

AEON CO. (M) BHD.
(Incorporated in Malaysia)
(Company No. 198401014370 (126926-H))

**QUARTERLY REPORT FOR THE
FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023**

AEON CO. (M) BHD.
(Incorporated in Malaysia)
(Company No. 198401014370 (126926 - H))

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

ANNOUNCEMENT

The Board of Directors of AEON Co. (M) Bhd. (“AEON” or “the Company”) presents the following unaudited condensed consolidated financial statements for the third quarter ended 30 September 2023 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Individual Quarter | | Cumulative Period | |
|-----------------------------------------|--------------------|---------|-------------------|-----------|
| | Quarter ended | | Period ended | |
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | RM'm | RM'm | RM'm | RM'm |
| Revenue | 955.9 | 982.0 | 3,095.7 | 3,079.3 |
| Total operating expenses | (922.8) | (943.7) | (2,921.0) | (2,849.2) |
| Other operating income | 22.7 | 8.1 | 37.5 | 21.0 |
| Profit from operations | 55.8 | 46.4 | 212.2 | 251.1 |
| Interest expense | | | | |
| - Lease interest | (22.4) | (24.0) | (65.1) | (74.0) |
| - Interest charges | (6.6) | (4.3) | (14.9) | (13.4) |
| | (29.0) | (28.3) | (80.0) | (87.4) |
| Finance income | 2.1 | 0.6 | 7.9 | 2.1 |
| Profit before tax | 28.9 | 18.7 | 140.1 | 165.8 |
| Tax expense | (15.1) | (7.8) | (57.9) | (79.5) |
| Profit for the period | 13.8 | 10.9 | 82.2 | 86.3 |
| Basic earnings per ordinary share (sen) | 0.98 | 0.78 | 5.85 | 6.15 |
| (Note B11) | | | | |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Individual Quarter | | Cumulative Period | |
|------------------------------------------------------|--------------------|-------|-------------------|-------|
| | Quarter ended | | Period ended | |
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | RM'm | RM'm | RM'm | RM'm |
| Profit for the period | 13.8 | 10.9 | 82.2 | 86.3 |
| Other comprehensive income: | | | | |
| Gain/(loss) on fair value of other investments | 4.3 | (1.3) | (1.8) | (0.1) |
| Total comprehensive income for the period | 18.1 | 9.6 | 80.4 | 86.2 |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 30 September 2023 RM'm | 31 December 2022 RM'm |
|---------------------------------------|---------------------------|--------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 3,028.9 | 2,951.7 |
| Intangible assets | 40.6 | 51.8 |
| Right-of-use assets | 1,128.2 | 1,211.2 |
| Investments in associates | 0.7 | 0.7 |
| Other investment | 56.6 | 58.4 |
| Other assets | 18.8 | 18.2 |
| Deferred tax assets | 188.3 | 180.6 |
| | 4,462.1 | 4,472.6 |
| Current assets | | |
| Inventories | 512.0 | 605.5 |
| Contract assets | 16.0 | 17.2 |
| Receivables, deposits and prepayments | 88.8 | 93.5 |
| Tax recoverable | 2.7 | - |
| Cash and cash equivalents | 224.8 | 237.5 |
| | 844.3 | 953.7 |
| TOTAL ASSETS | 5,306.4 | 5,426.3 |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | 30 September 2023 RM'm | 31 December 2022 RM'm |
|-------------------------------------|---------------------------|--------------------------|
| EQUITY AND LIABILITIES | | |
| Share capital | 702.0 | 702.0 |
| Reserves | 1,129.2 | 1,105.0 |
| TOTAL EQUITY | 1,831.2 | 1,807.0 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings | 370.0 | 50.0 |
| Lease liabilities | 1,475.0 | 1,612.6 |
| Payables and accruals | 7.7 | 13.1 |
| Other liabilities | 20.1 | 23.6 |
| | 1,872.8 | 1,699.3 |
| Current liabilities | | |
| Contract liabilities | 74.0 | 84.6 |
| Borrowings | 269.4 | 447.8 |
| Lease liabilities | 192.1 | 166.8 |
| Payables and accruals | 1,066.9 | 1,214.0 |
| Current tax liability | - | 6.8 |
| | 1,602.4 | 1,920.0 |
| TOTAL LIABILITIES | 3,475.2 | 3,619.3 |
| TOTAL EQUITY AND LIABILITIES | 5,306.4 | 5,426.3 |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Non-distributable | | Distributable | Total equity RM'm |
|-------------------------------------------------------------|--------------------------|-------------------------------|------------------------------|-------------------------|
| | Share capital RM'm | Fair value reserve RM'm | Retained earnings RM'm | |
| At 1 January 2023 | 702.0 | 57.4 | 1,047.6 | 1,807.0 |
| Total comprehensive income for the period | - | (1.8) | 82.2 | 80.4 |
| Final dividend in respect of year ended 31 December 2022 | - | - | (56.2) | (56.2) |
| At 30 September 2023 | <u>702.0</u> | <u>55.6</u> | <u>1,073.6</u> | <u>1,831.2</u> |
| | | | | |
| At 1 January 2022 | 702.0 | 62.2 | 978.5 | 1,742.7 |
| Total comprehensive income for the period | - | (0.1) | 86.3 | 86.2 |
| Final dividend in respect of year ended 31 December 2021 | - | - | (42.1) | (42.1) |
| At 30 September 2022 | <u>702.0</u> | <u>62.1</u> | <u>1,022.7</u> | <u>1,786.8</u> |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

