016* RM'000	2015** RM'000	2014** RM'000	2013** RM'000
<b>Financial Results</b>					
Revenue	4,088,164	4,018,688	3,834,640	3,705,477	3,514,418
Retailing	3,423,794	3,417,676	3,288,832	3,193,194	3,041,717
Property management services	664,370	601,012	545,808	512,283	472,701
EBITDA	524,587	462,304	444,232	486,074	484,031
Profit before tax	193,806	163,029	210,841	301,327	331,828
Profit after tax	105,007	90,892	131,671	211,877	230,962
Profit attributable to owners of the Company	105,007	90,892	133,407	212,706	230,962
Net dividend	56,160	42,120	56,160	70,200	77,220
<b>Financial Positions</b>					
<b>Assets</b>					
Property, plant and equipment and intangible assets	3,521,273	3,455,704	3,050,485	2,618,557	2,060,684
Investments	92,690	101,427	43,950	43,963	51,960
Other non-current assets	17,427	16,771	16,208	15,781	12,000
Current assets	778,174	839,814	931,660	681,703	896,176
<b>Total assets</b>	<b>4,409,564</b>	<b>4,413,716</b>	<b>4,042,303</b>	<b>3,360,004</b>	<b>3,020,820</b>
<b>Equity</b>					
Share capital	702,000	702,000	702,000	702,000	351,000
Non-distributable reserves	61,478	43,429	35,812	36,122	44,543
Retained earnings	1,199,389	1,136,502	1,095,787	1,032,580	1,248,094
Total equity attributable to owners of the Company	1,962,867	1,881,931	1,833,599	1,770,702	1,643,637
<b>Non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>10,935</b>	<b>12,671</b>	<b>–</b>
<b>Liabilities</b>					
Borrowings	937,670	965,392	769,872	136,400	–
Deferred tax liabilities	11,316	27,990	21,151	19,299	24,574
Other liabilities	1,497,711	1,538,403	1,406,746	1,420,932	1,352,609
<b>Total equity and liabilities</b>	<b>4,409,564</b>	<b>4,413,716</b>	<b>4,042,303</b>	<b>3,360,004</b>	<b>3,020,820</b>
<b>Financial Indicators</b>					
Earnings per share (sen)***	7.48	6.47	9.50	15.15	65.80
Net dividend per share (sen)	4.00	3.00	4.00	5.00	22.00
Net assets per share (RM)***	1.40	1.34	1.31	1.26	4.68
Net debt to equity (%)	43.77	46.97	30.14	3.35	–
Return on equity (%)	5.35	4.83	7.28	12.01	14.05
Price earnings ratio	23.53	39.72	28.73	20.79	21.28
Share price as at December (RM)	1.76	2.57	2.73	3.15	14.00

**Notes:**

\* The amounts presented for 2017 and 2016 are for company level as the Company pared down its shareholdings in its subsidiary during year 2017. The amounts presented for 2016 has been restated upon adoption of amendments to MFRS 127, *Equity Method in Separate Financial Statements*.

\*\* The amounts presented for 2015 and 2014 are for group level while the amounts presented for 2013 is for company level as the Company invested in a subsidiary in 2014.

\*\*\* Earnings per share and net assets per share for 2014 onwards reflect the bonus issue and share split which were completed on 2 June 2014.

## SHARE PRICE AND FINANCIAL CHARTS

### SHARE PRICE

2017

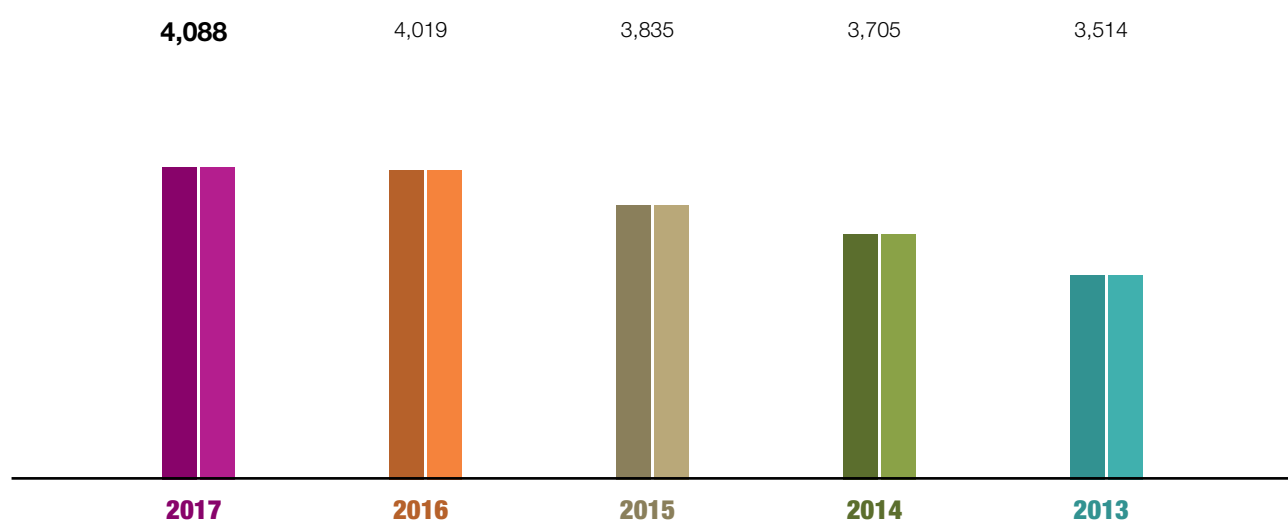
STOCK CODE: 6599

STOCK NAME: AEON

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
High (RM)	2.57	2.70	2.50	2.52	2.50	2.34	2.31	2.20	2.12	2.08	2.08	1.85
Low (RM)	2.36	2.11	2.26	2.35	2.32	2.18	2.17	1.98	2.00	1.95	1.77	1.64
Volume ('000)	8,219	35,477	26,096	20,691	21,353	10,802	6,533	4,393	7,320	7,314	12,616	10,563

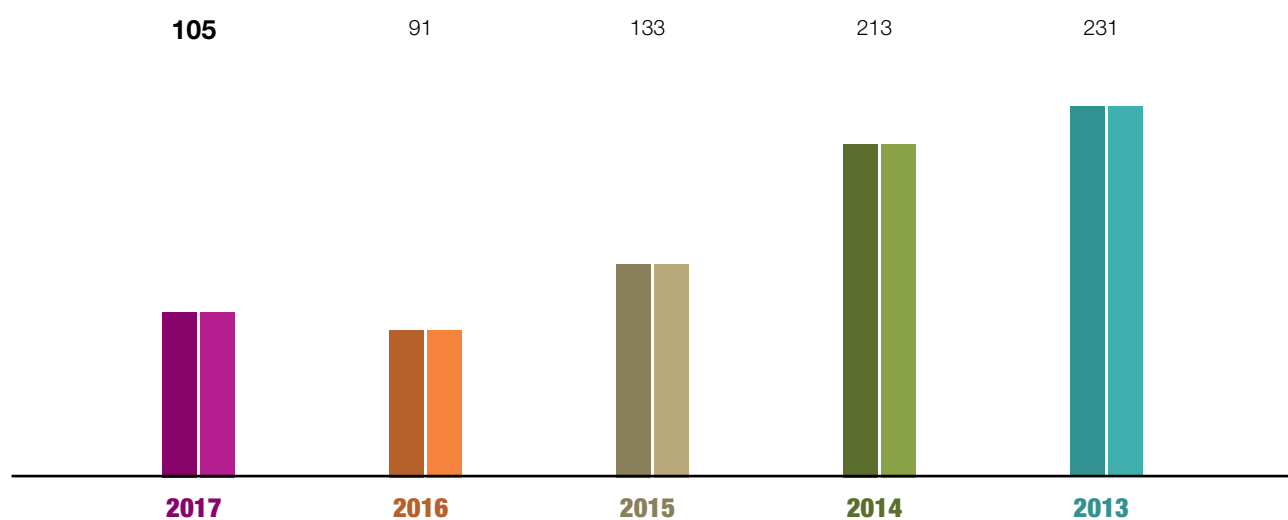
### REVENUE

RM million



### PROFIT ATTRIBUTABLE TO OWNERS

RM million





## AWARDS AND ACHIEVEMENTS

- Best Efforts in Social Responsibility for Asia Pacific and Malaysia.** AEON was awarded Asia-Pacific Winner for Best Efforts in Social Responsibility by the Federation of Asia-Pacific Retailers Association (FAPRA) Awards 2017 and Malaysia Winner for Best Efforts in Social Responsibility by Malaysia Retailers Association (MRA) Awards 2017. The awards are a testament to the fact that AEON place great importance in supporting local community growth and acts as good corporate citizen in serving society.

The recognitions were in respect of AEON Hometown Forest Programme that planted more than 500,000 trees in Malaysia and the contributions of more than RM10 million made by Malaysian AEON Foundation to those in need, especially children.

### FAPRA Award 2017 – (Asia-Pacific Winner)



### MRA Award 2017 – (Malaysia Winner)



- Education Ministry's Public Private Partnership (PPP)** is an initiative under the Education Blueprint that recognise corporates and foundations that look into assisting schools through programmes that involve financial support or their expertise in related fields. Education Ministry presented Malaysian AEON Foundation (MAF) a recognition trophy as one of the 53 organisations that contributed and helped the government in transforming and pushing our country's education sector to greater heights through its Basic Education Support (BEST) programme.
- Putra Brand Awards** is a 'People's Choice Award' given to companies as a recognition that brands building is an integral business investment and its recognition is measured by consumer's preference and choice. AEON has won the Putra Brand Awards 2017 (GOLD) under the retail category for the 7th consecutive year.
- The Retail Asia-Pacific Top 500 Awards** are to award the top performing retail companies in the Asia Pacific region. AEON was honoured with a Silver Award for being the Top 10 Retailers. In addition, AEON was announced as one of the Top 5 winners for the "Asia Pacific Best of the Best Retailers for 2017" selected from among a group of nominated top-ranking retailers.



## CHAIRMAN'S STATEMENT

**Dear Valued Shareholders,**

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of **AEON CO. (M) BHD.** for the year ended 31 December 2017.

*Datuk Iskandar*



### FINANCIAL PERFORMANCE REVIEW

Against a backdrop of ever evolving business landscape and challenging market conditions, AEON once again announced a commendable year with a revenue registered at RM4.088 billion for an increase of 1.7% for the financial year (FY) ended 31 December 2017 over FY2016. The higher revenue was mainly due to revenue contribution from new store opening during the year under review and full year contributions of stores and malls, which were opened or renovated in previous year. In terms of earnings, the Company reported a profit before tax of RM193.8 million and a profit after tax of RM105.0 million for the year under review. This represents a remarkable year-on-year increase on earnings of 18.9% and 15.5% respectively. Competitive marketing and pricing strategies together with better operating expenditure control proved to be fruitful in generating better earnings for the Company.

The retail business segment registered a revenue of RM3.424 billion in FY2017, marginally up by 0.2% over preceding year but with a much improved segmental retailing profit. These results were mainly due to effective marketing and pricing strategies efforts besides the operational efficiency.

The property management services segment with commendable average occupancy of 90.9% contributed a revenue of RM664.4 million to the Company in FY2017 representing a growth of 10.5% over FY2016; attributed mainly to the contributions from a newly opened mall and full year contributions of malls that were opened or renovated in previous year. On 9 September 2017, the Company celebrated its new mall's opening in Bandar Dato' Onn, Johor.

As at financial year ended 31 December 2017, the Company's borrowing at RM937.7 million with a net debt to equity ratio of 43.8% remains manageable and healthy. As at 31 December 2017, the Company's shareholders' fund remains strong at RM1.963 billion that provides a stable net asset value per share of RM1.40 (FY2016: RM1.34) and an improved earnings per share of 7.48 sen (FY2016: 6.47 sen).

On 12 December 2017, through a divestment exercise, the Company pared down its stakes in its subsidiary from 70% to 49% shareholding. The result for the year also included the impairment loss on investment in the subsidiary which amounted to RM19.6 million. The Company also completed within the year under review the disposal of a shopping mall which is no longer strategic to its needs, for a gain of RM18.5 million.

## SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITIES (CSR)

AEON recognises the journey to sustainability is tough yet imperative. Taking into consideration the prevailing economic, environmental and social issues, the Company is always mindful to promote and integrate sustainability into its business operations that aligns with its principle of "Pursuing Peace, Respecting Humanity and Contributing to Local Communities, Centred on Customers."

Through Malaysian AEON Foundation (MAF), many CSR events or activities were held during the year. To date, MAF has contributed over RM10 million to various beneficiaries for worthy causes in line with its mission.

## CORPORATE GOVERNANCE

The Board is always committed to good corporate governance to ensure the long-term performance and value creation of the Company's businesses. The Board believes that maintaining high standards of corporate governance is key to continuously delivering stakeholders' value. With the implementation of the new Malaysian Code on Corporate Governance 2017 (MCCG), the Board has reviewed and approved the revisions to its Board Charter, Terms of Reference of its Committees and established relevant Policy and Procedures with the aim to enhance the governance ethics as promulgated by the MCCG.

## PROSPECTS

The domestic economy is expected to receive a boost from the several measures and incentives announced by the government in its Budget 2018 and this is expected to benefit the consumer sector.

For retail business, the Company will continue to employ appropriate marketing and pricing strategies, merchandise assortment reformation, maintain quality customer service and operational efficiency efforts to ensure that its core businesses will benefit.

For property management services, the Company expects the occupancy rate and rental pricing to remain stable and sustainable and the Company will continue to leverage on its competitive strengths to draw customer traffic to its malls so as to continue maintaining its position as a shopping destination.

The Company continues to strategically refurbish its existing malls and stores in order to enhance its customers shopping experience. The Company is scheduled to open its first store and mall in East Malaysia by April 2018.

## DIVIDEND

The Board of Directors is pleased to propose at the forthcoming Annual General Meeting, a final dividend of 4.0 sen per ordinary share for the financial year ended 31 December 2017.

## ACKNOWLEDGEMENTS

On 24 August 2017, AEON bade farewell to Dato' Abdullah bin Mohd Yusof who retired from his position as Independent Non-Executive Chairman and his directorship in AEON CO. (M) BHD. Dato' Abdullah had contributed more than 33 years to the growth and success of the Company to become a leading retailer in Malaysia. On behalf of the Board, Management and staff, I would like to record our heartfelt gratitude to Dato' for his invaluable leadership and commitment all those years. We wish Dato' the best in his future endeavours and always be granted in good health.

I am honoured that the Board has shown confidence in me to succeed Dato' Abdullah as the Chairman and to continue leading the Company. Together with a team of diligent Directors and Management with varied experience, I believe AEON will continue to strengthen its position and grow steadily in years to come.

On behalf of the Board, I wish to take this opportunity to express sincere appreciation to our valued customers, shareholders, business partners, financiers, government authorities and statutory bodies for their continuous support and trust in AEON.

To my fellow Directors, thank you for your valuable advice and guidance, and to Management and employees, thank you for your commitment, loyalty, hardwork and dedication that made 2017 a successful year for AEON.

**Datuk Iskandar bin Sarudin**  
Chairman



## BOARD OF DIRECTORS' PROFILES



### **Datuk Iskandar bin Sarudin**

Independent Non-Executive Chairman  
Malaysian, Aged 63, Male

Date of Appointment to the Board:

**27 February 2017 (redesignated as Independent Non-Executive Chairman on 24 August 2017)**

Number of Board Meeting attended during the year:

**4/4**

Board Committee(s):

**Chairman of Remuneration Committee**

**Member of Nomination Committee**

Academic/ Professional Qualification:

**B.A. (Hons) of Malay Studies in University of Malaya**

**Diploma of Public Administration (INTAN)**

Directorship(s) in other Public Companies / Listed Companies:

**Complete Logistic Services Berhad**

**Eversendai Corporation Berhad**

Datuk Iskandar was appointed to the Administrative and Diplomatic Service of Malaysia as Assistant Secretary (ASEAN) at the Ministry of Foreign Affairs in 1979. In 1983, he was appointed as Second Secretary, Embassy of Malaysia in Jakarta, Indonesia. In 1985, he was appointed as First Secretary, High Commission of Malaysia in Lagos, Nigeria. In 1988, he was appointed as Principal Assistant Secretary (East Asia), Ministry of Foreign Affairs and then as Principal Assistant Secretary (CHOGM), Ministry of Foreign Affairs. In 1991, he was tasked by the Ministry to establish the Embassy of Malaysia in Republic of Chile and was appointed as Counsellor, Embassy of Malaysia, Santiago, Chile. In 1995, He was tasked by the Ministry to establish the Embassy of Malaysia in Sarajevo, Bosnia and Herzegovina and was appointed as Counsellor, Embassy of Malaysia, Sarajevo, Bosnia and Herzegovina. He was the Deputy Director General (ASEAN), Ministry of Foreign Affairs in 1998. From 2000 to 2004, he was appointed as High Commissioner of Malaysia Republic to Sri Lanka and High Commissioner of Malaysia to Republic of Maldives. From 2003 to 2004, he was President of Colombo Plan Organization, Colombo. From 2004 to 2006, he was Ambassador of Malaysia to the Republic of Philippines. In 2006, he was the Deputy Secretary General (Management Affairs) Ministry of Foreign Affairs responsible for service, finance, administration, security, ICT and consular development. In 2010, he was Ambassador of Malaysia to People's Republic of China. In 2015, he has been appointed as the Board member and member of Audit and Risk Management Committee of Perbadanan Perwira Harta Malaysia and Fellow at the Malaysia Institute of Defence and Security, Ministry of Foreign Affairs since 2016.



### Shinobu Washizawa

Managing Director  
Japanese, Aged 62, Male

Date of Appointment to the Board:

**22 April 2015 (appointed as Managing Director on 25 October 2016)**

Number of Board Meeting attended during the year:

**4/4**

Academic/ Professional Qualification:

**Bachelor Degree in The Department of Commercial Science, Hiroshima Shudo University, Japan**

Directorship(s) in other Public Companies / Listed Companies:

**Nil**

Mr Washizawa joined AEON Co., Ltd in July 1980 as Foodline Manager. In 1985, he was seconded to AEON CO. (M) BHD. as Foodline Manager until 1990, he returned to Japan as General Manager, Operations at Shinshu JUSCO Co., Ltd. He was the Store Manager of Yamato store in July 1999. In April 2001, he was seconded to AEON Stores (Hong Kong) Co., Ltd. as the Director and General Manager of Merchandising. In May 2003, Mr Washizawa was the Store Manager of Fujinomiya store and then in March 2005, he was the Store Manager of Daiichi store. In July 2007, Mr Washizawa was promoted as the General Manager of Shikoku region in AEON Co., Ltd. He was the Project Leader of Next Generation GMS policy in July 2010 and subsequently in March 2011, he was seconded to Cambodia as the Project Leader in charge of the overall planning, opening and operations of a new AEON store in Cambodia. He was appointed as the Managing Director of AEON Cambodia Co., Ltd in August 2012. Mr Washizawa is also the Managing Director of AEON Asia Sdn. Bhd. Mr Washizawa was appointed as the Non-Independent Non-Executive Vice Chairman of AEON CO. (M) BHD. on 22 April 2015. He is currently a Managing Director of the Company.



### Poh Ying Loo

Executive Director  
Malaysian, Aged 56, Male

Date of Appointment to the Board:

**26 May 2011**

Number of Board Meeting attended during the year:

**4/4**

Academic/ Professional Qualification:

**Fellow of the Chartered Institute of Management Accountants  
Member of Malaysian Institute of Accountants**

Directorship(s) in other Public Companies / Listed Companies:

**Nil**

Mr Poh was the Audit Semi-Senior of Ong Boon Bah & Co from 1986 to 1988 and joined Dreamland Holdings Berhad as an Accounts Executive in February 1988. He joined CPC/ AJI (M) Sdn Bhd as Assistant Accountant and was the Senior Accountant in June 1996. Mr Poh joined AEON CO. (M) BHD. on July 1996 as the Finance Manager and then promoted as the Financial Controller in 2002. He was the Senior General Manager in charge of Business Support in January 2008 and the Senior General Manager in charge of Corporate Finance and Investor Relations in February 2010. Mr Poh is currently in charge of the Corporate Management Division.



### Hiroyuki Kotera

Executive Director  
Japanese, Aged 50, Male

Date of Appointment to the Board:

**25 August 2016**

Number of Board Meeting attended during the year:

**4/4**

Academic/ Professional Qualification:

**Bachelor Degree in Economics, Ritsumeikan University, Kyoto, Japan**

Directorship(s) in other Public Companies / Listed Companies:

**Nil**

Mr Kotera joined AEON Co., Ltd in 1991 as Group Leader. He was the Group Leader of AEON Kansai store and AEON Utsumomiya store. In 1994, he was transferred to AEON Mito store as Division Leader. From 1997 to 2003, he was the Line Manager of AEON Kita Ibaraki store, AEON Hitachi Oomiya store, AEON Takanekido store and AEON Sapporo Motomachi store. From 2003 to 2013, he was the Store Manager of AEON Handa store, AEON Minami Matsumoto store, AEON Shimizu store and AEON Funabashi store. In 2013, he was promoted as Regional General Manager of Nishi Kanagawa region. In 2015, he was transferred to AEON CO. (M) BHD. as Senior General Manager in charge of retail business. Mr Kotera is currently in charge of Retail Business Division.



### Datuk Syed Ahmad Helmy bin Syed Ahmad

Independent Non-Executive Director  
Malaysian, Aged 71, Male

Date of Appointment to the Board:

**16 April 2013**

Number of Board Meeting attended during the year:

**4/4**

Board Committee(s):

**Member of Remuneration Committee**

**Member of Nomination Committee**

Academic/ Professional Qualification:

**Bachelor of Laws (LL.B) Honours, University of Singapore**

Directorship(s) in other Public Companies / Listed Companies:

**Export-Import Bank of Malaysia Berhad**

Datuk Syed has forty (40) years of experience as legal practitioner and judicial officer in Malaysia and Singapore. Datuk Syed Ahmad Helmy started his legal career in 1972 before starting his own partnership under the name of Yahya Helmy & Co in 1985 and subsequently renamed the law firm to S.A. Helmy & Partners. He was then appointed as High Court Judge for High Court of Malaya – Johor Bahru, High Court Judge for High Court of Malaya – Shah Alam and Court of Appeal Judge for Court of Appeal, Putrajaya in year 2000, 2007 and 2009 respectively. He retired as a Judge in December 2012 and appointed as the Chairman of Advocates & Solicitors Disciplinary Board.



### Dato' Tunku Putra Badlishah Ibni Tunku Annuar

Independent Non-Executive Director  
Malaysian, Aged 53, Male

Date of Appointment to the Board:

**16 April 2013**

Number of Board Meeting attended during the year:

**3/4**

Board Committee(s):

**Member of Audit & Risk Management Committee**

Academic/ Professional Qualification:

**BSc (Hons) in Business Administration**

Directorship(s) in other Public Companies / Listed Companies:

**Nil**

Dato' Tunku Putra Badlishah started his career as Account Manager in J.Walter Thompson Advertising in 1987 and subsequently joined DMIB Berhad as Senior Executive and thereafter was promoted as Marketing Manager. From January 1992 to December 1995, he worked in Sandestin Resort, Florida, United States of America as Manager of Marketing and Development. He joined Kumpulan Sime Darby Berhad Group (KSDB) in January 1996 and had held various senior positions within the KSDB, amongst them act as Senior Manager in Sales & Marketing of Sime Darby Land Sdn. Bhd. (January 1996 to July 2000), General Manager – Sales & Marketing of Auto Bavaria (August 2000 to March 2004), Managing Director of Auto Bavaria (February 2004 to March 2005), Director of Operations of Sime UEP Properties Berhad (April 2005 to December 2005) and Director-Group Property of Sime Darby Berhad – Group Property (January 2006 to October 2007). Dato' Tunku was appointed as the Executive Vice President in Property Development & Strategic Investments, Property Division of Sime Darby Property Berhad from November 2007 to July 2008 and as Managing Director and Member of the Board of Sime Darby Healthcare Sdn Bhd and Sime Darby Property Berhad from August 2008 to July 2011, prior to venturing into his current business practices. Currently, he is the Managing Director of Putra Ventures Sdn Bhd.



### Abdul Rahim bin Abdul Hamid

Independent Non-Executive Director  
Malaysian, Aged 67, Male

Date of Appointment to the Board:

**16 August 2013**

Number of Board Meeting attended during the year:

**4/4**

Board Committee(s):

**Chairman of Audit & Risk Management Committee**

**Member of Remuneration Committee**

Academic/ Professional Qualification:

**Fellow of the Association of Chartered Certified Accountants**

**Member of the Malaysian Institute of Certified Public Accountants**

**Member of the Malaysian Institute of Accountants**

Directorship(s) in other Public Companies / Listed Companies:

**Petra Energy Berhad**

**Encorp Berhad**

**GFM Services Berhad**

**Malaysia Debt Ventures Berhad**

**Asian Finance Bank Berhad**

En Abdul Rahim started his career in Coopers & Lybrand (previously known as Cooper Brothers & Co.) in 1971. He rose in the firm to eventually become its Chief Executive in 1993. When the firm merged with Price Waterhouse in 1998 to form PricewaterhouseCoopers, he served as its Deputy Executive Chairman until he retired in June 2004. During the span of more than 3 decades in the firm, he was involved in audit, management consultancy and insolvency practice covering multiple industries including retail and manufacturing, construction, plantation, entertainment and banking in both public and private sectors. He was also appointed to the Council of the Malaysian Institute of Accountants ("MIA") and was elected by the Council to hold office as President. In the education sector, he is an Adjunct Professor of Accountancy at Universiti Malaysia Terengganu; a member of the Senate at Open University Malaysia; a member of Advisory Panel at Universiti Kebangsaan Malaysia and Universiti Putra Malaysia and Industry Adviser at Universiti Tunku Abdul Rahman. He served as President of the MIA (2005 to 2007 and 2009 to 2011) and as President of the ASEAN Federation of Accountants from 2010 to 2011.



BOARD OF DIRECTORS' PROFILES >>



**Charles Tseng @ Charles Tseng Chia Chun**

Independent Non-Executive Director  
Malaysian, Aged 67, Male

Date of Appointment to the Board:

**16 August 2013**

Number of Board Meeting attended during the year:

**4/4**

Board Committee(s):

**Chairman of Nomination Committee**

**Member of Audit & Risk Management Committee**

Academic/ Professional Qualification:

**Master of Business Administration, The Wharton School, University of Pennsylvania, United States of America**

**First Class Honors' Degree in Engineering, The University of Melbourne, Australia**

Directorship(s) in other Public Companies / Listed Companies:

**Nil**

Mr Charles Tseng began his career with the Ford Motor Company as a manufacturing engineer in Australia and subsequently held other manufacturing and marketing positions with Ford in Asia including marketing director, Malaysia. He was with Cold Storage, a leading food and retail company in Southeast Asia, where he was appointed Group General Manager in Malaysia. He was with another global search firm, where he was senior partner for East Asia and a member of its board of directors practice group. Presently, Mr Charles Tseng is President, Asia Pacific for Korn Ferry International. Based in Shanghai, he oversees 17 offices in a region encompassing Greater China, India, ASEAN, Australasia, Japan and Korea. He is also a member of the Firm's Global Operating Committee. He was voted by Business Week in 2008 as one of the 50 most influential search consultants in the world. He is the Chairman Emeritus of the Wharton Asia Executive Board. He is a member of Eli Lilly China Advisory Board and member of the Asia Advisory Board of Melbourne University.



**Kenji Horii**

Non-Independent Non-Executive Director  
Japanese, Aged 63, Male

Date of Appointment to the Board:

**21 May 2015**

Number of Board Meeting attended during the year:

**4/4**

Board Committee(s):

**Member of Nomination Committee**

**Member of Remuneration Committee**

Academic/ Professional Qualification:

**Bachelor Degree in Law, Ritsumeikan University, Japan**

Directorship(s) in other Public Companies / Listed Companies:

**Nil**

Mr Horii joined AEON Co., Ltd in March 1978 and was assigned to various departments in Foodline. He was the Store Manager of Kyohoku store in Mie Prefecture in March 1985 and the Development Manager of Foodline, Merchandising Department in March 1996. He was the Senior General Manager of Foodline – Delica division in March 2003. In March 2006, he was the Senior General Manager of Merchandising, TopValu Merchandising Department. In March 2007, he was promoted as the Director of AEON TopValu Co., Ltd. Mr Horii was appointed as the Senior Executive Director of AEON Global Merchandising Co., Ltd. In March 2013, he was the Managing Director of AEON TopValu (Thailand) Co., Ltd.

**Note:** Save as disclosed in this annual report, all the Directors mentioned in pages 8 to 12 have no conflict of interest with AEON CO. (M) BHD. or any family relationship with any Director and / or major shareholder or any convictions for offences within the past 5 years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, except for traffic summons, if any.

## SENIOR MANAGEMENT



**SHINOBU WASHIZAWA**  
Managing Director

His profile is disclosed in the Directors' Profiles on page 9 of this Annual Report.



**POH YING LOO**  
Executive Director  
Corporate Management

His profile is disclosed in the Directors' Profiles on page 9 of this Annual Report.



**HIROYUKI KOTERA**  
Executive Director  
Retail Business

His profile is disclosed in the Directors' Profiles on page 10 of this Annual Report.



**TETSUYA KIMURA**  
Senior General Manager  
Mall Business

Mr Kimura, Japanese, Male, aged 52, holds a qualification in Master of Agriculture. He joined AEON Group Japan in 1990 as manager in construction department. He has more than 28 years of working experience in business development and constructions for mall including an earlier posting to Malaysia. He was the overall in charge in design, construction & development for ASEAN group in the region from 2011 to 2016. He was posted again to AEON CO. (M) BHD. in 2017 and assumed his current position.



**YASUTOSHI YOKOCHI**  
General Manager  
Corporate Planning

Mr Yokochi, Japanese, Male, aged 44, holds a Master of Business Administration (Finance). Joined AEON Co., Ltd., Japan in 2001 and has 17 years working experience in Retail Operation and Finance in Japan including posting to United States of America. Joined AEON CO. (M) BHD. in 2016 and assumed his current position in 2017.



**AHMAD FAZLI BIN ABU BAKAR**  
General Manager  
Specialty Store Operation

En Ahmad Fazli, Malaysian, Male, aged 51, holds a Bachelor Degree in Economics & Business Economics. Joined AEON CO. (M) BHD. in 1992. He has 26 years of experience in Administration, Mall Operations, Facilities, Safety, Security, Housekeeping, Construction and Risk Management. He was appointed as General Manager – Shopping Center Operations in 2014 and assumed his current position in 2017.



**AUDREY LIM SUAN IMM**  
General Manager  
General Merchandise  
Store Operation

Ms Audrey, Malaysian, Female, aged 48. She obtained her Executive Master of Business Administration (Retail Management) in 2017. She started her retail career with AEON CO. (M) BHD. in 1989 and has more than 28 years of experience in Store Operation, Merchandising, Marketing and Human Resource. She was appointed as General Manager – Marketing in 2008 and assumed her current position in 2016.



**JOANNE LIEW WEI WOON**  
General Manager  
Mall Leasing

Ms Joanne Liew, Malaysian, Female, aged 52, holds a Bachelor Degree in Economics. Joined AEON CO. (M) BHD. in 1991. She has more than 25 years of experience in Shopping Mall Operation and Leasing including leasing support experience in Vietnam. Appointed to current position in 2014.



**KENJI HATA**  
General Manager  
Mall Operations and Mall  
Innovation Project

Mr Hata, Japanese, Male, aged 47, holds a Bachelor Degree in Economic. Mr Hata joined the retail industry in 1994 and has more than 24 years of experience in mall operations and leasing including overseas assignment in China. He joined AEON CO. (M) BHD. and assumed his current position in 2017.



**KENJI HIRAMATSU**  
General Manager  
Information Technology &  
Business Process Development  
(Supply Chain Management)

Mr Hiramatsu, Japanese, Male, aged 63, holds a Bachelor Degree in Industrial and System Engineering. Joined AEON Co., Ltd Japan in 2004. He has extensive years of experience in IT and was appointed as General Manager – IT, Japan in 2011. He joined AEON CO. (M) BHD. in 2012 and assumed his current position.



**NG CHIN CHOY**  
General Manager  
Merchandising

Ms Ng, Malaysian, Female, aged 55, started her career with AEON CO. (M) BHD. in 1985. She has more than 30 years of experience in Merchandising and Operations including support to merchandising operations in Vietnam and Cambodia. Assumed her current position in 2016.



**VINCENT NG WEI CHYUN**  
General Manager  
Legal

Dr Vincent Ng, Malaysian, Male, aged 52, holds a Bachelor and Master Laws degree and obtained his Doctor of Business Administration (DBA) in 2016. He has more than 16 years of legal experience in retail industry. He joined AEON CO. (M) BHD. in 2000 and assumed his current position in 2011.



**YVONNE TING YIN LING**  
General Manager  
Finance & Accounting

Ms Yvonne Ting, Malaysian, Female, aged 49, is a member of the Malaysian Institute of Accountants (MIA) and The Association of Chartered Certified Accountants (ACCA). She has more than 22 years of experience in auditing and retail industry. She started as an Accountant before assuming her current position in 2015.

**Note:** Save as disclosed in this annual report, all Senior Management mentioned in this page have no conflict of interest with AEON CO. (M) BHD. or any family relationship with any Director and/or major shareholder or any convictions for offences within the past 5 years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, except for traffic summons, if any.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF BUSINESS AND OPERATIONS

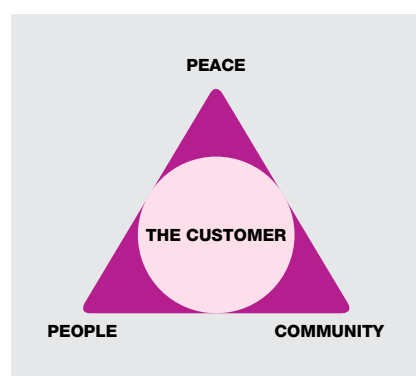
**AEON CO. (M) BHD.** is a leading retailer in Malaysia with a total revenue of RM4.088 billion for the financial year under review. The Company was incorporated on 15 September 1984. AEON CO. (M) BHD. (AEON or the Company) was first set up in response to the Malaysian Government's invitation to AEON Japan to help modernise the retailing industry in Malaysia. The 'AEON' name today is well established among Malaysians especially due to its association with the international AEON Group of Companies. AEON has established itself as a leading chain of General Merchandise Stores (GMS), supermarkets and malls. 2017 marked the Company's thirty third (33rd) year of operation in Malaysia.

#### AEON BASIC PRINCIPLES

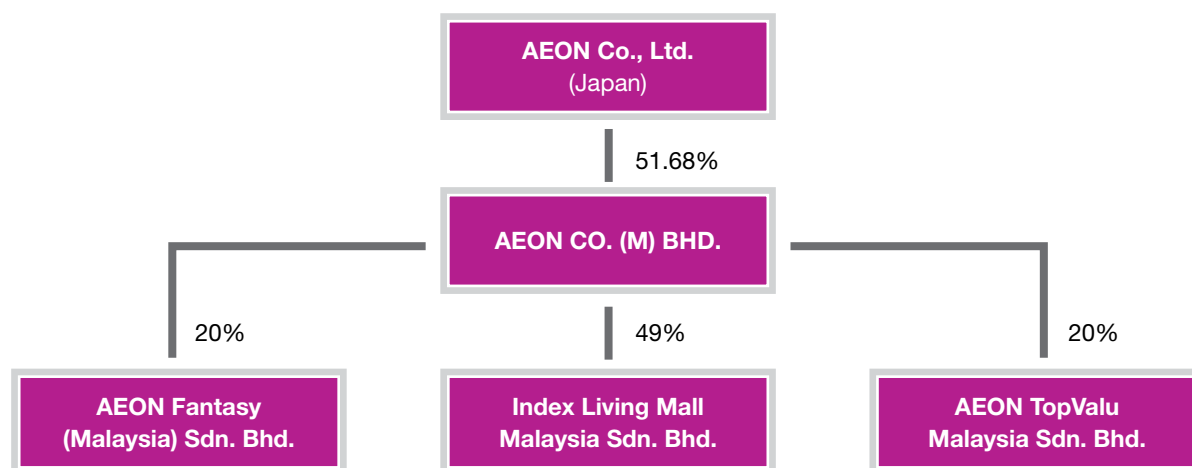
Pursuing peace, respecting humanity and contributing to local communities, always with the customer's point of view as its core.

