

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 2018.

AEON continued its actions and performance to ensure continuous sustainability efforts alongside its pursuit for business growth and creating long term value for its stakeholders in the areas of Economic, Environmental and Social ("EES").

AEON has determined and validated the ongoing significance and relevance of the thirteen (13) sustainability material matters as set out in the Sustainability Statement 2017, after taking into consideration the stakeholders' perspectives and Management's position.

As part of the Company's continuous endeavour for sustainability, two additional initiatives, "Digitalisation" and "Customer Retention Programmes" were added as part of the sustainability material matters for 2018 Sustainability Statement, to maximise stakeholders' values and achieve the Company's aim of becoming the most favoured retailer in Malaysia.

AEON Sustainability Statement 2018 remained its focuses on four (4) key pillars, defined as:-



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

People AEON respects human dignity and values personal relationships. Our people are our assets.

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

Customer AEON practices its "Customer First" philosophy with its ever-lasting innovative spirit.

SCOPE

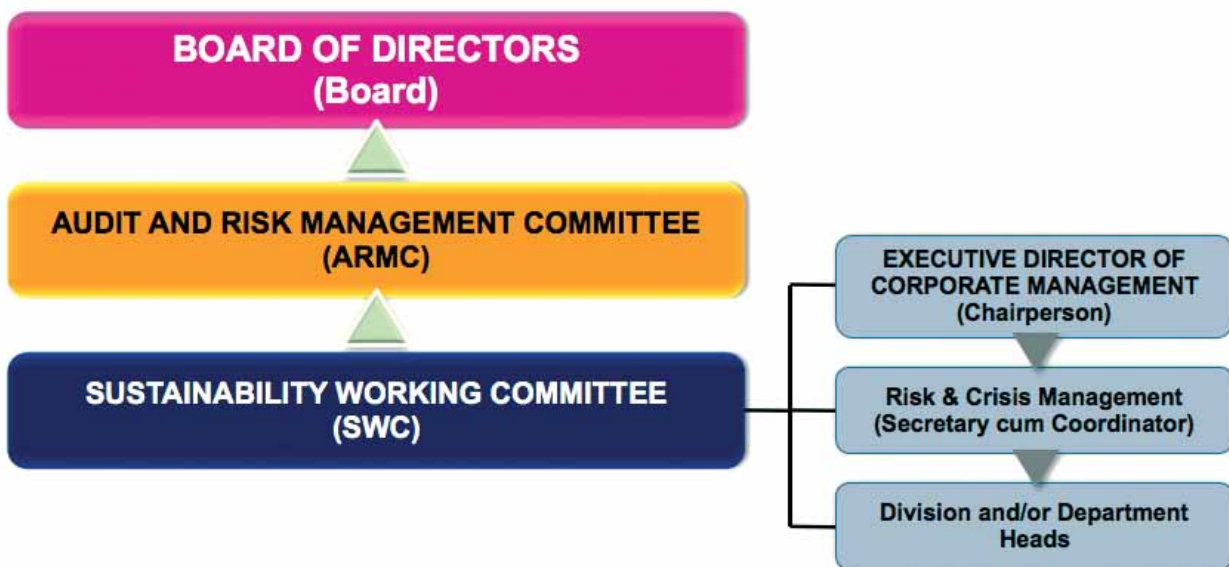
This report covers the reporting period from 1 January 2018 to 31 December 2018. It covers the operations of AEON in line with AEON Basic Principles. This statement includes information on material sustainability issues as well as impacts of AEON businesses on the society and environment.

SUSTAINABILITY STATEMENT

GOVERNANCE

As set out in the Board Charter, the Board is responsible for the oversight of sustainability into the Company’s strategy, and to ensure adequate measures such as systems and processes are put in place for managing the sustainability matters. This is also in line with the expectations outlined in the Malaysian Code of Corporate Governance (MCCG).

To assist the Board in driving and reporting the Company’s sustainability practices, the Company had established the Sustainability Working Committee (SWC) to ensure sustainability continues to be embedded in the Company’s strategy and operation. The SWC is chaired by the Executive Director of Corporate Management, assisted by the Risk & Crisis Management with members comprising the division and/or department heads of the relevant Business and Support Divisions.



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 others, excelling in customer service and providing sustainable best in industry performance in retail, community, reputation and environmental aspects.

MATERIALITY PROCESS

AEON conducts its materiality review on an annual basis to identify the sustainability matters, which are significant and integral for the Company’s sustainability. The Company has a structured approach to assess the materiality of the sustainability matters. Stakeholders engagement is imperative in understanding their expectations and concerns on sustainability matters. The Company’s materiality process and analysis comprise the following 3 steps:-



STEP 1: IDENTIFICATION AND REVISIT OF RELEVANT SUSTAINABILITY MATTERS

Continuing from AEON Sustainability Statement 2017, the Company revisited the relevant sustainability matters being highlighted as to determine the material sustainability matters for year 2018.

For 2018, the material sustainability matters identification and development were based on the current business environment, considering the internal and external factors that are related to the Company’s businesses. The Company had concluded a list of fifteen (15) relevant sustainability matters categorised into the Company’s 4 key pillars.

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

STEP 2: ASSESSMENT AND PRIORITISATION OF MATERIAL SUSTAINABILITY MATTERS

AEON carried out assessments to gauge the perception of stakeholders on the level of importance of each relevant sustainability matter.

• **STAKEHOLDER ENGAGEMENT**

The Company values the views and feedbacks of our stakeholders, and thus continuously conducts formal and informal engagements through various platforms that help the Company to stay updated with the issues and concerns of stakeholders, among others, are shown in the table below:

STAKEHOLDERS	ENGAGEMENT PLATFORMS	STAKEHOLDERS AREAS OF CONCERN	MANAGEMENT RESPONSE
EMPLOYEES	<ul style="list-style-type: none"> • Training • Learning programmes • Formal and informal meetings, briefings and assembly • Written policies and procedures • Internal surveys, newsletters • Events and activities 	<ul style="list-style-type: none"> • Career development • Compensation, welfare and benefits • Employment equality • Working environment and quality • Safety • Job performance evaluation / assessment • Ethics, disciplinary and misconducts 	<ul style="list-style-type: none"> • Internal and external training programmes • Staff welfare meetings and operation meetings • Employee activities and get-together events • Performance management system • AEON Code of Conduct channel • Whistleblowing channel • Talent pool system and benefits