| | 30 September 2023 RM'm | 30 September 2022 RM'm |
|--------------------------------------------------------------------|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 140.1 | 165.8 |
| Adjustments for: | | |
| Depreciation and amortisation | 316.4 | 333.1 |
| Other non-cash items | (10.7) | 2.9 |
| Interest expense | 80.0 | 87.4 |
| Finance income | (7.9) | (2.1) |
| Dividend income | (1.0) | (0.9) |
| Operating profit before changes in working capital | 516.9 | 586.2 |
| Changes in working capital | (68.1) | 27.2 |
| Cash generated from operations | 448.8 | 613.4 |
| Tax paid | (75.1) | (106.1) |
| Net cash generated from operating activities | 373.7 | 507.3 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment and intangible assets | (282.2) | (73.6) |
| Proceeds from disposal of property, plant and equipment | 1.3 | 1.0 |
| Dividend received | 1.0 | 0.9 |
| Finance income received | 7.9 | 2.1 |
| Net cash used in investing activities | (272.0) | (69.6) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of lease liabilities | (122.3) | (125.4) |
| Net drawdown/(repayment) of borrowings | 141.6 | (211.1) |
| Interest paid | (77.7) | (87.4) |
| Dividend paid [^] | (56.0) | (42.1) |
| Net cash used in financing activities | (114.4) | (466.0) |
| Net change in cash and cash equivalents | (12.7) | (28.3) |
| Cash and cash equivalents at 1 January | 237.5 | 193.6 |
| Cash and cash equivalents at 30 September | 224.8 | 165.3 |

[^] As at 30 September 2023, there is dividend payable amounting RM0.2 million in relation to final dividend declared for financial year ended 31 December 2022.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

**PART A – EXPLANATORY NOTES PURSUANT TO
MALAYSIAN FINANCIAL REPORTING STANDARD 134**

1 Basis of Preparation

The unaudited quarterly report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting”, Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Bursa Securities Listing Requirements”) and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022.

2 Significant Accounting Policies

The accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2022 except for the adoption of the Amendments to Standards effective from 1 January 2023.

Standards, amendments to published standards and interpretations that are effective for financial period beginning on or after 1 January 2023:

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules.*

The Company has applied the abovementioned accounting standards, amendments and interpretations, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Company.

Malaysian Accounting Standards Board had issued the following amendments and new standards which are effective for the following financial years:

- (i) Financial year beginning on or after 1 January 2024:
 - Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
 - Amendments to MFRS101, *Presentation of Financial Statements – Non-current Liabilities with Covenants*
 - Amendments to MFRS107, *Statement of Cash Flows* and MFRS 7 – *Financial Instruments: Disclosures – Supplier Finance Arrangements*
- (ii) Financial year beginning on or after 1 January 2025:
 - Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

**PART A – EXPLANATORY NOTES PURSUANT TO
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)**

2 Significant Accounting Policies (continued)

(iii) Effective 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, interpretation and amendments in the respective financial years when the above accounting standards, interpretation and amendments become effective where applicable.

3 Seasonal/Cyclical Factors

The operations of the Company typically experience higher customer count, transaction value and sales during weekends, public holidays, school holidays and festive seasons.