At all times, in every market, AEON's activities are guided by its unchanging 'Customer First' philosophy. Its aim is to surpass expectations by combining excellent products with unique personal services that enhance the shopping experience to make customers smile every time they shop.

In the spirit of the name AEON, which means eternity in Latin, AEON's goal is to work together endlessly with its customers, suppliers, business partners, shareholders and the community to create a future of limitless promises. All this is encapsulated in the tagline **"AEON Enriching Your Lifestyle"**.



### CORPORATE STRUCTURE



AEON CO. (M) BHD.'s holding company during the financial year is AEON Co., Ltd., a company incorporated in Japan and holds 51.68% equity interest in the Company.

On 12 December 2017, the Company reduced its shareholding in Index Living Mall Malaysia Sdn. Bhd. (formerly known as AEON Index Living Sdn Bhd) ("ILMM") to 49% from its previously held shareholding of 70%. Consequent to the revision, ILMM ceased to be a subsidiary of the Company.

AEON Co., Ltd. is part of the AEON Group of Companies in Japan which consists of AEON Co., Ltd. and over 300 consolidated subsidiaries and affiliated companies who are engaged mainly in the retail business as well as financial services, shopping centre development, other businesses and services. The AEON Group of Companies in Japan is an integrated Japanese retailer and is active not only in Japan but also throughout ASEAN and China.

## BUSINESS AND OPERATIONS



AEON is principally engaged in the operations of a chain of departmental stores and supermarkets selling a broad range of merchandise from clothing, food, household products, other merchandise and property management services of malls.

AEON's business model on its premises basically involves the operations of the retailing business as an anchor departmental store cum supermarket, and is complemented by the shopping mall operations. In some instances, the Company operates its departmental store cum supermarket as an anchor tenant in third parties' malls. As at 31 December 2017, the Company operates a total of thirty four (34) stores and also manages and operates a total of twenty six (26) shopping malls. At present, the stores and malls are diversely spread out geographically within Peninsular Malaysia.

Table 1: AEON's 5 years mall trend as at 31 December

Year	2013	2014	2015	2016	2017
Existing malls (beginning of the year)	21	22	23	24	26
Opened during the year	1	2	1	2	1
Closed during the year	–	(1)	–	–	(1)
<b>Number of malls as at year end</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>26</b>	<b>26</b>
– Number of malls fully owned (Including land)	12	13	13	14	14
– Number of malls fully leased (Including land)	8	8	9	9	9
– Number of malls where land is leased (only building is owned)	2	2	2	3	3

In addition to the stores and malls, the Company also operates smaller scale businesses with its MaxValu standalone supermarket business, its Wellness pharmaceutical business, Daiso flat price shops, two (2) Rocky BaseCamp fun-filled indoor climbing centre and individual private label shops. The MaxValu supermarket, on an average scale range of 1,500 to 3,100 square meters each, targets to provide convenient shopping and dining experience to the residents and community in the vicinity where the outlets are located. As at 31 December 2017, there are three (3) MaxValu outlets.



As for its pharmaceutical business and flat price shops, as at the end of the financial year under review, AEON operates a total of fifty two (52) outlets of Wellness pharmacy shops and thirty three (33) Daiso outlets.





## CUSTOMER PROFILE AND VALUE PROPOSITION

The Company targets the middle income residential families as its main customers. AEON's stores are mostly situated in suburban residential areas, catering to Malaysia's vast middle income group.

AEON's value proposition is to provide a one stop destination for its customers with quality merchandise at affordable prices and complemented by good food, entertainment and services. The aim is to provide an overall engaging shopping experience for the customers, all under one roof and in a convenient and conducive shopping environment supported by good facilities and services.

To this end, AEON constant interior refurbishment to its stores and malls provides a continuously refreshing image and appeal that seek to satisfy the ever changing needs and desires of its customers.

## ANALYSIS OF FINANCIAL RESULTS

The year 2017, despite some improvement in consumer sentiment, had continued to be a challenging year for the retail industry which affected all categories of retailing businesses.

AEON's revenue growth remains commendable, while earnings for the year shows a much improved performance year-on-year.



For the year ended 31 December 2017, the Company recorded a total revenue of RM4.088 billion, which represented an increase of 1.7% as compared with the previous corresponding year of RM4.019 billion mainly due to contributions from its new store and shopping mall that was opened in September 2017 and full year contributions of its stores and malls that was opened or renovated in previous year. The profit before tax for the financial year of RM193.8 million was RM30.8 million or 18.9% higher than the previous financial year due to higher revenue and margin as a result of marketing and pricing strategies as well as better operation expenses control. The results for the year also included the impairment loss on investment in a subsidiary which amounted to RM19.6 million though this was off-set with a gain of RM18.5 million on disposal of a shopping mall. Excluding the one-off items, the profit before tax grew by 19.5%.

During the year under review, ILMM ceased to be a subsidiary of the Company and became an associate consequent to the revision of the shareholding. Upon the cessation of ILMM as a subsidiary, the Company has recognised an impairment loss of RM19.6 million to write down the cost of investment of RM49.0 million to the fair value of RM29.4 million. This fair value is regarded as the cost of initial recognition of investment of ILMM by the Company as an associate.

Besides the above exercise, during the year under review, the Company also disposed off a piece of freehold land together with a 2-storey retail shopping centre known as AEON Mahkota Cheras Shopping Centre, which was no longer strategic to its needs. The disposal has been completed on 21 December 2017 with a sales proceeds of RM87.8 million and a gain on disposal of RM18.5 million being recognised in the financial statements. The cash proceeds were used as working capital of the Company and also to reduce its borrowings.

As at 31 December 2017, the Company's shareholders' fund remains strong at RM1.963 billion which provides a net asset value per share of RM1.40 (2016: RM1.34). The Company's borrowings was recorded at RM937.7 million as at 31 December 2017 with net debt to equity ratio of 43.8% that remains manageable. Earnings per share improved to 7.48 sen per share (2016: 6.47 sen) for the year under review.

The Company's past 5 years performance, financial position and financial indicators are shown on page 3 and 4 of this annual report.

## SEGMENTAL PERFORMANCE

**Table 2: Breakdown of segmental revenue**

Segmental revenue	2013*		2014*		2015*		2016**		2017**	
	RM mil	%	RM mil	%	RM mil	%	RM mil	%	RM mil	%
Retailing	3,041.72	87	3,193.20	86	3,288.83	86	3,417.68	85	3,423.79	84
Property Management Services	472.70	13	512.28	14	545.81	14	601.01	15	664.37	16
<b>Total</b>	<b>3,514.42</b>	<b>100</b>	<b>3,705.48</b>	<b>100</b>	<b>3,834.64</b>	<b>100</b>	<b>4,018.69</b>	<b>100</b>	<b>4,088.16</b>	<b>100</b>

**Notes:**

\* The amounts presented for 2013 is for company level while the amounts presented for 2014 and 2015 are for group level as the Company invested in a subsidiary in 2014.

\*\* The amounts presented for 2016 and 2017 are for company level as the Company pared down its shareholdings in its subsidiary during year 2017. The amounts presented for 2016 has been restated upon adoption of amendments to MFRS 127, *Equity Method in Separate Financial Statements*.

## RETAILING FINANCIAL RESULTS

Total revenue registered by the retail business segment for the year under review at RM3.424 billion was marginally higher by 0.2% compared to RM3.418 billion recorded in the preceding year mainly attributed to a new store that opened in September 2017 and full year contributions of stores that were opened or renovated in previous year.

The operating profit of retailing for the year under review of RM39.3 million was higher as compared to RM14.7 million recorded in the preceding year. This was mainly due to higher profit margin as a result of change in marketing and pricing strategies and merchandise assortment change, as the Company continues with its efforts to secure its business sustainability, in view of the intense market competitions and various industry challenges faced.

## PROPERTY MANAGEMENT SERVICES FINANCIAL RESULTS

Revenue from the Company's property management services at RM664.4 million recorded a growth of 10.5% over the previous financial year of RM601.0 million, mainly attributed to the additional revenue from newly opened and revamped malls during the year and also malls that were opened in previous year and operated for a full year in the year under review. On same scale basis, property management services income was marginally higher by 0.9% for the year under review despite the current tough market environment. Nevertheless, AEON managed to sustain an occupancy rate of 90.9% for the year under review.



Property management services continue to provide steady income for the Company. It remains the pillar for the Company's operating profit despite facing competitive environment with increased retail space. The soft consumer sentiment continues to post challenges to mall operations and their efforts to sustain income and tenant occupancy rate.

## ASSET, LIQUIDITY AND CAPITAL RESOURCES

The Company's property, plant and equipment net book value as at 31 December 2017 stands at RM3.504 billion. During the year under review, the Company disposed off its Mahkota Cheras Shopping Center for a sales proceeds of RM87.8 million while incurred an approximate amount of RM369 million in capital expenditure mainly for the completion of its new mall and store in Bandar Dato' Onn, renovation and refurbishment of its store in Queensbay mall, capital work in progress for the renovation, expansion and refurbishment of its store and mall in Taman Maluri as well as the construction of its new malls in Kuching and Nilai that will be opened in the near future.

The Company consistently recorded positive operating cash flows over the past 5 years in line with its revenue growth from its core activities. The earnings before interest, tax, depreciation and amortisation (EBITDA) remains resilient with an amount of RM524.6 million recorded for the year under review, an increase of RM62.3 million over the previous year's amount of RM462.3 million. The net cash of RM279 million used in investing activities for the year under review was much lower than the previous year of RM695 million as the Company reorganised and consolidated its capital expenditure and mall development plan.

Besides relying on internally generated funds, the Company continued to leverage on external borrowings as the Company continued with its strategic plan to refurbish its existing malls and stores during the year and complete the construction of its new mall. Borrowings as at financial year end stood at RM937.7 million, which is a 2.9% slight improvement over the previous year's borrowings. Nevertheless, AEON's statement of financial position remains healthy with a comfortable net debt to equity ratio of 43.8% which is further supported by the sukuk financing programme the Company established. The malls owned by the Company further provides additional financial flexibility and coverage for the Company should the need arises.

## REVIEW OF OPERATIONS

2017 remained a challenging year for the retail industry despite slight improvement in consumer sentiment. Rising cost of living continued to weigh down the consumer sentiment and consumers remained cautious on their spending. AEON's core businesses of retailing and property management services were also equally impacted by this continuous soft sentiment. In addition, the retail business continued to face strong retail competitive challenges from various retail formats and changes in consumer behavior. At the same time, the property management services business had to contend with continuous increase in retail space and the challenge of sustaining mall occupancy rate and footfall.

### RETAILING BUSINESS



For AEON's retailing business, in 2017, customer basket size and the total customer count remained largely unchanged as compared to the previous year. As evidenced in the revenue results, spending remained skewed towards basic necessities and commodities while spending on discretionary items continued to be soft.

The overall growth from the retailing revenue was mainly contributed by the new store of AEON Bandar Dato' Onn which was opened in September 2017 and stores in Shah Alam, Kota Bharu and Ipoh Falim, all of which were opened in previous year and operated for a full

year in the year under review. On the same store basis, even though the Company recorded an overall lower performance by 3.4%, the individual store performances were mixed, characterised by the region they are in, the local operating conditions, competition and age of the stores as well as refurbishments, if any, during the year.

The Company's 27th mall and 34th general merchandise store in Malaysia, AEON Bandar Dato' Onn represents the Company's sixth mall in Johor and with its "Teddy Bear Land" thematic concept, was designed to offer shoppers a destination for their shopping, dining and leisure away from the hustle and bustle of the city and within the calmness of nature. The mall has an outdoor fitness park and jogging track to encourage healthy living lifestyle and enrich shoppers' lifestyle experiences.





AEON Mall Bandar Dato' Onn occupies a built-up area of over 1.29 million square feet and has about 628,000 square feet of net lettable area that houses about 145 retail outlets, spanning over three retail floors. It also has 2,100 parking bays to cater to its customers. Each of the three floors are well structured and planned. Amongst others, shoppers are able to indulge in a wide range of gastronomic choices as they experience freestanding cafes and restaurants located prominently at the 2nd floor including the teddy bear concept "kid's zone".

The Company's newer stores in Shah Alam and Kota Bharu which operated for a full year in 2017, enjoyed 18.7% and 17.0% growth respectively. AEON Mid Valley store whose performance was affected in previous year due to refurbishment, showed a growth of 20.1% in the year under review. Similarly AEON Tebrau City which was affected by the construction of additional space for the mall in previous year, recovered and showed a 4.4% increase in revenue for the year under review.

During the year under review, the Company had also started renovation and refurbishment on its AEON Taman Maluri Shopping Centre and carried out a major refurbishment for its AEON Queensbay store in Penang. The ongoing construction and development activities affected AEON Taman Maluri store's operation which saw a drop of 14.3% in their revenue performance for the year under review. Likewise, AEON Queensbay store which was also closed in phases for a refurbishment upgrade registered 4.6% lower revenue than its previous year's performance.

Revenue performance of AEON existing stores in Bukit Indah, Ipoh, Bandar Sunway, Bandaraya Melaka, Kulaijaya, Bukit Mertajam, Seri Manjung, Taiping and Bukit Tinggi were however marginally lower ranging from 0.6% to 3.8% as the overall weaker consumer sentiment, competitions and surrounding infrastructure development affected them. Similarly for the same reasons, stores' performances in Permas Jaya, AU2, Metro Prima, Taman Equine, Seremban 2, Cheras Selatan, Bandar Utama, Ayer Keroh Melaka, Bandar Puchong, Rawang, Taman Universiti, Ipoh Station 18 and Klebang also registered lower performance ranging from 4.1.% to 8.3% against their previous year's performance. Older AEON stores in Wangsa Maju and Bandar Baru Klang registered lower performance of 12.0% and 15.2% respectively.

AEON store in Mahkota Cheras closed its General Merchandise Departmental Store in September 2017 upon disposal of AEON Mahkota Cheras Mall. The Company continues to operate its supermarket on the premise.

For the MaxValu supermarket operation in the year under review, the Company operated a total of three (3) MaxValu outlets and registered a combined revenue of RM66.9 million which was 31.3% higher than previous year of RM50.9 million mainly due to the full year operations of its higher end MaxValu Prime supermarket store in Sunway Velocity mall.





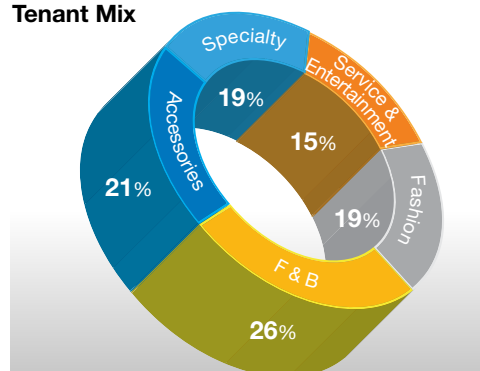
AEON's other retail business categories of pharmacies under AEON Wellness and Daiso flat price lifestyle household products shops, continued to expand with opening of new outlets within the year under review. In 2017, AEON Wellness opened eight new outlets and closed four underperforming outlets whereas Daiso flat price opened additional four new stores. AEON Wellness revenue of RM126.4 million (2016: RM101.9 million) showed a growth of 24.1% as compared to last year (Wellness same scale: 8.4%) whereas Daiso recorded revenue of RM89.3million (2016: RM70.8 million) with a growth of 26.3% (Daiso same scale: 2.8%) for the year under review. Both businesses remained marginal in contributions to the total Company's revenue.



AEON's e-commerce online channel shoppu.com.my revenue remained marginal during the year under review. On 24<sup>th</sup> January 2018, AEON launched an online grocery delivery services for its customers in a collaboration with the online concierge and delivery service player, Honestbee Malaysia. This service marks one of the first moves by the Company to digitalise customers' shopping experience with AEON following a growing trend of online purchases pattern by shoppers and is further driven by the Company's desire to innovate its offerings to its customers through an omni-channel approach. Through Honestbee, AEON is able to provide online personal shopper concierge and delivery service experience for its customers. AEON Mid Valley was the first AEON Store to provide this service followed by AEON Taman Maluri store. More stores are in the pipeline for the provision of this services in the near future.

## PROPERTY MANAGEMENT SERVICES

### Tenant Mix



The Company's property management services business remained very challenging in the year under review. The industry continued to see consolidation of businesses by tenant business owners through closing down underperforming outlets, holding back and being selective over new shop openings, seeking shorter tenancy periods and lower rental options or mechanic. The steady growth in supply of retail space over the past few years have also resulted in competitive rental rates and generous offers by mall operators as they prioritise sustaining mall occupancy rates over income under such environment. The rise of e-commerce and online shopping further bring threats though at the same time it brings opportunities as mall operators re-strategise to offer better values and experiential shopping options to its shoppers, offering not just retail services, but entertainment and leisure as well.

The property management services business of AEON remained stable and AEON managed to maintain a stable occupancy rate of 90.9% by the financial year end, slight improvement over the previous year of 89.9%, in part due to its chain of malls and the strong business relationship that it has with its tenant business partners.

The Company's average tenant mix concentration for the year under review, as shown in the table, was basically well managed and balanced, aligned with its mall objective of being the preferred shopping destination for shoppers.

The property management services segment revenue of RM664.4 million was boosted by the contributions from AEON Mall Bandar Dato' Onn that was opened during the year, and AEON Mall Shah Alam and AEON Mall Kota Bharu which were opened in previous year and operated for a full year in the year under review. In addition, the revenue received further boost from the additional revenue generated by AEON Mall Kinta City and AEON Mall Tebrau City after the revamp and completion of additional space in their malls in previous year.

During the year under review, the Company started a major revamp and expansion for its ageing AEON Taman Maluri Shopping Centre in order for it to remain relevant, competitive and continue to provide a new shopping experience to its loyal and regular customers. The ongoing expansion and revamp are expected to be completed by phases in 2019.

In addition, for its other malls, the Company continued to employ strategies to maintain its business competitiveness by searching for new category of tenants, rezoning the layout of its existing malls to bring in fresh tenant mix, working jointly together with its tenants on upgrade and promotion activities, and offering competitive package rates including variable element to its tenants.

## PROSPECTS AND OUTLOOK

Malaysian economy as reported is expected to grow at 5.5% in year 2018, again driven by domestic demand. The private sectors, both consumers and producers, are anticipated to continually provide impetus for domestic demand.

With such outlook, for retail industry, the momentum is expected to be sustained going into 2018 in anticipation of a pickup in consumer spending. However, recovery of the Malaysian retail market is highly dependent on the internal and external economic and social challenges.

The Company remains optimistic about the country's retail market amidst the demanding landscape since last year due to cautious spending by consumers. The Company acknowledges that its financial performance in 2018 will continue to be impacted by such challenges and will continue to review its business strategy towards improving revenue and profitability.

Retailing industry is undergoing transformative changes that will see changes in the retail landscape in Malaysia. Key trends observed includes current industry consolidation, changing consumer behavior especially the younger generation, the entry of new foreign players, the rise of digital commerce, the transformation of fashion retailing, more premium outlets opening, bigger retail podium space in mixed development projects, sprouting of supermarkets, neighborhood lifestyle malls and convenience outlets in neighborhood areas and the modernisation of grocery retailing.

For its retail business, the Company will continue to employ appropriate marketing and pricing strategies, merchandise assortment reformation, maintaining quality customer service and with operational efficiency efforts to ensure that its core businesses will benefit. AEON aims to differentiate its businesses through outstanding customer experience and service. It aims to leverage fully on its marketing data for trends, insights that will allow speedy review, counter measures and guide its retail strategy, format and innovation.



At the same time, the Company will seek to further expand on its online e-commerce presence as it sees the growing appeal of e-commerce activities within traditional brick and mortar retail business. On its e-commerce strategy, instead of entering into direct competition with global e-commerce giants and competing in the common red ocean market place, AEON is currently looking at a revamp of its e-commerce strategy. The ultimate goal for the Company is to develop and embrace an omni-channel strategy that also leverages onto its physical stores for offline experience, logistics and convenience.

For property management services industry, over the next 4 to 5 years, more retail space are expected to be added and malls will compete strongly with each other to ensure that their occupancy rate is sustainable and vacant space does not rise. While rental rates in prime lot or malls can still command some upward rental revision, less performing malls will experience request for rental revision or shorter tenancies.

The Company believes that with its chain of malls and its good business relationship with tenants, the occupancy rate and rental rates are expected to remain stable and sustainable. The Company will continue to leverage on its competitive strengths to draw customer traffic to its malls so as to continue maintaining its position as a shopping destination.

AEON aims to boost its customer's experience by focusing on thematic pillars of its malls and offerings through retail-tainment with the best in food, fashion, community activities, shopping experiences and entertainment to its shoppers. The key is to engage shoppers to stay longer and revisit the malls.

Thus at AEON, the emphasis will not only to ensure its general merchandise stores draw in the shopper traffic but also on the efforts to ensure AEON continues to be a destination mall comprising a tenant mix of merchandise selling, leisure, interactive activities and ample dining opportunities. The aim is to provide a unique experiential shopping experience and excite shoppers with joys of dining, shopping and leisure within its mall spaces.

In 2017, the Company had, in line with changes in competitive environment and changing consumer behavior, embarked on development of new mall and store that are more interactive and engaging with customers, providing them with new shopping experience and discoveries such as its newly opened AEON Bandar Dato' Onn and refurbished store in AEON Queenbay.

The same strategy will be adopted for its up and coming mall in Kuching, Sarawak, on which the Company took a master lease and which is scheduled to open by second quarter of 2018 to be its first mall in East Malaysia. The seven level mall with three levels of retail floors and four levels of car park, has an approximate net lettable area of 560,000 square feet with more than 130 tenants, and together with AEON general merchandise store as anchor tenant is expected to bring new lifestyles and change the retail landscape of Kuching.



The Company will also continue to refurbish and upgrade selected stores and shopping malls. The ageing Taman Maluri Shopping Centre, firmly entrenched as a Cheras landmark, is given its second upgrade since its opening twenty nine (29) years ago. The upgrade is timely not only in the face of competition but also to provide a new refreshing shopping experience for its customers with expanded space, a better retail mix and merchandise assortments. The renovation and building expansion works, which had commenced in early February 2017, are carried out in stages and is expected to be completed by phases in 2019. Another new mall, with three levels of retail floors and an approximate 586,000 square feet in net lettable area, is currently under construction in Nilai, Negeri Sembilan Darul Khusus and is targeted to open in the first quarter of 2019. The opening of the mall is expected to fulfill and serve the needs of the expanding population in southern Klang Valley, new townships and communities along the Kuala Lumpur-Seremban Highway.

AEON will also embark on efforts to refurbish and remodel its stores including its supermarkets expansion to provide enhanced shopping experience for its customers and to continue staying ahead in the game. To this end, its planned refurbishments to reset the styles and trends for its stores in Bandar Sunway, Bandar Utama and Tebrau City for 2018 are in progress and is expected to create new premium lifestyle shopping ambience for the targeted stores that centre on providing a blend of comfort and style in food, fashion and lifestyle.

Besides the refurbishments and upgrades, the Company will also continue its expansions, albeit selectively, in the new business categories of pharmacy and flat price shops.

For the year under review, the Company had reorganised, consolidated its development portfolio and reviewed its development plans projected in earlier mid-term plan. In 2017, the Company had disposed off one of its malls which was no longer strategic to its needs. The Company will continue to adopt the same strategy of striking a balance between growth and stability under the continuous challenging environment.





The Company's financial profile remains healthy despite the borrowings as the financing programme in place will continue to position the Company with alternative financing for its business expansion and working capital needs, in addition to its internally generated funds and its portfolio of owned malls.

The Company's businesses are generally exposed to the economy, business and retail market risks such as economic cycles, consumer sentiment, changes in consumer behavior, rising cost of living, competition, online e-commerce and other disruptive non traditional business models, regulatory changes, compliance and approvals, financing, new stores and new markets, unforeseen circumstances as well as other changes in business and operating conditions. These risks may affect the Company's business and operation including revenue and profitability performance.

The Company seeks to limit these business risks through, amongst others, prudent management policies, continuous review and evaluation of the Company's operation and strategies, close working relationships with the Company's partners and stakeholders especially the community in which it operates, the government authorities, continuous merchandise assortment innovation and changes, ensuring continuous high level of customer services, constant review of its investments, constant store refurbishments, proper and well maintained facilities and amenities, ensuring right tenant mix, reconfiguring its retail format and mall positioning, human resource development, retention of key management staff, technology upgrades including digitalisation to meet customer expectations in line with industry trends and providing a safe environment for shoppers and employees.

## DIVIDEND

The Company's dividend trend and payout is as reflected in the table below.

Dividend table	2013	2014	2015	2016	2017
Net dividend (RM'000)	77,220	70,200	56,160	42,120	56,160
Net dividend per share (sen)	22.00*	5.00	4.00	3.00	4.00
Payout ratio (%)	33.4%	33.0%	42.1%	46.3%**	53.5%

**Note :**

\* 2013 are before bonus issue and share split which were completed in June 2014.

\*\* 2016 has been restated upon adoption of Amendments to MFRS 127, *Equity Method in Separate Financial Statement*.

The Company's dividend payment may vary and is subject to the Company's level of cash, indebtedness, retained earnings, business operation, financial performance, prospects, capital expenditure, current and expected obligations and such other matters as the Board may deem relevant from time to time.





## MALAYSIAN AEON FOUNDATION



**‘With All Our Hearts’** Malaysian AEON Foundation (MAF) is the charity arm of which AEON CO. (M) BHD., AEON Credit Service (M) Berhad, AEON Big (M) Sdn. Bhd. and its business partners play major roles in running all of its main charity events and community services, in making contributions and fund-raising activities. The Foundation, which started up as charity fund, has been operating for over 10 years and benefits many Malaysian in need especially children. AEON is the first retailer that has its own charity foundation in Malaysia. To date, the Foundation has contributed over **RM10 million** for worthy causes in line with its mission.

### OUR MISSION

- To be continuously involved in fund-raising activities and events for the benefit of all Malaysians; irrespective of race, religion and creed with special focus on the needs of children.
- To provide financial aid to those with greatest needs, especially in the area of education, living environment and medical assistance. We also aim to provide activity-based resources to guide people away from today’s social ills.
- To give the children of Malaysia the opportunity to discover their selfworth and develop themselves to their fullest potential so that they can live more meaningful lives.

### THE PILLARS OF MALAYSIAN AEON FOUNDATION



## FESTIVE CELEBRATIONS

### CHINESE NEW YEAR – ‘SPREAD OUR LOVE’

**Kuala Kubu Bharu, 7 February 2017** – Chinese New Year celebration was celebrated at Taman Sinar Harapan, the institution which provides care, shelter and rehabilitation for disabled individuals. Home to 220 residents, Taman Sinar Harapan received assistance from MAF in the form of RM10,000 worth of grocery and monetary donation amounted to RM20,000. 50 MAF volunteers worked together to clean, decorate the home and ended with a festive tradition of Yee Sang tossing with the residents and lion dance performance as the symbol of prosperity.



### SINAR KASIH RAMADHAN

**Johor Bahru, 17 June 2017** – MAF extended a helping hand to 346 children and 22 single parents from various charity organisations during its annual Sinar Kasih Ramadan charity programme. They were given shopping sprees at 11 AEON outlets nationwide with an amount of RM84,900 to spend. In a true Aidilfitri tradition, Duit Raya together with various goodies were distributed at the buka puasa dinner.



### DEEPAVALI CELEBRATION - LIGHTS OF LOVE

**Seremban, 14 October 2017** – The Foundation celebrated the joy of Deepavali with 130 children and 45 families, supported by the participation of 60 AEON group volunteers and Seremban's Sri Bala Thandayuthapani temple, contributing a total of RM50,000 in monetary donations and essential goods. Children were given shopping sprees at AEON store and games at indoor entertainment centre Molly Fantasy. On second-half of the day, all participants ended at the Sri Bala Thandayuthapani Temple and were treated to a hearty afternoon feast, besides receiving "ang pow" as well as goodie bags.





## FUND-RAISING ACTIVITIES

### CHARITY GALA DINNER 2017 – 'SKY FULL OF STARS'

**Bandar Utama, 25 August 2017** – At the 13th Charity Gala Dinner 1,300 AEON Group business partners came together and raised RM1.8 million for the underprivileged. During the night, MAF presented four cheques worth RM20,000 each to representatives from four underprivileged homes.



### CHARITY GOLF 2017

**Petaling Jaya, 4 May 2017** – A total of 115 AEON Group business partners were taken to the course at the 3rd MAF Charity Golf event and successfully raised RM 112,000. At the event, cheques of RM20,000 each were presented to Rumah Perlindungan Persatuan Kebajikan Islam, Rumah Kanak-Kanak Angel and Pertubuhan Kebajikan Kanak-Kanak Selangor Klang.



### "LIGHT OF LIVES" – ORANG ASLI PROJECT

**Kampung Rako Baru, Cameron Highland 15 February 2017** – MAF initiated a two-day project with a group of 38 volunteers to build and install 60 sets of solar panel lights with the support of experienced engineers for Orang Asli of Kampung Rako Baru, Cameron Highlands. The volunteers include employees from AEON CO. (M) BHD., AEON Credit Service (M) BHD and university students.



## DONATION ACTIVITIES

### FLOOD RELIEF EFFORTS - PENANG

**7 Nov 2017** – MAF collaborated with Media Prima Berhad to deploy immediate relief efforts and volunteers to assist the distress flash flood victims. The volunteers packed and distributed daily essentials to 468 affected families that amounted to approximately RM80,000.



### FLOOD RELIEF EFFORTS - KELANTAN

**2 Dec 2017** – A total of 33 AEON Group volunteers were gathered to pack and distribute daily essential needs that worth RM200 per set to 2 relief centres and 5 Kampung. Approximately 500 families received the contributions.



## DONATION ACTIVITIES

### DONATION TO INDIVIDUAL AND ORGANISATIONS

Malaysian AEON Foundation has actively raised funds and looked for ways to contribute back to the society which include schools, welfare organisations, individuals and orphanage homes to support their education and medical needs as well as improving the daily lives of the underprivileged.





## SUSTAINABILITY STATEMENT

### INTRODUCTION

This report covers AEON CO. (M) BHD. (AEON)'s sustainability initiatives and practices, community engagement and activities and reporting of sustainability performance for the calendar year 2017.

We endeavour to move towards establishing an indicator to track and measure our achievement, in our continuous sustainability journey, with the aim to create sustainable value economically, environmentally and socially alongside our pursuit of business growth and long term value creation for stakeholders.

This is our second Sustainability reporting, thus we have gradually realign our approach in accordance to Bursa Malaysia Securities Berhad's Sustainability Reporting Guide and started tracking the progress and performance of our sustainability initiatives partly using our Risk Control and Self-Assessment (RCSA) tool to consolidate our internal control system following the sustainability plans.

In 2016, AEON reported its first Sustainability Statement based on three (3) pillars; Economic, Environment and Social (EES). This year in order to build a sustainable society with our stakeholders, we realign our approach and incorporate the elements of EES into our AEON Basic Principles represented by the four (4) prime pillars below.

AEON Sustainability focuses on these 4 pillars, which are defined as:-



<b>Peace</b>	AEON is a group whose operations are dedicated to the pursuit of peace through prosperity.
<b>People</b>	AEON respects human dignity and values personal relationships. Our people are our assets.
<b>Community</b>	AEON rooted in local community life and dedicated to making a continuing contribution to the community.
<b>Customer</b>	AEON practices its "Customer First" philosophy with its ever-lasting innovative spirit.

### SCOPE

This report covers the reporting period from 1 January 2017 to 31 December 2017. It covers the operations AEON carried out along with our AEON Basic Principles. This statement includes information on material sustainability issues as well as impacts of AEON businesses on the society and environment.

**GOVERNANCE**

As set out in the Board Charter, the Board of Directors (Board) is responsible for reviewing and adopting the overall corporate strategy, plans and directions for the Company, including those related to sustainability. This is also in line with the expectation outlined in the Malaysian Code on Corporate Governance.

To assist the Board in driving and reporting the Company's sustainability practice, the Company established the Sustainability Working Committee (SWC) to ensure sustainability continues to be embedded in the Company's business strategy and operation. The SWC is chaired by the Executive Director of Corporate Management and coordinated by the Risk & Crisis Management Department (Risk Management) in collaboration with committee members comprising Senior Management and relevant Heads of Business Units / Departments from Finance & Accounting, Human Resource (HR), Corporate Communication (CC) and Corporate Social Responsibility (CSR), Customer Service, Administration, Quality Management (QM), Facility Management and Safety.

The Executive Director, supported by the SWC, implements the strategic plan, policies and decisions by the Board to achieve the Company's objective of creating long-term value for its shareholders through, among of others, excelling in customer service and providing sustainable best-in-industry performance in retail, community, reputation and environmental impact.

**MATERIALITY PROCESS**

Upon establishment of our governance structure, AEON has developed the Sustainability Policy and created the framework, process, procedures and structured approach to identify and assess the materiality of the sustainability matters. The Company recognises communication with stakeholders is imperative in understanding stakeholders' expectation and concerns on the sustainability matters. The Company basically frames its materiality process and analysis into three (3) steps process:

<b>STEP 1</b>	<ul style="list-style-type: none"> <li>Set up Sustainability Working Committee</li> <li>Identification and revisit material matters</li> </ul>
<b>STEP 2</b>	<ul style="list-style-type: none"> <li>Analysis and assessment of material matters</li> </ul>
<b>STEP 3</b>	<ul style="list-style-type: none"> <li>Review</li> </ul>

## STEP 1: IDENTIFICATION OF MATERIALITY

Continuing from AEON Sustainability Statement 2016, we revisited on the material sustainable matters highlighted to determine the relevant material sustainable matters for year 2017.

For 2017, the materiality identification and development are based on internal and external factors including operating and retail industry environment. Following the identification process, we arrived at a list of thirteen (13) sustainable material matters categorised into the four (4) pillars.

PEACE	PEOPLE	COMMUNITY	CUSTOMERS
<ul style="list-style-type: none"> <li>Preserving biodiversity</li> <li>Future generation awareness and education</li> <li>Environmental management</li> </ul>	<ul style="list-style-type: none"> <li>Talent management and development</li> <li>Diversity and equality</li> <li>Labour practices</li> <li>Health, safety and well-being</li> </ul>	<ul style="list-style-type: none"> <li>Community contribution and engagement</li> <li>Education and awareness</li> </ul>	<ul style="list-style-type: none"> <li>Product quality and services</li> <li>Customer relationship</li> <li>Supply chain management</li> <li>Supporting Small Medium Enterprises (SMEs)</li> </ul>

## STEP 2: ANALYSIS AND ASSESSMENT OF MATERIAL MATTERS

The Company carried out assessments to gauge the perception of stakeholders on the level of significance of each relevant sustainability matter.