SUSTAINABILITY STATEMENT

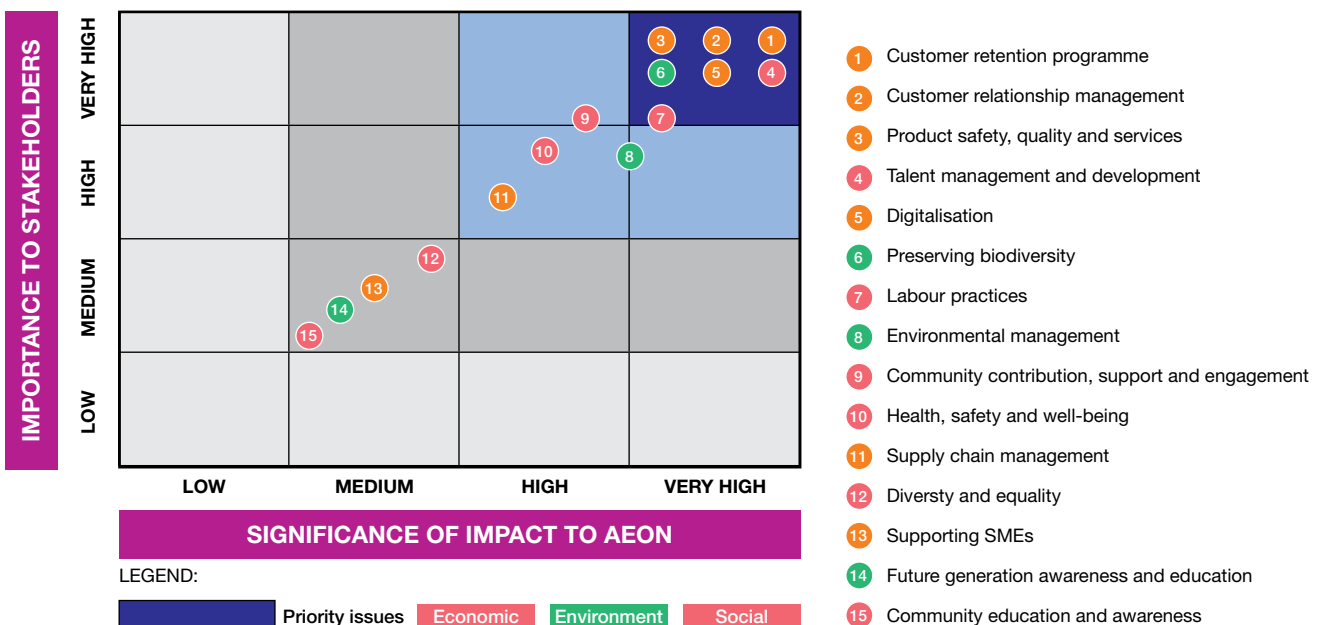
STAKEHOLDERS	ENGAGEMENT PLATFORMS	STAKEHOLDERS AREAS OF CONCERN	MANAGEMENT RESPONSE
CUSTOMERS	<ul style="list-style-type: none"> Corporate website, policies, digital and social media AEON Careline (email, contact centre) Customer voice (CV) form Customer service counters Sales, promotions, roadshows In-store information (POP, banners etc.) 	<ul style="list-style-type: none"> Product pricing, safety and quality Service culture, comfort, convenience and satisfaction Privileges, benefits and added value Online shopping 	<ul style="list-style-type: none"> AEON Careline AEON day, member day, Thank You day Festive celebrations Events and competitions Social media Customer service Service counter Facilities Well stock & well assorted merchandise Online purchase and delivery services
GOVERNMENT AND REGULATORS	<ul style="list-style-type: none"> Corporate website, digital and social media Meetings, forums, roundtables, briefings Formal events Official business dealings Store visits 	<ul style="list-style-type: none"> Regulations, governance and compliance to law, requirements and standards Accuracy, transparency and disclosure Collaboration for mutual branding 	<ul style="list-style-type: none"> Reports and policies made for public disclosure Internal Standard Operating Procedures (SOPs) Continuous monitoring and communication with stakeholder Provide support and participation
INVESTORS AND SHAREHOLDERS	<ul style="list-style-type: none"> Financial and other reports Press conferences and media releases Corporate website Annual General Meeting (AGM) Bursa announcement Investor Relations Roadshow 	<ul style="list-style-type: none"> Business performance Business directions Prospect and strategies Return of Investment Business continuity Business risks Shares Liquidity 	<ul style="list-style-type: none"> Financial performance results Bursa announcements Press releases/ conferences Investor Relations roadshow Annual reports AGM
COMMUNITY	<ul style="list-style-type: none"> Corporate website, digital and social media Community engagement events and activities Malaysian AEON Foundation (MAF) charitable activities and programme AEON Cares environmental events and activities 	<ul style="list-style-type: none"> Financial support and aid Social responsibility Environmental awareness and education Lifestyle support Business opportunity Employment support Livelihood support 	<ul style="list-style-type: none"> Festive celebrations MAF activities Shopping mall lifestyle activities and social events Financial assistance and donation Corporate Social Responsibility (CSR) events and programmes with community Job opportunity Kiosk or temporary space rental set-ups at shopping malls

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STAKEHOLDERS	ENGAGEMENT PLATFORMS	STAKEHOLDERS AREAS OF CONCERN	MANAGEMENT RESPONSE
SUPPLIERS	<ul style="list-style-type: none"> Meetings, capacity building sessions and business alliance meetings Audits and site visits Policies Collaborative promotion activities Formal and social events 	<ul style="list-style-type: none"> Procurement process, payment terms and practices Strategic partnerships Product and promotion support Trading terms Business conduct, integrity and ethics Working alliance 	<ul style="list-style-type: none"> Clear procurement and payment process SOPs AEON Business Partner Alliance (ABPA) Whistleblowing channel Charity events and collaborative activities Business discussion
MEDIA	<ul style="list-style-type: none"> Meetings Collaborative events and activities Press conferences, releases, interviews and articles Advertisements 	<ul style="list-style-type: none"> Company latest events, business performance and updated news Long-term engagements 	<ul style="list-style-type: none"> Press conferences and interview sessions Media collaborative programmes Advertising support and sponsorships
INDUSTRY	<ul style="list-style-type: none"> Meetings, roundtables, forums and briefings Trade associations Formal events and programmes 	<ul style="list-style-type: none"> Retail sales performance Industry issues Government policies Mutual interest issues 	<ul style="list-style-type: none"> Malaysia Retailers Association (MRA) Meetings and business dialogues Support /participation in social events

MATERIALITY MATRIX

Based on the feedback that the Company gathered from the stakeholder engagement, AEON had acquired a materiality matrix on the fifteen (15) sustainability matters with different importance and prioritisation to the Company and stakeholders. Sustainability matters positioned at the upper right quadrant are considered the most material and significance to the Company to manage.