4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no items affecting the assets, liability, equity, net income or cash flows that were unusual because of their nature, size or incidence for the financial period ended 30 September 2023.

5 Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the financial period ended 30 September 2023.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period ended 30 September 2023, other than as disclosed in this quarterly report.

7 Dividends Paid

During the financial period ended 30 September 2023, the final single-tier dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2022 amounting RM56,160,000 was declared and paid/payable.

8 Events Subsequent to the end of reporting period

There were no material events subsequent to the balance sheet date to be disclosed in the financial statements for the financial period ended 30 September 2023, other than as disclosed in this quarterly report.

9 Effects of Changes in the Composition of the Company

There were no changes in the composition of the Company for the financial period ended 30 September 2023.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

**PART A – EXPLANATORY NOTES PURSUANT TO
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)**

10 Operating Segments

The operating segments analysis is as follows:

| | Retailing | | Property Management Services | | Total | |
|----------------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|-------------------|
| | Period ended | | Period ended | | Period ended | |
| | 30 September 2023 | 30 September 2022 | 30 September 2023 | 30 September 2022 | 30 September 2023 | 30 September 2022 |
| | RM'm | RM'm | RM'm | RM'm | RM'm | RM'm |
| Revenue | 2,595.3 | 2,621.9 | 500.4 | 457.4 | 3,095.7 | 3,079.3 |
| Segmental profit | 36.2 | 116.4 | 202.9 | 165.8 | 239.1 | 282.2 |
| Less: Unallocated expenses | | | | | (26.9) | (31.1) |
| Profit from operations | | | | | 212.2 | 251.1 |
| Interest expense | | | | | | |
| - Lease interest | | | | | (65.1) | (74.0) |
| - Interest charges | | | | | (14.9) | (13.4) |
| Finance income | | | | | 7.9 | 2.1 |
| Profit before tax | | | | | 140.1 | 165.8 |
| Tax expense | | | | | (57.9) | (79.5) |
| Profit for the period | | | | | 82.2 | 86.3 |

As part of the Company's re-alignment of segmental operating result, the comparatives are restated by re-allocating expenses across the segments.

11 Revenue

| | Quarter ended | | Period ended | |
|------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 September 2023 RM'm | 30 September 2022 RM'm | 30 September 2023 RM'm | 30 September 2022 RM'm |
| Sale of goods | 693.6 | 724.1 | 2,245.1 | 2,261.6 |
| Net commission from concessionaire sales | 82.5 | 88.7 | 306.9 | 321.7 |
| Property management services | 167.9 | 157.8 | 506.4 | 463.3 |
| Others | 11.9 | 11.4 | 37.3 | 32.7 |
| | 955.9 | 982.0 | 3,095.7 | 3,079.3 |

12 Related Party Transactions

During the current quarter under review and up to the date of this announcement, the Company did not enter into any Related Party Transactions or Recurrent Related Party Transactions of a revenue or trading nature that had not been included or exceeded the estimated value by 10% or more of the total aggregate amount which had been mandated by the shareholders during the Annual General Meeting held on 17 May 2023.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

**PART A – EXPLANATORY NOTES PURSUANT TO
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)**

13 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last audited financial statements for the financial year ended 31 December 2022.

14 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2023 are as follows:

| | 30 September 2023 RM'm | 31 September 2022 RM'm |
|-------------------------------------------------|---------------------------|---------------------------|
| Property, plant and equipment | | |
| Contracted but not provided for and not payable | 44.2 | 34.9 |

15 Fair value measurements

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 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 | | | Carrying amount RM'm |
|-------------------------------|-----------------------------------------------------------|---------|---------|---------------------------------------------------------------|---------|---------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | |
| | RM'm | RM'm | RM'm | RM'm | RM'm | RM'm | |
| 30 September 2023 | | | | | | | |
| Financial Asset | | | | | | | |
| Investment in quoted equities | 56.6 | - | - | - | - | - | 56.6 |
| Financial Liabilities | | | | | | | |
| Borrowings | - | - | - | - | - | (649.4) | (639.4) |
| 31 December 2022 | | | | | | | |
| Financial Asset | | | | | | | |
| Investment in quoted equities | 58.4 | - | - | - | - | - | 58.4 |
| Financial Liabilities | | | | | | | |
| Borrowings | - | - | - | - | - | (496.0) | (497.8) |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS

1 Review of Performance

- a. Performance of the current quarter (Third Quarter FY23) against the corresponding quarter (Third Quarter FY22)

| | Quarter Ended 30 September 2023 RM'm | Quarter Ended 30 September 2022 RM'm | Changes % |
|-------------------------------|---------------------------------------------------------|---------------------------------------------------------|----------------------|
| Revenue by segment: | | | |
| Retail business | 789.9 | 826.2 | -4.4% |
| Property management services | 166.0 | 155.8 | 6.5% |
| Total Revenue | 955.9 | 982.0 | -2.7% |
| Profit from operations | 55.8 | 46.4 | 20.3% |
| Profit before tax | 28.9 | 18.7 | 54.5% |

For the current quarter, the Company registered a total revenue of RM955.9 million, 2.7% lower as compared to corresponding quarter of RM982.0 million.

Retail business recorded revenue at RM789.9 million, 4.4% lower compared to corresponding quarter of RM826.2 million. The decline in revenue is mainly due to partial stores closure for renovation during the current quarter.

Revenue from the property management services segment at RM166.0 million, is 6.5% higher compared to corresponding quarter of RM155.8 million. The growth was contributed by improvement in occupancy rate and effective rental renewal.

The Company registered a profit before tax of RM28.9 million for the quarter, as compared to the corresponding quarter of RM18.7 million, which recorded a 54.5% increase, mainly contributed by one-off gain on lease de-recognition of Kota Bharu land and reduced operating costs, offset by lower revenue.

- b. Performance of the current quarter (Third Quarter FY23) against the preceding quarter (Second Quarter FY23)

| | Current Quarter 30 September 2023 RM'm | Preceding Quarter 30 June 2023 RM'm | Changes % |
|-------------------------------|---------------------------------------------------------------|------------------------------------------------------------|----------------------|
| Revenue by segment: | | | |
| Retail business | 789.9 | 864.0 | -8.6% |
| Property management services | 166.0 | 169.0 | -1.8% |
| Total Revenue | 955.9 | 1,033.0 | -7.5% |
| Profit from operations | 55.8 | 72.7 | -23.2% |
| Profit before tax | 28.9 | 49.1 | -41.1% |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

1 Review of Performance (continued)

- b. Performance of the current quarter (Third Quarter FY23) against the preceding quarter (Second Quarter FY23) (continued)

For the current quarter, the Company registered a total revenue of RM955.9 million, 7.5% lower compared to preceding quarter of RM1,033.0 million.

Retail business recorded revenue at RM789.9 million, is 8.6% lower compared to preceding quarter of RM864.0 million. The decline in revenue is mainly due to preceding quarter's higher revenue contributed by festivities spending.

Revenue from the property management services segment at RM166.0 million, is 1.8% lower compared to preceding quarter of RM169.0 million. The decline was due to higher sales commission in preceding quarter contributed by festivities.

The Company's profit before tax for the current quarter of RM28.9 million, is 41.1% lower compared to preceding quarter of RM49.1 million, mainly due to lower sales, partially mitigated by lower operating costs.

- c. Performance of the current period (YTD September 2023) against the corresponding period (YTD September 2022)

| | Period Ended 30 September 2023 RM'm | Period Ended 30 September 2022 RM'm | Changes % |
|------------------------------|----------------------------------------------|----------------------------------------------|--------------|
| Revenue by segment: | | | |
| Retail business | 2,595.3 | 2,621.9 | -1.0% |
| Property management services | 500.4 | 457.4 | 9.4% |
| Total Revenue | 3,095.7 | 3,079.3 | 0.5% |
| Profit from operations | 212.2 | 251.1 | -15.5% |
| Profit before tax | 140.1 | 165.8 | -15.5% |

For the current period, the Company registered a total revenue of RM3,095.7 million, 0.5% higher as compared to corresponding period of RM3,079.3 million.

Retail business recorded revenue at RM2,595.3 million, is 1.0% lower compared to corresponding period of RM2,621.9 million. The decrease is mainly due to high base effects last year and partial store closures for renovation in the current quarter.

Revenue from the property management services segment at RM500.4 million, is 9.4% higher compared to corresponding quarter of RM457.4 million. The growth was contributed by improvement in occupancy rate and effective rental renewal.