### STAKEHOLDER ENGAGEMENT

We value the views of our stakeholders and interact with them through various platforms, either formal or informal engagements, to help the Company keep up-to date with the concerns and issues of stakeholders, which among others are shown in the table below:

STAKEHOLDERS	ENGAGEMENT PLATFORMS	ENGAGEMENT AREAS	STAKEHOLDER CONCERN	MANAGEMENT RESPONSE
EMPLOYEES	<ul style="list-style-type: none"> <li>AEON Code of Conduct (ACOC) training</li> <li>Training and learning programmes</li> <li>Regular meetings and briefings</li> <li>Policies, procedures and surveys</li> <li>Internal engagement activities</li> <li>Internal newsletter</li> <li>Welfare meetings</li> <li>Operational meetings</li> <li>Assemblies and briefings</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement</li> <li>Operational performance and issues</li> <li>Talent management</li> <li>High performance culture</li> <li>Ethics and ACOC</li> <li>Welfare and benefits</li> <li>Fun, healthy and safe working environment</li> </ul>	<ul style="list-style-type: none"> <li>Career development</li> <li>Benefits</li> <li>Employment equality</li> <li>Working environment</li> <li>Job performance</li> </ul>	<ul style="list-style-type: none"> <li>Training programmes</li> <li>Employee engagement</li> <li>Staff welfare meeting</li> <li>Career development programme</li> </ul>

STAKEHOLDERS	ENGAGEMENT PLATFORMS	ENGAGEMENT AREAS	STAKEHOLDER CONCERN	OUR RESPONSE
<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>Website, digital and social media</li> <li>AEON Careline (email, contact centre)</li> <li>Customer voice form</li> <li>Customer service counters</li> <li>Sales, promotions, roadshows</li> <li>In-Store information</li> </ul>	<ul style="list-style-type: none"> <li>Policies</li> <li>Enquiry, complaint, compliment and suggestions</li> <li>Assortments and pricing strategy</li> <li>Benefits, services and added value</li> <li>Branding</li> <li>Customer loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Products quality and pricing</li> <li>Customer service</li> <li>Shopping ambience</li> <li>Shopping convenience / comfort</li> <li>Safety</li> </ul>	<ul style="list-style-type: none"> <li>AEON careline</li> <li>AEON member day</li> <li>Festive celebration</li> <li>Events and competitions</li> <li>Social media</li> <li>Customer service</li> <li>Facilities</li> <li>Well stock &amp; well assorted merchandise</li> </ul>
<b>GOVERNMENT AND REGULATORS</b>	<ul style="list-style-type: none"> <li>Website, digital and social media</li> <li>Meetings, forums, roundtables, briefings</li> <li>Events</li> <li>Collaboration activities</li> <li>Licensing applications</li> <li>Store visits</li> </ul>	<ul style="list-style-type: none"> <li>Governance and compliance to requirement and standards</li> <li>Best practices</li> <li>Branding and reputation</li> <li>Participation</li> <li>Licensing</li> </ul>	<ul style="list-style-type: none"> <li>Regulations compliance</li> <li>Transparency</li> <li>Regulatory disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Public disclosure</li> <li>Compliance</li> <li>Up-to-date on rules and regulations</li> <li>Support campaigns</li> <li>Best practices</li> <li>Regular dialogues</li> </ul>
<b>INVESTORS AND SHAREHOLDERS</b>	<ul style="list-style-type: none"> <li>Financial and other reports</li> <li>Press conferences and media releases</li> <li>Corporate website</li> <li>Annual General Meeting (AGM)</li> <li>Investor Relations</li> <li>Bursa announcement</li> </ul>	<ul style="list-style-type: none"> <li>Revenue performance</li> <li>Earnings</li> <li>Expansions plan</li> <li>Prospect &amp; strategies</li> <li>Business risks</li> <li>Compliance, integrity and ethical business conduct</li> <li>Business continuity</li> </ul>	<ul style="list-style-type: none"> <li>Business performance</li> <li>Business directions</li> <li>Return of investment</li> <li>Earnings performance</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance results</li> <li>Bursa announcements</li> <li>Press release/ conferences</li> <li>Investor Relations roadshow</li> <li>Annual reports</li> <li>AGM</li> </ul>
<b>COMMUNITY</b>	<ul style="list-style-type: none"> <li>Website, digital and social media</li> <li>Community engagement activities</li> <li>Malaysian AEON Foundation (MAF) activities and programmes</li> </ul>	<ul style="list-style-type: none"> <li>Branding</li> <li>Awareness and understanding of social and environmental responsibility and impacts</li> <li>Community engagement and support</li> <li>Corporate citizenship</li> </ul>	<ul style="list-style-type: none"> <li>Support for the community</li> <li>Social environment impact</li> </ul>	<ul style="list-style-type: none"> <li>Festive celebration</li> <li>MAF activities</li> <li>Community engagements</li> <li>Financial assistance and donation</li> <li>Practice good CSR</li> </ul>



STAKEHOLDERS	ENGAGEMENT PLATFORMS	ENGAGEMENT AREAS	STAKEHOLDER CONCERN	OUR RESPONSE
<b>SUPPLIERS</b>	<ul style="list-style-type: none"> <li>Meetings, capacity building sessions and business alliance meetings</li> <li>Site visits</li> <li>Policies</li> <li>Contracts</li> <li>Collaborative promotion activities</li> </ul>	<ul style="list-style-type: none"> <li>Procurement process, terms and practices</li> <li>Strategic partnerships</li> <li>Working alliance</li> <li>Compliance of business conduct</li> <li>Policies</li> <li>General business support</li> </ul>	<ul style="list-style-type: none"> <li>Products support</li> <li>Payment</li> <li>Promotion support</li> <li>Trading terms</li> </ul>	<ul style="list-style-type: none"> <li>Clear procurement and payment process</li> <li>AEON Business Partner Alliance (ABPA)</li> <li>Business discussion</li> </ul>
<b>MEDIA</b>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Collaboration activities</li> <li>Press conferences, releases and articles</li> <li>Advertisements</li> </ul>	<ul style="list-style-type: none"> <li>Long term engagements</li> <li>Branding awareness</li> <li>Media Interview</li> <li>Events</li> <li>Advertising engagement</li> </ul>	<ul style="list-style-type: none"> <li>Access to company latest news</li> <li>Media interviews and news coverage</li> </ul>	<ul style="list-style-type: none"> <li>Press conference and release</li> <li>Media engagement</li> <li>Advertising support</li> </ul>
<b>INDUSTRY</b>	<ul style="list-style-type: none"> <li>Meetings, roundtables, events, forums and briefings</li> <li>Trade associations</li> </ul>	<ul style="list-style-type: none"> <li>Mutual interest issues</li> <li>Social interaction</li> <li>Industry best practices</li> </ul>	<ul style="list-style-type: none"> <li>Retail sales performance</li> <li>Industry issues</li> </ul>	<ul style="list-style-type: none"> <li>Malaysia Retailers Association</li> <li>Business dialogues</li> </ul>

### STEP 3: REVIEW

The SWC reviewed the thirteen (13) sustainable material matters based on impact to the internal and external stakeholders, to arrive at the final materiality assessment for 2017 and presented to the Board.

## PEACE

### PRESERVING BIODIVERSITY

AEON is committed to protect the environment, biodiversity and ecosystems in the world. Our sustainability efforts and initiatives are visible through our tree planting events and our activities on the preservation and nurturing of natural habitats including nature survival activities:-

- Malaysian Japan Friendship Forest at Paya Indah Wetland, Selangor;
- AEON Forest Tree Diversity Planting Programme in Bidor, Perak;
- AEON Hometown Forest Programme;
- Orang Utan Rehabilitation Project;
- Firefly Breeding Project; and
- World Environment Day.



AEON's reforestation and habitat preservation initiatives under its AEON Cares programme aim to promote healthy and interactive green activities with communities. At the same time, the initiatives help to create environmental awareness and instill greater social responsibility among Malaysians, especially the younger generation.

The activities undertaken by AEON Cares are monitored, with advice and assistance from the Forest Research Institute Malaysia (FRIM), with whom it had a Memorandum of Understanding (MOU) to accomplish several initiatives and projects to protect our environment and biodiversity.

#### **MALAYSIAN JAPAN FRIENDSHIP FOREST @ PAYA INDAH WETLAND, SELANGOR**

As at 2017, AEON has planted more than 60,260 trees at Paya Indah Wetland to sustain the natural habitats and biodiversity as part of our heritage.



From 2015 to 2017, AEON has invested approximately RM180,000, at an average RM60,000 per year for the maintenance of the trees including fertilizing, pruning and weeding to allow their healthy growth. The site received close supervision and monitoring from FRIM experts.

#### **AEON FOREST TREE DIVERSITY PLANTING PROGRAMME – BIDOR, PERAK**

This project started in 2014 to mark AEON's 30th Anniversary and its commitment to rehabilitate and reforest the ex-tin mine land to preserve the biodiversity.

AEON has planted a total of approximately 8,000 trees at Bidor, Perak with the help from 1,010 volunteers. The area after 3 years of maintenance by AEON at an average annual maintenance cost of RM192,000 per year is now ready to be handed over to FRIM for their further care.



AEON Hometown Forest Programme has become AEON's tradition and culture since 1991. Our aim is to always plant new trees at the compound and the surrounding of our newly built AEON shopping malls. It is an activity AEON always carried out together with the local community and school children besides other stakeholders. It allows AEON to continuously promote a green and healthy living society and to develop long lasting relationship with the local community in which it operates.



As at 2017, AEON has planted over half a million trees in Malaysia. On 5 August 2017, to mark the opening of our AEON Mall Bandar Dato' Onn in Johor Bahru, we planted 10,075 trees and shrubs with 800 participants from the local community, local authorities, business partners, school children and AEON Malaysia Cheers Club (AMCC) members from the area.

Details	2014	2015	2016	2017
No. of trees planted	30,758	13,673	27,875	10,075

## ORANG UTAN REHABILITATION PROJECT

The orang utan project is a 5 year collaboration project initiated by AEON in 2012 together with World Wide Fund for Nature (WWF) Malaysia. The aim was to reforest and rehabilitate the North Ulu Segama forest area at Sabah for a healthy forest canopy that will enable the orang utan population to move freely within the forest area to find food and build their nest.

Details	2012 - 2017
Size of restoration area (hectares)	77
AEON investment (RM'000)	500



As at 2017, AEON has planted approximately 12,367 trees to ensure that the orang utan population have sufficient food supply and shelter during their migration period. The reforestation initiative is under the care of WWF.

Moving forward in 2018 after site visit and audit, the forest area will be handed over to its landowner, the Sabah Forestry Department.



## FIREFLY BREEDING PROJECT

The firefly breeding project started in 2012 with the aim to provide a breeding area for fireflies to increase the population of firefly, which is a nature treasure at Kuala Selangor.

Details	2012 - 2017
Size of restoration area (hectares)	2.5
AEON investment (RM'000)	390



As at 2017, AEON has invested approximately RM390,450 for the project which is under the supervision of FRIM. In 2017, it is being reported that the firefly population has increased by 20% since the project started. AEON continue to monitor the project.

## WORLD ENVIRONMENT DAY

In conjunction with the World Environment Day, in a collaboration activity between AEON Cares and Free Tree Society (FTS), which is a non-profit organisation that supports green initiatives efforts, AEON has organised a “free tree” giveaway event on 3 June 2017 at our AEON Mall Cheras Selatan. It is part of AEON’s initiative to create awareness among our stakeholders that preserving environment is everyone’s responsibility.





Year	Date	No. of Plants Giveaway	Remarks
2016	23 Jan 2016	800	<ul style="list-style-type: none"> <li>Corporate community event at Shah Alam</li> </ul>
	3 Jun 2016	500	<ul style="list-style-type: none"> <li>World Environment Day 2016 @ AEON Taman Maluri Shopping Centre</li> </ul>
2017	3 Jun 2017	500	<ul style="list-style-type: none"> <li>World Environment Day 2017 @ AEON Mall Cheras Selatan</li> </ul>

In 2017, we have given away around 500 plants with different species supplied by FTS to AEON customers in conjunction with the World Environment Day.

## FUTURE GENERATION AWARENESS AND EDUCATION

AEON's mission includes creating awareness and instilling strong social responsibilities among the future generation to understand and tackle environmental issues. Children and youth are the key to the future of our nature and earth. AEON aims to recruit young environmental ambassadors and provide them with the opportunity to learn, experience, and understand green initiatives and environmental issues through its AEON Malaysia Cheers Club (AMCC) and AEON 1% Club Foundation platform which focus on children and youth.

### AEON MALAYSIA CHEERS CLUB (AMCC)

AMCC was established in 2012, as a children's club with a solid mission to provide environmental information in a fun, enjoyable and hands-on educational experience for children aged 6 to 14 years old. As at 2017, AMCC has a total of 2,406 members registered nationwide.

In 2017, AMCC organised study and eco tours for the children members, to provide them with a learning experience on organic livings, forestry, nature and resources.

Organiser	Programme Details For 2017
AMCC	<ul style="list-style-type: none"> <li>Recruitment drive</li> <li>AEON &amp; Me Day</li> <li>Biodiversity tour to Yakushima Island, Japan (with 4 winners from the Eco Contest)</li> <li>Study tour to Spritzer Eco Park, Perak</li> <li>AEON Hometown Forest Programme</li> <li>Study tour to Zenxin Organic Park, Johor</li> <li>Study tour to Yakult Factory, Negeri Sembilan</li> </ul>

AMCC highlight event for 2017 was the Eco Contest from December 2016 to January 2017 whereby a total of 4 winners were selected to participate in a 4 days and 3 nights biodiversity tour to Yakushima Island, Japan – a UNESCO's World Nature Heritage site.




A total of 39 members coming from the Cheers Club of Japan and Malaysia participated and stayed at the Yakushima Education Culture Centre for the tour.



The members explored and visited many interesting places such as the miracle forest “Yakusugi” land, Ooko waterfall, Nature Park, nature hiking, water hydraulic power plant station, Yakusugi museum and many more. The members shared their findings and held discussion on their mission to preserve the environment.

### AEON 1% CLUB FOUNDATION

AEON 1% Club Foundation is a global corporate social responsibility arm of AEON which focuses on the field of education, food and environment activities. It is also a platform to promote international friendship and goodwill in Asia. The mission is to:-

-  Cultivate a sound development of the next generation
-  Promote friendship with foreign countries
-  Create sustainable development of regional communities

From 21 August 2017 to 26 August 2017, Asia Youth Leader (AYL) programme was organised by AEON 1% Club Foundation held in Tokyo, Japan focusing on healthy lifestyle for teenagers through food management.



A total of 722 participants and 53 of which are the teenagers from 6 AEON Asia countries participated in the AYL programme.

Our Ministry of Education has selected 7 secondary school children of age 14 years old to participate in the programme as representatives from Malaysia.

## ENVIRONMENTAL MANAGEMENT

As one of the established retailers in Malaysia which operate 34 stores and 26 shopping malls, AEON took seriously its role in managing energy and resources effectively and efficiently, to reduce carbon footprint in its daily operations and to support and protect our environment.

### ELECTRICITY SAVINGS

AEON has implemented several self-initiated guidelines and best practices at its Shopping Malls, Stores and head office in order to manage carbon footprint and reduce CO2 emissions from the sources of energy consumption such as air conditioning and lighting.

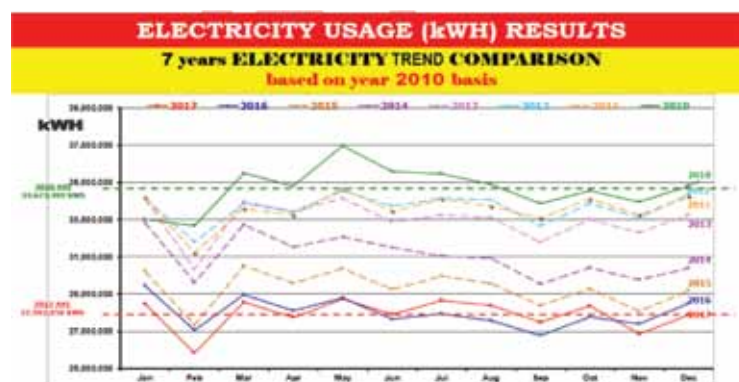
A guideline is set by the Facility Department for operation to manage and control the air-conditioning temperature at AEON's Shopping Malls. The operation maintenance team at the respective Shopping Malls will then utilise a standard checklist prepared by the Facility Department for daily checking, monitoring and controlling the usage. An increase of 1 degree Celsius in air-conditioning temperature will have a significant impact in the electricity savings of 600 kwh/daily.

Year	Total kWh	Cost (RM)	CO2 (ton)	Remarks
2016	475,808,121	174 mil	97,255	The results excluded the newly opened Malls (AEON Mall and Store Shah Alam, AEON Mall and Store Kota Bahru, AEON Ipoh Falim and AEON Mall and Store Bandar Dato' Onn )
2017	464,657,026	170 mil	94,976	
<b>SAVINGS</b>	<b>(11,151,095)</b>	<b>(4 mil)</b>	<b>(2,279)</b>	

Besides controlling the air-conditioning temperature, AEON is also committed to promote energy efficiency by replacing conventional lighting to LED lighting at its Stores, Shopping Malls and Head office. This initiative proved to reduce electricity consumption and their usage proved to last longer than the conventional lighting.

In 2017, AEON has managed to save monthly electricity charges (excluding AEON Mall and Store Bandar Dato' Onn) of approximately RM24,000 per month and RM288,000 per year (equivalent to 823,000 kWh per month and 9.876 mil kWh per year).

AEON has completed in its malls and stores about 98% of the LED replacement initiatives and efforts are ongoing in 2018 to complete 100% installation, which includes the parking areas.



AEON continually monitor and foster energy savings and conservation as part of its initiative since 2008. The diagram showed the last 7 years trend analysis of electricity utilisation at AEON. The average usage of kWh for 2017 was 27.9 mil kWh compared to 2010 which was 34.7 mil kWh. There was a significant reduction of approximately 6.8 mil kWh, with an average savings of RM2.5mil per year and average CO2 reduction of 3,792 ton.

## WASTE MANAGEMENT

AEON currently manage its wet and dry waste disposal at stores and shopping malls through appointed licensed contractors to undertake the waste management. We produce a sizeable amount of food and non-food waste such as perishable items, poultries, can-food, processed food and bakery, among others.

Moving on in 2018, AEON will work together with the Department of Solid Waste Management and local councils for data gathering and management on waste disposal and at the same time educate our customers on reduce, recycle and reuse (3R) practices.

## PEOPLE

### TALENT MANAGEMENT AND DEVELOPMENT

At AEON, people are our ASSETS. We continuously groom our talents to support our operation and ever-growing business needs. We also aim to be an "Employer of Choice" for young graduates to begin their career and build a solid career progression and development with AEON. We focus on recruiting the right talent for the right job, providing them with the best opportunity to be instilled with knowledge and workplace experience and to be equipped for the right position. AEON's diversified approach has enabled numerous employment opportunities to be available for the members of communities where it operates.

## EMPLOYEE ENGAGEMENT

AEON practice an open approach to welcome employee feedbacks on concerns and issues related to workplace. Meetings, dialogue and management engagements were regularly organised for our operation staff at stores, shopping malls and HQ to address their voices.

Engagement Platform	Common Issues Discussed in 2017
Staff Welfare Meeting	<ul style="list-style-type: none"> <li>• Company rules and regulations</li> <li>• Quality work life</li> <li>• Working environment</li> <li>• Employee benefits</li> <li>• Career opportunities</li> <li>• HR policies</li> <li>• Employee reward and recognition</li> <li>• Compensation package</li> </ul>

Welfare meetings at HQ and stores were organised by the Human Resource Department once every two months to listen to employee voices and suggestions. All these voices were then compiled for management review on periodical basis.



## LEARNING AND DEVELOPMENT



**2017**  
 TRAINED **9,400**  
 EMPLOYEES AND  
 SPENT **RM4.22 MIL**

AEON continuously invest to ensure that its talent skills always stays relevant and current. Trainings are conducted by the Learning and Development Department; among others including regular in-house training modules, special skill trainings by external trainers and consultants, and through professional attachment courses with our affiliates in Japan.

High caliber employees with good performance and disciplinary records are identified for further leadership training programmes, while long serving employees are continuously equipped with technical, operational and management skill trainings by our AEON leaders.



SUSTAINABILITY STATEMENT >>

AEON remains committed in the development of its people in its mission to become one of the “Best Retailer” and “Employer of Choice” in Malaysia. In 2017, AEON remains focused to equip its employees with adequate knowledge, skill and learning experiences. A total of RM4.22 million was spent on trainings in 2017. There are plans to further increase the number of talents to be trained.



In 2017, AEON continued to work with Open University of Malaysia (OUM) to encourage its talents to pursue higher studies and foster sustainable education and learning. This is carried out through the Executive Diploma Programme in Retailing and Business Management, a module tailored to AEON’s needs.

Study Programme	No. of Participants			Remarks
	2015	2016	2017	
• OUM Executive Diploma	82	64	53	Course duration is for 15 months, covering 10 modules.

Our major talent management programmes continued in 2017, as follows:

Talent Management Programme	No. of Participants		Remarks
	2016	2017	
• Management Trainee Programme	108 pax	162 pax	<ul style="list-style-type: none"> <li>➢ Two intakes in 2017 (Feb &amp; Oct).</li> <li>➢ Specially designed internal training module for fresh graduates to learn AEON operation way and methodology at stores and shopping malls.</li> <li>➢ Upon completion, candidates will become Group Leader (GL) in store operations.</li> </ul>
• Retail Trainee Programme	41 pax	25 pax	<ul style="list-style-type: none"> <li>➢ One intake in 2017 (Feb).</li> <li>➢ Training module designed to cater for diploma graduates.</li> <li>➢ Upon completion of training, they will become GL at stores.</li> </ul>
• Japan Trainee Programme	8 pax	15 pax	<ul style="list-style-type: none"> <li>➢ Two intakes in 2017 (March and June 2017).</li> <li>➢ Training will be given to selected participants with 3 months duration in Malaysia and another 9 months in Japan.</li> <li>➢ Training includes learning of Japanese language.</li> <li>➢ Upon completion of training and examination, candidate prepare final project presentation to senior management.</li> <li>➢ Career opportunity to be promoted on “fast track” basis to become Division Leader, Line Manager, Administration Officers etc.</li> </ul>

Talent Management Programme	No. of Participants		Remarks
	2016	2017	
<ul style="list-style-type: none"> <li>• Internship Programme</li> </ul>	84 pax	202 pax	<ul style="list-style-type: none"> <li>➢ Interns from education institutions, government agencies and through collaboration programmes are selected.</li> <li>➢ Platform for interns to learn and experience actual working life and opportunity of putting their learning theory into practical.</li> <li>➢ Good performers will be identified during the internship period and offer career opportunity with AEON.</li> </ul>
<b>TOTAL NO. OF PARTICIPANTS</b>	<b>241 pax</b>	<b>404 pax</b>	

AEON further collaborates with local educational institutions, government departments and agencies to support and assist government initiatives to provide work life learning experience and employment opportunities for young Malaysian graduates. In 2017, AEON's activities engagement include with:-

Details	No. of Participants		Remarks
	2016	2017	
<ul style="list-style-type: none"> <li>• Institut Kemahiran Belia Negara (IKBN)</li> </ul>	47	19	<ul style="list-style-type: none"> <li>• Collaboration with the Ministry of Youth and Sports.</li> <li>• Participants were trained for bakery department.</li> <li>• 11 participants were absorbed as permanent staff for AEON Bakery School.</li> </ul>
<ul style="list-style-type: none"> <li>• Skim Latihan 1Malaysia (SL1M)</li> </ul>	28	107	<ul style="list-style-type: none"> <li>• To support Human Resource Ministry Programme – 95 participants.</li> <li>• To assist the UKM UNIPEQ Programme – 12 participants</li> <li>• Provide industrial training and recruitment opportunity for graduates.</li> <li>• 15 participants absorbed as AEON staff.</li> </ul>
<ul style="list-style-type: none"> <li>• Work Based Learning Programme</li> </ul>	19	19	<ul style="list-style-type: none"> <li>• Collaboration with Ministry of Higher Education's – Polytechnic Division.</li> <li>• Students offered an attachment on work based learning programme as trainee.</li> </ul>
<b>TOTAL NO. OF PARTICIPANTS</b>	<b>94</b>	<b>145</b>	

## FOSTER HIGH PERFORMANCE CULTURE

AEON adopted a computerised system of Performance Management System (PMS) in 2014/2015 to transform the “old school” method of manual operation into an effective and efficient system-based functional tool for all AEON employees.



AEON Best Employee 2017

A system known as the “Success Factor” is currently being used featuring several functional tools that integrate the employees’ Key Performance Indicators (KPIs), performance review, performance evaluation and calibration into one system process. This allows the Human Resource department to manage, control and provides accuracy and transparency for all employees on their performance evaluation process.

The calibration process was further enhanced in 2017 that enable human resource department to perform a reliable and valid calibration to reward the high talent performers.

## AEON CERIA CLUB

Established in September 2012, AEON Ceria Club mission was to create fun, lifestyle and interactive engagements with AEON employees through activities related to leisure, sports, health, recreational, information sharing and others, so as to increase employee satisfaction and retention, as well as improving work productivity.

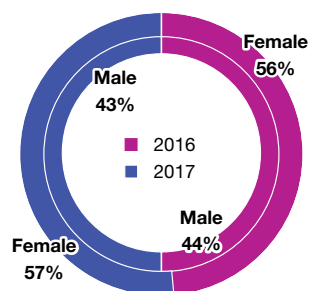


In 2017, AEON Ceria Club has managed to conduct several activities for the benefit of employees at our HQ, stores and shopping malls as follows:-

Events / Activities	Remarks
<ul style="list-style-type: none"> <li>Staff birthday party</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>
<ul style="list-style-type: none"> <li>Recreational, leisure, festive and sports</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> </ul>
<ul style="list-style-type: none"> <li>Health screening</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Collaboration activity with panel clinics for free basic medical check</li> </ul>
<ul style="list-style-type: none"> <li>“Hari Bersama Pelanggan” event</li> <li>(A Day With Customers)</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Collaboration activity with government agencies (EPF, Tabung Haji, PTPTN) and financial institutions (CIMB and ASNB)</li> <li>To provide services for AEON staff and customer to open account, learn on investment scheme, creating e-account services, restructuring of educational loans and payment arrangement via salary etc.</li> </ul>

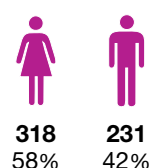
## DIVERSITY AND EQUALITY

In line with AEON Basic Principles, we value each individual regardless of their gender and background. AEON has always emphasised creating frameworks for diversity management and is committed to build a workforce that draws on the strengths of diverse human resources. Operating in a country with multi-racial background and religious sensitivities, AEON ensures that its operation and decisions are always made with the interests of the diverse communities in mind.



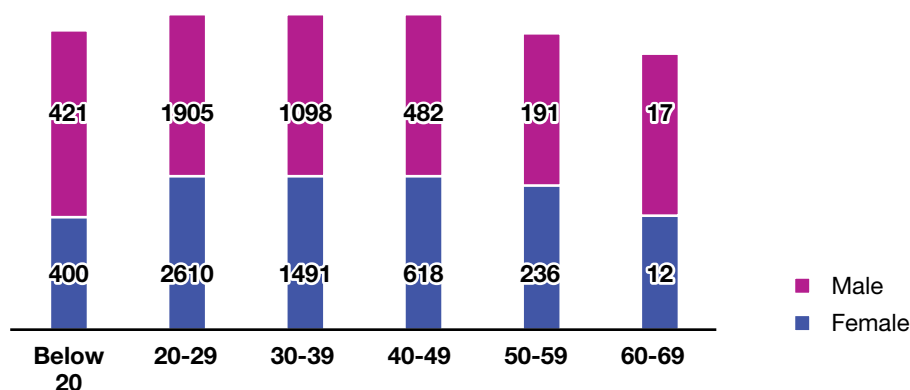
In 2017, AEON Malaysia has exceeded the requirement set by AEON Japan diversity policy (50% by 2020), by achieving 57% female out of total full-time employees and 58% female out of total management leaders.

### Gender – Management (Manager and above)



In AEON, we adopt equality principle and equal opportunity for all individuals regardless of their age, gender, ethnicity and background. Each and every employee is known as “AEON People” and treated with respect and fairness.

**Nos. of AEON Workforce FY2017**  
\_ By Gender & Age Group



AEON support government's policy through its conscious efforts to employ people with disabilities (PWD). In 2017, there were 112 employees with disabilities at various departments in our stores.

Year	Number of PWD recruited by AEON	Percentage of total employees (%)
2016	87	1%
2017	112	1.0%

AEON target to have at least 150 such disabled staff in 2018, representing an estimated 1.5% from the total number of employees of the Company.



## LABOUR PRACTICE

For AEON as a large retailer, with over 9,400 employees, employee management and its related issues are ongoing challenges. AEON fully abide and continuously seek to always comply with labour laws of Malaysia as well as other regulations such as National Minimum Wage Policy and Minimum Age Employment guideline in Malaysia.

AEON has in place its established AEON Code of Conduct (ACOC) which is an internal whistle-blowing mechanism that helps employees to raise and highlight their concerns regarding illegal or unethical conduct or malpractice at workplace.

In August 2017, AEON Human Resource Department launched the ACOC new awareness card for all AEON people, clearly defining the procedure for employees to channel their voices or concerns to the related appointed personnel. All employees were to attach the card together with their employee identity card.

Furthermore, in May 2017 AEON HR Department also conducted the annual activity of ACOC Questionnaire 2017 to:-

1. Identify the level of awareness of the AEON Basic Principles and AEON Code of Conduct;
2. Collecting and understanding thoughts and views of each employee and to analyse the situation at workplace;
3. Review and study of any potential risks; and
4. Understand, improve and address the gap and weaknesses.

## HEALTH, SAFETY AND WELL-BEING

AEON always emphasise on employee sustainable health and safety at workplace as stated in its AEON Safety and Health Policy 2017. AEON seek to comply always with Malaysian laws in relation to health and safety and has established internal guidelines and procedures to identify, assess and control workplace hazards.

In 2017, AEON conducted its annual fire drills and safety trainings for all employees at their respective stores or shopping malls with the support from Safety Department, the Emergency Response Team (ERT) at Operations level and assistance from the local Fire Department (Bomba) of the respective regions.

The aim is to raise awareness and how to act safely in the event of an emergency using a fire extinguisher and other fire equipment found at our stores and shopping malls. The training sessions included classroom learnings, practicals and drills.



In 2017, AEON carried out Occupational Safety and Health (OSH) empowerment training with the assistance from external trainers for its employees focusing to develop:-

- Better understanding on the legal requirements of establishing the Safety and Health Committee at the workplace;
- Learning the roles and functions of being a Safety and Health Committee member;
- Practical knowledge to enable the effectiveness of the Safety and Health Committee;
- Skill to perform workplace inspections, identify hazards and conduct accident investigations ;
- Learning the Occupational Safety, Health and Environment Management system.

Details	2016	2017
Total safety training cost (RM'000)	139	143
Total OSH training cost (RM'000)	48	49
Total fire safety training hours	692	*637
Total OSH training hours	136	176
Lost time injury rate	0.8	0.6

**Note:** \* For some AEON outlets, training is consolidated into 2 days instead of 3 days.



Besides OSH training, stores are also required to conduct quarterly Safety and Health Committee meeting to discuss OSH related issues.

As at 31 December 2017, AEON has a total of 161 certified and competent first-aiders at its stores and shopping malls to provide basic first aid support in case of emergencies.

Details	No. of First Aider in 2017
Stores	100
Shopping Centres/Malls	57
AEON Food Processing Centre (AFPC)	4
<b>TOTAL COMPETENT AEON FIRST-AIDER</b>	<b>161</b>

On 13 April 2017, the safety department organised a talk on “Road Safety Advocacy” and a health screening programme for AEON employees at AEON Mall AU2 Setiawangsa. It is a collaboration activity with the Social Security Organisation (SOCSO) of Federal Territory to create awareness and to provide free health screening benefit for the employees.



## COMMUNITY

### COMMUNITY CONTRIBUTION AND ENGAGEMENT

AEON believes in playing a key role in contributing towards the economic growth and well-being of the community. As an organization with high corporate social responsibility, we focus to continuously create value in the lives of the community. We aim to promote interactive and harmonious events and activities with the local community where we operate in.

#### COMMUNITY ENGAGEMENT

In 2017, AEON organised several engagement events and activities related to festive, health, lifestyle, special projects and community services with the local communities where its shopping malls are located. Some of the events and activities held are as follows:-



“Zumba” exercise activities with AEON customers organised at the compound of our AEON shopping malls to promote healthy lifestyle while enjoying and having fun.



“Bubur Lambuk” and “Yee Sang” activities at our AEON stores and shopping malls to share the celebration of “Hari Raya Aidilfitri” and Chinese New Year with our customers.



Lantern parade events organised to celebrate the Chinese Lantern Festival for the Chinese community near our stores and shopping malls.



“IM4U” Stuff the Bus, a special project by Youth Volunteer Community and supported by AEON to reach out for our customers’ food and product supplies donations which are channel towards noble causes like post flood reliefs support.





AEON Cares in a collaboration with Saora Industries carried out a clean water project – water purification system for the ‘orang asli’ community at Semui Pahang together with groceries donations for 26 families.

## COMMUNITY CONTRIBUTION

Malaysian AEON Foundation (MAF) continued with its noble mission in raising funds from the public through coin boxes at AEON retail stores, shopping malls and affiliates. Funds are also collected through channels such as charity gala dinner, charity golf events and promotional campaigns with business partners. MAF focus is specifically on children who have difficulty to access quality education and medical attention. For more details, please refer to pages 24 to 27 of this annual report.



**CHARITY  
GALA DINNER**  
RM1.8 MIL



**SOCIAL EVENTS**  
BENEFITED  
SPENT OVER RM290,000



**DISASTER AID  
DONATIONS**  
RM130,000

An annual charity gala event held by MAF that brings together AEON and its business partners to raise funds for charity, specifically focusing on children's support and aid.

Year	2015	2016	2017
No. of beneficiaries	3 children's homes	3 children's homes	4 children's homes
Amount donated (RM)	20,000 each	20,000 each	20,000 each

In 2017, MAF organised 4 festive events for underprivileged and disabled children, single parents and community to celebrate Sinar Kasih Ramadhan, Spread Your Love (Chinese New Year), Lights of Love (Deepavali) and Joy of Christmas. The activities hosted were shopping spree, movie time, grocery giveaways etc.

Year	2015	2016	2017
No. of beneficiaries	970 children 100 old folks 127 single parents	724 children 44 single parents	813 children 220 OKU 72 single parents

MAF is committed to continually provide humanitarian aid and support for community to rebuild their lives after natural disasters. In 2017, MAF donated RM130,000 to help flood relief victims at Penang and Kelantan by providing food supplies and cleaning tools. MAF with AEON volunteers also assisted to clean flood victim houses at Penang as part of post-flood relief initiatives.

In addition to the above, MAF continued to channel donations to orphanage homes, schools and individuals which amounted over RM500,000 in 2017, providing hope for the needy and underprivileged.

MAF has also organised a new activity to help the “Orang Asli” community in a project called “Light Up Lives” where MAF spent RM100,000 to supply 60 solar panel lights to Kampong Rako Baru of 40 families located at Cameron Highlands. The project involved 38 volunteers to build solar panel lights to lights up the orang asli villages.

## EDUCATION AND AWARENESS

AEON as an organisation with strong corporate social responsibility also aims to create an informed community with adequate awareness and knowledge to manage issues such as health, lifestyle and safety living.

### BEING A GOOD CORPORATE CITIZEN

AEON has always supported activities organised by regulators, business partners and authorities aiming to develop social awareness and educate consumers on health and safety. In 2017, our AEON shopping malls operation teams had organised many events and activities that are beneficial for our customers and the community where our outlets are located. Some of the awareness and educational events organised in 2017 were as follows:-

- **“PDRM Bersama Pelanggan” Programme @ AEON Mall Bandar Dato’ Onn (AMBDO), Johor**



On 22 October 2017, AMBDO collaborated with the South Johor Bahru Police District to organise the “PDRM Bersama Pelanggan” Programme Day so as to create positive interactions and openness between the authority and the general public. Among the highlight of the event is the focus on the promotion of the PDRM’s newly launched apps, “Volunteer Smartphone Patrol” (VSP) which encourage the use of smartphones to report and reduce crime.