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STEP 3: REVIEW AND ENDORSEMENT

The SWC reviewed the fifteen (15) sustainability material matters in accordance to the impact to the internal and external stakeholders’ feedback to arrive at the final materiality assessment for 2018. The Sustainability Statement 2018 was subsequently presented to the Board.

PEACE

PRESERVING BIODIVERSITY

AEON is committed to protect the environment, biodiversity and ecosystems. The Company’s sustainability initiatives and efforts are visible mainly through its tree planting events and pursuit in protecting and nurturing natural habitats. Activities include :-

- Malaysia Japan Friendship Forest @ Paya Indah Wetlands, Selangor;
- AEON Forest Tree Diversity Planting Programme in Bidor, Perak;
- AEON Hometown Forest Programme;
- Orang Utan Rehabilitation Project & Firefly Breeding Project;
- World Environment Day; and
- AEON Clean and Green Programme



Under its AEON Cares programme, AEON undertakes the responsibility of reforestation, habitat preservation, clean and green initiatives with key focus to promote healthy and interactive green living with the communities. The aim is to cultivate environmental awareness and foster greater social responsibility among Malaysians, especially the young generation.

MALAYSIA JAPAN FRIENDSHIP FOREST @ PAYA INDAH WETLANDS, SELANGOR

In 2018, AEON, with the support, close supervision and monitoring from Forest Research Institute Malaysia (FRIM), successfully concluded its fifteen (15) years journey of planting and maintaining an area of 64.2 acres (26 hectare) with approximately 60,000 trees at Paya Indah Wetlands, as part of AEON’s initiatives to preserve biodiversity and natural habitats.

AEON Malaysia Japan Friendship Forest Journey – From 2004 to 2018



On 21 December 2018, AEON handed over the land, known as “Bukit AEON” to The Department of Wildlife and National Parks (“PERHILITAN”) in a ceremony officiated by Yang Berhormat Dr. Xavier Jayakumar, Minister of Water, Land and National Resources. The event included a tour and briefing session from FRIM experts on a brief history and progress of the project.

• **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 utilised an area of 14.8 acres (6 hectare) of the ex-tin mine land to plant 8,000 trees with the support and help from 1,010 volunteers. Since 2014, AEON with the support and close supervision from FRIM, continues maintenance of the trees, which had been carried out at an average annual maintenance cost of RM192,000 per year.

AEON plans to handover the project to FRIM in 2019 and move on to Phase 2 by continuing to plant 10,000 more trees at Bidor, Perak to commemorate AEON’s 35th Anniversary celebration.

• **AEON HOMETOWN FOREST PROGRAMME**

Ever since launching the AEON Hometown Forest Programme at AEON Melaka Shopping Centre in 1991, it has become a strong tradition and legacy of AEON to continue its effort in maintaining and fostering green projects. AEON aims to always plant new trees at the surrounding and compound of its newly built AEON malls to promote a green and healthy living environment and build a sustainable engagement with the local community in which it operates.

On 15 March 2018, under the Hometown Forest Programme, tree planting activities was carried out with local community and school children at AEON Mall Kuching Central whereby approximately 500 trees were planted.

On 10 November 2018, AEON Cares organised a tree planting event at AEON Mall Nilai and with the support from local community, AEON Malaysia Cheers Club (AMCC) and school children planted approximately 10,000 trees around the mall. As at 2018, AEON has planted over half a million trees in Malaysia.



AEON Hometown Forest Programme	2018	2017	2016	2015	2014
Number of trees planted	10,500	10,075	27,875	13,673	30,758

• **ORANG UTAN REHABILITATION PROJECT**

The Orang Utan Rehabilitation Project is a five-year collaboration project established by AEON in 2012 with World Wide Fund for the Nature (WWF) Malaysia and Sabah Forestry Department. This project aims to reforest and rehabilitate the 190.2 acres (77 hectares) of North Ulu Segama forest area in Sabah to cultivate a healthy forest canopy that enables the Orang Utan population to move freely within the forest area to find food and build their shelters.

During the project tenure, AEON has invested RM500,000 and planted over 12,000 trees to support the Orang Utan population with sufficient shelter and food supply. Upon completion of 5 years, after several site visits and audit, on 23 April 2018, AEON officially handed over the forest area to its landowner, the Sabah Forestry Department.



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• FIREFLY BREEDING PROJECT

AEON initiated the firefly breeding project in 2012 through a Memorandum of Understanding (MOU) with the Selangor state government to plant trees in order to foster and sustain the breeding of fireflies, which is part of the nature treasure at Kuala Selangor.

On 3 August 2018, seventy two (72) students from nine (9) different universities and different countries of Asia, under the 7th Asian Students Environment Platform (ASEP) initiative, participated in “Gifts from the Tropical Rainforest” event to conduct fieldwork and take part in planting approximately 200 trees at the fireflies breeding site.



During the 5 days environmental journey, the students learned about the characteristics and role of tropical rain forests and the co-existence of nature and human for a sustainable society.

• WORLD ENVIRONMENT DAY

In conjunction with the World Environment Day celebration, AEON continued its collaboration with Free Tree Society (FTS) and together with students from Sunway College, organised a “free tree” giveaway event at AEON Mall Metro Prima on 9 June 2018.

World Environment Day	Date of Event	No. of Trees / Plant Giveaway	Remarks
2018	9 June 2018	500	World Environment Day 2018 @ AEON Mall Metro Prima
2017	3 June 2017	500	World Environment Day 2017 @ AEON Mall Cheras Selatan
2016	3 June 2016	500	World Environment Day 2016 @ AEON Taman Maluri Shopping Centre
	23 Jan 2016	800	Community event at Shah Alam

In 2018, approximately 500 trees were given away to customers and the local community as part of AEON’s efforts to create continuous awareness and instill joint responsibility in protecting and preserving our environment.



- **AEON CLEAN AND GREEN PROGRAMME**

On 9 October 2018, “Clean and Green” Programme was launched to encourage AEON employees to contribute and be responsible for a clean and sustainable living environment for our stakeholders and future generations.