The Company registered a profit before tax of RM140.1 million for the period compared to corresponding period of RM165.8 million, which recorded 15.5% decline attributed to lower gross margin, coupled with higher operating costs.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

2 Prospects for the Financial Year Ending 31 December 2023 (FY2023)

Global rising tensions continue to disrupt global supply chain and local economy continues to be weighed down by elevated cost pressures and weakened currency. The profit margin is affected due to the softer consumers' spending on discretionary items to curb the intensified inflationary pressure coupled with higher operating costs especially manpower and utilities.

Amidst the conservative growth of retail sales ahead, the Company will continue to leverage on its ecosystem in partnering and collaborating with its tenant partners, suppliers and AEON group of companies to optimise the value in consumer spending and enhance the value of the Company's assets. The Company will offer attractive promotions in conjunction with the anniversary sales, enhance product assortments and completing 2 scheduled rejuvenations in Q4 to maximise catchment of year end festivities spending.

The Company remains committed to accelerate digital shift, establish private brand that capture diverse customer values, create AEON Living Zone in local community and implement sustainability initiatives, while effectively managing operating costs.

3 Profit Forecast/Profit Guarantee

Not applicable as the Company did not publish any profit forecast or profit guarantee.

4 Tax expense

Tax expense comprises:

| | Quarter ended | | Period ended | |
|----------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 30 September 2023 RM'm | 30 September 2022 RM'm | 30 September 2023 RM'm | 30 September 2022 RM'm |
| Current tax expense | 9.7 | 7.1 | 65.6 | 78.8 |
| Deferred tax expense | 5.4 | 0.7 | (7.7) | 0.7 |
| | 15.1 | 45.0 | 57.9 | 79.5 |

The Company's effective tax rate is higher than the statutory tax rate mainly due to expenses not deductible for tax purposes. Current quarter includes underprovision adjustment upon finalisation of prior year tax filing, meanwhile corresponding quarter includes overprovision adjustment of prior year.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

5 Notes to the Statement of Profit or Loss

| | Quarter ended | | Period ended | |
|-------------------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 30 September 2023 RM'm | 30 September 2022 RM'm | 30 September 2023 RM'm | 30 September 2022 RM'm |
| Profit before tax is arrived at after charging/(crediting): | | | | |
| Depreciation and amortisation | 66.5 | 70.0 | 208.1 | 211.2 |
| Depreciation of right of use assets | 37.8 | 40.1 | 108.3 | 121.9 |
| Interest expense | | | | |
| - lease interest | 22.4 | 24.0 | 65.1 | 74.0 |
| - interest charges | 6.6 | 4.3 | 14.9 | 13.4 |
| (Reversal of impairment)/ | | | | |
| Impairment loss on trade receivables | (1.7) | 6.9 | 0.7 | 3.5 |
| Fixed assets written off | 3.7 | 0.2 | 4.0 | 1.0 |
| Finance income: | | | | |
| - interest income | (1.2) | (0.6) | (5.3) | (2.1) |
| - gain on disposal of unit trusts | (0.9) | - | (2.6) | - |
| Dividend income | (1.0) | (0.9) | (1.0) | (0.9) |

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

6 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

7 Borrowings and Debt Securities

| | As at 30 September 2023 | | |
|---------------------------|----------------------------------------|-----------------------------------------|-----------------------------------------------|
| | Long term RM denomination (RM'm) | Short term RM denomination (RM'm) | Total borrowings RM denomination (RM'm) |
| Unsecured | | | |
| Term loan | - | 69.4 | 69.4 |
| Islamic Medium Term Notes | 370.0 | 200.0 | 570.0 |
| | 370.0 | 269.4 | 639.4 |

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

7 Borrowings and Debt Securities (continued)

| | As at 30 September 2022 | | |
|---------------------------|---------------------------|---------------------------|---------------------------|
| | Long term | Short term | Total borrowings |
| | RM denomination (RM'm) | RM denomination (RM'm) | RM denomination (RM'm) |
| Unsecured | | | |
| Term loan | 69.4 | 77.8 | 147.2 |
| Islamic Medium Term Notes | 200.0 | 170.0 | 370.0 |
| | 269.4 | 247.8 | 517.2 |
| | | | |

- (i) The term loans are unsecured, bear interest ranging from 2.99% to 3.03% (2022: 2.99% to 3.03%) per annum and are repayable on quarterly basis up to 29 July 2024.
- (ii) The unsecured Islamic Medium Term Notes bear interest rate of 3.15% to 4.41% (2022: 3.15% to 3.65%) per annum.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