- **“Diabetic Day” Programme @ AEON Mall Ipoh Klebang (AMIK)**



On 18 November 2017, AMIK operation team and Lions Club of Ipoh Heritage organised “Diabetic Day” Programme for AMIK customers to create awareness and educate customers on diabetes and the ways to prevent, detect and treat the condition. There were free medical test available for customers to test their blood sugar level and to seek advice from medical representatives from the Ministry of Health.

- **Food Safety Seminar and Exhibition @ AMIK**



From 2nd to 5th March 2017, the Ipoh City Council (ICC) and the Health Department of Ipoh with the support from AMIK organised a food safety seminar and exhibition to provide awareness and education on food preparation and selling.



All AEON shopping malls frequently organise “blood donation” campaigns and programmes to help ensure adequate supplies for the blood bank.

## CUSTOMER

AEON's approach to meeting customer needs and satisfaction is driven by one core objective, serving the customer well and practicing the philosophy of “Customer First”. Meeting our customers' needs keeps us relevant to their requirements and market trends.

## PRODUCT QUALITY AND SERVICES

To be the leading retailer, we need to maintain the trust of stakeholders in our brand, product and services. We need to ensure our products and services remained aligned and ahead of customer expectations and most importantly on quality assurance. AEON's effort in ensuring quality assurance is seen as follows:



### • Bersih, Selamat dan Sihat (BeSS) Certification

BeSS is a government label given to food operator as a recognition of safe and healthy food. For past three (3) years, a total of eighteen (18) stores and shopping malls have been awarded with BeSS certification for their effort to ensure food safety and quality as well as healthy living for customers by providing the nutritional composition of the food products. In 2017, a total of 139 food counters from three (3) AEON malls have complied and granted the BeSS certification.

DETAILS	2015	2016	2017	TOTAL
<b>No. of AEON Premises</b>				
1. AEON Store	1	14	Nil	<b>15</b>
2. AEON Mall	Nil	Nil	3	<b>3</b>
<b>No. of Food Counters</b>				
1. Food Court (AEON Store)	13	126	Nil	<b>139</b>
2. Food Avenue (AEON Mall)	Nil	Nil	30	<b>30</b>

In addition, in 2017, 5 of our premises have been recognised by the Ministry of Health at state level and awarded as “hygienic food-court” (Anugerah Medan Selera Bersih, Selamat dan Sihat). The premises are as follows:-

NO.	STORE	AWARD
1.	AEON Bandar Puchong Store	Champion
2.	AEON Bandaraya Melaka Store	Champion
3.	AEON Mall Ipoh Klebang	Champion
4.	AEON AU 2 Store	1st Runner Up
5.	AEON Seremban 2 Store	2nd Runner Up

### HAZARD ANALYSIS AND CRITICAL CONTROL POINTS (HACCP) CERTIFICATION

We have continuously implemented the best practice of HACCP in our Perishable and Foodline 2 (Delicatessen and Sushi) division at our stores. The process and procedure is to ensure an effective compliance to the:-

- Good Manufacturing Practice (GMP); and
- Food Safety Critical Control Points.

It is a responsibility undertaken by AEON as a committed retailer to provide assurance to our customers in terms of our food safety and hygiene practices, handling and preparing our merchandise and food.



TOTAL HACCP CERTIFIED AEON STORES			
REGION	2015	2016	2017
Southern	7	7	7
Klang Valley	16	16	17
Northern	5	6	7
<b>TOTAL</b>	<b>28</b>	<b>29</b>	<b>31</b>

**Note :**

(a) For 2016, additional store is AEON Ipoh Klebang Store

(b) For 2017 is inclusive of AEON Shah Alam Store and AEON Kota Bharu Store. AEON Bandar Dato' Onn is in the progress of certification.

In 2017, AEON successfully achieved HACCP certification for 31 AEON stores ( new and renewal ). We have also developed 9 certified food handlers that have been certified by the Ministry of Health Malaysia.

The stores that acquired HACCP certification will be duly managed and monitored by our in-house food safety and hygiene officers at stores. In addition, internal and external audit will be conducted on periodical basis to ensure that the HACCP standard and effectiveness are in place.

**ISO 22000 CERTIFICATION**

The ISO 22000 of which AEON Rawang store and AEON Ipoh Station 18 store have obtained their certification further maps out actions needed to demonstrate our ability to control food safety hazards to ensure food safety. The certification is audited and renewed on an annual basis by external auditor. The certification process covers food safety and hygiene, food allergen control and management responsibility.

**FOOD SAFETY SYSTEM CERTIFICATION (FSSC) 22000 FOR AEON FOOD PROCESSING CENTRE (AFPC)**

FSSC 22000 certification is Global Food Safety Initiative (GFSI) recognised in Food Safety Management System that covers the areas of food safety and hygiene, allergen control and food defence.

PROGRESS INDICATOR		
Phase 1	Phase 2	Phase 3
<p>Project started in Year 2015.</p> <ul style="list-style-type: none"> <li>Develop framework, policy and procedure to work towards strengthening internal compliance and practices towards FSSC 22000.</li> <li>Implementation and enforcement stage.</li> </ul>	<ul style="list-style-type: none"> <li>Progress continued in Year 2016 and 2017</li> <li>Audit carried out by appointed external auditor.</li> <li>GAP analysis.</li> <li>Internal improvement to address the gap highlighted by external auditor.</li> </ul>	<p>Target to complete certification by end of 2018.</p> <ul style="list-style-type: none"> <li><b>Stage 1</b> Documentation</li> <li><b>Stage 2</b> On Site and each department documentation</li> <li>Certification.</li> </ul>

At AFPC we have a small scale in-house lab services to monitor on the quality control of our production at a minimum capacity, solely on our own initiative to ensure that our products go through relevant checking from the stage of production to packaging.

AFPC has more than 200 pax of manpower working at various shifts. Our food production focused on preparation of finished and semi-finished bakery, delicatessen and sushi products.

## AEON FOOD SAFETY & HALAL WEBPAGE

The webpage in our AEON Retail website is created in 2015 by our Quality Management team, and it aims to serve as an educational portal for our customers to get to know our food safety initiatives, providing product knowledge and sharing of information and concerns related to our food products. The information in the webpage is updated on a periodical basis to furnish customers with latest product related issues.

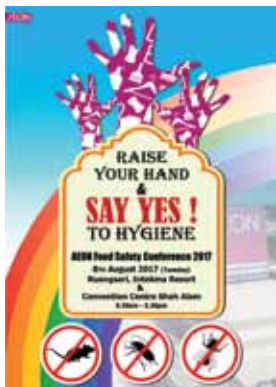
## FOOD SAFETY & HALAL POLICIES



## AEON FOOD SAFETY CONFERENCE 2017

AEON organised this annual event with the following objectives:

- As a communication platform for store and management leaders to review and discuss the food safety and hygiene issues, halal matters, progress and annual performance;
- Compliance to HACCP requirement to conduct an annual management review; and
- To learn and understand the process, initiatives and best practices undertaken by other industries in relation to food safety management system.



Meeting with senior management and store leaders is coordinated by Quality Management Department on an annual basis which encompassed management review and talks by speakers from regulators and/or other food industries on best practices for food safety management system.



For 2017, a total of 170 participants from senior management, store managers, foodline managers and food safety and hygiene officers attended the event and with pledges towards “Raise Your Hands and Say YES to Hygiene” campaign.

## HALAL ASSURANCE SYSTEM

AEON’s Halal Policy, which first came into effect in 2010 marked a remarkable journey of 7 years for the Company, in its continuous efforts to set itself apart from its competitors. Our policy is governed by the Guidelines of Halal Assurance Management System issued by the Department of Islamic Development Malaysia.

Adoption of the Halal Assurance System guideline into our internal halal practices, ensure that:-

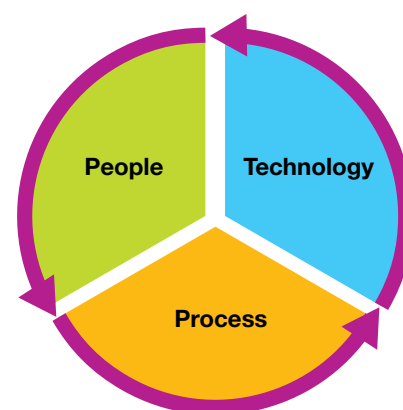
- our development, implementation and improvement of halal requirement is effective in controlling halal purity and genuineness;
- it provides a systematic approach to ensure and preserve halal integrity of products ensuring a controlled quality management system through the supply chain;
- it is being absorbed as part of our internal mechanism tool to prevent any non-compliance in producing halal products; and
- our compliance with the standard and requirement set by the competent halal authority.

YEAR	2015		2016		2017	
DETAILS	Total Application	Certified	Total Application	Certified	Total Application	Certified
<b>Total Applications (La Boheme, Delica, Sushi, Coco Café, Pizza &amp; Drink, Mr Donut and La Boheme Café)</b>	<b>104</b>	<b>85</b>	<b>118</b>	<b>52</b>	<b>128</b>	<b>124</b>

## CUSTOMER RELATIONSHIP

Our customer service vision is, "Achieving Service Excellence through Customer-Centric People". Our customer service infrastructure focuses on 3 areas; People, Process and Technology which are defines as follows:

- **People:** To transform our organisation and AEON people to be more customer service oriented and "customer first" mindset through in house programme development - IMAGE;
- **Technology:** To enhance our work productivity by implementing a consolidated new system and approach under the Customer Relationship Management (CRM); and
- **Process:** To increase our efficiency in our day-to-day operation through fast, simplified and easy to understand processes.



## CRM NEW SYSTEM

Our Customer Voice channel via AEON Careline is an integrated platform for the customers to highlight their issues and voices. AEON Careline contact centre has achieved ISO 9001:2015 certification from SIRIM in 2017 for its high efficiency and development.

The compilation of voices is characterised into four (4) categories i.e. enquiry, complaints, compliments and suggestions. The trend of the compilation is shown in the table below:-

CATEGORIES	2015	2016	2017
Enquiries	52,898	51,003	58,673
Complaints	8,168	8,084	9,952
Compliments	296	110	455
Suggestions	323	146	242
<b>TOTAL</b>	<b>61,685</b>	<b>59,343</b>	<b>69,322</b>

For 2017, the voices related to category of enquiry has the highest compilation with a 15% increased compared to 2016. The number of complaints has also shown an increment of 23% compared to 2016, mainly in the area of service of which we have taken immediate countermeasures to improve. Finally, the categories of compliments and suggestions has recorded an increase of 314% and 66% respectively.

The new CRM system implemented in 2017 has improved by 20% of our efficiency and effectiveness to respond to our customer voices as compared to the process taken in 2016. Cases now are updated on real time basis, compared to previous approach of communication i.e. by email.

#### BASIC IMAGE TRAINING, CAMPAIGNS AND COMPETITIONS

Our internal customer service training module has been revised from the previous Service Transformation for Excellent Programme (STEP) to Basic IMAGE (Interest, Mindset, Attire, Grooming and Etiquette) Training Programme. The modification is essential for our people to have an easy understanding, simplify our approach and practices to adopt a better customer service culture.

The Basic IMAGE training that started in 2017 aims to educate all levels of staff including the senior management on the challenges to change our mindset, improve communication and be customer first. Currently AEON has a total of six (6) certified Basic IMAGE trainers. The Basic IMAGE training will be further enhanced in 2018, whereby the Phase 2 consist of the refresher Basic IMAGE and additional training module of Customer Voice Management. The additional module will focus on preparing AEON people to face, interact and manage our customers at selling area.

AEON BASIC IMAGE TRAINING			
GROUP	NO. OF CLASS	NO. OF PAX PLANNED	NO. OF PAX ATTENDED
Senior Managers and Managers	17	410	453
General Staff	238	5,911	6,619
<b>TOTAL</b>	<b>255</b>	<b>6,321</b>	<b>7,072</b>





At AEON, we believe that motivation and appreciation is vital to encourage our employees to continue and sustain the best practices. As part of customer service engagement and initiative for our employees, the Customer Service Department has organised two (2) campaign activities in 2017:-

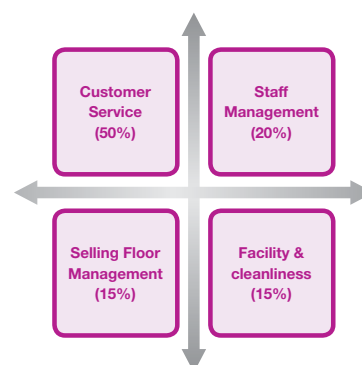
Campaign Name	Objectives	Mechanism	Duration	Achievements
<b>Staff Appreciation Letter</b>	<ul style="list-style-type: none"> <li>To recognise and to award good service.</li> <li>To motivate staff with good service.</li> </ul>	<ul style="list-style-type: none"> <li>Thank you letter issued to employee receiving customer compliments.</li> <li>Thank You letter signed by Executive Director of Retail Business with a token reward.</li> </ul>	Jan-Dec 2017	Jan-Sept 2017 = 151 employees have been recognised and awarded.
<b>Heart to Hear (H2H)</b>	<ul style="list-style-type: none"> <li>To encourage &amp; motivate all staff to start their work with positive heart &amp; to build relationship by practising <b>Smile, Greet &amp; Thank You</b> with each other everyday.</li> </ul>	<ul style="list-style-type: none"> <li>Record motivational message for a duration of 1 - 2 minutes from AEON Senior Management</li> <li>Play the recorded voice every morning at 9.00 am at HQ office</li> </ul>	Oct-Nov 2017	19 Senior Management members participated from a total of 73 members.

In addition, “Cashier Best Skill Contest” was organised in 2017 with the objective to improve cashier’s technical skills, service and hospitality.



A total of 33 cashiers from GMS store and 50 cashiers from the Wellness specialty store business participated. The top three (3) winners were selected from each business category to compete at AEON Asia Best Cashier level.

In our continuous effort to enrich our customers’ lifestyle, we work towards achieving higher standards of service for our customers. We evaluate our performance through “Mystery Shopper Programme” and since February 2017, changed the name to “My Shopper Programme” whereby the assessment is based on 4 key areas which are customer service, staff management, selling floor management, facilities and cleanliness.



Detail	Mystery Shopper		My Shopper
	2015	2016	2017
Results (%) Benchmark = 90%	84%	83%	87%
<b>MILESTONE</b> <ul style="list-style-type: none"> <li>• 2008 – Launched Mystery Shopper for GMS Store</li> <li>• 2009 – Shopping Centre joined Mystery Shopper</li> <li>• 2010 – Maxvalu and Wellness joined Mystery Shopper</li> <li>• 2012 – STEP Programme became part of evaluation</li> <li>• 2016 – Flat Price joined Mystery Shopper</li> </ul>			

## SIMPLIFIED AND EFFECTIVE PROCESS

Moving forward, we plan to switch our current assessment method to Customer Satisfaction Index (CSI), a new mechanism for us to evaluate our customer service performance. CSI provides a more holistic result to measure our customer service standard with more number of customer samplings. It will be able to provide an accurate measure to our customer’s loyalty and identify areas of improvements.

In order to increase automation of our services to customers, AEON focus on upgrading its consumer interaction technology. In 2017, installation of new POS Q5 System cash registers was completed. The new cash register with enhanced speed allows our cashiers to complete customer transactions with greater efficiency and convenience. A total of 1,422 new cash registers with touch screen panel was installed.

Furthermore, the system upgrade enable a more effective 'Point of Sales' (POS) management:-

- Expedite processes with implementation of receipt with barcode;
- Reducing the long queue at cashier counters; and
- Simplifying scan process for bakery items with the availability of touch screen panel.

AEON's customer service operations will continue to innovate, change and evolve with new technology and industry changes in the coming years as part of our efforts to continuously improve our operation efficiency, staff productivity and enrich our services for our customers.

## SUPPLY CHAIN MANAGEMENT

At AEON, we always value our business partners i.e. our suppliers, contractors, vendors and our retail tenants who help the Company to achieve its objective of "Customer First" and with an emphasis on offering safety, assurance and higher quality products. We work fairly together with our business partners, and strive for success and mutual prosperity.

### PROCUREMENT

AEON merchandisers are bound by the 'AEON's Purchasing Code of Ethics' (the "Code") regulations that governs the relationship between our employees and suppliers, ensuring that our businesses are conducted ethically. The Code clearly defines AEON's zero tolerance for misconduct and no gifts policy. Suppliers who are found to have collaborated with or induced our merchandisers directly or indirectly against the terms and conditions of the Code, shall have their supplying service or agreement terminated immediately for a period that AEON deems fit.

In the event if any AEON employees, are in breach of the Code, suppliers are required to report immediately. Suppliers who choose not to do so shall be deemed as non-compliant with the Code.

DETAILS	2014	2015	2016	2017
Total no. of local suppliers (active)	1,300	1,400	1,400	1,589
Amount spent on local procurement (RM' billion)	3.67	3.78	3.96	3.81

In line with AEON Basic Principles to contribute to local communities, we support local businesses with our procurement. In 2017, we have a total of 1,589 active local suppliers registered with AEON which is an increase of 13.5% against 2016, with total procurement amount of approximately RM3.81 bil.

AEON continue to work and explore ways to apply sustainability criteria in its sourcing practices going forward.

### BUSINESS PARTNER ENGAGEMENT

On 13 and 14 July 2017, AEON organised a briefing session focusing on the suppliers for our up and coming AEON Kuching Central Store, which is our first store at East Malaysia, to be opened in year 2018. The objective of this briefing session is to:-

- share information and educate suppliers on our internal processes related to our online supplier system such as the Item Master Management, Ordering and B2B supplier's communication platform;
- brief on the finance payment process, timeline and credit term;
- merchandise receiving and return procedure; and
- contract management process associated with the AEON Supplier's Agreement.



On 27 July 2017, AEON organised its AEON Business Partner Alliance (ABPA) Luncheon and Awards event at Grand Hyatt Kuala Lumpur as part of its appreciation to approximately 200 of its top business partners.

It is an annual event held to encourage engagement activities with our business partners, network, share best practices and latest industry information. The objective of ABPA, is:-

- to strengthen the working alliance between AEON and its business partners;
- to continue develop the strategic partnership; and
- to cooperate, grow and move forward together.



In addition to the luncheon ceremony, a special award function is held to honour some of our business partners to recognise their continuous support and contribution for AEON. Three (3) categories of Special Recognition award, AEON Retail business award and AEON Mall award were given.

## SUPPORTING SMALL AND MEDIUM ENTERPRISES (SMEs)

In line with AEON's commitment to support the local community growth, we also focus on the local small and medium enterprises (SMEs) with several initiatives as platform for the development and recognition of their businesses. It is part of AEON's pledge, as a good corporate citizen, to support the government's direction to enhance the SME development framework and create global competitive edges for SMEs.



AEON has been working in partnership with ministries and government agencies such as the Ministry of Domestic Trade, Consumerism and Cooperative (MDTCC), Ministry of Agriculture and Agro Based Industry (MOA) and the Ministry of International Trade and Industry (MITI), to support SMEs in acquiring marketing experience and exposure by promoting their local products to AEON customers, thus developing their market share and create economic opportunities both locally and globally.

## INITIATIVES

In 2017, AEON had successfully registered approximately 100 SMEs with 21 categories of products of around 1,390 SKUs that have been listed and introduced to AEON customers around Malaysia. The total sales achievement for SMEs products recorded a growth of 20% compared to the previous year (FY2017: RM1.26 million, FY2016: RM1.05 million).

In addition, AEON further provide learning and trainings for the entrepreneurs operating the SMEs, focusing on business ethics and conducts, product display way (planogram management) at selling area and barcode system.

To further empower the SMEs initiatives, in 2017 AEON has organised a collaboration event with MDTCC to introduce Malaysia products at the “land of the rising sun” (Japan). The programme called “Taste of Malaysia” enable SMEs to introduce their products to the growing ‘halal market’ in Japan, specifically at AEON Japan stores.



A total of 79 SKUs were introduced to AEON Japan customers as our strategy to enhance the brand awareness of Malaysian products and simultaneously creating new business opportunities for the SMEs.

## SUSTAINABLE SUPPLIER DEVELOPMENT PROGRAMME (SSDP)

AEON not only focus to provide economic growth and business opportunity for SMEs, but also continually assist SMEs to develop an effective Food Safety Management System (FSMS) and to establish the Food Safety Assurance Programmes (FSAP). AEON has been involved in the SSDP programme since its launch in 2013 through pilot project collaboration with the United Nations Industrial Development Organisation (UNIDO).



The objective of SSDP is to increase the safety and sustainability of sourcing and to strengthen the business linkages from farm to shelf. As part of the SSDP programme, AEON engage graduates and students as interns to develop the FSAP in our facilities.

In 2017, AEON assisted five SMEs to improve their FSMS by providing mentoring and sponsoring five interns from the University Putra Malaysia (UPM) to expedite the FSMS implementation progress and simultaneously providing the opportunity for the interns to do practical training. The mentoring is carried out by our Quality Management Department.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of AEON CO. (M) BHD. (“the Company” or “AEON”) recognises the importance of good corporate governance and is committed in ensuring the sustainability of the Company’s business and operations through maintaining good governance ethics as promulgated by the Malaysian Code on Corporate Governance 2017 (“MCCG”). The Board believes that maintaining good corporate governance is key to delivering stakeholders’ value.

In making this Corporate Governance (“CG”) Overview Statement, the Company is guided by Practice Note 9 of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the CG Guide (3rd edition) issued by Bursa Securities. This statement provides an overview of the Company’s application of the three principles set out in the MCCG and is to be read together with a CG Report, which is available on the Company’s website, [www.aeonretail.com.my](http://www.aeonretail.com.my), as well as via an announcement on the website of Bursa Securities.

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

#### I. Board Responsibilities

##### 1. Board’s roles and responsibilities

The Board is accountable and responsible for the performance and affairs of the Company by overseeing and appraising the Company’s strategies, policies and performance.

All Board members are expected to show good stewardship and act in a professional manner, as well as uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

The Board assumes, amongst others, the following duties and responsibilities:-

- 1) reviewing, challenging, deciding and adopting the overall corporate strategies, plans, proposals and directions for the Company;
- 2) overseeing and evaluating the conduct and performance of business of the Company including strategies on economic, environmental and social considerations underpinning sustainability;
- 3) identifying and understanding of principal risks and ensuring implementation of a proper risk management system, risk appetite and a sound framework of risk management and internal controls;
- 4) monitoring and reviewing the adequacy and integrity of management information and management processes aimed at ensuring the integrity of financial and non-financial information with the guidance of Audit and Risk Management Committee;
- 5) promoting effective communication with shareholders and relevant stakeholders;
- 6) approving major capital expenditure, acquisitions, disposals and capital management;
- 7) ensuring Management and the Company’s human resources have the necessary skills, experience and resources to carry out their duties;
- 8) together with Management, promoting good corporate governance structure within the Company; and
- 9) performing such other functions as prescribed by the law or assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board Committee, a Director, an employee or other persons subject to ultimate responsibility of the Directors under the Companies Act 2016.

## 2. Separation of Positions of Chairman and Managing Director

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The roles of the Chairman and the Managing Director are distinct and separate to engender accountability and facilitate clear division of responsibilities for ensuring there is a balance of power and authority in the Company. The segregation of roles also facilitates a healthy open exchange of views between the Board and the Management in their deliberation of businesses, strategic aims and key activities of the Company.

The Chairman is responsible for the leadership, effectiveness, conducts and governance of the Board. The Chairman encourages active and effective engagement, participation and contribution from all Directors and facilitates constructive relations between the Board and the Management. The Managing Director is responsible for executing the Company's strategies, policies and day-to-day management of the business with powers, discretions and delegations authorised from time to time by the Board. Details of the responsibilities of the Chairman and the Managing Director are clearly set out in a Board Charter.

During the year under review, Dato' Abdullah bin Mohd Yusof was the Independent Non-Executive Chairman of the Board who provided strong leadership and was responsible for ensuring the adequacy and effectiveness of the Board's governance process. He retired from the Board on 24 August 2017 and Datuk Iskandar bin Sarudin who had been appointed as Chairman of the Board on the same day, continues to provide strong leadership as well as to ensure the Board is effective in its leadership roles and responsibilities.

## 3. Company Secretary

The Board is supported by qualified and competent Company Secretaries. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and knowledgeable on new statutory and regulatory requirements, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities. In this respect, the Company Secretaries play an advisory role to the Board, particularly with regard to the Company's Memorandum and Articles of Association, the Board policies and procedures, and its compliance with regulatory requirements, corporate governance and legislations. The Company Secretaries who oversee adherence with the Board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries also keep the Directors and Principal Officers informed of the closed period for trading in the Company's shares.

The Company Secretaries ensure that deliberations at the Board and Board Committees meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions.

## 4. Access to Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished.

In furtherance to this, every Director has access to all information within the Company. The Directors have access to information through the following means:

- members of Senior Management attend the Board and Board Committees meetings by invitation to report areas of the business within their responsibilities including financial, operational, corporate, regulatory, business development, audit matters and information technology updates, for the Board's decision making and effective discharge of the Board's responsibilities;
- the Board and Board Committees papers are prepared and circulated to the Directors or Board Committee members at least five (5) business days before the Board and Board Committees meetings to enable the Board or Board Committee members to receive the information in a timely manner; and
- Audit and Risk Management Committee Chairman and members meet the Management, Internal Auditors and External Auditors regularly to review the reports regarding internal control system, financial reporting and risk management.

Besides direct access to the Management, Directors may obtain independent professional advice at the Company's expense and service via Audit and Risk Management Committee on the implementation of risk management system in accordance with established procedures set out in the Board Charter in furtherance of their duties. The Directors also consult the Chairman and other Board members prior to seeking any independent advice.

Directors are furnished with proper agenda with due notice, the Board papers and reports prepared by the Management prior to all Board meetings. This allows Directors with sufficient time to review and to facilitate effective discussions and decision making during the meetings.

## 5. Board Charter

The Board has adopted a Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board, having regard to the principles of good corporate governance and requirements of MMLR of Bursa Securities. The Board Charter further defines the matters that are reserved for the Board and its Committees as well as the roles and responsibilities of the Chairman and the Managing Director. The Board Charter is published on the Company's website at [www.aeonretail.com.my](http://www.aeonretail.com.my).

## 6. AEON Code of Conduct ("AEON COC")

AEON COC which was established by AEON Co., Ltd. in Japan has been adopted by the Board to support the Company's objectives, vision and values. The basic principles have been carried out by having appropriate regards to the interests of the Company's customers, shareholders, people, business partners and the broader community in which the Company operates.

All employees are briefed and provided with a copy of the AEON COC on the commencement of their employment. All employees attend a refresher seminar on the AEON COC annually. The principles of AEON COC are being constantly made aware to employees through citation in staff assemblies and before the start of the Company's meetings. The AEON COC can be found on the Company's website at [www.aeonretail.com.my](http://www.aeonretail.com.my).

The Board recognises the importance on adherence to the AEON COC by all personnel in the Company and has put in place a process to ensure its compliance. The Company further encourages its employees to provide feedback on any concerns regarding illegal or unethical conduct via its existing Code of Conduct Hotline.

## 7. Whistleblowing Policy and Procedures

As part of the Board's focus areas on corporate governance, the Company is committed to the highest standard of integrity, openness and accountability in the conduct of its business and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner. Recognising these values, the Company provides avenue for all employees and members of the public to disclose any improper conduct or irregularities within the Company with assurance that they will be protected from possible reprisals or victimisation. Further details of the Whistleblowing Policy and Procedures are set out in the CG Report. The Whistleblowing Policy and Procedures can be found on the Company's website at [www.aeonretail.com.my](http://www.aeonretail.com.my).



## II. Board Composition

### 1. Board Composition and Balance

During the financial year under review, the Board has nine (9) Directors, comprising the Chairman (Independent Non-Executive), four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Executive Directors. The Company fulfills Paragraphs 15.02(1) of the MMLR of Bursa Securities which stipulates that at least two (2) Directors or one third (1/3) of the Board, whichever is the higher, are Independent Directors. The Company also meets the requirements of MCCG to have majority Independent Directors to allow more effective oversight of management.

The Board is satisfied that the composition of Directors provides the appropriate balance and size in the Board necessary to promote all shareholders' interests and to govern the Company effectively. It also fairly represents diversity and the ownership structure of the Company, with appropriate representations of minority interests through the Independent Non-Executive Directors. En. Abdul Rahim bin Abdul Hamid is the Senior Independent Non-Executive Director to whom concerns on matters relating to corporate governance of the Company could be conveyed. The Independent Directors fulfill a pivotal role in providing unbiased and independent views, advice and judgment, taking into account the interest not only of the Company but also shareholders, employees, customers and communities in which the Company conducts businesses.

The profile of each Director is set out on pages 8 to 12 of this Annual Report.

### 2. Board Independence

The Board is mindful on the importance of independence and objectivity in its decision making process in line with MCCG which is one of its focus areas on corporate governance.

The Board delegates to the Managing Director who is supported by an Executive Management team, implements the Company's strategic plan, policies and decisions adopted by the Board to achieve the Company's objective of creating long-term value for its shareholders through excelling in customer service and providing sustainable best-in-industry performance in retail industry.

The Company's Independent Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment taking into account the interest, not only of the Company but also of shareholders, employees, customers and communities in which the Company conducts businesses. The Board, via Nomination Committee assesses each Director's independence to ensure ongoing compliance with this requirement annually.

Any Director who considers that he/she has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning the Company, is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors and confirmed that they are independent and objective during the Board's deliberations.

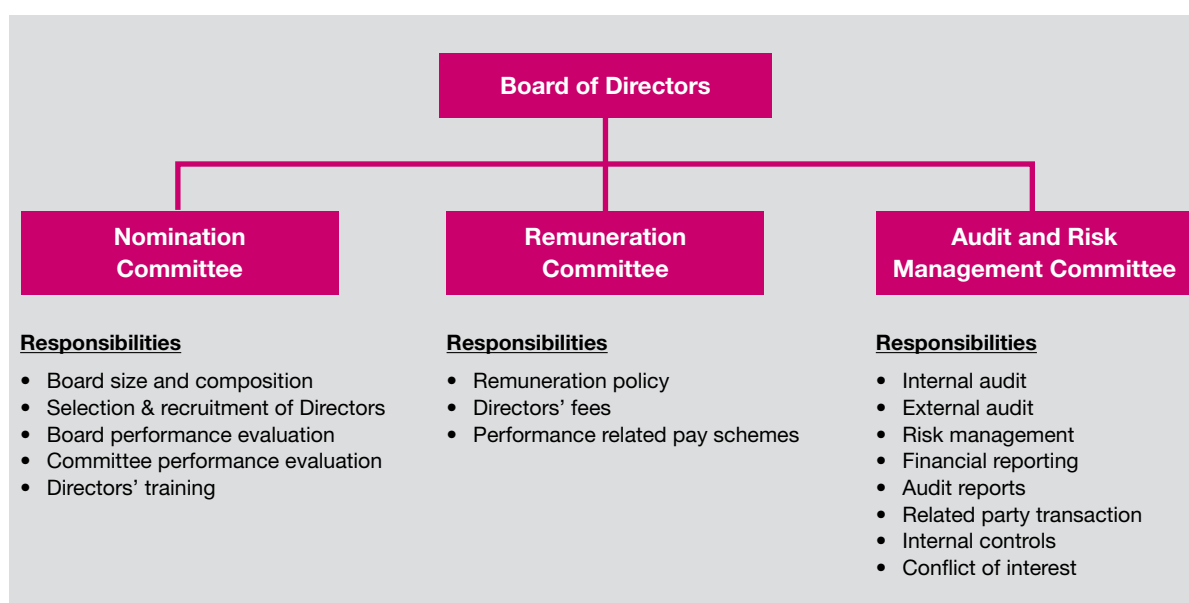
The Board is aware of the recommended tenure of an Independent Director who should not exceed a cumulative term of nine (9) years as recommended by MCCG and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years tenure. Furthermore, the Board must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent after the respective Independent Director has served a cumulative term of nine (9) years. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process as prescribed under MCCG. As at the date of this Statement, none of the Independent Directors has reached nine (9) years of service since their appointment.

### 3. Board Committees and Delegation

The Board delegates the implementation of its strategy to the Company's Management. However, the Board remains ultimately responsible for corporate governance and the affairs of the Company. While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide it with recommendations and advices:

- Nomination Committee;
- Remuneration Committee; and
- Audit and Risk Management Committee.

The following diagram shows a brief overview of the three main Board Committees of the Company, each of which is explained in further detail as below:



Each Committee operates in accordance with the written Terms of Reference approved by the Board. The Board reviews the Terms of Reference of the Committees from time to time. The terms of office and performance of the Audit and Risk Management Committee is reviewed on annual basis by the Nomination Committee. The Board approves the appointment of the members and the Chairman of each Committee. The Terms of Reference of the Board Committees are published on the Company's website at [www.aeonretail.com.my](http://www.aeonretail.com.my).

### 4. Directors' Commitment

The Board endeavors to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company as most of the Directors had attended all the Board meetings under the financial year review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.

The Board met four (4) times during the financial year under review. The details of Directors' attendance are set out as follows:

No	Name	Number of Board meetings attended/held during the Director's term in office
1.	Datuk Iskandar bin Sarudin (Appointed as Independent Non-Executive Director on 27 February 2017 and re-designated as Independent Non-Executive Chairman on 24 August 2017)	4/4
2.	Shinobu Washizawa (Managing Director)	4/4
3.	Poh Ying Loo (Executive Director)	4/4
4.	Hiroyuki Kotera (Executive Director)	4/4
5.	Datuk Syed Ahmad Helmy bin Syed Ahmad (Independent Non-Executive Director)	4/4
6.	Dato' Tunku Putra Badlishah Ibni Tunku Annuar (Independent Non-Executive Director)	3/4
7.	Abdul Rahim bin Abdul Hamid (Independent Non-Executive Director)	4/4
8.	Charles Tseng @ Charles Tseng Chia Chun (Independent Non-Executive Director)	4/4
9.	Kenji Horii (Non-Independent Non-Executive Director)	4/4
10.	Dato' Abdullah bin Mohd Yusof (Retired as Independent Non-Executive Chairman on 24 August 2017)	3/3

It is the Board's policy for Directors to notify the Chairman before accepting any new directorship notwithstanding that the MMLR allows a Director to sit on the Board of five (5) Listed Issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

In order to enable Directors to sustain active participation in the Board deliberations, Directors have access to continuing education programmes or trainings. During the financial year under review, Directors had devoted sufficient time to update their knowledge and enhance their skills by attending various trainings. Details of trainings attended by the Directors are set out on pages 68 to 69 of this Statement.

Furthermore, the Directors from time to time visit existing stores and/or new sites/business outlets to familiarise and have a thorough understanding and insights of the Company's operations and strategies.

## 5. Nomination Committee – Board Nomination and Appointment of Directors

The Company's Nomination Committee comprises exclusively of Non-Executive Directors a majority of whom are independent and at least three (3) members in total. The composition of the Nomination Committee is as follows:

Name	Designation
Charles Tseng @ Charles Tseng Chia Chun	Chairman (Independent Non-Executive Director)
Kenji Horii	Member (Non-Independent Non-Executive Director)
Datuk Syed Ahmad Helmy bin Syed Ahmad	Member (Independent Non-Executive Director)
Datuk Iskandar bin Sarudin (appointed on 24 August 2017)	Member (Independent Non-Executive Director)

Subsequent to the retirement of Dato' Abdullah bin Mohd Yusof as Independent Non-Executive Chairman of the Company, he ceased to be a Member of the Nomination Committee on 24 August 2017. On the same date, Datuk Iskandar bin Sarudin, an Independent Non-Executive Director of the Company was appointed as a Member of the Nomination Committee.