On 1 November 2018, through the “Clean and Green” programme, AEON worked with Sekolah Kebangsaan Sri Bonus Kuala Lumpur to educate and create awareness among young children on the importance of having a clean, healthy and green surrounding.



A total of 300 children participated in the programme together with AEON volunteers. The children performed “gotong-royong” activity to clean their school compound followed by tree planting activity where 1,000 trees were planted around their school. AEON plans to roll out its “Clean and Green – One School at a Time” initiative in 2019.

FUTURE GENERATION AWARENESS AND EDUCATION

AEON’s mission includes creating awareness and instilling strong social responsibilities among future generation to understand and tackle environmental issues. AEON aims to recruit young environmental ambassadors and provide them with 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 with the aim to provide environmental information, awareness, and experiential education in a fun and enjoyable approach for children aged between 6 to 14 years old. Up to year 2018, AMCC has an approximately 2,000 active members registered nationwide. A list of activities in 2018 is as below:



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Programme Date	Programme Venue	Event
3 March	AEON Mid Valley	AEON & Me Day
15 May to 30 June	Nationwide	Design Your Shopping Bag Contest
7 July	AEON Mall Tebrau City	Fanpekka Fun Day for Johor regional members
21 July	AEON Mall Kuching Central	AEON & Me Day for newly recruited members
18 August	HOKTO Mushroom Factory, Nilai	Study tour for members from AEON Seremban 2 and Melaka
22 Sept	Baba Organic Farm, Penang	Study tour for members of AEON Bukit Mertajam
1 Dec	AEON Melaka Shopping Centre	AEON & Me Day
16 Dec	AEON Bandar Dato' Onn	Study tour to police station (Police & Me Day)

• **AEON 1% CLUB FOUNDATION**

AEON 1% Club Foundation is a global corporate social responsibility arm of AEON Japan that focuses on education, food and environmental initiatives. Their fundamental goal is to promote international friendship and goodwill in Asia region. The Foundation's mission are:-



Sound Development of the Next Generation





Promotion of Friendship with Foreign Countries





Sustainable Development of Regional Communities



Asia Youth Leaders (AYL) programme is an annual initiative organised by AEON 1% Club Foundation. For 2018, AYL was held in Jakarta, Indonesia from 19 August 2018 to 25 August 2018 with the theme "Food and Health" studying the eating habits in Indonesia and proposal for improvement for the benefits of the Indonesian community.



A total of 103 teenagers from 6 AEON Asia countries participated in the AYL programme. Malaysia was represented by students from nine (9) secondary schools selected by the Ministry of Education (MOE).

ENVIRONMENTAL MANAGEMENT

As one of the established retailers in Malaysia that operates thirty three (33) general merchandise stores (GMS) and twenty seven (27) shopping malls, AEON always strive to ensure its energy and resources management are effective and efficient. AEON continuously work on reducing carbon footprint and controlling greenhouse emissions in its daily business operations.

• ELECTRICITY SAVINGS

AEON has implemented several policies and guidelines as best practices for its shopping malls, stores and headquarter (HQ) in order to manage carbon footprint and reduce carbon dioxide (CO₂) emissions from the sources of energy consumptions such as air conditioning and lighting.

Facility Department set a clear guideline for operation to manage and control the air-conditioning temperature at AEON shopping malls. A facility and operation maintenance team is responsible for daily checking, monitoring and controlling the usage through a standard checklist provided by Facility Department.

Year	Total kWh	Cost (RM)	CO ₂ (ton)	Remarks
2018	491,952,409	180 mil	100,555	The figures given are on the same scale basis for 2018 vs 2017. Figures exclude AEON Kuching Central and AEON Bandar Dato' Onn store and mall. The increase in FY2018 is due to AEON Mall Tebrau City extension wing.
2017	464,657,026	170 mil	94,976	
2016	475,808,121	174 mil	97,255	

In 2018, AEON managed to save a monthly electricity charge of approximately RM402,305 or annual charge of RM4.828 million, that is equivalent to 1,102,205 kWh per month and 13,226,458 kWh per year, with an annual CO₂ savings of 7,406 tonnes.

Apart from controlling the air conditioning temperature system, AEON also focuses on conserving energy efficiency by replacing conventional lighting to LED lighting at its shopping malls, stores and HQ.

• WASTE MANAGEMENT

In 2018, Administration Department enhanced its standard operating procedure (SOP) to manage the operation of wet and dry waste disposal. Most stores and shopping malls had appointed licensed contractors to undertake the waste management function. AEON produces a sizeable amount of food and non-food waste such as perishable items, poultries, can-food, processed food and bakery in its daily operations.

In 2019, AEON will continue to manage its waste disposal with new approaches and collaborate with Non-Governmental Organisations (NGOs) to reduce and control food and non-food waste.

• FOOD WASTE MANAGEMENT

The United Nations' Food and Agriculture Organisation estimates that in Malaysia, the amount of food being wasted is about 15,000 tonnes per year. As part of AEON's corporate social responsibility to mitigate food-waste, in 2018 the Company had implemented "AEON Community Food Share" programme to combat food wastages from its stores.

AEON continuously introduces new approaches in line with United Nations Sustainable Development Goals focusing on "Climate Action" to combat global warming and reduce greenhouse emissions, as well as "Zero Hunger" to feed the less fortunate community.



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On 12 September 2018, AEON in collaboration with Kechara Soup Kitchen (Kechara) launched its food share programme at AEON Cheras Selatan store by distributing unsold consumable food to welfare homes and less fortunate community members who stay near to the store. From September to December 2018, AEON successfully distributed approximately 35.3 tonnes of unsold consumable food to the communities through Kechara. The collaboration will be continued in 2019 as to bring more cheers to the communities.

PEOPLE

TALENT MANAGEMENT AND DEVELOPMENT

At AEON, people are the Company’s ASSETS. The Company continuously takes efforts to groom and support its talents to meet operation and ever-growing business needs. The Company aims to be an “Employer of Choice” and believes in having the right talent for the right job, which drives AEON’s diversified approaches to maintain a sustainable workforce.

• **LEARNING AND DEVELOPMENT**

AEON believes in continuing investment on human capital’s learning and development with the aim for AEON talents to be competitive and highly skilled to lead the organisation.



PARTICIPATED BY OVER
12,000 (PARTICIPANTS) AND
SPENT **RM4.99 MIL**

High performers are identified through talent management system, who will then be equipped with essential leadership training and education programmes to prepare them as future leaders.