8 Changes in Material Litigation

On 2 March 2021, the Company received a legal suit from Betanaz Properties Sdn. Bhd. (“Plaintiff”). The Plaintiff alleged that the Company did not comply with its obligations under the Tenancy Agreement dated 24 August 2017 (“Tenancy Agreement”) to fulfill the conditions precedent under the Tenancy Agreement and had wrongfully terminated the Tenancy Agreement. The Plaintiff is seeking for, among others, the following reliefs:

- (i) Rental payment payable to the Plaintiff for the tenancy period between 1 April 2020 to 17 December 2021 and for the initial term of ten (10) years of the lease amounting to a total sum of RM59,302,302.97; or
- (ii) Expenditure incurred by the Plaintiff for the project, including but not limited to site clearance and earthworks, consultancy fees, financing costs and other incidental costs arising from the banking facilities and others costs amounting to RM18,936,207.76.

On 29 March 2021, the Company filed and served its defense against the Plaintiff. Further, the Company, as the plaintiff, filed a counterclaim against Betanaz Properties Sdn. Bhd. as the first defendant, and Ahmad Zaki Resources Berhad (“AZRB”) as the second defendant due to the non-fulfillment of the conditions precedent on the part of the defendants prior to the expiry of the respective conditional periods and the Tenancy Agreement and Commercial Agreement dated 24 August 2017 had been rendered void due to the expiry of the conditional periods on 23 October 2020 and 23 January 2020 respectively.

The Company is claiming, among others, the return or payment of approximately RM2,303,087.00 being the consultation fees for the project from the Plaintiff as first defendant and approximately RM28,415,094.44 being the contribution towards the construction of the bridge connecting Bandar Kuantan to Bandar Putra, Tanjung Lumpur, Pahang (“Bridge”), from AZRB as the second defendant.

AZRB further filed the application to strike out the Company’s counterclaim against AZRB on 7 May 2021 and on 22 October 2021, the High Court allowed AZRB’s application to strike out the Company’s counterclaim against AZRB on the basis that the bridge across the Kuantan River, connecting Bandar Kuantan to Bandar Putra, Tanjung Lumpur (“Bridge”) was completed and the Company’s counterclaim is not sustainable.

On 26 October 2021, the Company filed and served the Notice of Appeal against the decision of the High Court judge and the hearing date is fixed on 9 May 2022.

Pursuant to the Company’s appeal against the High Court’s decision to allow AZRB’s application to strike out the Company’s counterclaim against AZRB on 9 May 2022, the Court of Appeal has decided in favor of the Company, and as a result, AZRB will be reinstated as a party to the Company’s counterclaim as the second defendant in the trial for the Main Suit, which is fixed on 20 to 21 May 2024 and 13 to 14 June 2024, respectively. Subsequently on 13 June 2022, the Court agreed to bring forward the trial dates for the Main Suit to 6 to 7 July 2023 and 3 to 4 August 2023, respectively.

The trial for the Main Suit has commenced on 6 and 7 July 2023 and the Court has vacated the trial dates fixed on 3 and 4 August 2023. The Court has subsequently fixed further trial dates for the continuation of the trial from September 2023 to January 2024.

Based on the advice by the Company’s legal counsel, the Directors are of the view that the abovementioned general damages sought by the Plaintiff are contradictory to the Rules of Court as the same should not have been quantified as if it were special damages. Hence, provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

AEON CO. (M) BHD.
(Incorporated in Malaysia)
(Company No. 198401014370 (126926 - H))

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

9 Dividend

No dividend was proposed or declared for the financial period ended 30 September 2023.

10 Qualification of Audit Report of the Preceding Annual Financial Statements

There was no qualification on audit report of the preceding annual financial statements.

11 Earnings Per Share

| | Quarter ended | | Period ended | |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 30 September 2023 | 30 September 2022 | 30 September 2023 | 30 September 2022 |
| Profit attributable to the owners for the period (RM'm) | 13.8 | 10.9 | 82.2 | 86.3 |
| Weighted average number of ordinary shares in issue ('m) | 1,404 | 1,404 | 1,404 | 1,404 |
| Basic earnings per ordinary share (sen) | 0.98 | 0.78 | 5.85 | 6.15 |

Diluted earnings per share is not applicable for the Company.

12 Material Events Subsequent to End of Financial Period

On 10 November 2023, the Company has repaid Islamic Medium Term Notes (“IMTN”) amounting RM200 million maturing on the same date.