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board size composition. This responsibility includes making recommendations on the desirable competencies, experience and attributes of the Board members and strategies to address Board diversity. In discharging its responsibilities, the Nomination Committee develops certain criteria used in the recruitment process and annual assessment of the Directors. In evaluating the suitability of candidates, the Nomination Committee considers the following factors, the details are stated in the Terms of Reference of the Nomination Committee which is available on the Company's website at [www.aeonretail.com.my](http://www.aeonretail.com.my):

- skills, knowledge, expertise and experience;
- professionalism and integrity;
- commitment (including time commitment) and contribution;
- background, character and competence;
- boardroom diversity; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

The Board may appoint an individual to be a Director by having selection process for new appointees as recommended by the Nomination Committee to the Board. The appointed individual will stand for election at the next Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company. The Board did not engage any independent sources to identify suitable qualified candidates during the year. The suitable candidates to be considered for the appointment as Directors is facilitated through recommendations from the Directors, Management and shareholders of the Company. The Nomination Committee will assess and consider the suitability of the candidates based on the criteria set before recommending to the Board for appointment.



The Nomination Committee will arrange for the induction for any new appointment such as visits to the Company's significant businesses and meetings with Senior Management personnel, as appropriate, to enable them to have full understanding of the nature of the business, current issues within the Company and corporate strategies as well as the structure and management of the Company.

During the year under review, the Nomination Committee evaluated and recommended Datuk Iskandar bin Sarudin as Independent Non-Executive Chairman of the Company, Member of Nomination Committee and Chairman of Remuneration Committee for the Board's approval. He was appointed on 24 August 2017 to replace Dato' Abdullah Bin Mohd Yusof. Accordingly, on the same date, the Nomination Committee also recommended Dato' Tunku Putra Badlishah Ibni Tunku Annuar to be appointed as a Member of Audit and Risk Management Committee to replace Datuk Iskandar bin Sarudin.

## **6. Board Assessment and Annual Evaluation**

The Nomination Committee reviews annually the required mix of skills and experience of Directors, effectiveness of the Board as a whole, succession plans and Board diversity, including gender, age, ethnicity and backgrounds, training courses for Directors and other qualities of the Board, including core competencies which Non-Executive Directors should bring to the Board.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The assessment and comments by Directors are summarised in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nomination Committee meeting and reported at the Board Meeting by the Nomination Committee Chairman. All assessments and evaluations carried out by the Nomination Committee in the discharge of its functions are properly documented.

The Nomination Committee meets at least once in a year with additional meetings to be convened, if necessary. During the financial year under review, the Nomination Committee held two (2) meetings to review and assess the mix of skills, expertise, composition, size and experience of the Board, including the core competencies of both Executive and Non-Executive Directors, the contribution of each Director (including the Managing Director and Executive Directors), effectiveness of the Board and the Board Committees, and the changes to the Board's composition.

## **7. Re-election to the Board**

The Nomination Committee reviewed the Directors' re-election to the Board on 28 February 2018. In accordance with the Company's Articles of Association, all Directors are subject to retirement at the AGM every year.

## **8. Directors' Training**

The Board, via the Nomination Committee, continues to identify appropriate briefings, seminars and courses for the Directors to attend in order to keep abreast with changes in legislations and regulations affecting the Company.

All Directors have completed the Mandatory Accreditation Programme ("MAP"). The Directors are mindful of the need to continue enhancing their skills and knowledge to maximise their effectiveness as Directors during their tenure. Throughout their period in office, the Directors are continually being updated on the Company's business and regulatory requirements.

During the financial year, the Board members attended briefings, conferences, forums, seminars and training programmes as follows:-

Directors	Briefing/Conference/Forum/Seminar/Training attended
Datuk Iskandar bin Sarudin	<ul style="list-style-type: none"> <li>The CG Breakfast Series for Directors - Leading Change the Brain</li> <li>Asia Pacific Retailers Convention &amp; Exhibition (APRCE) KL 2017</li> </ul>
Shinobu Washizawa	<ul style="list-style-type: none"> <li>AEON Code of Conduct (ACOC) Executive Seminar and Risk Management</li> <li>Asia Pacific Retailers Convention &amp; Exhibition (APRCE) KL 2017</li> <li>AEON Japan Top Seminar – Annual Policy</li> </ul>
Poh Ying Loo	<ul style="list-style-type: none"> <li>KPMG Brief – New Accounting Standard, Major Standard Change and Director's Responsibilities</li> <li>AEON Code of Conduct (ACOC) Executive Seminar and Risk Management</li> <li>Companies Act 2016 : Dynamics &amp; Impact</li> <li>MFRS 9, MFRS 15 and MFRS 16</li> <li>Companies Act 2016 on Share Capital and Distribution</li> <li>Asia Pacific Retailers Convention &amp; Exhibition (APRCE) KL 2017</li> <li>AEON Japan Top Seminar – Annual Policy</li> </ul>
Hiroyuki Kotera	<ul style="list-style-type: none"> <li>AEON Code of Conduct (ACOC) Executive Seminar and Risk Management</li> <li>Fiscal Year 2017 - AEON new president / new officer training</li> <li>Asia Pacific Retailers Convention &amp; Exhibition (APRCE) KL 2017</li> <li>AEON Japan Top Seminar – Annual Policy</li> </ul>
Datuk Syed Ahmad Helmy bin Syed Ahmad	<ul style="list-style-type: none"> <li>Governing Boards - Excellence in Governance</li> <li>Talk on Creating New Themes in Islamic Finance Towards Real Economy Practices</li> <li>Advanced Bank Analysis</li> <li>Building High Performance Directors 2.0 - Dynamic Board Stewardship</li> </ul>
Dato' Tunku Putra Badlishah Ibni Tunku Annuar	<ul style="list-style-type: none"> <li>KPMG Brief – New Accounting Standard, Major Standard Change and Director's Responsibilities</li> </ul>
Abdul Rahim bin Abdul Hamid	<ul style="list-style-type: none"> <li>KPMG Brief – New Accounting Standard, Major Standard Change and Director's Responsibilities</li> <li>Value Investing</li> <li>A Luncheon Talk on Malaysia's Economic Challenges &amp; Policy Implications</li> <li>Malaysian Institute of Accountants (MIA)'s 50th Anniversary Commemorative Lecture</li> <li>Association of Chartered Certified Accountants (ACCA) Malaysia Annual Conference</li> <li>16th International Conference on Translation</li> <li>MIA's International Accountants' Conference</li> </ul>

Directors	Briefing/Conference/Forum/Seminar/Training attended
Charles Tseng @ Charles Tseng Chia Chun	<ul style="list-style-type: none"> <li>• KPMG Brief – New Accounting Standard, Major Standard Change and Director's Responsibilities</li> <li>• Leadership Global Talent Immersion Training</li> <li>• China Leadership Meeting</li> <li>• Wharton Global Forum</li> <li>• University of Melbourne Asia Advisory Board Meeting</li> <li>• Leadership Strategic Planning Session</li> </ul>
Kenji Horii	<ul style="list-style-type: none"> <li>• Nikkei Asia CEO Management Forum 2017</li> <li>• Nikkei Forum ASEAN Economic Community Seminar (AEC) 2017</li> <li>• AEON Code of Conduct (ACOC) Executive Seminar and Risk Management</li> <li>• AEON Japan Top Seminar – Annual Policy</li> <li>• Food Business Seminar</li> </ul>

The Company Secretaries briefed and highlighted the relevant guidelines on statutory and regulatory requirements from time to time to the Board, amongst others, the amendments to the Listing Requirements of Bursa Securities, the new requirements of MCCG and the Companies Act 2016. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Company's financial statements.

### III. Remuneration

#### Remuneration Committee – Directors' Remuneration

The Remuneration Committee established sets of policy, framework and reviewed the remuneration of Directors which is linked to strategy and/or performance or long term objectives of the Company to ensure that the Company is able to attract and retain capable Directors. The Remuneration Committee adopts the ultimate holding company's employee compensation plan to set the remuneration of its Executive Directors. The Executive Directors' remunerations are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken.

The Remuneration Committee consists of the following members:

Name	Designation
Datuk Iskandar bin Sarudin (appointed on 24 August 2017)	Chairman (Independent Non-Executive Director)
Kenji Horii	Member (Non-Independent Non-Executive Director)
Datuk Syed Ahmad Helmy bin Syed Ahmad	Member (Independent Non-Executive Director)
Abdul Rahim bin Abdul Hamid	Member (Independent Non-Executive Director)

Datuk Iskandar bin Sarudin was appointed as Chairman of Remuneration Committee subsequent to the retirement of Dato' Abdullah Bin Mohd Yusof as Independent Non-Executive Chairman and cessation as Chairman of Remuneration Committee on 24 August 2017.

The Company's Remuneration Committee comprises wholly Non-Executive Directors, a majority of whom are independent and at least three (3) members in total. The Remuneration Committee met once during the financial year under review to discuss about the remuneration packages of all Directors.

The determination of the remuneration packages is a matter for the Board as a whole. The Executive Directors concerned abstained from deliberating their own remuneration but may attend the Remuneration Committee meetings at the invitation of the Chairman of the Remuneration Committee if their presence is required.

During the year under review, the Remuneration Committee reviewed and recommended the remuneration of the Managing Director and Executive Directors of the Company for Board's approval pursuant to the Terms of Reference of Remuneration Committee. The Directors' fees and benefits payable to Directors have also been reviewed and recommended by the Remuneration Committee to the Board to seek shareholders' approval at the Company's forthcoming AGM pursuant to the Articles of Association of the Company. No Director is involved in deciding his own remuneration.

The detailed disclosure of the remuneration of the individual Director during the financial year under review is as follows:

Name of Directors	Salary (RM'000)	Fees (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Datuk Iskandar bin Sarudin (re-designated as Chairman on 24 August 2017)	–	112.5	–	112.5
Shinobu Washizawa	820	270	17	1,107
Poh Ying Loo	494	90	12	596
Hiroyuki Kotera	588	90	7	685
Datuk Syed Ahmad Helmy bin Syed Ahmad	–	112.5	–	112.5
Dato' Tunku Putra Badlishah Ibni Tunku Annuar	–	95	–	95
Abdul Rahim bin Abdul Hamid	–	125	–	125
Charles Tseng @ Charles Tseng Chia Chun	–	120	–	120
Kenji Horii	–	90	–	90
Dato' Abdullah bin Mohd Yusof (retired on 24 August 2017)	–	180	25	205
<b>Total</b>	<b>1,902</b>	<b>1,285</b>	<b>61</b>	<b>3,248</b>



## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit and Risk Management Committee (“ARMC”)

#### Composition

The Board upholds the integrity in financial reporting. The ARMC is entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company’s internal and external audit functions, risk management, compliance systems and practices, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The ARMC is also responsible in ensuring that the financial statements of the Company comply with the applicable financial reporting standards in Malaysia.

The ARMC has in its Terms of Reference, which was revised on 28 February 2018, provides that a former key audit partner to observe a cooling-off period of at least two years before being appointed as a Member of ARMC.

The ARMC comprises three members all of whom are Independent Non-Executive Directors, with En. Abdul Rahim bin Abdul Hamid as the ARMC Chairman. The composition of the ARMC, including its roles and responsibilities, number of meetings and attendance of ARMC, summary of ARMC’s activities and Internal Auditors’ activities during the financial year under review are set out on pages 73 to 76 under the Audit and Risk Management Committee Report of this Annual Report.

### II. Risk Management and Internal Control Framework

The Board recognises its responsibilities over the Company’s internal control and risk management framework.

The Board has established an on-going process for identifying, evaluating and managing significant risks which may affect the Company’s business objectives. The Board, through its ARMC, regularly reviews this process to ensure the internal control and risk management framework are adequate and effective.

The ARMC meets regularly to review the identified risks and discuss on mitigation actions in place, which are reported to ARMC quarterly.

The Board has via the ARMC established the risk management framework based on the principles and guidelines under Risk Management ISO 31000 (which is a standard relating to risk management codified by the International Organisation for Standardisation) for the setting of objectives, risk identification, assessment, prioritisation, mitigation and monitoring.

The ARMC assists the Board in discharging these responsibilities by overseeing and reviewing the risk management framework and its effectiveness. The ARMC processes are designed to establish a proactive framework and dialogue in which the ARMC, the Management, External and Internal Auditors are able to review and assess the risk management framework. The Risk Management and Crisis Department reports to ARMC on quarterly basis.

Details on internal control and risk management framework are set out on pages 77 to 80 under the Statement on Risk Management and Internal Control of the Annual Report. As a priority, the Board will continue to review the Company’s risk management framework and oversee the Company’s strategic risk management and internal control framework.

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

The Board recognises the importance of an effective communication with stakeholders. The corporate disclosure policies and procedures through the organisation's functions enable comprehensive, accurate and timely information relating to the Company to be disclosed to the shareholders and other stakeholders and also to comply with the disclosure requirements as stipulated in the MMLR.

The Board also established a dedicated section for corporate information on the Company's website ([www.aeonretail.com.my](http://www.aeonretail.com.my)) where information on the Company's announcements, financial information, share prices and the Company's annual report can be found. The contact details of designated persons to address any queries are also published on this website.

The Company's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences. Further update of the Company's activities and operations are also disseminated to shareholders and investors through dialogue with analysts, fund managers, investor relations roadshows and the media.

### II. Conduct of General Meetings

AGM provides a platform for the shareholders to interact or engage directly with the Board and Senior Management. At the AGM, an overview on the Company's performance and major activities being carried out during the financial year under review is presented. Shareholders are encouraged to enquire or comment about the Company's financial performance and business operations in general. Additionally, shareholders participate in the deliberations of the proposed resolutions and are given opportunities to seek clarification before proceeding to poll voting.

During the Thirty-Second (32nd) AGM, the Executive Director provided shareholders with a brief review on the Company's financial performance and operations. The Chairman also shared with shareholders at the meeting, responses to questions submitted in advance by the Minority Shareholder Watchdog Group ("MSWG"). The Chairman of the ARMC, Nomination Committee and Remuneration Committee were present at the last AGM. All Directors will endeavor to attend the upcoming AGM, which shall provide shareholders opportunities to enquire the Directors in person on the Company's performance and operations.

Notice of the 32nd AGM was circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed, which is in line with Section 316(2) of Companies Act 2016 and paragraph 7.15 of MMLR of Bursa Securities. Notice of AGM was also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

The Company will despatch Notice of AGM at least twenty eight (28) days prior to the upcoming AGM.

The CG Overview Statement was approved by the Board of Directors on 28 February 2018.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2017.

### COMPOSITION

The Audit and Risk Management Committee ("ARMC") comprises the following members:

Name	Designation
Abdul Rahim bin Abdul Hamid	Chairman (Independent Non-Executive Director)
Charles Tseng @ Charles Tseng Chia Chun	Member (Independent Non-Executive Director)
Dato' Tunku Putra Badlishah Ibni Tunku Annuar	Member (Independent Non-Executive Director) (Appointed as Member of ARMC on 24 August 2017)
Datuk Iskandar bin Sarudin	Member (Independent Non-Executive Director) (Resigned as Member of ARMC on 24 August 2017)

### TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year under review, there were no changes to the Terms of Reference of the ARMC. The Terms of Reference was recently assessed, reviewed and updated by the ARMC on 27 February 2018 and approved by the Board on 28 February 2018.

The Terms of Reference of the ARMC is available on the Company's website at [www.aeonretail.com.my](http://www.aeonretail.com.my).

The Nominating Committee shall review the terms of office and performance of the ARMC and each of its members annually to determine whether the ARMC and the members have carried out their duties in accordance with the Terms of Reference. During the financial year under review, the Nominating Committee and the Board had reviewed the terms of office and performance of the ARMC and each of the ARMC members to determine whether the ARMC and the members have carried out their duties in accordance with the Terms of Reference.

### MEETINGS

During the financial year under review, the ARMC convened four (4) meetings. The attendance records of the members of the ARMC are as follows:

Name	Number of meetings attended/held during the member's term in office
Abdul Rahim bin Abdul Hamid – Chairman	4/4
Charles Tseng @ Charles Tseng Chia Chun	4/4
Dato' Tunku Putra Badlishah Ibni Tunku Annuar (Appointed as Member of ARMC on 24 August 2017)	1/1
Datuk Iskandar bin Sarudin (Resigned as Member of ARMC on 24 August 2017)	2/2

The meetings were structured through the use of agendas, which were distributed to members with sufficient notification.

The Company Secretary was present in all the meetings. The representatives of the External Auditors, KPMG Desa Megat PLT have attended two (2) meetings for the financial year ended 31 December 2017. The Head of Finance, Head of Internal Audit, Head of Legal and the Senior Finance Managers attended the meetings as and when invited. The ARMC meetings were also attended by other Board members and Senior Management members as and when deemed necessary upon invitation by the ARMC.

## SUMMARY OF THE ACTIVITIES DURING THE YEAR UNDER REVIEW

During the year under review, the ARMC carried out its duties in accordance with its Terms of Reference.

The summary of works and activities that the ARMC carried out during the financial year ended 31 December 2017 are described below:

### Financial Reporting Results

- a. Reviewed with management and deliberated on the interim financial statements on quarterly basis.
- b. Reviewed with management and External Auditors on the audited financial statements for the financial year before submission to the Board for consideration and approval.

### External Audit

- a. Reviewed the External Auditors' scope of work and audit plan for the year.
- b. Reviewed and discussed the External Auditors' audit report of the Financial Statements and key audit matters.
- c. Reviewed External Auditors' terms of reference of their appointment and independence and their audit and non-audit related fees .
- d. Reviewed External Auditors' management letters and management responses.
- e. Evaluated the effectiveness of the external auditors and made recommendations to the Board.
- f. In the financial year under review, the Audit and Risk Management Committee held two (2) meetings with the External Auditors on 23 February 2017 and 21 November 2017 without the presence of the Management, to allow the External Auditors to discuss any issues arising from the audit exercise or any other matters, which the External Auditors wished to raise.

### Internal Audit

- a. Reviewed and approved the annual Audit Plan to ensure adequate scope and comprehensive coverage of AEON's activities.
- b. Reviewed and deliberated on internal audit reports tabled during the year, the audit recommendations made and Management's response to these recommendations. Significant issues were discussed at length with the presence of relevant Management team members to ensure satisfactory response to address identified risks.
- c. Monitored the implementation of mitigating actions by Management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were properly and timely addressed.
- d. Had private meetings with the Head of Internal Audit on 23 February 2017 and 21 November 2017 for discussions on audit related matters and activities of the Internal Audit Department without the presence of Management.
- e. Reviewed the Key Performance Indicators, performance, competency and resources of the Internal Audit functions to ensure that it has the required expertise and professionalism to discharge its duties.

### Related Party Transaction

Reviewed the related party transactions on a quarterly basis and also the internal audit reports to ascertain that the review procedures established to monitor the related party transactions have been complied with in accordance to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").



### Risk Management and Internal Control

- a. Reviewed its risk management process and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholder's investments and the assets of the Company.
- b. Reviewed the key risks identified by Risk and Crisis Management Department ("Risk Management") quarterly to ascertain the adequacy of actions taken to address and mitigate the risks, which includes overall risk profile, changes and updates on the number of key risks, and the corresponding mitigating actions.

The details of the risk management is reported separately under Statement on Risk Management and Internal Control on pages 77 to 80.

### Compliance

- a. Monitored the compliance requirements in line with the new updates of Bursa Securities, Securities Commission, Malaysian Accounting Standards Board and other legal and regulatory bodies.
- b. Reviewed and discussed the Japanese Sarbanes Oxley (J-SOX) Compliance Assessment Progress Report for the Company.
- c. Reviewed the Terms of Reference of the ARMC to be in line with Malaysian Code on Corporate Governance prior to the recommendation to the Board of Directors for adoption.
- d. Reviewed the Corporate Governance Overview Statement, Corporate Governance Report and ARMC Report prior to submission to the Board for consideration and approval for inclusion in the Annual Report 2017.

### Others

Reported to the Board on its activities and significant findings and results of the External and Internal Audit recommendations.

### Internal Audit Function

Audit activities are carried out by the Internal Audit Division led by the Head of Internal Audit, Mr. Lee Choon Lam. He has a qualification of Chartered Institute of Management Accountant ("CIMA"), a Chartered Accountant, member of the MIA and Associate Member of The Institute of Internal Auditors Malaysia. He reports directly to the ARMC. The ARMC determines the adequacy of the scope, functions, competency and resources of the Internal Audit Division and ensures that it has the necessary authority to carry out its work.

The Internal Audit Division provides independent and reasonable assurance to add value and improve the operations of AEON. The Internal Audit Charter sets out the purpose, authority, responsibilities, reporting of the internal audit function and it encompasses:

- examination and evaluation of the adequacy, integrity and effectiveness of the Company's overall system of internal control, risk management and governance;
- review related party transactions and reports to ascertain that the review procedures established to monitor the related party transactions have complied with the Main Market Listing Requirements of Bursa Securities;
- review Japanese Sarbanes Oxley (J-SOX) Compliance as part of AEON Group requirement;
- monitor and evaluate governance processes in accordance to the requirement of the current Malaysian Code on Corporate Governance;
- investigate and report on suspicious and fraud cases, if any.

Reviews are carried out based on the approved Audit Plan for 2017, which was developed using a risk-based approach and in line with the Company's direction. The Audit Plan was assessed on a quarterly basis in alignment with the business and risk environment.

The internal audit function is based along the principles and guidelines promulgated by The Institute of Internal Auditors (IIA) in International Professional Practices Framework (IPPF) for an internal audit function. AEON CO. (M) BHD. is a corporate member of IIA Malaysia.

The internal audit functions in a manner consistent with the International Standards for the Professional Practice of Internal Auditing (ISPPA) together with its Code of Ethics that encompass all the mandatory elements of the IPPF, which demonstrate its practices are in line with a recognised framework .

The principles to having an effective internal audit function has been outlined in the Internal Audit Charter and Internal Audit Manual. The Internal Audit Charter sets out the purpose, authority, responsibilities, reporting of the Internal Audit function and maintaining independence and objectivity status. The Internal Audit Manual outlines risk based auditing approach in accordance with the ISPPA. The guidelines in the Internal Audit Manual is intended to guide internal auditors. For each audit, a systematic methodology is adopted, which primarily includes performing risk assessment, developing audit planning memorandum, conducting audit, convening exit meeting and finalising audit report. The audit reports detail out the objectives, scope of audit work, findings, management responses and conclusion in an objective manner and are distributed to the responsible parties.

For the financial year ended 31 December 2017, ninety one (91) audits were completed on various operation units at stores, malls and HQ. All audit findings were highlighted to relevant Management team members responsible for ensuring that corrective actions on reported weaknesses are taken within the required timeframe. Summary of the audit reports were issued to the ARMC, quarterly incorporating findings and Management's remediation actions.

Internal Audit Division comprises thirteen (13) auditors with mix level of expertise. During the year, the internal auditors attended various external training programmes, aimed at maintaining and enhancing the desired competency levels. The internal auditors also attended training programmes on Code of Conduct and the Head of the Internal Audit has signed an Annual Declaration for Assessment of Conflict of Interest in adherence to AEON Code of Conduct.

In order to maintain its independence and objectivity, the Internal Audit Division has no operational responsibility and authority over the activities it audits.

The total costs incurred for the internal audit function for the year was RM994,000 (2016: RM929,000).

The ARMC Report was made in accordance with the resolution and approved by the Board on 28 February 2018.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### INTRODUCTION

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of listed companies are required to include in their annual report, a statement about the risk management and internal control for the listed issuer.

Accordingly, the Board is pleased to provide the Statement on Risk Management and Internal Control that has been prepared in accordance with the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers” endorsed by Bursa.

### BOARD'S RESPONSIBILITIES

The Board acknowledges its responsibilities over the Company's system of internal controls, covering all its financial and operating activities to safeguard shareholders' investment and the Company's assets.

The Board has an established on-going process for identifying, evaluating and managing the significant risks encountered by the Company. The Board through its Audit and Risk Management Committee (“ARMC”) regularly reviews this process.

In view of the limitations inherent in any system of internal controls, the system is designed to manage, rather than to eliminate the risk of failure to achieve the Company's corporate objectives.

The ARMC assists the Board to review the adequacy and effectiveness of the system of internal controls in the Company and to ensure that a mix of techniques is used to obtain the level of assurance required by the Board. The ARMC presents its findings to the Board.

The Board has received assurance from the Managing Director and the Executive Director that the Company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company during the financial year under review and up to the date of this Statement.

### MANAGEMENT'S RESPONSIBILITIES

Management acknowledges their responsibilities to identify, evaluate and mitigate the risks faced by the Company's system of internal controls. Management is responsible for implementing Board-approved policies and procedures on risk management and internal controls. Management is expected to provide assurance to the Board that the risk management and internal control systems are operating adequately and effectively based on the risk management framework adopted by the Company.

### RISK MANAGEMENT FRAMEWORK

The Company has a Risk Management framework in place to identify, evaluate, mitigate and manage significant risks that may affect the achievement of the AEON business objectives. The Company adopts an Enterprise Risk Management (“ERM”) framework which is in accordance to the principles and guidelines of Risk Management ISO31000. An established structured process has been set up where significant risks are reviewed and reported to the ARMC on quarterly basis.

The key elements of the Risk Management Framework of the Company are as follows:

- Risk Governance Structure
- Risk Appetite
- Risk Management Processes

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL >>

### Risk Governance Structure

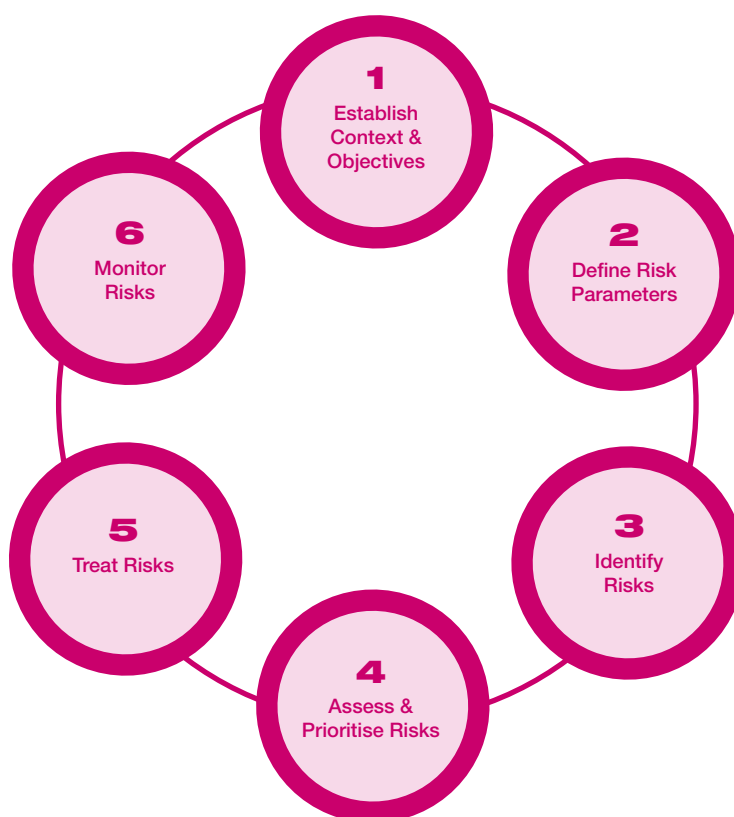
The Risk Governance set out the roles and responsibilities of the Board, the ARMC and the risk owners involved in the three lines of defence for risk management which consist of business unit heads as first line of defence, risk management unit as second line of defence and internal audit as the third line of defence.

### Risk Appetite

The Company's risk appetite defines the level of risk that the Company is prepared to accept to achieve its mission and objective. The risk appetite statement serves as a guide for the Company risk taking activities, which include strategy, formulation and planning.

### Risk Management Process

The risk management process adopted by the Company are as follows :



The above section outlined the establishment of the understanding of the business and operating environment, establishing risk ownership, identifying key risk that will have adverse impact to the Company's objectives, analysing root causes, developing the appropriate risk treatment, monitoring and reporting of risks on an ongoing basis.

The Company adopts the Risk and Control Self-Assessment ("RCSA") method to formalise the risk management process for Corporate Business Units, Store Operations and Shopping Malls. Through implementation of risk profile, it allows the respective Business Units to identify and manage its risks, implement mitigation strategies, plan and monitor controls within the key activities of their business operation and processes.



Strategic risks of the Company are assessed at the corporate level by the related business units. The key features of the risk management process are:

- Corporate Business Unit Heads are required to update their risk profiles on a quarterly basis for the corporate risk profiles and bi-annual basis for the departmental risk profile. Operational Heads of Store and Shopping Malls update their risk profiles on a quarterly basis. They have further carried out their responsibilities to review, update and comply to the risk process requirement and continue to monitor and ensure the execution;
- Review and identification of emerging risks and implementation of controls and action plans are conducted by the respective Business Heads to institute a continuous process and effort of risk assessment and internal controls; and
- On a quarterly basis, risk management report is presented by the Risk and Crisis Management Department ("Risk Management") to the Audit and Risk Management Committee for review, deliberation and recommendation for endorsement by the Board.

### RISK AND CRISIS MANAGEMENT FUNCTION

Risk Management facilitates the implementation of the risk management policy, framework and processes for the Corporate Business Unit, Departmental, Operational business of Store and Shopping Malls. Risk Management is responsible:

- To assist the business units through continuous review of the risk profiles and attentive to risks that may impede the achievement of corporate and business objectives by ensuring risks are adequately identified, evaluated, managed and controlled;
- To oversee the Company's crisis management by administering the function of crisis plan and communication by developing the crisis policy, framework, processes and procedures;
- To enable the Company to manage any incidents and crisis situation internally and preparing the Company to support any form of relief and humanitarian aid on crisis and/or disaster response externally; and
- On a quarterly basis, Risk Management produces a report outlining the Corporate and Operational of store and shopping centres risks; the status of the review, update and progress of implementation of action plans for review and discussion by the ARMC.

### THE INTERNAL CONTROL PROCESSES

The main key aspects of internal control processes are:

- The management structure of the Company formally defines lines of responsibility and delegation of authority for all aspect of the Company's affairs. Senior Management and business unit's managers submit and present their operational performance reviews, business plans and strategic measures in monthly operational management meeting, Store and Shopping Mall Managers meeting;
- The Board approves the annual budget and reviews key business indicators and monitors the achievements of the Company's performance on a quarterly basis;
- The authorisation limits and approval authority threshold of the Company encompasses internal control procedures. These procedures are subject to review by the Management to incorporate changing business risks and operational efficiency;
- The ARMC is responsible for reviewing the statutory annual financial statements and the quarterly announcements and recommends to the Board for approval prior to submission to Bursa Securities;
- The Internal Audit Department periodically audits the effectiveness and evaluates the proper functioning of the internal control system to ascertain compliance with the control procedures and policies of the Company. The Head of Internal Audit reports to ARMC on the conditions of internal control systems on a quarterly basis;
- Project teams are set up from time to time to address business and operational issues to meet the business objectives and operational requirements of the Company; and
- The Head of Internal Audit provide an independent assessment of the adequacy of the risk management process. He reports to the ARMC on the effectiveness of the risk management.

## INTERNAL AUDIT FUNCTION

Audit and Risk Management Committee (“ARMC”), assisted by the in-house Internal Audit Department, provides the Board with the assurance it requires on the adequacy and effectiveness of the system of internal controls. The Internal Audit Department independently reviews the risk identification procedures and control processes implemented by the Management, conducts audits that encompass reviewing critical areas that the Company faces, and reports to the ARMC on a quarterly basis.

The Internal Audit Department also carried out internal control reviews on key activities of the Company’s business on the basis of an annual internal audit plan that was presented and approved by the ARMC. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Company.

## ASSOCIATES

The Company’s system of risk management and internal control does not include the state of risk management and internal controls in associates.

## REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed the SORMIC pursuant to the scope set out in the Recommended Practice Guide (“RPG”) 5 (Revised) issued by the MIA for inclusion in the 2017 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal control Guidelines for Directors of Listed issuers, nor is the SORMIC factually inaccurate. RPG 5 (Revised) does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Company’s risk management and internal control system including assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

## CONCLUSION

The Board reviewed the adequacy and effectiveness of the system of internal controls and risk management that provides reasonable assurance to the Company in achieving its business objectives. As the development of a sound system of internal controls is an on-going process, the Board and the Management maintain an on-going commitment and continue to take appropriate measures to strengthen the risk management and internal control environment of the Company.

The Board is in the view that the risk management and internal control systems have been in place for the year under review and up to the date of approval of this statement is adequate and effective to safeguard the shareholders’ investment, the interest of customers, regulators and employees, and the Company assets.

This Statement on Risk Management and Internal Control is approved by the Board dated on 28 February 2018.

## ADDITIONAL COMPLIANCE INFORMATION

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

### MATERIAL CONTRACTS

There were no material contracts entered into by the Company involving Directors' and major shareholders' interest 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 (not being contracts entered into in the ordinary course of business) except as disclosed below and in Notes 29 to the financial statements under "Related Parties" on pages 129 to 130 of this Annual Report.

### AUDIT AND NON-AUDIT FES

During the financial year ended 31 December 2017 the amount of audit and non-audit fees paid by the Company to the External Auditors and its affiliates are as follows:

	Company RM'000
Audit services rendered	260
Non-audit services rendered	630
Total	890

During the financial year, the amount incurred in respect of non-audit related fees amounted to RM630,000 which comprised fees paid for the following assignments of non audit verification works, tax services, tax consultation advisory review, Statement of Risk Management and Internal Control review, Transfer Pricing Engagement, business consultation and due diligence jobs.

### UTILISATION OF PROCEEDS

There were no proceeds raised from any proposal during the financial year.

### RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Thirty-Second Annual General Meeting ("AGM") held on Thursday, 25 May 2017, 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 31 December 2017 is set out on page 130 of the Annual Report.

## **STATEMENT OF DIRECTORS' RESPONSIBILITY**

Pursuant to paragraph 15.26 (a) of the Main Market Listing Requirements of  
Bursa Malaysia Securities Berhad

The Board of Directors is responsible for ensuring that the annual audited 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 financial position of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended.

The Board is also responsible for ensuring that the annual audited financial statements of the Company are drawn up in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, the requirements of the Companies Act 2016, the Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory bodies.

In preparing the annual audited financial statements, the Directors and Management have ascertained that the relevant accounting policies and reasonable prudent judgement and estimates have been consistently applied. The Directors and Management also have a general responsibility for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.



# FINANCIAL STATEMENTS

for the year ended 31 December 2017

## DIRECTORS' REPORT

for the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2017.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the operations of a chain of departmental stores and supermarkets selling a broad range of goods ranging from clothing, food, household goods, other merchandise and shopping centre operation. There has been no significant change in the nature of these activities during the financial year.

### ULTIMATE HOLDING COMPANY

The Company is a subsidiary of AEON Co., Ltd., of which is incorporated in Japan and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

### RESULTS

	RM'000
Profit for the year	105,007

### RESERVES AND PROVISIONS

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

### DIVIDEND

Since the end of the previous financial year, the Company paid a final dividend of 3.00 sen per ordinary share totalling RM42,120,000 in respect of the financial year ended 31 December 2016 as reported in the Directors' Report of that year on 13 July 2017.