Employees are also continuously provided with relevant technical, operational and management skills trainings in order to upgrade and strengthen their skills and knowledge.



In 2018, AEON spent RM4.99 million to train its workforce of over 9,500 employees.

Learning & Development Programme		Number of Participants		
		2018	2017	2016
o	OUM Executive Diploma*	Nil	53	64
o	Management Trainee Programme	88	162	108
o	Retail Trainee Programme	26	25	41
o	Japan Trainee Programme	12	15	8

Note :

* OUM Executive Diploma continued with participants from 2017. Thirty eight (38) of them graduated in September 2018 and were absorbed as Retail Trainees or Supervisors at our stores. Another fourteen (14) participants to complete and graduate in 2019.

AEON remains committed in training its employees at various levels for future management positions so as to provide a sustainable pool of leaders for the business. Continuous investment in internal and external management trainings are carried out for its future leaders in order to equip them with the right knowledge and competencies.

Management Training Programmes	Number of Participants		
	2018	2017	2016
o Junior Management Programme (for Managers)	6	11	8
o Basic Management Programme (for Senior Managers)	2	5	5
o New Management Programme (NMP)* (for Assistant General Managers and above)	2*	Nil	5

Note :

* For 2018, management decided to postpone NMP due to insufficient participant numbers from other AEON Asia region. Selected participants will attend NMP in 2019.

AEON also collaborates with local educational institutions and government agencies to provide employment opportunities for Malaysian fresh graduates and also AEON employees with the right skills, knowledge and competencies to carry out their daily jobs.

Institute, Government Agencies and/or Local Universities	Number of Participants		
	2018	2017	2016
o Institut Kemahiran Belia Negara (IKBN)	20	19	47
o Skim Latihan 1Malaysia (SL1M)	49	107	28
o Work Based Learning Programme	12	19	19
o Internship	74	57	21
o TNB Integrated Learning Solution (ILSAS)	4	Nil	3

• **AEON SPONSORSHIP FOR MBA PROGRAMME – UNIVERSITY TECHNOLOGY MALAYSIA (UTM)**

As part of its talent retention programme and to provide continuous learning opportunities, in 2016, AEON initiated AEON Sponsorship Programme for Master’s Degree in Business Administration (MBA), via a Memorandum of Understanding (MOU) with UTM. Eleven (11) AEON employees were selected to enrol in the MBA programme. Qualified employees were awarded sponsorship by AEON.



In November 2018, seven (7) of the employees had successfully graduated from the MBA programme while others are expected to complete in 2019.

• **AEON SCHOLARSHIP PROGRAMME**

Since 2015, AEON initiated AEON Scholarship Programme for Malaysian citizens to pursue full-time degrees at University Malaya (UM). Besides academic performance, the selection criteria takes into account the socio-economic status of the students and the direct correlation of the courses taken for AEON business.



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In 2018, AEON offered its scholarship award to two (2) successful UM students whose academic performance is required to be maintained at a minimum Cumulative Grade Point Average (CGPA) of 3.00 in each semester.

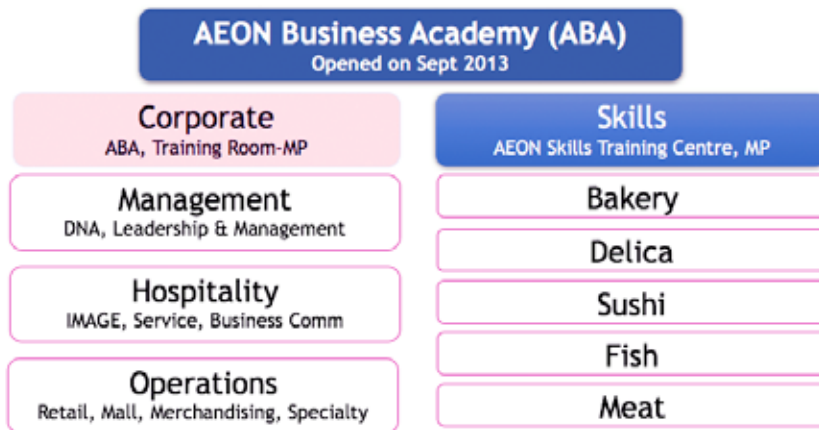
AEON Scholarship Programme	2018	2017	2016	2015
o Number of Awardee(s)	2	Nil	4	2

Upon completion, the students will be bonded with AEON for two-year service and provided with career growth opportunities with competitive packages. In 2019, besides UM, AEON aims to offer the scholarship award programme for students from other local universities.

• **AEON BUSINESS ACADEMY (ABA)**

In September 2013, AEON launched its ABA to house its internal training modules covering culture, leadership, service standards and operation trainings on processes and procedures in retailing, merchandising and mall operations.

In 2018, ABA expanded its academy and established AEON Skills Training Academy focusing on skills development for its employees especially in areas of food production and perishable. In February 2018, AEON Bakery School (ABS) was set up to groom and train individuals to become a certified baker.



AEON strives to ensure consistency in qualities of food production and develop talented in-house niche “skill masters”.

Through ABS, AEON worked with Department of Skills Development from Ministry of Human Resource Malaysia to provide a structured 3-level (SKM2 to SKM4) skills training certification programme.



From February to September 2018, AEON has successfully recruited and completed SKM2 certification for 10 graduates and further recruited 25 participants for SKM2 – Phase 2. Plans are being made to recruit more participants for the various levels and to extend the skill training programme to Delica division.

• **FOSTER HIGH PERFORMANCE CULTURE**

AEON conducts performance review and evaluation for its employees on quarterly and annual basis including identifying high performers for the right merits and rewards.

High performers are rewarded at annual best employees award event and in 2018, a total of 38 high performers (35 for Best Employee and 3 for Best Customer Service) were rewarded for their effort and hard work with a holiday cum learning trip to Vietnam. At the store and shopping mall levels, excellent staffs are also regularly recognised and appreciated through quarterly best employee awards at the operation levels.

• **AEON CERIA CLUB**

In 2018, AEON Ceria Club organised several activities for the comfort, benefit and enjoyment of its employees such as quarterly staff birthday party, annual gathering, festive celebration, sports event, health screening and event with government agencies and financial institutions to provide services and assistance for employees' welfare matters.



DIVERSITY AND EQUALITY

In line with AEON Basic Principles, we respect and value each individual regardless of their gender, age and background. AEON has always focused in creating a distinctive management framework to strengthen and build a diverse workforce. AEON is committed to ensure that its operation and management decisions are made with the interests of the diverse human resources in mind.

• **AEON WORKFORCE DIVERSITY**

For 2018, AEON workforce diversity showed 57% of total full time employees is female and 61% of management leaders is female, demonstrating AEON strong commitment towards promoting a diverse workforce.

Age group	Female	Male
≥ 50 years old	261	217
38 to 49 years old	926	704
26 to 37 years old	2,316	1,631
≤ 25 years old	1,934	1,513
Total	5,437	4,065

To support government's policy of hiring people with disabilities (PWD), AEON has recruited and maintained 113 PWD employees to work at our premises.

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YEAR	Number of PWD recruited by AEON	Percentage (%) against total number of employees
2018	113	1.2%
2017	112	1.1%
2016	87	1.0%

In 2019, AEON aims to recruit at least 200 PWDs or 2.0% from total number of AEON employees through its “PWD – Able for Disable Training Programme” which was implemented in 2018. The aim is to raise the competency, standard and livelihood of the PWD community.

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.

- AEON CODE OF CONDUCT (ACOC)**

In 2018, ACOC refresher trainings were conducted for all senior management and staffs across all levels with focus areas on current issues and findings.

In 2018, out of the total cases being logged by employees through the ACOC whistle-blowing channel, 96% of the cases had been reviewed, investigated and resolved by end of December 2018.



HEALTH, SAFETY AND WELL-BEING

AEON always emphasises employees health and workplace safety in line with health and safety regulations and AEON Safety and Health Policy;

Training Details	2018	2017	2016
o Total fire safety training cost (RM'000)	173	143	139
o Total OSH training cost (RM'000)	25	49	48
o Total fire safety training hours	512	637	692
o Total OSH training hours	128	176	136
o Lost time of injury (LTI) rate	0.2	0.6	0.8

• **FIRE SAFETY AND FIRE DRILL TRAINING**

In 2018, the annual fire safety and fire drills were carried out at all our stores and shopping malls with the support from in-house Emergency Response Team (ERT) and the local fire department (BOMBA).



• **EMERGENCY RESPONSE TEAM (ERT) TRAINING**

In 2018, centralised ERT training sessions for store and shopping malls' ERT teams were carried out to enhance their knowledge on fire safety, to promote sharing of information and best practices, to develop leadership skills and teamwork for managing workplace incidents and hazards.



• **OCCUPATIONAL SAFETY AND HEALTH (OSH)**

First-Aider Detail Breakdown	2018	2017
o Stores	131	100
o Shopping Malls	85	57
o AEON Food Processing Centre (AFPC)	6	4
TOTAL NO. OF COMPETENT AEON FIRST-AIDER	223	161

Apart from annual internal OSH first-aid training, AEON also enrolled its certified first-aiders for a two-day external Basic Occupational First Aid (BOFA), Cardiopulmonary Resuscitation (CPR) and Automated External Defibrillator (AED) training.

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The purpose is to allow participants to learn life support steps, develop confidence to use AED with combination of CPR and to manage injuries and illnesses at workplace involving staffs and customers.

Safety department monitors and compiles records of quarterly Health and Safety Committee meetings at stores and malls for their discussion on OSH related issues, countermeasures and improvement plans to manage incidents and accidents at workplace.

COMMUNITY

COMMUNITY CONTRIBUTION, SUPPORT 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, the Company focuses to continuously create value in the lives of the community. The Company aims to promote interactive and harmonious events and activities with the local community where it operates.

- **COMMUNITY CONTRIBUTION**

Malaysian AEON Foundation (MAF) continued 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’s focus is specifically on children who are not accessible to quality education and medical attention. Details of their activities are in page 23 to page 26 of this annual report.

- **COMMUNITY LIVELIHOOD SUPPORT**

- o **Person With Disability (PWD) Learning Programme**

AEON supports government policies to assist the PWDs. On 9 April 2018, AEON initiated the “PWD – Able for Disable Training Programme” which was participated by 90 PWDs together with human resource officers and leaders from stores.

The objective of the training programme is to improve PWD working performance, promote teamwork spirit and develop career plan for the PWD with a structured training programme. AEON is also currently working on a standard operating procedure (SOP) for PWD work tasks including work relating to specific operation processes like bakery, delica, and sushi and produce management.



o **AEON Back To School Programme**

Apart from community contribution through MAF, AEON also work together with government agencies and other AEON Group of companies to support the B40 lower income group, especially on their children education and needs.

On 15 December 2018, AEON together with Ministry of Domestic Trade and Consumer Affairs (MDTCA) organised its annual “AEON Back to School” Programme for school children of B40 families from the state of Kedah and Penang.



The programme was launched by the Minister of MDTCA, YB Datuk Seri Saifuddin Nasution at AEON Bukit Mertajam Store. A total of 200 “Back to School” kit comprised of school uniform, school bag, shoes and stationeries were distributed out to children from 10 different schools around Kedah and Penang.

• **COMMUNITY ENGAGEMENT**

In 2018, AEON has actively organised engagement activities with the local communities where its shopping malls are located. Interactive events and social initiatives relating to festive, health, lifestyle, special projects and community services were carried out.

- o “Zumba” fun exercises with AEON customers were organised at all AEON shopping malls nationwide in conjunction with “World Health Day” celebration.
- o Festive celebration activities such as “Bubur Lambuk”, “Yee Sang” and “Hari Gawai” with customers and local communities during the festive periods.



- o Children’s competitions, activities and events carried out at respective AEON shopping malls as part of CSR initiatives to strengthen community engagement.
- o “Gotong-royong” activities with local residents for community service and better rapport with the communities.
- o Lantern festival parades and celebrations organised by AEON shopping malls in conjunction with Chinese Lantern Festival for communities around AEON stores and shopping malls.

SUSTAINABILITY STATEMENT

COMMUNITY EDUCATION AND AWARENESS

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

- **BEING A GOOD CORPORATE CITIZEN**

AEON has always supported events organized by regulators, business partners and authorities aiming to develop social awareness and educate community on health and safety. In 2018, AEON shopping malls operation team had coordinated several events and initiatives in collaboration with external parties for the benefit of our customers and community around our outlet.

- o **High Profile Policing Programme with “Polis DiRaja Malaysia” (PDRM) @ AEON Mall Metro Prima, Kepong, Kuala Lumpur**

On 4 December 2018, AEON coordinated the “High Profile Policing” programme with PDRM to build rapport and create crime awareness with AEON customers and surrounding community. PDRM distributed information flyers and set up crime awareness sections.