A final dividend recommended by the Directors in respect of the financial year ended 31 December 2017 is 4.00 sen per ordinary share totalling RM56,160,000 subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

### DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Datuk Iskandar bin Sarudin  
 Shinobu Washizawa  
 Poh Ying Loo  
 Hiroyuki Kotera  
 Datuk Syed Ahmad Helmy bin Syed Ahmad  
 Dato' Tunku Putra Badlishah Ibni Tunku Annuar  
 Abdul Rahim bin Abdul Hamid  
 Charles Tseng @ Charles Tseng Chia Chun  
 Kenji Horii  
 Dato' Abdullah bin Mohd Yusof (Retired on 24 August 2017)

**DIRECTORS' INTERESTS**

The interests and deemed interests in the ordinary shares and options over shares of the Company and of its related corporations of those who were Directors at financial year end (including the interests of the spouse or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	At 1.1.2017	Number of ordinary shares		At 31.12.2017
		Bought	Sold	

**Shareholdings in which Directors have direct interests**

Interest of Poh Ying Loo in:				
AEON CO. (M) BHD.	124,000	–	–	124,000
AEON Credit Service (M) Berhad	1,200	600	–	1,800

**Shareholdings in which Directors have deemed interests**

Interest of Poh Ying Loo in:				
AEON CO. (M) BHD.	96,000	–	–	96,000

	At 1.1.2017	Number of 3.5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		At 31.12.2017
		Bought	Sold	

**ICULS in which Directors have direct interests**

Interest of Poh Ying Loo in:				
AEON Credit Service (M) Berhad	–	3,600	–	3,600

None of the other Directors holding office at 31 December 2017 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of premium paid for indemnity given to/insurance effected for the Directors and Officers of the Company is RM30,000. There were no indemnity given to/insurance effected for the auditors of the Company during the year.

## OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have 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) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which 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 that would render any amount stated in the financial statements of the Company misleading.

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

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

**OTHER STATUTORY INFORMATION (continued)**

No contingent liability or other liability of the Company 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 substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, except for the impairment loss of property, plant and equipment of RM11,429,000 and investment in a subsidiary of RM19,600,000 as disclosed in the financial statements, the financial performance of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**AUDITORS**

The auditors, KPMG Desa Megat PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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

**Datuk Iskandar bin Sarudin**

Director

**Shinobu Washizawa**

Director

Kuala Lumpur

Date: 26 March 2018



## STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	31.12.2017 RM'000	31.12.2016 RM'000 Restated	1.1.2016 RM'000 Restated
<b>Assets</b>				
Property, plant and equipment	3	3,504,045	3,436,077	3,020,411
Intangible assets	4	17,228	19,627	17,822
Investment in a subsidiary	5	–	49,000	31,500
Investments in associates	6	30,182	7,968	7,108
Available-for-sale investments	7	62,508	44,459	36,842
Other assets	8	17,427	16,771	15,917
<b>Total non-current assets</b>		<b>3,631,390</b>	<b>3,573,902</b>	<b>3,129,600</b>
Inventories	9	610,731	602,283	569,898
Receivables, deposits and prepayments	10	88,849	67,026	70,814
Tax recoverable		–	21,635	3,908
Cash and cash equivalents	11	78,594	81,488	190,809
		778,174	772,432	835,429
Assets classified as held for sale	12	–	67,382	65,508
<b>Total current assets</b>		<b>778,174</b>	<b>839,814</b>	<b>900,937</b>
<b>Total assets</b>		<b>4,409,564</b>	<b>4,413,716</b>	<b>4,030,537</b>
<b>Equity</b>				
Share capital		702,000	702,000	702,000
Fair value reserve		61,478	43,429	35,812
Retained earnings		1,199,389	1,136,502	1,101,770
<b>Equity attributable to owners of the Company</b>	13	<b>1,962,867</b>	<b>1,881,931</b>	<b>1,839,582</b>
<b>Liabilities</b>				
Borrowings	14	155,323	325,070	79,167
Other liabilities	15	14,213	7,746	6,664
Deferred tax liabilities	16	11,316	27,990	21,151
<b>Total non-current liabilities</b>		<b>180,852</b>	<b>360,806</b>	<b>106,982</b>
Borrowings	14	782,347	640,322	690,705
Payables and accruals	17	1,463,191	1,530,657	1,393,268
Current tax liability		20,307	–	–
<b>Total current liabilities</b>		<b>2,265,845</b>	<b>2,170,979</b>	<b>2,083,973</b>
<b>Total liabilities</b>		<b>2,446,697</b>	<b>2,531,785</b>	<b>2,190,955</b>
<b>Total equity and liabilities</b>		<b>4,409,564</b>	<b>4,413,716</b>	<b>4,030,537</b>

The notes on pages 93 to 143 are an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000 Restated
<b>Continuing operations</b>			
Revenue	18	4,088,164	4,018,688
Other operating income		29,480	9,502
Changes in inventories		8,448	32,385
Net purchases		(2,394,412)	(2,467,248)
Staff costs		(301,437)	(280,587)
Depreciation of property, plant and equipment	3	(285,570)	(258,773)
Amortisation of intangible assets	4	(5,662)	(5,067)
Operating expenses		(898,470)	(851,296)
<b>Results from operating activities</b>	19	240,541	197,604
Interest expense		(40,749)	(36,964)
Interest income		1,200	1,529
Share of (losses)/profit of equity-accounted associates, net of tax		(7,186)	860
<b>Profit before tax</b>		193,806	163,029
Tax expense	21	(88,799)	(72,137)
<b>Profit for the year</b>		105,007	90,892
<b>Other comprehensive income, net of tax</b>			
Item that is or may be reclassified subsequently to profit or loss			
Fair value of available-for-sale financial assets	22	18,049	7,617
<b>Total comprehensive income for the year</b>		123,056	98,509
 Basic earnings per ordinary share (sen)	23	7.48	6.47

The notes on pages 93 to 143 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Note	<-----Attributable to owners of the Company----->			
		<---Non-distributable---> Share capital RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2016</b>					
- as previously reported		702,000	35,812	1,103,862	1,841,674
- impact of change in accounting policy	31	–	–	(2,092)	(2,092)
- as restated		702,000	35,812	1,101,770	1,839,582
Fair value of available-for-sale financial assets		–	7,617	–	7,617
Profit for the year					
- as previously reported		–	–	90,032	90,032
- impact of change in accounting policy	31	–	–	860	860
- as restated		–	–	90,892	90,892
<b>Total comprehensive income for the year</b>		–	7,617	90,892	98,509
Final dividend in respect of year ended 31 December 2015	24	–	–	(56,160)	(56,160)
<b>Restated balance at 31 December 2016/1 January 2017</b>		702,000	43,429	1,136,502	1,881,931
Fair value of available-for-sale financial assets		–	18,049	–	18,049
Profit for the year		–	–	105,007	105,007
<b>Total comprehensive income for the year</b>		–	18,049	105,007	123,056
Final dividend in respect of year ended 31 December 2016	24	–	–	(42,120)	(42,120)
<b>At 31 December 2017</b>		702,000	61,478	1,199,389	1,962,867
		Note 13	Note 13		

The notes on pages 93 to 143 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000 Restated
<b>Cash flows from operating activities</b>			
Profit before tax		193,806	163,029
Adjustments for:			
Amortisation of intangible assets	4	5,662	5,067
Depreciation of property, plant and equipment	3	285,570	258,773
Dividend income		(2,181)	(2,022)
Impairment loss on:			
- Property, plant and equipment	3.1	11,429	7,587
- Investment in a subsidiary	5.1	19,600	–
Gain on disposal of:			
- Property, plant and equipment		(64)	(402)
- Assets classified as held for sale	12	(18,519)	–
- Intangible assets		–	(520)
Interest expense		40,749	36,964
Interest income		(1,200)	(1,529)
Property, plant and equipment written off		3,325	2,700
Intangible assets written off		351	–
Share of results of associates		7,186	(860)
<b>Operating profit before changes in working capital</b>		545,714	468,787
Changes in working capital:			
Inventories		(8,448)	(32,385)
Receivables, deposits and prepayments		(25,346)	(8,915)
Payables and accruals		(63,154)	138,106
<b>Cash generated from operations</b>		448,766	565,593
Tax paid		(63,531)	(83,025)
<b>Net cash from operating activities</b>		<b>385,235</b>	<b>482,568</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(ii)	(368,668)	(687,794)
Acquisition of intangible assets	4	(3,302)	(6,679)
Deposit refunded for cancellation of acquisition of land	10.2	3,485	11,849
Subscription of shares in a subsidiary		–	(17,500)
Proceeds from disposal of:			
- Property, plant and equipment		190	623
- Assets classified as held for sale	12	85,839	–
- Intangible assets		–	1,300
Dividend received		2,181	2,022
Interest received		1,200	1,529
<b>Net cash used in investing activities</b>		(279,075)	(694,650)

## STATEMENT OF CASH FLOWS &gt;&gt;

	Note	2017 RM'000	2016 RM'000 Restated
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		782,347	886,225
Repayment of borrowings		(810,069)	(690,705)
Dividend paid to owners of the Company	24	(42,120)	(56,160)
Interest paid		(39,212)	(36,599)
<b>Net cash (used in)/generated from financing activities</b>		<b>(109,054)</b>	<b>102,761</b>
Net decrease in cash and cash equivalents		(2,894)	(109,321)
<b>Cash and cash equivalents at 1 January</b>		<b>81,488</b>	<b>190,809</b>
<b>Cash and cash equivalents at 31 December</b>	(i)	<b>78,594</b>	<b>81,488</b>

**(i) Cash and cash equivalents**

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

	Note	2017 RM'000	2016 RM'000
Cash and bank balances	11	60,887	51,435
Deposits with licensed financial institutions	11	17,707	30,053
		<b>78,594</b>	<b>81,488</b>

**(ii) Acquisition of property, plant and equipment**

During the financial year, included in acquisition of property, plant and equipment of the Company is acquisition of property, plant and equipment for the store that is classified as assets held for sale amounted to nil (2016: RM1,874,000).

The notes on pages 93 to 143 are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

AEON CO. (M) BHD. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The address of its registered office which is also the principal place of business is as follows:

3rd Floor, AEON Taman Maluri Shopping Centre  
Jalan Jejaka, Taman Maluri  
Cheras  
55100 Kuala Lumpur

The financial statements of the Company for the financial year ended 31 December 2017 comprise the Company and the Company's interests in associates. There is no consolidated financial statements has been prepared for the current year as the Company no longer has a subsidiary as at 31 December 2017.

The Company is principally engaged in the operations of a chain of departmental stores and supermarkets selling a broad range of goods ranging from clothing, food, household goods, other merchandise and shopping centre operation.

The holding company during the financial year is AEON Co., Ltd., a company incorporated in Japan.

These financial statements were authorised for issue by the Board of Directors on 26 March 2018.

### 1. BASIS OF PREPARATION

#### (a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*

## 1. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019 (continued)***

- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, except for amendments to MFRS 1, amendments to MFRS 2 and amendments to MFRS 4, which are not applicable to the Company.
- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019 except for Amendments to MFRS 11, which are not applicable to the Company.
- The Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

#### (i) **MFRS 15, Revenue from Contracts with Customers**

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

The Company has established a team to manage the implementation of MFRS 15. The team reviewed the contracts with the customers to account for the financial impact of the adoption of the new standard.

The Company has assessed that the initial application of MFRS 15 on its financial statements for the year ended 31 December 2017 will have no material impact on the net profit of the Company. Presentation of the financial statements will be affected as there may be reclassification of affected items from expenses to revenue or vice versa.

## 1. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued)

#### (ii) MFRS 9, *Financial Instruments*

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

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale.

The Company does not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Company does not expect that the application of the forward-looking expected credit loss (ECL) model will have a material impact on accounting for its financial assets.

#### (iii) MFRS 16, *Leases*

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

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2. As at 31 December 2017, the Company's current liabilities exceeded its current assets by RM1,487,671,000 (2016: RM1,331,165,000).

The Company has established an Islamic Commercial Papers Programme with a limit up to RM300.0 million and an Islamic Medium Term Notes Programme with a limit of up to RM1.0 billion, under a combined master limit of up to RM1.0 billion in nominal value based on the Shariah principle of Murabahah via Tawarruq arrangement. As at 31 December 2017, a total of RM765.0 million (2016: RM815.0 million) in respect of this facility has not been issued. As at year end, RM453.5 million (2016: RM50.0 million) of revolving loan remain unutilised. Given the available financing facilities and the ability of the Company to generate sufficient operating cash flows, the Directors are of the opinion that the Company will be able to meet its liabilities as and when they fall due.

## 1. BASIS OF PREPARATION (continued)

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 – Measurement of the recoverable amounts of cash-generating units
- Note 15 – Other liabilities
- Note 17.2 – Deferred revenue

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in this financial statement, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiary

Subsidiary is an entity, including structured entity, controlled by the Company. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in a subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation (continued)

#### (ii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### (iii) Associates

Associates are entities, including unincorporated entities, in which the Company has significant influence, but not control, over the financial and operating policies.

During the year, the Company adopted Amendments to MFRS 127, *Equity Method in Separate Financial Statements*. The new accounting policy is described below with the impact on the change in accounting policy which is described in Note 31.

Investments in associates are accounted for in the Company's financial statements using the equity method less any impairment losses (previously the investments in associates are measured at cost less any impairment losses), unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The financial statements include the Company's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has obligation or has made payments on behalf of the associate.

When the Company ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Company's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

#### (iv) Transactions eliminated

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Company's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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

The Company categorises financial instruments as follows:

##### **Financial assets**

#### (a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

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

##### *Financial assets (continued)*

##### **(b) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

Loans and receivables and available-for-sale financial assets are subject to review for impairment (see note 2(i)(i)).

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the 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, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Freehold land and construction work-in-progress are stated at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated 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 costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

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 property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "operating expenses" respectively in profit or loss.

#### (ii) Subsequent costs

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation

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

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	74 - 97 years
• Buildings	25 - 50 years
• Structures	10 years
• Office equipment	10 years
• Machinery and equipment	3 - 10 years
• Furniture, fixtures and fittings	5 years
• Motor vehicles	5 years
• IT equipment	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

#### (ii) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the Company's statement of financial position.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Leased assets (continued)

#### (ii) Operating leases (continued)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

### (f) Intangible assets

#### (i) Recognition and measurement

Intangible assets represent software and franchise fees acquired by the Company and are measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

#### (iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Intangible assets are amortised from the date they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Information technology software 5 years
- Franchise fees 15 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Cost comprises the weighted average cost of merchandise derived at by using the Retail Inventory Method. Weighted average cost includes related charges incurred in purchasing such merchandise.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### (i) Impairment

#### (i) Financial assets

All financial assets (except for investment in a subsidiary and investments in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amounts of other assets (except for inventories and assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Impairment (continued)

#### (ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### (j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

### (k) Employee benefits

#### Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Revenue

#### (i) Retail sales - goods sold, commission and distribution charges earned

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Distribution centre charges earned is included as part of revenue.

When the Company acts in a capacity of an agent rather than as the principal in a transaction, the revenue is recognised upon the sale of goods and is the net amount of commission made by the Company.

#### (ii) Property management services

Revenue from shopping mall operation which include rental income, service charge, sales commission and car park charges. Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as revenue.

### (m) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

### (n) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

### (o) Membership income

Membership income is recognised in profit or loss when the payment is received and proportion to the membership tenure.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax expense are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

### (s) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case are the Managing Director and Board of Directors of the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### (t) Asset classified as held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale and subsequently gains or losses on remeasurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

### (u) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a post-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### Provision for restoration cost

A provision for site restoration is recognised when there is a projected cost of dismantlement, removal or restoration as a consequence of using a leased property during a particular period. The provision is measured at the present value of the restoration cost expected to be paid upon termination of the lease agreement.



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Deferred revenue

#### (i) Customer loyalty awards

The Company operates the customer loyalty programme, which allows customers to accumulate points when they purchase products at the Company's stores and these points are redeemable for gift vouchers.

The consideration received from the sale of goods is allocated to the goods sold and the points issued that are expected to be redeemed. The consideration allocated to the points issued is measured at fair value of the points. It is recognised as a liability (deferred revenue) in the statement of financial position and recognised as revenue when the points are redeemed, have expired or are no longer expected to be redeemed. The amount of revenue recognised is based on the number of points that have been redeemed, relative to the total number of points expected to be redeemed.

#### (ii) Customer rebates

Members are awarded with rebates at the point of sale made at AEON general merchandising stores. These customer rebates are redeemable for gift vouchers every six months. It is recognised as a liability (deferred revenue) in the statement of financial position and recognised as revenue when gift vouchers are redeemed by customers when they purchase products at AEON general merchandising stores.

On an annual basis, fair value of the deferred revenue will be estimated by reference to the monetary value attributable to the customer rebates and redemption profile.

### (w) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
Cost/Valuation											
At 1 January 2016		643,002	1,028,179	480,280	16,552	934,562	467,312	7,417	61,167	790,145	4,428,616
Additions		-	81,675	63,482	1,677	194,219	68,141	418	15,566	260,742	685,920
Disposals		-	-	-	-	(124)	(284)	(1,102)	(212)	-	(1,722)
Written off		-	(67)	(15,724)	(218)	(22,697)	(16,646)	-	(3,248)	-	(58,600)
Transfer in/(out)		-	483,642	25,304	24	223,164	12,234	-	113	(744,481)	-
Transfer to intangible assets	4	-	-	-	-	-	-	-	-	(973)	(973)
At 31 December 2016/											
1 January 2017		643,002	1,593,429	553,342	18,035	1,329,124	530,757	6,733	73,386	305,433	5,053,241
Additions		-	31,025	27,978	314	52,471	27,319	249	2,734	226,578	368,668
Disposals		-	-	(71)	-	(197)	(2)	(152)	(5)	-	(427)
Written off		-	(358)	(1,036)	(103)	(14,419)	(5,160)	-	(313)	-	(21,389)
Transfer in/(out)		-	188,656	5,974	4	73,295	3,140	-	-	(271,069)	-
Transfer to intangible assets	4	-	-	-	-	-	-	-	-	(312)	(312)
Transfer from assets classified as held for sale	12	-	-	-	40	141	472	93	5	-	751
At 31 December 2017											
		643,002	1,812,752	586,187	18,290	1,440,415	556,526	6,923	75,807	260,630	5,400,532

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

Note	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Depreciation and impairment loss</b>										
At 1 January 2016										
- Accumulated depreciation	34,240	217,663	221,961	10,964	550,815	320,939	4,981	39,089	-	1,400,652
- Accumulated impairment loss	-	-	3,175	430	2,493	1,323	-	132	-	7,553
At 31 December 2016/1 January 2017										
Depreciation for the year	34,240	217,663	225,136	11,394	553,308	322,262	4,981	39,221	-	1,408,205
Impairment loss	3,497	30,414	43,046	1,219	112,041	58,802	1,010	8,744	-	258,773
Disposals	-	-	5,624	-	-	1,963	-	-	-	7,587
Written off	-	-	-	-	(124)	(111)	(1,068)	(198)	-	(1,501)
	-	(14)	(14,903)	(204)	(21,438)	(16,121)	-	(3,220)	-	(55,900)
At 31 December 2016/1 January 2017										
- Accumulated depreciation	37,737	248,063	250,104	11,979	641,294	363,509	4,923	44,415	-	1,602,024
- Accumulated impairment loss	-	-	8,799	430	2,493	3,286	-	132	-	15,140
At 31 December 2017										
Depreciation for the year	37,737	248,063	258,903	12,409	643,787	366,795	4,923	44,547	-	1,617,164
Impairment loss	3,497	36,542	45,450	1,080	130,095	58,673	811	9,422	-	285,570
Disposals	-	-	6,180	-	3,138	2,111	-	-	-	11,429
Written off	-	-	(3)	-	(143)	(1)	(152)	(2)	-	(301)
Transfer from assets classified as held for sale	-	(265)	(404)	(94)	(12,495)	(4,560)	-	(246)	-	(18,064)
	-	-	-	23	115	456	93	2	-	689
At 31 December 2017										
- Accumulated depreciation	41,234	284,340	295,147	12,988	758,866	418,077	5,675	53,591	-	1,869,918
- Accumulated impairment loss	-	-	14,979	430	5,631	5,397	-	132	-	26,569
	41,234	284,340	310,126	13,418	764,497	423,474	5,675	53,723	-	1,896,487

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Carrying amounts</b>										
At 1 January 2016	608,762	810,516	255,144	5,158	381,254	145,050	2,436	21,946	790,145	3,020,411
At 31 December 2016/ 1 January 2017	605,265	1,345,366	294,439	5,626	685,337	163,962	1,810	28,839	305,433	3,436,077
At 31 December 2017	601,768	1,528,412	276,061	4,872	675,918	133,052	1,248	22,084	260,630	3,504,045

### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

#### 3.1 Impairment loss

The historical losses from stores caused the Company to assess the recoverable amount of the stores' related plant and equipment.

The recoverable amount of the loss-making stores were based on its value in use, determined by discounting future cash flows to be generated by the stores.

The impairment loss is as follows:

	2017 RM'000	2016 RM'000
Carrying amount	19,894	48,184
Recoverable amount	(8,465)	(40,597)
Impairment loss	11,429	7,587

The impairment loss with respect to the plant and equipment (part of retailing operating segment) was recognised in operating expenses in the statements of profit or loss and other comprehensive income.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the stores and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5 years business plan. Cash flows for further period were projected using a growth rate of 2% to 5%, which does not exceed the long-term average growth rate of the industry. Management believes that this forecast period was justified due to management's intention to renew and operate the stores up to the maximum lease term.
- The anticipated annual revenue growth included in the cash flow projections were between 2.0% to 30.0% based on average growth levels experienced over the years.
- A discount rate of 6.12% (2016: 6.33%) was applied in determining the recoverable amount of the stores. The discount rate was estimated based on an industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the retail industry and are based on both external sources and internal sources (historical data).

Following an impairment in the loss-making stores, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in a key assumption may result in a further impairment loss.

The above estimates are particularly sensitive in discount rate and annual revenue growth rate.



## 4. INTANGIBLE ASSETS

	Note	Information technology software RM'000	Franchise fees RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2016		38,645	585	39,230
Additions		6,679	–	6,679
Transfer from construction work-in-progress	3	973	–	973
Disposal		(1,300)	–	(1,300)
At 31 December 2016/1 January 2017		44,997	585	45,582
Additions		3,302	–	3,302
Transfer from construction work-in-progress	3	312	–	312
Written off		(25)	(585)	(610)
At 31 December 2017		48,586	–	48,586
<b>Accumulated amortisation</b>				
At 1 January 2016		21,236	172	21,408
Amortisation for the year		5,028	39	5,067
Disposal		(520)	–	(520)
At 31 December 2016/1 January 2017		25,744	211	25,955
Amortisation for the year		5,626	36	5,662
Written off		(12)	(247)	(259)
At 31 December 2017		31,358	–	31,358
<b>Carrying amounts</b>				
At 1 January 2016		17,409	413	17,822
At 31 December 2016/1 January 2017		19,253	374	19,627
At 31 December 2017		17,228	–	17,228

**5. INVESTMENT IN A SUBSIDIARY**

	Note	2017 RM'000	2016 RM'000
At cost:	5.1	–	49,000

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Note	Effective ownership interest and voting interest	
				2017 %	2016 %
Index Living Mall Malaysia Sdn. Bhd. (f.k.a. AEON Index Living Sdn. Bhd.) ("ILMM")*	Malaysia	Furniture retailer	5.1	–	70

\* Audited by an affiliated firm of KPMG Desa Megat PLT.

- 5.1 In previous financial year, the Company subscribed an additional 17,500,000 of ordinary shares in Index Living Mall Malaysia Sdn. Bhd. (f.k.a. AEON Index Living Sdn. Bhd.) ("ILMM") for a total consideration of RM17,500,000. There was no changes in the effective ownership interest and voting interest in previous years.

On 12 December 2017, the Company entered into a Supplemental Agreement to the Joint Venture Agreement with Index Living Mall Company Limited ("ILM") to revise the shareholdings structure of Index Living Mall Malaysia Sdn. Bhd. (f.k.a. AEON Index Living Sdn. Bhd.) ("ILMM"). On 12 December 2017, ILMM allotted an additional 30,000,000 new ordinary shares to ILM at RM0.60 per share. Consequent to the above revision, ILMM ceased to be a subsidiary of the Company with effect from 12 December 2017 and became an associate. Prior to the cessation of ILMM as a subsidiary, the Company has recognised an impairment loss of RM19.6mil to write down the cost of investment of RM49mil to the fair value of RM29.4mil (49,000,000 of shares @ RM0.60 per share). This fair value is regarded as the cost on initial recognition of investment of ILMM by the Company as an associate. No gain or loss on the deemed disposal was recognised by the Company.

- 5.2 In relation to note 5.1, the Company is no longer required to prepare consolidated financial statements for current and comparative periods as there is no subsidiary as at 31 December 2017.

**6. INVESTMENTS IN ASSOCIATES**

	Note	2017 RM'000	2016 RM'000
<b>At cost</b>		38,600	9,200
Share of post-acquisition reserves	6.1	(8,418)	(1,232)
		30,182	7,968

During the current financial year, the Company had adopted equity accounting for its interest in associates. This is in compliance with the provisions contained in Amendments to MFRS 127 Equity Method in Separate Financial Statements. The adoption of equity accounting for its interest in associates is retrospective adjusted in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors. The impact on the change is disclosed Note 31.

**6. INVESTMENTS IN ASSOCIATES (continued)**

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Note	Effective ownership interest and voting interest	
				2017 %	2016 %
AEON Fantasy (Malaysia) Sdn. Bhd. ("AFM")*	Malaysia	Operating indoor amusement park business		20	20
AEON TopValu Malaysia Sdn. Bhd. ("ATVM")*	Malaysia	Product development of AEON private brand		20	20
Index Living Mall Malaysia Sdn. Bhd. (f.k.a. AEON Index Living Sdn. Bhd.) ("ILMM")**	Malaysia	Furniture retailer	5.1	49	–

\* Audited by another firm of accountants and equity accounted based on management accounts.

\*\* Audited by an affiliated firm of KPMG Desa Megat PLT.

The summarised financial information of the Company's investments in the associates are as follows:

2017	Note	AFM RM'000	ATVM RM'000	ILMM RM'000	Total RM'000
<b>Summarised financial information</b>					
<b>As at 31 December</b>					
Non-current assets		88,071	175	15,143	
Current assets		28,108	26,749	26,140	
Non-current liabilities		(39,457)	–	(182)	
Current liabilities		(18,642)	(26,924)	(11,323)	
Net assets		58,080	–	29,778	
<b>Year ended 31 December</b>					
Profit/(Loss) from continuing operations		2,317	4,532	(33,747)	
<b>Included in the total comprehensive income is:</b>					
Revenue		81,328	86,375	29,181	

**6. INVESTMENTS IN ASSOCIATES (continued)**

The summarised financial information of the Company's investments in the associates are as follows:  
(continued)

2017 (continued)	Note	AFM RM'000	ATVM RM'000	ILMM RM'000	Total RM'000
<b>Reconciliation of net assets to carrying amount as at 31 December</b>					
Company's share of net assets		11,616	–	14,591	26,207
Share of gain on disposal of business		(3,185)	–	–	(3,185)
Goodwill		–	–	7,160	7,160
<b>Carrying amount in the statement of financial position</b>		<b>8,431</b>	<b>–</b>	<b>21,751</b>	<b>30,182</b>
<b>Company's share of results for the year ended 31 December</b>	6.1	463	–	(7,649)	(7,186)
<b>2016</b>					
	Note	AFM RM'000	ATVM RM'000		Total RM'000
<b>Summarised financial information As at 31 December</b>					
Non-current assets		84,516	248		
Current assets		27,505	40,073		
Non-current liabilities		(40,163)	–		
Current liabilities		(16,093)	(41,715)		
Net assets/(liabilities)		55,765	(1,394)		
<b>Year ended 31 December</b>					
Profit from continuing operations		4,302	3,175		
<b>Included in the total comprehensive income is:</b>					
Revenue		65,327	77,166		
<b>Reconciliation of net assets to carrying amount as at 31 December</b>					
Company's share of net assets		11,153	–		11,153
Share of gain on disposal of business		(3,185)	–		(3,185)
<b>Carrying amount in the statement of financial position</b>		<b>7,968</b>	<b>–</b>		<b>7,968</b>
<b>Company's share of results for the year ended 31 December</b>		<b>860</b>	<b>–</b>		<b>860</b>

**6. INVESTMENTS IN ASSOCIATES (continued)****6.1 Company's share of results for the year ended 31 December 2017**

The Company will resume recognising share of profits on AEON TopValu Sdn. Bhd. only after its share of the profits equals to the share of losses not recognised in prior years.

**7. AVAILABLE-FOR-SALE INVESTMENTS**

	2017 RM'000	2016 RM'000
<b>Non-current</b>		
Quoted equities in Malaysia	62,508	44,459
<b>Representing items:</b>		
At fair value:		
Market value of quoted investments	62,508	44,459

**8. OTHER ASSETS**

Other assets are rental and utility deposits relating to leased properties.

**9. INVENTORIES**

	2017 RM'000	2016 RM'000
Retail merchandise	341,811	316,100
Food and others	268,920	286,183
	610,731	602,283
<b>Recognised in profit or loss:</b>		
Inventories recognised as an expense	2,392,208	2,427,717
Write-down to net realisable value	–	7,146
Reversal of inventories written down to net realisable value	(6,244)	–

The write-down and reversal of inventories written down to net realisable value are included in changes in inventories.



**10. RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Note	2017 RM'000	2016 RM'000
<b>Trade</b>			
Trade receivables		75,530	51,477
Amount due from a related company	10.1	454	911
		75,984	52,388
<b>Non-trade</b>			
Other receivables and prepayments	10.2	9,731	13,137
Amount due from a subsidiary	10.1	–	105
Amount due from associates	10.1	1,865	26
Amount due from related companies	10.1	1,269	1,370
		12,865	14,638
		88,849	67,026

**10.1 Amounts due from a subsidiary, associates and related companies**

The trade amount due from a related company is unsecured, interest free and subject to normal trade terms.

The non-trade amounts due from a subsidiary, associates and related companies are unsecured, interest free and repayable on demand.

**10.2 Other receivables and prepayments**

Included in other receivables and prepayments are deposits of RM207,000 (2016: RM3,692,000) paid as part of the purchase consideration for the acquisition of land for the purpose of constructing shopping malls. During the year, there were refunds of RM3,485,000 (2016: RM11,849,000) upon cancellation of the purchase of lands due to non-fulfillment of the conditions precedent within the extended period.

**11. CASH AND CASH EQUIVALENTS**

	2017 RM'000	2016 RM'000
Cash and bank balances	60,887	51,435
Deposits with licensed financial institutions	17,707	30,053
	78,594	81,488

**12. ASSETS CLASSIFIED AS HELD FOR SALE**

	Note	2017 RM'000	2016 RM'000
<b>Property, plant and equipment</b>			
<i>Carrying amount</i>			
At 1 January		67,382	65,508
Transfer (to)/from property, plant and equipment	3	(62)	–
Disposals		(67,320)	–
Additions		–	1,874
At 31 December		–	67,382

On 29 June 2017, the Company entered into a Sale and Purchase Agreement to dispose of the above assets. The disposal has been completed on 21 December 2017 with a net disposal proceed of RM85,839,000 and gain of disposal of RM18,519,000 being recognised in the financial statements.

**13. CAPITAL AND RESERVES****Share capital**

	Note	2017 Number of shares '000	2017 Amount RM'000	2016 Number of shares '000	2016 Amount RM'000
<b>Authorised:</b>					
Ordinary shares	13.1	–	–	2,000,000	1,000,000
<b>Issued and fully paid:</b>					
Ordinary shares	13.1	1,404,000	702,000	1,404,000	702,000

13.1 Under the Companies Act 2016, which commenced operation on 31 January 2017 (except Section 241 and Division 8 of Part 111), the concept of authorised capital no longer exists.

In accordance with Section 74 of the Companies Act 2016, the Company's shares no longer have a par or nominal value with effect from 31 January 2017. There is no impact on the number of shares in issue or relative entitlement of any of the member as a result of this transition.

**Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

**14. BORROWINGS**

	Note	2017 RM'000	2016 RM'000
<b>Non-current</b>			
Bank loans	14.1	155,323	325,070
<b>Current</b>			
Bank loans	14.1	229,747	242,247
Revolving credits - unsecured	14.2	317,600	213,500
Islamic Medium Term Notes and Islamic Commercial Papers - unsecured	14.3	235,000	184,575
		782,347	640,322
		937,670	965,392

14.1 The bank loans are unsecured, bears interest ranging from 3.92% to 4.10% (2016: 3.45% to 4.20%) per annum and are repayable on quarterly basis up to 29 October 2021.

14.2 The unsecured revolving credits bear interest rates ranging from 3.45% to 4.01% (2016: 3.45% to 3.55%) per annum.

14.3 The unsecured Islamic Medium Term Notes and Islamic Commercial Papers, bear interest rates ranging from 3.78% to 3.80% (2016: 3.83% to 4.18%) per annum.

14.4 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	At 31.12.2017 RM'000
Bank loans	567,317	(182,247)	385,070
Revolving credits - Unsecured	213,500	104,100	317,600
Islamic Medium Term Notes and Islamic Commercial Papers - Unsecured	184,575	50,425	235,000
Total liabilities from financing activities	965,392	(27,722)	937,670

**15. OTHER LIABILITIES**

	2017 RM'000	2016 RM'000
<b>Provision for restoration cost</b>		
At 1 January	7,746	6,664
Provision made during the year	6,091	784
Provision used during the year	(12)	(67)
Provision reversed during the year	–	–
Unwinding of discount	388	365
At 31 December	14,213	7,746

Under the provision of lease agreements, the Company has an obligation to dismantle and remove structures on the site and restore those sites at the end of the lease term to an acceptable condition. The liabilities for restoration are recognised at present value of the compounded future expenditure estimated using current price and discounted using a discount rate of 5.03% (2016: 5.53%).

**16. DEFERRED TAX LIABILITIES****Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment						
- capital allowance	–	–	(39,346)	(48,768)	(39,346)	(48,768)
- revaluation	–	–	(9,386)	(9,587)	(9,386)	(9,587)
Provisions	37,416	30,365	–	–	37,416	30,365
Net tax assets/(liabilities)	37,416	30,365	(48,732)	(58,355)	(11,316)	(27,990)

**Movement in temporary differences during the year**

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2017 RM'000
Property, plant and equipment					
- capital allowance	(39,256)	(9,512)	(48,768)	9,422	(39,346)
- revaluation	(9,788)	201	(9,587)	201	(9,386)
Provisions	27,893	2,472	30,365	7,051	37,416
	(21,151)	(6,839)	(27,990)	16,674	(11,316)

**17. PAYABLES AND ACCRUALS**

	Note	2017 RM'000	2016 RM'000
<b>Trade</b>			
Trade payables		776,212	768,033
Amount due to an associate	17.1	17,054	18,960
Amount due to a subsidiary	17.1	–	943
		793,266	787,936
<b>Non-trade</b>			
Other payables and accrued expenses		267,190	315,961
Deferred revenue	17.2	48,177	47,231
Progress claims by contractors		50,185	85,857
Rental and utility deposits		249,039	238,932
Amount due to holding company	17.1	16,531	17,008
Amount due to associates	17.1	2,067	1,900
Amount due to related companies	17.1	36,736	35,832
		669,925	742,721
		1,463,191	1,530,657

**17.1 Amounts due to holding company, a subsidiary, associates and related companies**

The trade amounts due to a subsidiary and an associate are unsecured, interest free and subject to normal trade terms.

The non-trade amounts due to holding company, associates and related companies are unsecured, interest free and repayable on demand.

**17.2 Deferred revenue**

	2017 RM'000	2016 RM'000
Customer loyalty awards	42,547	41,907
Customer rebates	5,630	5,324
	48,177	47,231

The fair value of the deferred revenue is estimated by reference to the monetary value attributable to the awarded gift redemption points, rebates and redemption profile.