- o **Environment Carnival, Consumerism and Customer Day event by Selayang Municipal Council @ AEON Mall Rawang, Selangor**

AEON has always supported events organised by regulators, business partners and authorities aiming to develop social awareness and educate community on health and safety. In 2018, AEON shopping malls operation team had coordinated several events and initiatives in collaboration with external parties for the benefit of our customers and community around our outlet.

- o **Kids Life Campaign by BOMBA @ AEON Mall Seremban 2**



On 28 October 2018, AEON Mall Seremban 2 and BOMBA department organised a safety awareness programme to educate children on safety aspects when visiting a shopping mall. A walkabout session at the shopping mall to explain on the safety of escalators, usage of lift, basic self-protection, fire-extinguishing demonstration and a fire safety talk was carried out.

o **Blood Donation Drive, Programmes and Campaigns**



AEON shopping malls frequently organise blood donation drives in collaboration with Ministry of Health (MOH) and other authorities to raise awareness on the importance of blood donation.

CUSTOMERS

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 SAFETY, 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**

In 2018, AEON continued the BeSS certification initiative for its food courts and food avenues in its stores and shopping malls. BeSS is a classification given by the government for food operators as a recognition of safe and healthy food management.

In 2018, a total of 111 Food Court counters of 14 AEON Stores and 45 Food Avenue counters of 6 AEON Malls had been granted the BeSS certification.

SUSTAINABILITY STATEMENT

Details of BeSS Certification	2018	2017	2016
No. of AEON Premises Certified			
o AEON Store	14	14	9
o AEON Mall	6	3	1
TOTAL	20	17	10
No. of Food Counters Certified			
o No. of Food Court (AEON Store)	111	109	126
o No. of Food Avenue (AEON Mall)	45	30	7
TOTAL	156	139	133

Note: For BeSS certification, it is an annual renewal process. The figures above reflect renewals and new applications processed and certified for AEON Food Court and Food Avenues.

• HAZARD ANALYSIS AND CRITICAL CONTROL POINT (HACCP) CERTIFICATION

The Company has continuously implemented the best practice of HACCP in our Perishable and Delicatessen/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.

In 2018, AEON had successfully either completed or renew the HACCP certifications for a total of 30 AEON stores. AEON further groomed 8 food handlers that have been successfully certified by the Ministry of Health (MOH) Malaysia.

HACCP CERTIFICATION - REGION	2018	2017	2016
No. of AEON Premises Certified			
o Northern	7	7	6
o Klang Valley	15	17	16
o Southern	8	7	7
TOTAL	30	31	29

Note: Note: For 2018 HACCP certification, exclude AEON Mahkota Cheras and AEON Quill City

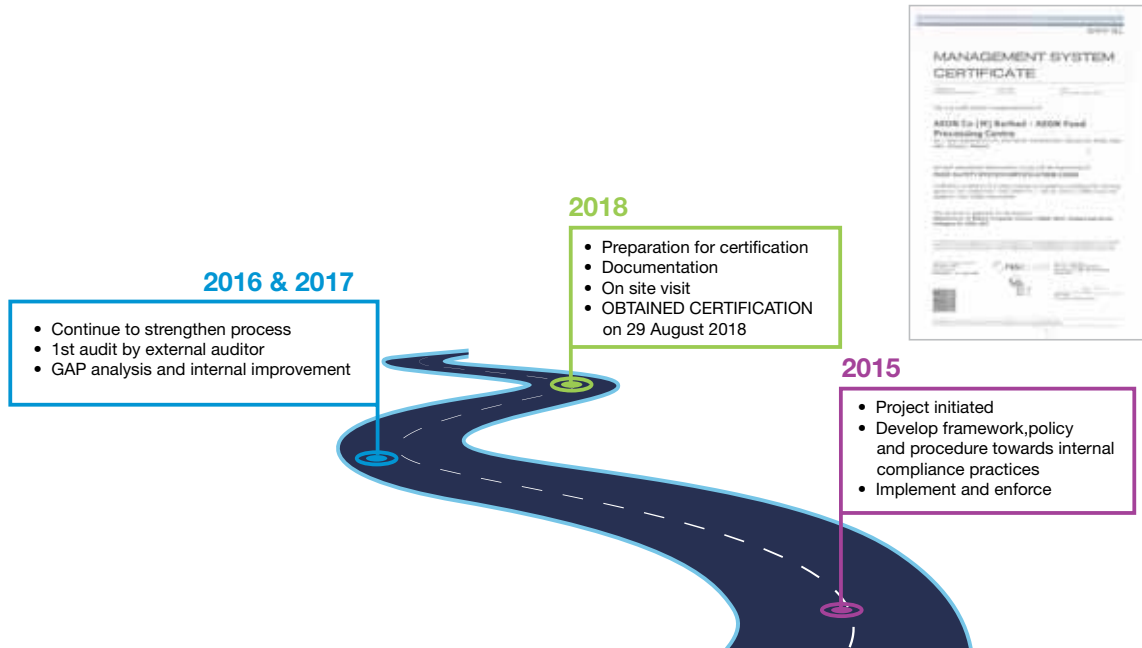
The stores that acquired HACCP certifications will be duly managed and monitored by store food safety and hygiene officers and subjected to internal and external audit on periodical basis to ensure that the HACCP standard and effectiveness are in place at all times.

• ISO 22000 CERTIFICATION

In 2018, AEON successfully renewed its ISO 22000 certification that was awarded to AEON Rawang store and AEON Ipoh Station 18 store. AEON continues to practice good food safety and hygiene practices.

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.



AFPC roadmap to achieve FSSC 22000 certification

On 29 August 2018, AFPC successfully obtained its FSSC 22000 certification which marks a new milestone in AEON’s branding and commitment towards sustainable food quality excellence and safety assurance for our customers.

AEON HALAL ASSURANCE SYSTEM

AEON’s Halal Policy, which first came into effect in 2010 marked a remarkable journey of 8 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.

HALAL APPLICATION DETAILS	TOTAL NO. OF CERTIFIED HALAL APPLICATIONS		
	2018	2017	2016
La Boheme & Café, Delica, Sushi, Coco Café, Pizza & Drink	113	124	52

SUSTAINABILITY STATEMENT

On 23 October 2018, Quality management department had organised an internal training on “Food Safety and Halal Awareness (Purchaser’s Responsibility)” to create awareness and educate our food merchandisers and members of AFPC on suppliers’ selection standard and requirements.