While the deferred revenue is based on the best estimate of future redemption profile, there is uncertainty regarding the trend of redemption. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

**17. PAYABLES AND ACCRUALS (continued)****17.2 Deferred revenue (continued)****Movement in deferred revenue**

The following table shows reconciliation from the opening balance to the closing balance for the deferred revenue and its components.

	2017 RM'000	2016 RM'000
<b>Customer loyalty awards</b>		
At 1 January	41,907	32,335
Additions during the year	19,630	28,667
Utilisation during the year	(13,755)	(14,474)
Reversal during the year	(5,235)	(4,621)
At 31 December	42,547	41,907

	2017 RM'000	2016 RM'000
<b>Customer rebates</b>		
At 1 January	5,324	8,731
Additions during the year	12,173	13,839
Utilisation during the year	(8,564)	(10,066)
Reversal during the year	(3,303)	(7,180)
At 31 December	5,630	5,324

**18. REVENUE**

	2017 RM'000	2016 RM'000
Sale of goods and others	3,035,686	3,019,156
Net commission from concessionaire sales	388,108	398,520
Property management services	664,370	601,012
	4,088,164	4,018,688



**19. RESULTS FROM OPERATING ACTIVITIES**

	2017 RM'000	2016 RM'000
<b>Results from operating activities is arrived at after charging:</b>		
Auditors' remuneration		
- Audit fees		
- KPMG Desa Megat PLT Malaysia	260	240
- Non-audit fees		
- KPMG Desa Megat PLT Malaysia	46	46
- Local affiliates of KPMG Desa Megat PLT in Malaysia	584	203
Amortisation of intangible assets	5,662	5,067
Depreciation of property, plant and equipment	285,570	258,773
Impairment loss:		
- Trade receivables	1,054	1,183
- Other receivables	678	-
- Property, plant and equipment	11,429	7,587
- Investment in a subsidiary	19,600	-
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	34,392	31,888
- Wages, salaries and others	267,045	248,699
Property, plant and equipment written off	3,325	2,700
Intangible assets written off	351	-
Rental expense		
- Land and buildings	235,080	224,023
- Equipment	2,621	3,504
- Fixtures and fittings	180	131
- Hostel	769	408
Royalty expense	15,660	15,539
Write-down of inventories	-	7,146
<b>after crediting:</b>		
Dividend income from:		
- Quoted shares in Malaysia	2,181	2,022
Gain on disposal of:		
- Property, plant and equipment	64	402
- Assets classified as held for sale	18,519	-
- Intangible assets	-	520
Property management services		
- Rental income on shopping mall operation	591,682	542,656
- Other property management services income	72,688	58,356
Reversal of inventories write-down	6,244	-
Royalty income	-	168

**20. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel compensations are as follows:

	2017 RM'000	2016 RM'000
<b>Directors:</b>		
Fees	1,285	1,025
Remuneration	1,902	1,554
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	61	63
	3,248	2,642

**21. TAX EXPENSE**

	2017 RM'000	2016 RM'000 Restated
<b>Current tax expense</b>		
- Current year	90,799	56,554
- Under provision in prior year	14,674	8,744
	105,473	65,298
<b>Deferred tax expense</b>		
- Reversal and origination of temporary differences	(7,041)	9,508
- Over provision in prior year	(9,633)	(2,669)
	(16,674)	6,839
Tax expense	88,799	72,137
<b>Reconciliation of tax expense</b>		
Profit before tax	193,806	163,029
Tax calculated using Malaysian tax rate of 24% (2016: 24%)	46,513	39,127
Non-deductible expenses	42,347	27,731
Non-taxable income	(5,102)	(796)
	83,758	66,062
Under/(Over) provision in prior year		
- Current tax expense	14,674	8,744
- Deferred tax expense	(9,633)	(2,669)
Tax expense	88,799	72,137

**22. OTHER COMPREHENSIVE INCOME**

	2017		2016	
	Before tax RM'000	Net of tax RM'000	Before tax RM'000	Net of tax RM'000
<b>Item that is or may be reclassified subsequently to profit or loss</b>				
Fair value of available-for-sale financial assets				
- Gain arising during the year	18,049	18,049	7,617	7,617
	18,049	18,049	7,617	7,617

**23. EARNINGS PER ORDINARY SHARE****Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the period.

	2017 RM'000	2016 RM'000
Profit for the year attributable to owners of the Company	105,007	90,892
	'000	'000
Weighted average number of ordinary shares	1,404,000	1,404,000
Basic earnings per ordinary share (sen)	7.48	6.47

**Diluted earnings per ordinary share**

There is no dilution in earnings per share as there is no potential diluted ordinary shares.

**24. DIVIDEND**

Dividend recognised by the Company is as follows:

	Sen per share	Total amount RM'000	Date of payment
<b>2017</b>			
Final 31.12.2016 dividend	3.00	42,120	13 July 2017
<b>2016</b>			
Final 31.12.2015 dividend	4.00	56,160	14 July 2016

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

	Sen per share	Total amount RM'000
Final 31.12.2017 dividend	4.00	56,160

This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

**25. OPERATING SEGMENTS**

The Company has two main reportable segments as described below, which are based on the Company's management and internal reporting structure. Results from each of the segments are reviewed regularly by the Managing Director and Board of Directors of the Company.

**Reportable segments**

The two main reportable segments are:

Retailing	The operations of a chain of departmental stores and supermarkets selling a broad range of goods ranging from clothing, food, household goods and other merchandise.
Property management services	Shopping mall operation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-earning assets and related revenue, loans and borrowings and related expenses and tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

**25. OPERATING SEGMENTS (continued)**

	Retailing		Property management services		Total	
	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Business segments</b>						
Revenue from external customers	3,423,794	3,417,676	664,370	601,012	4,088,164	4,018,688
<b>Total revenue</b>	3,423,794	3,417,676	664,370	601,012	4,088,164	4,018,688
<b>Segmental profit</b>	39,274	14,680	239,845	209,112	279,119	223,792
Less: Unallocated expenses					(38,578)	(26,188)
<b>Operating profit</b>					240,541	197,604
Interest expense					(40,749)	(36,964)
Interest income					1,200	1,529
Share of results of associates					(7,186)	860
<b>Profit before tax</b>					193,806	163,029
Tax expense					(88,799)	(72,137)
<b>Profit for the year</b>					105,007	90,892
<b>Segment assets</b>	1,287,717	1,563,718	3,104,140	2,799,542	4,391,857	4,363,260
Unallocated assets					17,707	50,456
<b>Total assets</b>					4,409,564	4,413,716
<b>Segment liabilities</b>	(1,096,972)	(1,128,523)	(366,219)	(402,134)	(1,463,191)	(1,530,657)
Unallocated liabilities					(983,506)	(1,001,128)
<b>Total liabilities</b>					(2,446,697)	(2,531,785)
Capital expenditure	109,930	224,002	262,040	470,471	371,970	694,473
Depreciation and amortisation	113,503	110,150	177,729	153,690	291,232	263,840
Impairment of property, plant and equipment	11,429	7,587	–	–	11,429	7,587
Write-down of inventories	–	7,146	–	–	–	7,146
Reversal of inventories written down	(6,244)	–	–	–	(6,244)	–
Non-cash expenses other than depreciation and amortisation	11,693	9,158	(15,171)	207	(3,478)	9,365

**Geographical segment**

There is no geographical information as the Company is predominantly operating in Malaysia.

**26. CAPITAL MANAGEMENT**

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio and meet regulatory requirement.

There were no changes in the Company's approach to capital management during the year. Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company have complied with this requirement.

**27. OPERATING LEASES*****Leases as lessee***

Non-cancellable operating lease rental payables are as follows:

	2017 RM'000	2016 RM'000
Less than one year	218,703	217,690
Between one and five years	489,944	578,556
More than five years	281,295	357,834
	989,942	1,154,080

The Company lease a number of land, buildings and premises under operating leases. The leases have initial years ranging from 2 to 25 years, with options to renew the respective leases after expiry. None of the leases includes contingent rentals.

**28. CAPITAL COMMITMENTS**

	2017 RM'000	2016 RM'000
<b>Property, plant and equipment</b>		
<i>Contracted but not provided for and not payable:</i>		
Within one year	307,470	201,083
One year or later and not later than five years	49,508	339,731

**29. RELATED PARTIES*****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 decisions, 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.



**29. RELATED PARTIES (continued)*****Identity of related parties (continued)***

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company.

The Company has related party relationship with its holding company, related companies and associates.

**Significant related party transactions**

The significant related party transactions of the Company (other than key management personnel compensation as disclosed in Note 20) are as follows:

	Transaction value		Balance outstanding	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Holding company:				
Royalty expenses	(15,660)	(15,539)	(15,660)	(15,539)
Related companies:				
Sales through AEON credit card	6,092	76,692	126	394
Sales through easy payment scheme financing	6,383	6,128	328	517
Rental income	5,121	4,340	262	549
Convertible AEON Member card point income	2,324	2,377	197	205
Support services	4,120	2,455	984	2
Retail support services	24	82	2	35
Management services	163	170	–	2
Trustee fee	29	27	–	–
Credit card sales commission expenses	(146)	(1,134)	–	–
Supply chain and distribution centre management fee	(55,225)	(55,285)	(15,449)	(14,789)
Purchase of merchandise	(1,003)	(23)	(110)	–
Purchase of consumables	(1,160)	(1,451)	(321)	(321)
Facility management service	(62,796)	(54,840)	(10,410)	(11,919)
Rental expense	(17,349)	(6,003)	–	–
Management fee	(9,756)	(8,461)	(9,756)	(8,461)
Associates:				
Purchase of merchandise	(76,510)	(64,561)	(11,704)	(18,138)
Rental income	12,328	10,542	–	115
Subsidiary:				
Purchase of merchandise	–	(943)	–	(943)
Rental Income	–	1,488	–	–
Royalty income	–	168	–	105

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled in cash.

## 30. FINANCIAL INSTRUMENTS

### 30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
<b>2017</b>			
<b>Financial assets</b>			
Available-for-sale investments	62,508	–	62,508
Receivables and deposits (excluding prepayments)	83,639	83,639	–
Cash and cash equivalents	78,594	78,594	–
	224,741	162,233	62,508
<b>Financial liabilities</b>			
Borrowings	(937,670)	(937,670)	–
Payables and accruals (excluding deferred revenue)	(1,415,014)	(1,415,014)	–
	(2,352,684)	(2,352,684)	–
<b>2016</b>			
<b>Financial assets</b>			
Available-for-sale investments	44,459	–	44,459
Receivables and deposits (excluding prepayments)	62,131	62,131	–
Cash and cash equivalents	81,488	81,488	–
	188,078	143,619	44,459
<b>Financial liabilities</b>			
Borrowings	(965,392)	(965,392)	–
Payables and accruals (excluding deferred revenue)	(1,483,426)	(1,483,426)	–
	(2,448,818)	(2,448,818)	–

**30. FINANCIAL INSTRUMENTS (continued)****30.2 Net gain/(loss) arising from financial instruments**

	2017 RM'000	2016 RM'000
<b>Net gain/(loss) on:</b>		
Available-for-sale financial assets:		
- recognised in other comprehensive income	18,049	7,617
Loans and receivables	(532)	346
Financial liabilities measured at amortised cost	(40,844)	(36,940)
	(23,327)	(28,977)

**30.3 Financial risk management**

The Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**30.4 Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer, tenant or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arise from its shopping mall tenants and credit card receivables.

**Receivables***Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on shopping mall tenants. The Company require all tenants to place adequate security deposits as stipulated under the tenancy agreement. In terms of its credit card receivables, which are basically from banking institutions, the Company have in place an ongoing process to monitor closely and ensure risk exposure is always minimal.

*Exposure to credit risk and credit quality*

As at the end of the reporting period, the Company do not have any major concentration of credit risk on its shopping mall tenants or credit card receivables and the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. These receivables are credit card receivables from banking institution and regular tenants that have been transacting with the Company. The Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

**30. FINANCIAL INSTRUMENTS (continued)****30.4 Credit risk (continued)*****Receivables (continued)****Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2017</b>			
Not past due	59,961	–	59,961
Past due 0 - 30 days	3,008	–	3,008
Past due 31 - 120 days	2,518	–	2,518
Past due more than 120 days	12,802	(2,759)	10,043
	78,289	(2,759)	75,530
<b>2016</b>			
Not past due	39,472	–	39,472
Past due 0 - 30 days	2,020	–	2,020
Past due 31 - 120 days	2,488	–	2,488
Past due more than 120 days	9,202	(1,705)	7,497
	53,182	(1,705)	51,477

Other receivables, rental and utility deposits are neither past due nor impaired. Therefore, these receivables are stated at their realisable values.

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2017 RM'000	2016 RM'000
At 1 January	1,705	522
Impairment loss recognised	1,287	1,185
Impairment loss reversed	(233)	(2)
At 31 December	2,759	1,705

**30. FINANCIAL INSTRUMENTS (continued)****30.5 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 arise principally from its various payables, loans and borrowings.

*Risk management objectives, policies and processes for managing the risk*

The Company monitors and maintains a level of cash and cash equivalents and banking facilities that are deemed adequate by management for the Company's operational needs and mitigate effects of fluctuations in cash flows and liquidity. The Company's deposits are also placed with licensed financial institutions which are highly liquid.

The Company has established an Islamic Commercial Papers Programme with a limit up to RM300.0 million and an Islamic Medium Term Notes Programme with a limit of up to RM1.0 billion, under a combined master limit of up to RM1.0 billion in nominal value based on the Shariah principle of Murabahah via Tawarruq arrangement. As at 31 December 2017, a total of RM765.0 million (2016: RM815.0 million) in respect of this facility has not been issued. As at year end, RM453.5 million (2016: RM50.0 million) of revolving loan remain unutilised. Given the available financing facilities and the ability of the Company to generate sufficient operating cash flows, the Directors are of the opinion that the Company will be able to meet its liabilities as and when they fall due.

It is not expected that the cash flows included in maturity analysis could occur significantly earlier, or at significantly different amounts.

*Maturity analysis*

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	2 to 5 years RM'000
<b>2017</b>					
Revolving credits	317,600	3.45 - 4.01	317,823	317,823	–
Bank loans	385,070	3.92 - 4.10	424,621	245,480	179,141
Islamic Medium Term Notes and Islamic Commercial Papers	235,000	3.78 - 3.80	235,760	235,760	–
Payables and accruals (excluding deferred revenue)	1,415,014	–	1,415,014	1,415,014	–
	2,352,684		2,393,218	2,214,077	179,141
<b>2016</b>					
Revolving credits	213,500	3.45 - 3.55	213,642	213,642	–
Bank loans	567,317	3.45 - 4.20	628,017	263,409	364,608
Islamic Medium Term Notes and Islamic Commercial Papers	184,575	3.83 - 4.18	186,069	186,069	–
Payables and accruals (excluding deferred revenue)	1,483,426	–	1,483,426	1,483,426	–
	2,448,818		2,511,154	2,146,546	364,608

**30. FINANCIAL INSTRUMENTS (continued)****30.6 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other prices that will affect the Company's financial position or cash flows.

**30.6.1 Interest rate risk**

The Company's exposure to interest rate risk relates to its short term borrowings such as overdraft and trade financing facilities. Interest-earning financial assets are mainly deposits placed with financial institutions that generate interest income.

*Risk management objectives, policies and processes for managing the risk*

The management monitors closely the prevailing interest rates at regular intervals and ensure that the Company obtains competitive rates for its banking facilities, interest earning deposits and short term borrowings.

In view of the competitive rates that are available from the prevailing banking facilities granted to the Company to finance its working capital requirements and the prevailing low interest rate scenario, the interest rate risk is not expected to have a material impact on the Company.

*Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	2017 RM'000	2016 RM'000
<b>Fixed rate instruments</b>		
<i>Financial asset</i>		
Deposits placed with licensed financial institutions	17,707	30,053
<i>Financial liabilities</i>		
Revolving credit	(317,600)	(213,500)
Bank loans	(385,070)	(567,317)
Islamic Medium Term Notes and Islamic Commercial Papers	(235,000)	(184,575)
	(937,670)	(965,392)
	(919,963)	(935,339)



### 30. FINANCIAL INSTRUMENTS (continued)

#### 30.6 Market risk (continued)

##### 30.6.1 Interest rate risk (continued)

###### *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 Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

##### 30.6.2 Foreign currency risk

The Company does not have any significant exposure to foreign currency risk as its transactions and balances are substantially denominated in Ringgit Malaysia.

##### 30.6.3 Other price risk

Equity price risk arises from the Company's investments in equity securities.

###### *Risk management objectives, policies and processes for managing the risk*

The Company's equity investments are monitored regularly and subject to periodical review. Transaction decisions are approved by the Board.

###### *Equity price risk sensitivity analysis*

A 1% (2016: 1%) increase in the market price of the investment as at the end of the reporting period would have increased equity by RM625,000 (2016: RM445,000). A 1% (2016: 1%) decrease in market price would have had equal but opposite effect on equity.

### 30. FINANCIAL INSTRUMENTS (continued)

#### 30.7 Fair value of financial instruments

##### 30.7.1 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables, short term borrowings and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments. The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	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		
<b>2017</b>										
<b>Financial asset</b>										
Investment in quoted equities	62,508	-	-	62,508	-	-	-	-	62,508	62,508
<b>Financial liability</b>										
Bank loans	-	-	-	-	-	-	362,777	362,777	362,777	385,070
<b>2016</b>										
<b>Financial asset</b>										
Investment in quoted equities	44,459	-	-	44,459	-	-	-	-	44,459	44,459
<b>Financial liability</b>										
Bank loans	-	-	-	-	-	-	515,935	515,935	515,935	567,317

### 30. FINANCIAL INSTRUMENTS (continued)

#### 30.7 Fair value of financial instruments (continued)

##### 30.7.1 Fair value information (continued)

###### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

###### Level 1 fair value

###### *Investment in quoted equities*

The fair value of investment in quoted equities is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

###### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

###### Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

###### Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Bank loans	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

### 31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

#### Accounting for cost of investment in associates

The Company adopted Amendments to MFRS 127, *Equity Method in Separate Financial Statements*. Previously the investments in associates are measured at cost less any impairment losses. However, with the adoption of Amendments to MFRS 127, *Equity Method in Separate Financial Statements*, the investments in associates are accounted for in the Company's statement of financial statements using equity method less any impairment losses, unless it is classified as held for sale or distribution.

The Amendments to MFRS 127 are applied retrospectively. The details and quantitative impact of the changes in accounting policies are disclosed below:

#### Impact on financial statements

##### (i) Statement of financial position

	Impact of change in accounting policy 31.12.2016			Impact of change in accounting policy 1.1.2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000	As previously reported RM'000	Adjustments RM'000	As restated RM'000
<b>Assets</b>						
Property, plant and equipment	3,436,077	–	3,436,077	3,020,411	–	3,020,411
Intangible assets	19,627	–	19,627	17,822	–	17,822
Investment in a subsidiary	49,000	–	49,000	31,500	–	31,500
Investments in associates	9,200	(1,232)	7,968	9,200	(2,092)	7,108
Available-for-sale investments	44,459	–	44,459	36,842	–	36,842
Other assets	16,771	–	16,771	15,917	–	15,917
<b>Total non-current assets</b>	<b>3,575,134</b>	<b>(1,232)</b>	<b>3,573,902</b>	<b>3,131,692</b>	<b>(2,092)</b>	<b>3,129,600</b>
Inventories	602,283	–	602,283	569,898	–	569,898
Receivables, deposits and prepayments	67,026	–	67,026	70,814	–	70,814
Tax recoverable	21,635	–	21,635	3,908	–	3,908
Cash and cash equivalents	81,488	–	81,488	190,809	–	190,809
	772,432	–	772,432	835,429	–	835,429
Assets classified as held for sale	67,382	–	67,382	65,508	–	65,508
<b>Total current assets</b>	<b>839,814</b>	<b>–</b>	<b>839,814</b>	<b>900,937</b>	<b>–</b>	<b>900,937</b>
<b>Total assets</b>	<b>4,414,948</b>	<b>(1,232)</b>	<b>4,413,716</b>	<b>4,032,629</b>	<b>(2,092)</b>	<b>4,030,537</b>

**31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)****Impact on financial statements (continued)****(i) Statement of financial position (continued)**

	Impact of change in accounting policy 31.12.2016			Impact of change in accounting policy 1.1.2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000	As previously reported RM'000	Adjustments RM'000	As restated RM'000
<b>Equity</b>						
Share capital	702,000	–	702,000	702,000	–	702,000
Fair value reserve	43,429	–	43,429	35,812	–	35,812
Retained earnings	1,137,734	(1,232)	1,136,502	1,103,862	(2,092)	1,101,770
<b>Equity attributable to owners of the Company</b>	<b>1,883,163</b>	<b>(1,232)</b>	<b>1,881,931</b>	<b>1,841,674</b>	<b>(2,092)</b>	<b>1,839,582</b>
<b>Liabilities</b>						
Borrowings	325,070	–	325,070	79,167	–	79,167
Other liabilities	7,746	–	7,746	6,664	–	6,664
Deferred tax liabilities	27,990	–	27,990	21,151	–	21,151
<b>Total non-current liabilities</b>	<b>360,806</b>	<b>–</b>	<b>360,806</b>	<b>106,982</b>	<b>–</b>	<b>106,982</b>
Borrowings	640,322	–	640,322	690,705	–	690,705
Payables and accruals	1,530,657	–	1,530,657	1,393,268	–	1,393,268
<b>Total current liabilities</b>	<b>2,170,979</b>	<b>–</b>	<b>2,170,979</b>	<b>2,083,973</b>	<b>–</b>	<b>2,083,973</b>
<b>Total liabilities</b>	<b>2,531,785</b>	<b>–</b>	<b>2,531,785</b>	<b>2,190,955</b>	<b>–</b>	<b>2,190,955</b>
<b>Total equity and liabilities</b>	<b>4,414,948</b>	<b>(1,232)</b>	<b>4,413,716</b>	<b>4,032,629</b>	<b>(2,092)</b>	<b>4,030,537</b>

**31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)****(ii) Statement of profit or loss and other comprehensive income**

	Impact of change in accounting policy for the year ended 31.12.2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
<b>Continuing operations</b>			
Revenue	4,018,688	–	4,018,688
Other operating income	9,502	–	9,502
Changes in inventories	32,449	–	32,449
Net purchases	(2,467,312)	–	(2,467,312)
Staff costs	(280,587)	–	(280,587)
Depreciation of property, plant and equipment	(258,773)	–	(258,773)
Amortisation of intangible assets	(5,067)	–	(5,067)
Operating expenses	(851,296)	–	(851,296)
<b>Results from operating activities</b>	197,604	–	197,604
Interest expense	(36,964)	–	(36,964)
Interest income	1,529	–	1,529
Share of profit of equity-accounted associates, net of tax	–	860	860
<b>Profit before tax</b>	162,169	860	163,029
Tax expense	(72,137)	–	(72,137)
<b>Profit for the year</b>	90,032	860	90,892
<b>Other comprehensive income, net of tax</b>			
<b>Item that is or may be reclassified subsequently to profit or loss</b>			
Fair value of available-for-sale financial assets	7,617	–	7,617
<b>Total comprehensive income for the year</b>	97,649	860	98,509



**31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)****(iii) Statement of cash flow**

	Impact of change in accounting policy for the year ended 31.12.2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
<b>Cash flows from operating activities</b>			
Profit before tax	162,169	860	163,029
Adjustments for:			
Amortisation of intangible assets	5,067	–	5,067
Depreciation of property, plant and equipment	258,773	–	258,773
Dividend income	(2,022)	–	(2,022)
Impairment loss on property, plant and equipment	7,587	–	7,587
Gain on disposal of:			
- Property, plant and equipment	(402)	–	(402)
- Intangible assets	(520)	–	(520)
Interest expense	36,964	–	36,964
Interest income	(1,529)	–	(1,529)
Property, plant and equipment written off	2,700	–	2,700
Share of results of associates	–	(860)	(860)
<b>Operating profit before changes in working capital</b>	468,787	–	468,787
Changes in working capital:			
Inventories	(32,385)	–	(32,385)
Receivables, deposits and prepayments	(8,915)	–	(8,915)
Payables and accruals	138,106	–	138,106
<b>Cash generated from operations</b>	565,593	–	565,593
Tax paid	(83,025)	–	(83,025)
<b>Net cash from operating activities</b>	482,568	–	482,568

**31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)****(iii) Statement of cash flow (continued)**

	Impact of change in accounting policy for the year ended 31.12.2016		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(687,794)	–	(687,794)
Acquisition of intangible assets	(6,679)	–	(6,679)
Deposit refunded for cancellation of acquisition of land	11,849	–	11,849
Subscription of shares in a subsidiary	(17,500)	–	(17,500)
Proceeds from disposal of:			
- Property, plant and equipment	623	–	623
- Intangible assets	1,300	–	1,300
Dividend received	2,022	–	2,022
Interest received	1,529	–	1,529
<b>Net cash used in investing activities</b>	<b>(694,650)</b>	<b>–</b>	<b>(694,650)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	886,225	–	886,225
Repayment of borrowings	(690,705)	–	(690,705)
Dividend paid to owners of the Company	(56,160)	–	(56,160)
Interest paid	(36,599)	–	(36,599)
<b>Net cash from financing activities</b>	<b>102,761</b>	<b>–</b>	<b>102,761</b>

## STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 88 to 143 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 31 December 2017 and of its financial performance and cash flows for the financial year then ended.

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

**Datuk Iskandar bin Sarudin**

Director

**Shinobu Washizawa**

Director

Kuala Lumpur

Date: 26 March 2018

## STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Poh Ying Loo**, the Director primarily responsible for the financial management of AEON CO. (M) BHD., do solemnly and sincerely declare that the financial statements set out on pages 88 to 143 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Poh Ying Loo at Kuala Lumpur in the Federal Territory on 26 March 2018.

**Poh Ying Loo**

Before me:

## INDEPENDENT AUDITORS' REPORT

to the members of AEON CO. (M) BHD.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of AEON CO. (M) BHD., which comprise the statements of financial position as at 31 December 2017 of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 88 to 143.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 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 auditors' 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.

##### i) Impairment of property, plant and equipment

*Refer to Note 2(d) - Significant accounting policy: Property, plant and equipment and Note 3 - Property, plant and equipment.*

##### The key audit matter

In light of the industry and business environment in which the Company operates in, there are significant balances of property, plant and equipment of RM3,504,045,000 as at 31 December 2017. There is a risk that the carrying value of these assets may be higher than the recoverable amount. The determination of whether or not an impairment charge for property, plant and equipment is necessary involved significant judgement about the future results of the business and assessment of future plans for the Company's property, plant and equipment.

## Key Audit Matters (continued)

### i) Impairment of property, plant and equipment (continued)

#### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained the discounted future cash flow projections and evaluated the appropriateness of the key assumptions used in particular those relating to revenue growth, trading margins and the discount rate applied to the cash flows model. We assessed the key assumptions for its cash flow projections, with reference to internal and external derived sources and taking into account the Company's historical forecasting accuracy.
- We performed sensitivity analysis of the key drivers, revenue growth rates and discount rate, of the cash flow projections to ascertain the extent of change in those assumptions that either individually or collectively would be required for the assets to be further impaired. We also considered the likelihood of such movement in those key drivers.
- We assessed the adequacy of the Company's disclosure in respect of impairment of property, plant and equipment including those key assumptions to which the outcome of the impairment test is most sensitive.

### ii) Inventory

*Refer to Note 2(g) - Significant accounting policy: Inventories and Note 9 – Inventories.*

#### The key audit matter

The Company held significant inventory balances as at 31 December 2017 of RM610,731,000. Inventory is valued using weighted average cost of merchandise derived using the Retail Inventory Method. Allowance is made against inventory for estimated losses related to shrinkage and slow moving or obsolete inventory. The valuation of inventory is a key audit matter because of the judgement involved in assessing the level of allowance required.

Given the value of the inventory balance and number of locations of the stores, the existence of inventory is also an area of focus in our audit.

#### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We tested the design and effectiveness of controls over the identification of slow moving inventories and obtained an understanding of the Company's process for measuring the amount of write down required. We also engaged our IT specialist to test the design and effectiveness of controls over the weighted average cost of inventory derived using the Retail Inventory Method ("RIM").
- We tested a sample of inventories to sales subsequent to the year end and ascertained that they were sold at more than its carrying amount derived using the RIM.
- We assessed the adequacy of the allowance made by checking the accuracy of the historical data and the explanation provided by the Company.
- We attended physical inventory counts of selected location of stores and performed sample counts. Where applicable, we have rolled backward the year end inventory balance and reconciled to the quantity as at the inventory count date.

**Key Audit Matters (continued)****iii) Adequacy of deferred revenue**

*Refer to Note 2(u) - Significant accounting policy: Deferred revenue and Note 17.2 – Deferred revenue.*

**The key audit matter**

The Company recognised deferred revenue as at 31 December 2017 of RM48,177,000 in respect of customer loyalty awards and customer rebates. The Company operate a customer loyalty programme, which allows customers to accumulate points and rebates when they purchase products at the Company's stores. These points and rebates are redeemable for gift vouchers. The deferred revenue is recognised as liability in the statements of financial position and recognised as revenue when the points and rebates are redeemed, expired or are no longer expected to be redeemed. The estimation of deferred revenue at each period end requires a significant degree of judgement and the application of certain assumptions over both the timing of the recognition and the quantum of any such amounts.

**How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- We evaluated and tested the operating effectiveness of IT application controls over the accuracy and timing of revenue recognition in the financial statements, including controls relating to the reliability of the system in:
  - the calculation of gift points and rebates in relation to the quantum of the customers' purchases; and
  - the accuracy of the ageing profile.
- We assessed the accuracy of deferred revenue by comparing to the historical rates of redemption of the gift points and rebates and assessed whether the Company is in compliance with relevant standards on the recognition of deferred revenue.

**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 Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement thereon, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.



## Responsibilities of 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 ability of the Company 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 internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

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 of the current year and are therefore the key audit matters. We describe these matters 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

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

**KPMG Desa Megat PLT**  
(LLP0010082-LCA & AF 0759)  
Chartered Accountants

**Ong Beng Seng**  
Approval Number: 2981/05/18(J)  
Chartered Accountant

Petaling Jaya, Malaysia

Date: 26 March 2018

## ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

Issued Share Capital	:	RM702,000,000 comprising 1,404,000,000 Ordinary Shares
Class of Shares	:	Ordinary Share
Voting Rights	:	1 vote per Ordinary Share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Shares Held
1 - 99	375	4.95	4,864	0.00
100 - 1,000	1,875	24.75	1,287,029	0.09
1,001 - 10,000	3,971	52.42	17,368,425	1.24
10,001 - 100,000	1,145	15.11	33,205,392	2.36
100,001 - 70,199,999 (*)	208	2.74	561,252,490	39.98
70,200,000 and above (**)	2	0.03	790,881,800	56.33
Total	7,576	100.00	1,404,000,000	100.00

Notes \* - Less than 5% of Issued Shares  
 \*\* - 5% and above of Issued Shares

## SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 30 March 2018

No.	Name	Direct Interest	No. of Shares % Indirect Interest	%
1	AEON Co., Ltd.	725,640,000	51.68	—
2	Standard Life Aberdeen PLC and its subsidiaries (together "The Group") on behalf of account managed by The Group	233,332,400	16.62	—
3	Aberdeen Asset Management Asia Limited	<sup>i</sup> 138,060,600	9.83	—
4	Employees Provident Fund Board	<sup>ii</sup> 128,934,000	9.18	—
5	Aberdeen Standard Investments (Hong Kong) Limited	<sup>i</sup> 89,365,800	6.37	—
6	Aberdeen Asset Management Sdn Bhd	<sup>i</sup> 83,706,100	5.96	—
7	Kumpulan Wang Persaraan (Diperbadankan) ("KWAP")	25,706,900	1.83	44,989,300 3.20

Notes: <sup>i</sup> The disclosures include holdings of mandates delegated from other subsidiaries of Standard Life Aberdeen PLC.  
<sup>ii</sup> 36,500,000 Ordinary Shares are registered in the name of Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (ABERDEEN)

## DIRECTORS' INTEREST

as per Register of Directors' Shareholdings as at 30 March 2018

No.	Name	Direct Interest	No. of Shares % Indirect Interest	%
1	Datuk Iskandar bin Sarudin	—	—	—
2	Shinobu Washizawa	—	—	—
3	Poh Ying Loo	144,000	0.01	*96,000 0.01
4	Hiroyuki Kotera	—	—	—
5	Datuk Syed Ahmad Helmy bin Syed Ahmad	—	—	—
6	Dato' Tunku Putra Badlishah Ibni Tunku Annuar	—	—	—
7	Abdul Rahim bin Abdul Hamid	—	—	—
8	Charles Tseng @ Charles Tseng Chia Chun	—	—	—
9	Kenji Horii	—	—	—

Note: \* Indirect interest pursuant to Section 59(11)(c) of the Companies Act, 2016

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 30 March 2018

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHARES HELD
1.	AEON CO., LTD.	716,040,000	51.00
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	74,841,800	5.33
3.	HSBC NOMINEES (ASING) SDN BHD BPSS LUX FOR ABERDEEN GLOBAL - ASIAN SMALLER COMPANIES FUND	62,873,600	4.48
4.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	60,265,500	4.29
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	36,500,000	2.60
6.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	32,600,000	2.32
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	31,500,000	2.24
8.	HSBC NOMINEES (ASING) SDN BHD BPSS LUX FOR ABERDEEN GLOBAL - EMERGING MARKETS SMALLER COMPANIES FUND	26,492,200	1.89
9.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	25,706,900	1.83
10.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND AM4D FOR ABERDEEN INSTITUTIONAL COMMINGLED FUNDS LLC	24,003,600	1.71
11.	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	20,341,200	1.45
12.	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	17,804,500	1.27
13.	SYARIKAT MALURI SDN BHD	14,920,000	1.06
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	10,698,000	0.76
15.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR NOMURA SECURITIES CO LTD (CLIENT AC)	9,600,000	0.69
16.	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	9,455,700	0.67
17.	ROSHAYATI BINTI BASIR	9,240,000	0.66
18.	ROZILAWATI BINTI HAJI BASIR	9,240,000	0.66
19.	AMSEC NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)	9,000,000	0.64
20.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	7,000,000	0.50
21.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	6,894,200	0.49
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	5,490,500	0.39
23.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,824,900	0.34
24.	HIDENORI FUTAGI	4,800,000	0.34
25.	HSBC NOMINEES (ASING) SDN BHD BPSS SIN FOR ABERDEEN MALAYSIAN EQUITY FUND	4,350,000	0.31
26.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,025,600	0.29
27.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN AM A EQ)	4,000,000	0.29
28.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	3,934,800	0.28
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (SHAREHOLDERS)	3,535,900	0.25
30.	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	3,309,100	0.24
<b>TOTAL</b>		<b>1,253,288,000</b>	<b>89.27</b>

## PARTICULARS OF PROPERTIES

as at 31 December 2017

Details of AEON's properties as at 31 December 2017 are set out below:

Location	Description/ Existing use	Land/ Built-up area (sq ft)	Date of Acquisition (A)/ Completion (C)/ Revaluation (R)	Approx. age of building (year)	Tenure (Year of expiry for leasehold)	Net book value as at 31/12/2017 (RM'000)
Lot 7041, Mukim of Bukit Baru, District of Melaka Tengah, Melaka.	Leasehold land/ Existing two-storey shopping centre Extension/Renovation with rooftop car park	436,036/ 200,316 179,989	February 1995 (R)	26 19½	99 years expiring on 19/12/2089	43,539
Lot 23551, Mukim of Setapak, District and State of Wilayah Persekutuan.	Leasehold land/ Two-storey shopping centre and three-storey car park	368,516/ 666,694	February 1995 (R)	25½	95 years expiring on 28/03/2085	67,750
Lot PT 21441, Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Leasehold land/ Two-storey shopping centre and two-storey car park	643,753/ 691,414	June 1994 (A)/ October 1995 (C)	22	99 years expiring on 09/05/2093	45,342
Lot 49045, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim.	Freehold land/ Two-storey shopping centre including covered car park	377,490/ 483,299	April 2002 (A)/ August 2002 (C)	15½	Freehold	20,533
Lot 62232, Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan.	Leasehold land/ Two-storey shopping centre and three-storey car park	409,577/ 906,497	January 2004 (C)	14	99 years expiring on 25/08/2103	74,873
Lot 102076, Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim.	Freehold land/ Three-storey shopping centre with basement car park Extension/Renovation	1,308,035/ 1,468,693 2,854,623	March 2004 (A)/ January 2006 (C) October 2016 (C)	12 1¼	Freehold	348,485
Lot PT 41977	Leasehold land/	550,910/	April 2004 (A)/	11	99 years expiring on 12/04/2103	71,396
Lot 3144, Mukim of Cheras, District of Ulu Langat, Selangor Darul Ehsan.	Freehold land/ Two-storey shopping centre and two-storey car park	113,451/ 893,819	April 2004 (A)/ December 2006 (C)		Freehold	
Lot 5106, Mukim Ulu Kelang, Kuala Lumpur.	Leasehold land/ Two-storey shopping centre with basement car park	631,620/ 895,449	March 2007 (A)/ December 2008 (C)	9	87 years expiring on 05/04/2083	121,156

Details of AEON's properties as at 31 December 2017 are set out below: (continued)

Location	Description/ Existing use	Land/ Built-up area (sq ft)	Date of Acquisition (A)/ Completion (C)/ Revaluation (R)	Approx. age of building (year)	Tenure (Year of expiry for leasehold)	Net book value as at 31/12/2017 (RM'000)
Lot 136962, Mukim Pulai, District of Johor Bahru, Johor Darul Takzim.	Freehold land/ Three-storey shopping centre with open car park	1,645,671/ 845,634	October 2007 (A)/ December 2008 (C)	9	Freehold	222,996
PT 239099, Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan.	Leasehold land/ Three-storey shopping centre with two-storey car park	755,855/ 1,287,504	June 2010 (A)/ March 2012 (C)	6	99 years expiring on 03/11/2109	117,494
Lot 106273, Mukim Kulai, Daerah Kulaijaya, Johor Darul Takzim.	Freehold land/ Two-storey shopping centre with two-storey car park	793,623/ 911,842	December 2011 (A)/ November 2013 (C)	4	Freehold	98,563
Lot 31009, Mukim 15, Daerah Seberang Perai Tengah, Pulau Pinang.	Freehold land/ Three-storey shopping centre with rooftop and open car park	784,834/ 750,235	August 2011 (A)/ June 2014 (C)	3½	Freehold	144,324
Lot 2437 Seksyen 13, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan.	Leasehold land Three-storey shopping centre, entertainment hub with rooftop & basement car park	818,273 1,573,114	December 2012 (A) March 2016 (C)	1¾	99 years expiring on 26/10/2103	264,134
PTD 181046, Mukim Tebrau, Daerah Johor Bahru, Johor Darul Takzim.	Freehold land Three-storey shopping centre, entertainment hub with rooftop & two-storey car park	910,235 1,294,639	December 2015 (A) September 2017 (C)	1¼	Freehold	285,760



## AEON STORES, AEON MALLS AND MAXVALU

### CENTRAL



#### AEON TAMAN MALURI

Jalan Jejaka, Taman Maluri, Cheras,  
55100 Kuala Lumpur.  
Tel: 03-9285 5222

#### AEON TAMAN MALURI SHOPPING CENTRE

Tel: 03-9200 1004



#### AEON BANDAR PUCHONG

Lot G40, IOI Mall, Batu 9,  
Jalan Puchong, Bandar Puchong Jaya,  
47100 Puchong, Selangor Darul Ehsan.  
Tel: 03-8070 1200



#### AEON WANGSA MAJU

Jalan R1, Seksyen 1, Bandar Baru Wangsa Maju,  
53300 Kuala Lumpur.  
Tel: 03-4149 7666

#### ALPHA ANGLE SHOPPING CENTRE

Tel: 03-4149 5288



#### AEON CHERAS SELATAN

Lebuh Tun Hussein Onn,  
43200 Balakong, Selangor Darul Ehsan.  
Tel: 03-9080 3018

#### AEON MALL CHERAS SELATAN

Tel: 03-9080 3498



#### AEON MID VALLEY

AT3 Mid Valley Megamall, Mid Valley City,  
Lingkaran Syed Putra, 59200 Kuala Lumpur.  
Tel: 03-2284 4800



#### AEON TAMAN EQUINE

No. 2, Jalan Equine, Taman Equine,  
Bandar Putra Permai,  
43300 Seri Kembangan, Selangor Darul Ehsan.  
Tel: 03-8941 3700

#### AEON TAMAN EQUINE SHOPPING CENTRE

Tel: 03-8945 2700



#### AEON METRO PRIMA

No. 1, Jalan Metro Prima,  
52100 Kepong, Kuala Lumpur.  
Tel: 03-6257 2121

#### AEON MALL METRO PRIMA

Tel: 03-6259 1122



#### AEON BANDAR SUNWAY

LG 1.111, Sunway Pyramid,  
No. 3, Jalan PJS 11/15, Bandar Sunway,  
46150 Petaling Jaya, Selangor Darul Ehsan.  
Tel: 03-5637 3720



#### AEON AU2 SETIAWANGSA

No. 6, Jalan Taman Setiawangsa (Jalan 37/56),  
AU2, Taman Keramat, 54200 Kuala Lumpur.  
Tel: 03-4257 8840

#### AEON MALL AU2 SETIAWANGSA

Tel: 03-4257 2533



#### AEON BUKIT TINGGI

No. 1, Persiaran Batu Nilam 1/KS 6,  
Bandar Bukit Tinggi 2,  
41200 Klang, Selangor Darul Ehsan.  
Tel: 03-3326 2330

#### AEON MALL BUKIT TINGGI

Tel: 03-3326 2370



#### AEON @ QUILL CITY MALL

Lot LG-21, G-30, 1-30,  
2-40 and 3-63 Kompleks Beli-Belah Quill,  
No. 1018, Jalan Sultan Ismail, 50250 Kuala Lumpur.  
Tel: 03-2602 1798



#### AEON RAWANG

No. 1, Persiaran Anggun, Taman Anggun,  
48000 Rawang, Selangor Darul Ehsan.  
Tel: 03-6091 0671

#### AEON MALL RAWANG ANGGUN

Tel: 03-6092 0678



#### AEON BANDAR UTAMA

No. 1, Leboh Bandar Utama,  
Bandar Utama, Damansara,  
47800 Petaling Jaya, Selangor Darul Ehsan.  
Tel: 03-7726 6266



#### AEON SHAH ALAM

No. 1, Jalan Akuatik 13/64, Seksyen 13,  
40100 Shah Alam, Selangor Darul Ehsan.  
Tel: 03-5523 1383

#### AEON MALL SHAH ALAM

Tel: 03-5523 6131



#### AEON BANDAR BARU KLANG

Persiaran Bukit Raja 2, Bandar Baru Klang,  
41150 Klang, Selangor Darul Ehsan.  
Tel: 03-3343 9366

#### AEON MALL BUKIT RAJA

Tel: 03-3343 2166



#### AEON MAHKOTA CHERAS

G-01, Ground Floor, BMC Mall,  
Jalan Temenggung 21/9,  
Persiaran Mahkota Cheras 1,  
Bandar Mahkota Cheras, 43200 Cheras,  
Selangor Darul Ehsan.  
Tel: 03-9080 3562

## CENTRAL (continued)



### PASAR RAYA MAXVALU DESA PARKCITY

Lot No. GF22, Ground Floor,  
The Waterfront @ Desa ParkCity,  
5, Persiaran Residen, Desa ParkCity,  
52200 Kuala Lumpur.  
Tel: 03-6280 7790



### AEON MAXVALU PRIME EVO BANGI

No. G.09, Ground Floor,  
Kompleks Evo, Jalan Pusat Bandar 2,  
43650 Bandar Baru Bangi,  
Selangor Darul Ehsan.  
Tel: 03-8922 9484



### PASAR RAYA MAXVALU @ GAMUDA WALK

GS-01, Gamuda Walk,  
No.12, Persiaran Anggerik Vanilla 31/BF,  
Kota Kemuning, Seksyen 31,  
40460 Shah Alam, Selangor Darul Ehsan.  
Tel: 03-5131 4973



### AEON MAXVALU PRIME SPHERE BANGSAR SOUTH

Unit LG-1A, Level LG, The Sphere,  
No. 1, Avenue 1, Bangsar South,  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.  
Tel: 03-2242 0890



### AEON MAXVALU PRIME SUNWAY VELOCITY

B-01, Basement One,  
Sunway Velocity Mall,  
Lingkaran SV, Sunway Velocity,  
55100 Kuala Lumpur.  
Tel: 03-9202 8103

## NORTHERN



### AEON IPOH

No. 2, Jalan Teh Lean Swee,  
Off Jalan Sultan Azlan Shah Utara,  
31400 Ipoh, Perak Darul Ridzuan.  
Tel: 05-549 9633

### AEON MALL KINTA CITY

Tel: 05-548 4668



### AEON IPOH KLEBANG

Lot 12080, Klebang Perdana,  
31200 Chemor, Perak Darul Ridzuan.  
Tel: 05-291 9225

### AEON MALL IPOH KLEBANG

Tel: 05-291 9221



### AEON IPOH STATION 18

No. 2, Susuran Stesen 18, Station 18,  
31650 Ipoh, Perak Darul Ridzuan.  
Tel: 05-321 6748

### AEON MALL IPOH STATION 18

Tel: 05-321 6807



### AEON IPOH FALIM

No. 1, Hala Falim 1,  
Taman Mas Jaya, Falim,  
30200 Ipoh, Perak.  
Tel: 05-281 7870



### AEON SERI MANJUNG

Pusat Perniagaan Manjung Point 3,  
32040 Seri Manjung, Perak Darul Ridzuan.  
Tel: 05-687 0008

### AEON MALL SERI MANJUNG

Tel: 05-687 0018



### AEON QUEENSBAY

1F-61, Queensbay Mall,  
100, Persiaran Bayan Indah,  
11900 Bayan Lepas, Pulau Pinang.  
Tel: 04-641 3822



### AEON TAIPING

Lot 8576 & 8577 Jalan Kamunting,  
34000 Taiping, Perak Darul Ridzuan.  
Tel: 05-804 8722

### AEON MALL TAIPING

Tel: 05-804 8711



### AEON BUKIT MERTAJAM

No. 3393, Jalan Rozhan Alma,  
Seberang Perai Tengah,  
14000 Bukit Mertajam, Pulau Pinang.  
Tel: 04-530 7160

### AEON MALL BUKIT MERTAJAM

Tel: 04-530 7625

## SOUTHERN



### AEON SEREMBAN 2

112, Persiaran S2 B1, Seremban 2,  
70300 Seremban, Negeri Sembilan Darul Khusus.  
Tel: 06-601 5633

### AEON MALL SEREMBAN 2

Tel: 06-601 5618



### AEON TEBRAU CITY

No. 1, Jalan Desa Tebrau, Taman Desa Tebrau,  
81100 Johor Bahru, Johor Darul Takzim.  
Tel: 07-351 1110

### AEON MALL TEBRAU CITY

Tel: 07-352 2220



### AEON MELAKA

Leboh Ayer Keroh, 75450 Melaka.  
Tel: 06-232 4899

### AEON MELAKA SHOPPING CENTRE

Tel: 06-233 2988



### AEON BUKIT INDAH

No. 8, Jalan Indah 15/2, Bukit Indah,  
81200 Johor Bahru, Johor Darul Takzim.  
Tel: 07-236 8036

### AEON MALL BUKIT INDAH

Tel: 07-236 8071



### AEON BANDARAYA MELAKA

No. 2, Jalan Lagenda, Taman 1-Lagenda,  
75400 Melaka.  
Tel: 06-282 9389

### AEON MALL BANDARAYA MELAKA

Tel: 06-282 9666



### AEON KULAIJAYA

PTD 106273,  
Persiaran Indahpura Utama, Bandar Indahpura,  
81000 Kulaijaya, Johor Darul Takzim.  
Tel: 07-663 8373

### AEON MALL KULAIJAYA

Tel: 07-663 7822



### AEON TAMAN UNIVERSITI

No. 4, Jalan Pendidikan, Taman Universiti,  
81300 Skudai, Johor Darul Takzim.  
Tel: 07-521 8000

### AEON TAMAN UNIVERSITI SHOPPING CENTRE

Tel: 07-520 8700



### AEON BANDAR DATO' ONN

No. 3, Jalan Dato' Onn 3,  
Bandar Dato' Onn,  
81100 Johor Bahru.  
Tel: 07-361 4223

### AEON MALL BANDAR DATO' ONN

Tel: 07-364 9913



### AEON PERMAS JAYA

No. 1, Jalan Permas Utara, Bandar Baru Permas Jaya,  
81750 Johor Bahru, Johor Darul Takzim.  
Tel: 07-386 8900

### AEON PERMAS JAYA SHOPPING CENTRE

Tel: 07-386 0600

## EAST COAST



### AEON KOTA BHARU

Lembah Sireh, 15050 Kota Bharu,  
Kelantan Darul Naim.  
Tel: 09-740 5284

### AEON MALL KOTA BHARU

Tel: 09-740 5859

## OUR MILESTONES

1984	SEPTEMBER	JAYA JUSCO STORES SDN BHD established, in response to a request from the former Prime Minister Y.A. Bhg. Tun Dr Mahathir bin Mohamad, to help modernise the retailing industry in Malaysia.	2001	FEBRUARY	Completed Rights Issue on the basis of one new Ordinary Share for every two existing Ordinary Shares held.
1985	JUNE	The first pilot store, JAYA JUSCO Dayabumi, opened.		OCTOBER	Launch of WAOH Charity Fund / JUSCO Fest / JUSCO's 17th Anniversary.
	DECEMBER	The second pilot store, JAYA JUSCO Taman Tun Dr. Ismail, opened.		NOVEMBER	22 Malaysian students and 2 former participants from the 1990 batch were invited to Japan as "Ambassadors" through the AEON "1% Club" Programme.
1989	JUNE	JAYA JUSCO Dayabumi closed.	2002	APRIL	Establishment of JUSCO-OUM Retail Centre in Alpha Angle Shopping Centre, Wangsa Maju.
	OCTOBER	The first Superstore, JAYA JUSCO Taman Maluri, opened.		JULY	JUSCO Taman Universiti (JUSCO Taman Universiti Shopping Centre) opened. Japan Management Training Programme reactivated.
1990	JUNE	"Japan Management Training Programme" began.	2003	JULY	WAOH Charity Bazaar.
	NOVEMBER	28 Malaysian students were invited to Japan as "Ambassadors" through the AEON "1% Club" Programme.		AUGUST	Smart Wonder World opened in JUSCO Taman Maluri.
1991	OCTOBER	JUSCO Melaka was opened and fully operated by Malaysian staff.  The AEON Group's "Hometown Forest" Programme was launched simultaneously at the inauguration of JUSCO Melaka.		OCTOBER	JUSCO Home Centre opened in 1 Utama Shopping Centre.
1992	APRIL	JUSCO Wangsa Maju (Alpha Angle Shopping Centre), the first Shopping Centre, opened.		DECEMBER	3,000 saplings were planted in the vicinity of the JUSCO Permas Jaya store as part of AEON's environmental campaign, "Planting Seeds of Growth".  JUSCO Permas Jaya (JUSCO Permas Jaya Shopping Centre) opened.
1994	AUGUST	The Distribution Centre began operations.	2004	JANUARY	JUSCO Metro Prima Tree Planting Ceremony held. 2,000 saplings were planted.  JUSCO Metro Prima (JUSCO Metro Prima Shopping Centre) opened.
	OCTOBER	Japan Trainee Programme began.		JUNE	"With All Our Hearts" Charity Fund was officially registered as the "With All Our Hearts" Malaysian JUSCO Foundation.
1995	JUNE	JAYA JUSCO Taman Tun Dr. Ismail closed.		AUGUST	Company authorised share capital increased from RM100 million to RM500 million.
	AUGUST	JUSCO Bandar Utama (1 Utama Shopping Centre) opened.		SEPTEMBER	JAYA JUSCO STORES BHD officially changed name to AEON CO. (M) BHD..  JUSCO celebrated 20th Anniversary in Malaysia with Gala Dinner.
	OCTOBER	JUSCO Bandar Baru Klang (Bukit Raja Shopping Centre) opened.			Official launch of "With All Our Hearts" Malaysian JUSCO Foundation.
1996	DECEMBER	JAYA JUSCO STORES BHD was listed on the Main Board of the Kuala Lumpur Stock Exchange (KLSE).			30,000 saplings were planted in the Malaysian-Japan Friendship Forest, AEON Woodland, Paya Indah Wetlands.
1997	AUGUST	JUSCO Ipoh (Kinta City Shopping Centre) opened.		OCTOBER	Completed Bonus Issue (1:1) for 87,750,000 new Ordinary Shares.
1998	DECEMBER	JUSCO Melaka Superstore was upgraded to a Shopping Centre.			
1999	DECEMBER	JUSCO Mid Valley opened.			
2000	DECEMBER	JUSCO Taman Maluri Superstore was upgraded to a Shopping Centre.  JUSCO Bandar Puchong opened.			

OUR MILESTONES >>

2005	MARCH	AEON CO. (M) BHD. received a certificate of appreciation from the former Prime Minister Y.A. Bhg. Tun Dr Mahathir bin Mohamad for its tree planting activities.	2008	JUNE	Completed Bonus Issue (1:1) for 175,500,000 new Ordinary Shares.
	JULY	The 1st Annual WAOH Charity Gala Dinner was held.		JULY	AEON Careline was launched.
	SEPTEMBER	JUSCO Seremban 2 Shopping Centre Tree Planting Ceremony was held. 3,300 saplings were planted.			AEON Seberang Prai City Shopping Centre Tree Planting Ceremony held. 3,500 saplings were planted.
		JUSCO Seremban 2 (JUSCO Seremban 2 Shopping Centre) opened.		AUGUST	JUSCO Seberang Prai City (AEON Seberang Prai City Shopping Centre) opened.
	OCTOBER	The first Pasar Raya J-One Supermarket in Damansara Damai opened.			Taman Asuhan Kanak-Kanak Asahi (TAKA) at Bandar Puchong Jaya opened.
2006	DECEMBER	AEON Tebrau City Shopping Centre Tree Planting Ceremony held. 6,000 saplings were planted.	2008	OCTOBER	24th Anniversary Tree Planting at AEON Woodland. 2,400 saplings were planted.
	JANUARY	JUSCO Tebrau City (AEON Tebrau City Shopping Centre) opened.		NOVEMBER	AEON AU2 Setiawangsa Shopping Centre Tree Planting Ceremony held. 4,600 saplings were planted.
	APRIL	Change of financial year end from February to December.		DECEMBER	JUSCO AU2 Setiawangsa (AEON AU2 Setiawangsa Shopping Centre) opened.
	JUNE	AEON Taman Equine Shopping Centre Tree Planting Ceremony held. 4,000 saplings were planted.			AEON Bukit Indah Shopping Centre Tree Planting Ceremony held. 3,000 saplings were planted.
	JULY	JUSCO Taman Equine (AEON Taman Equine Shopping Centre) opened.			JUSCO Bukit Indah (AEON Bukit Indah Shopping Centre) opened.
		Pasar Raya J-One Supermarket in Pearl Point opened.	2009	JUNE	Pasar Raya MaxValu Pearl Point closed.
	SEPTEMBER	Completion of Kinta City Shopping Centre sales and lease back.		OCTOBER	25th Anniversary Tree Planting Ceremony at AEON Woodland. 25,000 saplings were planted.
	NOVEMBER	AEON Cheras Selatan Shopping Centre Tree Planting Ceremony held. 4,000 saplings were planted.		NOVEMBER	AEON Bandaraya Melaka Shopping Centre Tree Planting Ceremony held. 2,000 saplings were planted.
	DECEMBER	JUSCO Queensbay opened.	2010	JANUARY	"With All Our Hearts" Malaysian JUSCO Foundation changed name to Malaysian AEON Foundation.
		JUSCO Cheras Selatan (AEON Cheras Selatan Shopping Centre) opened.		FEBRUARY	JUSCO Bandaraya Melaka (AEON Bandaraya Melaka Shopping Centre) opened.
2007	JANUARY	Pasar Raya J-One change of name ceremony (From J-One to D'HATI) held at Pearl Point Shopping Mall.		MARCH	AEON Mahkota Cheras Tree Planting Ceremony held. 3,000 saplings were planted.
	JUNE	Replanting of trees at AEON Woodland.		APRIL	JUSCO Mahkota Cheras (AEON Mahkota Cheras Shopping Centre) opened.
	SEPTEMBER	Pasar Raya D'HATI Kota Kemuning opened.	2011	AUGUST	JUSCO Bandar Utama reopened.
		JUSCO Bandar Sunway opened.		DECEMBER	AEON Rawang Anggun Shopping Centre Tree Planting Ceremony held. 3,500 saplings were planted.
	OCTOBER	AEON Bukit Tinggi Shopping Centre Tree Planting Ceremony held. 5,085 saplings were planted.			JUSCO Rawang (AEON Anggun Rawang Shopping Centre) opened.
	DECEMBER	Pasar Raya MaxValu Desa ParkCity and Pasar Raya MaxValu Ampang opened.			Disposal of Smart Wonder World (SWW) amusement business completed.
		JUSCO Bukit Tinggi (AEON Bukit Tinggi Shopping Centre) opened.			



2012	FEBRUARY	AEON Ipoh Station 18 Shopping Centre Tree Planting Ceremony held. 3,500 saplings were planted.	2015	APRIL	Launch of AEON Mall rebanding.
	MARCH	AEON unveiled the new brand name “AEON” and tagline “AEON Enriching Your Lifestyle”.  J Card rebranded to AEON Member Card.  AEON Ipoh Station 18 (AEON Ipoh Station 18 Shopping Centre) opened.		SEPTEMBER	AEON Mall Ipoh Klebang Tree Planting Ceremony held. 13,000 saplings were planted.
	MAY	Launch of first AEON Festival in conjunction with new AEON branding.  Launch of AEON Malaysia Cheers Club.		OCTOBER	AEON Food Processing Centre opened.  AEON Ipoh Klebang (AEON Mall Ipoh Klebang) opened.
	NOVEMBER	AEON Seri Manjung Shopping Centre Tree Planting Ceremony held. 3,000 saplings were planted.	2016	NOVEMBER	Launch of www.shoppu.com.my
	DECEMBER	AEON Seri Manjung (AEON Seri Manjung Shopping Centre) opened.		JANUARY	AEON Mall Shah Alam Tree Planting Ceremony held. 13,048 saplings were planted.
2013	SEPTEMBER	Launch of AEON Business Academy.		MARCH	AEON Shah Alam (AEON Mall Shah Alam) opened.  AEON Index Living Mall opened in AEON Mall Shah Alam.  AEON Mall Kota Bharu Tree Planting Ceremony held. 13,000 saplings were planted.
	OCTOBER	AEON Mall Kulaijaya Tree Planting Ceremony held. 9,025 saplings were planted.		APRIL	AEON Kota Bharu (AEON Mall Kota Bharu) opened.  AEON Index Living Mall opened in AEON Mall Kota Bharu. Pasaraya MaxValu Damansara Damai closed.
	NOVEMBER	AEON Kulaijaya (AEON Mall Kulaijaya) opened.		SEPTEMBER	AEON Ipoh Falim opened.
2014	MARCH	Pasar Raya MaxValu Kota Kemuning closed.		OCTOBER	Pasaraya MaxValu Ampang closed.
	MAY	AEON Mall Bukit Mertajam Tree Planting Ceremony held. 8,461 saplings were planted.  AEON Seberang Prai City Shopping Centre closed.		DECEMBER	AEON MaxValu Prime Sunway Velocity opened.
	JUNE	Authorised share capital increased from RM500 million to RM1 billion.  Completed Bonus Issue (1:1) for 351,000,000 new Ordinary Shares and Share Split from RM1.00 per share to RM0.50 per share.  AEON Bukit Mertajam (AEON Mall Bukit Mertajam) opened.  Disposal of 18.18% undivided share of the land, building and structure of AEON Taman Universiti Shopping Centre (“J-Reit” Share) completed.	2017	MARCH	Rocky BaseCamp opened in AEON Mall Shah Alam.  AEON Index Living Mall opened in AEON Mall Tebrau City.
	SEPTEMBER	“Forest Tree Diversity Planting” Programme at FRIM research station in Bidor, Perak held in conjunction with 30th Anniversary Tree Planting. 8,000 saplings planted.		AUGUST	AEON Mall Bandar Dato’ Onn Tree Planting Ceremony held. 10,075 saplings were planted.
	OCTOBER	AEON Mall Taiping Tree Planting Ceremony held. 6,000 saplings were planted.  AEON @ Quill City Mall opened.		SEPTEMBER	AEON Bandar Dato’ Onn (AEON Mall Bandar Dato’ Onn) opened.
	NOVEMBER	AEON Taiping (AEON Mall Taiping) opened.  AEON Index Living Mall opened the first store at IOI City Mall Putrajaya.		OCTOBER	Rocky BaseCamp opened in AEON Mall Tebrau City.
	DECEMBER	Pasaraya MaxValu @ Gamuda Walk Kota Kemuning opened.		DECEMBER	Index Living Mall Malaysia Sdn. Bhd. (formerly known as AEON Index Living Sdn. Bhd.) became an associate after shareholding restructuring.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting of AEON CO. (M) BHD. will be held at Berjaya Times Square Hotel, Kuala Lumpur, Manhattan II Ballroom, Level 14, 1 Jalan Imbi, 55100 Kuala Lumpur on Thursday, 24 May 2018 at 10.00 a.m. for the following purposes:

### AGENDA

#### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. *(Please refer to Note 1 of the Explanatory Notes)*
2. To declare and approve the payment of a final dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2017. *Ordinary Resolution 1*
3. To approve the aggregate Directors' fees of the Company of RM1,285,000 for the financial year ended 31 December 2017. *Ordinary Resolution 2*
4. To approve the benefits payable to the Directors of the Company of up to RM150,000 from the date of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting of the Company. *Ordinary Resolution 3*
5. To re-elect the following Directors who are retiring under Article 74 of the Articles of Association of the Company:
  - (i) Datuk Iskandar bin Sarudin *Ordinary Resolution 4*
  - (ii) Mr Shinobu Washizawa *Ordinary Resolution 5*
  - (iii) Mr Poh Ying Loo *Ordinary Resolution 6*
  - (iv) Datuk Syed Ahmad Helmy bin Syed Ahmad *Ordinary Resolution 7*
  - (v) Dato' Tunku Putra Badlishah Ibni Tunku Annuar *Ordinary Resolution 8*
  - (vi) Encik Abdul Rahim bin Abdul Hamid *Ordinary Resolution 9*
  - (vii) Mr Charles Tseng @ Charles Tseng Chia Chun *Ordinary Resolution 10*
  - (viii) Mr Kenji Horii *Ordinary Resolution 11*
  - (ix) Mr Hiroyuki Kotera *Ordinary Resolution 12*
6. To re-appoint KPMG Desa Megat PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 13*

#### As Special Business

To consider and, if thought fit, to pass the following resolution:

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR THE 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")**

"THAT approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the related parties as stated in Section 2.3 of the Circular to Shareholders dated 25 April 2018 which are necessary for the Company's day-to-day operations subject further to the following:

- (i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

- (ii) the approval is subject to annual renewal and shall only continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;
  - (b) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier; and
- (iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Shareholders' Mandate in the Annual Report of the Company based on the following information:
  - (a) the type of Recurrent Transactions entered into; and
  - (b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit."

*Ordinary Resolution 14*

## NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of shareholders at the Thirty-Third Annual General Meeting, a final dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2017 will be paid to shareholders on 11 July 2018. The entitlement date for the said dividend shall be 14 June 2018.

A Depositor shall qualify for entitlement to the Dividend only in respect of:

- (a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 14 June 2018 in respect of transfers.
- (b) Shares bought on Bursa Malaysia Securities Berhad on cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**TAI YIT CHAN** (MAICSA 7009143)

**TAN AI NING** (MAICSA 7015852)

Company Secretaries

Date: 25 April 2018

#### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy and 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 with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
5. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

#### EXPLANATORY NOTE:

##### 1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340 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.

##### 2. Explanatory Note on the Special Business

###### Ordinary Resolution 14 on the Proposed Shareholders' Mandate

The Ordinary Resolution 14 proposed, if passed, will empower the Directors from the date of the Thirty-Third Annual General Meeting, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and subject always to provision (ii) of the resolution. The details of the recurrent related party transactions are set out in the Circular to the Shareholders dated 25 April 2018, which is dispatched together with this Annual Report.

#### PERSONAL DATA POLICY

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.*

## ADMINISTRATIVE DETAILS

for the 33rd Annual General Meeting (33rd AGM)

### AEON CO. (M) BHD.

<b>Date</b>	<b>: Thursday, 24 May 2018</b>
<b>Registration</b>	<b>: From 8.00 a.m. onwards at Manhattan III Ballroom</b>
<b>Commencement of meeting</b>	<b>: 10.00 a.m.</b>
<b>Venue</b>	<b>: Berjaya Times Square Hotel, Kuala Lumpur, Manhattan II Ballroom, Level 14, 1, Jalan Imbi, 55100 Kuala Lumpur</b>

#### REGISTRATION

- Registration will start at 8.00 a.m. at Manhattan III Ballroom, Level 14, and will close on such time as may be determined by the Chairman of the Meeting. The shareholders are requested to be punctual.
- Please produce your original Identification Card (IC) at the registration counter for verification and ensure that your IC is collected upon completion of registration.
- After the verification, you are required to write your name and sign on the attendance list, you will be given an identification wristband and door gift upon successful registration.
- Please note that you will not be allowed to enter the meeting hall without the identification wristband. There will be no replacement in the event you lose or misplace the identification wristband and door gift.
- No person will be allowed to register on behalf of another person even with the original IC of the other person.
- If you are attending the meeting as shareholder as well as proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall.
- One (1) door gift will be given for each attendee only, regardless of the number of shareholders you are representing as a proxy, and whether you are attending both as proxy and shareholder.

#### PROXY

- A member of the Company is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote at the same Meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.
- A shareholder and his/her appointed proxy cannot attend the Meeting at the same time. The shareholder must revoke the appointment of the proxy if he/she wishes to attend the Meeting himself/herself.
- If you wish to attend the Meeting yourself, please do not submit any Proxy Form.
- If you have submitted your Proxy Form prior to the Meeting and subsequently decided to attend the Meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.

#### PARKING

- Parking for visitors is available at the parking bays of the Berjaya Times Square Hotel, Kuala Lumpur. Shareholders are to exchange their entry tickets with exit tickets at the designated counter. The Company will not provide cash reimbursements for parking charges incurred by shareholders/proxies attending the AGM and who park their vehicles at the car park of other buildings.
- Shareholders are encouraged to use the Light Rail Transit (LRT) to Hang Tuah Station or take Monorail to Imbi Station which is at the doorstep of Berjaya Times Square Hotel, Kuala Lumpur.

#### VOTING PROCEDURES

- The voting at the Meeting will be conducted by poll voting in accordance with the Provision of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and an independent scrutineer will be appointed to verify the poll results.
- E-voting for all of the resolutions as set out in the Notice of Meeting will take place only upon the conclusion of the deliberations of all the businesses to be transacted at the Meeting. The registration of attendance will be closed, to facilitate commencement of Poll Voting.
- All attendees at the Meeting will be briefed and guided by the Poll Administrator before commencement of the voting process.

#### REFRESHMENT AND DOOR GIFTS

- No refreshment will be served.
- Door gift will be given upon successful registration.

#### ENTITLEMENT TO ATTEND AND VOTE

- Only Members whose names appear in the Record of Depositors as at 5.00 p.m. on 16 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the AGM or appoint proxies to attend, speak and/or vote on his/her behalf.

#### ENQUIRES

For enquires on the administrative details of this meeting, please contact the following offices during office hours (Monday – Friday from 9.00 a.m. to 5.00 p.m.):

1. Tricor Investor & Issuing House Services Sdn Bhd  
(Mr Allen Sii / Pn. Azizah / Ms Christine Cheng)  
Telephone : +603-2783 9299  
Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)
2. AEON CO. (M) BHD.  
Corporate Planning (Ms Carmen Fong)  
Telephone : +603-9207 2005



# PROXY FORM

## AEON CO. (M) BHD.

(Company No. 126926-H)  
(Incorporated in Malaysia)

<b>No. of Shares Held</b>	
<b>CDS Account No.</b>	

I/We, \_\_\_\_\_ (name of shareholder as per NRIC, in capital letters)  
 NRIC No./ID No./Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_ (full address)  
 being a member of AEON CO. (M) BHD., hereby appoint \_\_\_\_\_  
 (name of proxy as per NRIC, in capital letters) NRIC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_ (full address)  
 or failing him/her \_\_\_\_\_ (name of proxy as per NRIC, in capital letters)  
 NRIC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_

\_\_\_\_\_ (full address) or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Third Annual General Meeting of the Company, to be held at Berjaya Times Square Hotel, Kuala Lumpur, Manhattan II Ballroom, Level 14, 1 Jalan Imbi, 55100 Kuala Lumpur on Thursday, 24 May 2018 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

No.	Resolution	For	Against
	<b>ORDINARY BUSINESS</b>		
Ordinary Resolution 1	To declare and approve the payment of a final dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2017		
Ordinary Resolution 2	To approve the aggregate Directors' fees of the Company of RM1,285,000 for the financial year ended 31 December 2017		
Ordinary Resolution 3	To approve the benefits payable to the Directors of the Company of up to RM150,000 from the date of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting of the Company		
Ordinary Resolution 4	To re-elect Datuk Iskandar bin Sarudin as Director		
Ordinary Resolution 5	To re-elect Mr Shinobu Washizawa as Director		
Ordinary Resolution 6	To re-elect Mr Poh Ying Loo as Director		
Ordinary Resolution 7	To re-elect Datuk Syed Ahmad Helmy bin Syed Ahmad as Director		
Ordinary Resolution 8	To re-elect Dato' Tunku Putra Badlishah Ibni Tunku Annuar as Director		
Ordinary Resolution 9	To re-elect Encik Abdul Rahim bin Abdul Hamid as Director		
Ordinary Resolution 10	To re-elect Mr Charles Tseng @ Charles Tseng Chia Chun as Director		
Ordinary Resolution 11	To re-elect Mr Kenji Horii as Director		
Ordinary Resolution 12	To re-elect Mr Hiroyuki Kotera as Director		
Ordinary Resolution 13	To re-appoint KPMG Desa Megat PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	<b>SPECIAL BUSINESS</b>		
Ordinary Resolution 14	Proposed Renewal of Existing Shareholders' Mandate for the 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		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Signature of Shareholder or Common Seal \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

### NOTES:

- A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy and 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 with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
- If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 16 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting, speak the meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

### 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 as set out in the Notice of Annual General Meeting dated 25 April 2018.





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STAMP

The Share Registrar:

**AEON CO. (M) BHD.** (126926-H)

c/o TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD (11324-H)

Unit 32-01, Level 32, Tower A,

Vertical Business Suite,

Avenue 3, Bangsar South,

No.8, Jalan Kerinchi 59200 Kuala Lumpur,

Malaysia.

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**AEON CO. (M) BHD.** (126926-H)

3rd Floor, AEON Taman Maluri Shopping Centre,  
Jalan Jejaka, Taman Maluri, Cheras,  
55100 Kuala Lumpur, Malaysia.

**TEL :** +603-9207 2005

**FAX :** +603-9207 2006/2007

**AEON CARELINE :** 1-300-80-AEON(2366)

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