• **AEON FOOD SAFETY CONFERENCE 2018**

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.



For 2018, a total of 134 participants comprising of senior management, store managers, foodline managers and food safety and hygiene officers attended the two-series event, which focused on “Reinforcement of Food Safety and Halal Assurance Advancing Customers’ Experience”.

• **AEON FOOD SAFETY & HALAL WEBPAGE**

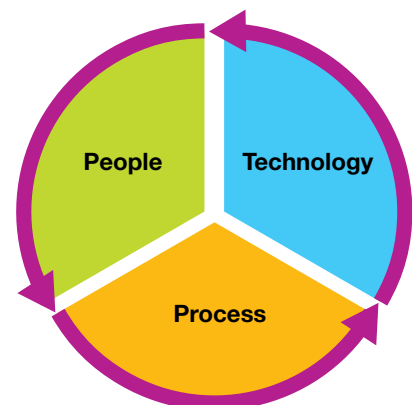


The webpage in our AEON Retail website was created in 2015 by our Quality Management team, and it aims to serve as an educational portal for our customers to get to know our food safety initiatives, providing product knowledge and sharing of information and concerns related to our food products. The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

CUSTOMER RELATIONSHIP MANAGEMENT

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 defined 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;
- **Process:** To increase our efficiency in our day-to-day operation through fast, simplified and easy to understand processes; and
- **Technology:** To enhance our work productivity by implementing a consolidated new system and approach under the Customer Relationship Management (CRM).



• **PEOPLE – IMAGE TRAININGS, CAMPAIGNS AND COMPETITIONS**

AEON developed an internal training module known as BASIC IMAGE (Interest, Mindset, Attire, Grooming and Etiquette) to guide its operation staff especially front-liners in developing their customer service standard and practices when serving customers.

In 2018, Customer Service department had carried out several initiatives to promote the customer service culture among AEON employees to change the mindset, improve communication and foster AEON’s “Customer First” culture by motivating AEON people to “Smile, Greet and Say Thank You” among each other and to our customers.

AEON BASIC IMAGE TRAINING		2018	*2017
o	No. of classes	132	255
o	No. of participants planned	2,314	6,321
o	No. of participants attended	2,146	7,072

Note: For 2017, the no. of classes and participants included HQ managers and senior managers. For 2018, certified IMAGE trainers and apprentice trainers focused on refresher training sessions for all stores.

As at 2018, AEON has a total of 5 certified Basic IMAGE trainers and 33 apprentice trainers.



Apart from the Basic IMAGE training module, AEON Customer Service department continues to increase focus on employees’ confidence to interact and manage customers at selling areas through its Customer Voice Management training module.

In 2018, a total of 272 training sessions were conducted, attended by over 5,300 participants comprising of general staff, leaders and operational managers.

In 2018, AEON launched its internal campaign of “Smile, Greet & Thank You (SGT) 2.0” for both management and operation staff to cultivate the SGT culture among AEON employees. Sustaining the service culture practices requires strong commitment and participation from senior management and operational leaders, to act as “service” role-models to motivate our front-liners.



SUSTAINABILITY STATEMENT

The campaign was successfully launched and participated by AEON management and at the operational level. The top “SGT 2.0 role models” were selected, appreciated and rewarded to motivate them to promote the culture.



During the SGT 2.0, 85% of staff responded by practicing the SGT. IMAGE Audit is carried out on quarterly basis at stores /malls. The result shown a significant improvement with 30% of stores /malls practicing SGT. However, the overall result does not achieve the desired target of 80% compliance.

In order to improve the stores’ customer service team’s performance, an audit was also carried out in August 2018 to understand the root-cause of the employees’ dissatisfaction and demotivation issues. In the outcome of the audit, 94% of staff raised issues relating to employee welfare, 48% on communication obstacles, 45% on working environment and 32% related to knowledge. Action and initiatives are in progress to mitigate the issues in 2019.

• **PEOPLE – CASHIER AND CUSTOMER SERVICE STAFF SKILL CONTESTS AND BEST CUSTOMER SERVICE AWARD**

In its continuous effort to train and equip its front-liners, especially the cashiers, AEON has organised “Cashier Best Skill Contest” with the aim to improve cashier’s technical skills, service and hospitality. A total of 40 cashiers from AEON stores (including AEON Maxvalu stores) and 10 cashiers from AEON Wellness participated in the contest.



Top 3 winners of the “Cashier Best Skill Contest” were nominated to compete at the “AEON Asia Best Cashiers” regional level competition in Vietnam on 29 November 2018, providing the cashiers with valuable experience and engagement with cashiers from AEON ASEAN region.

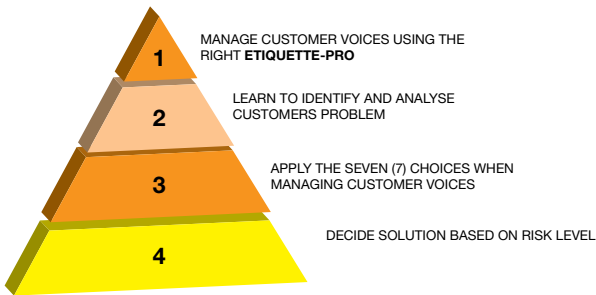


Annually, AEON Best Customer Service Award was organised to give recognition to the customer service staff for their efforts to level up their service culture and be service role models for operation. A total of 14 winners were selected with top 3 winners being rewarded with learning cum holiday trip to Vietnam.



In 2018, a new category of contest was introduced, “Customer Service Best Skill Contest” to evaluate staff on their personal image management, paging skill, wrapping skill and product knowledge. A total of 34 customer service staffs from AEON stores participated in the contest.

• **TECHNOLOGY – CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**



In 2018, AEON continued to use the services of AEON Careline, an integrated platform for the customers to raise issues and voices related to AEON product and services.

With the completion of Customer Voice Management (CVM) training in 2018, operational leaders are prepared to handle and manage customer voices and queries with a standard and structured approach across AEON.

The outcome of the CVM training has shown a significance increase customer compliments and reduction in customer complaints related to staff behaviour and attitude for AEON stores and shopping malls. The compilation of customer voices are characterised into 4 categories, as follows:-

CUSTOMER VOICE CATEGORIES	2018	2017	2016	2015
o Enquiries	65,926	61,533	51,003	52,898
o Complaints	9,786	10,565	8,084	8,168
o Compliments	1,265	481	110	296
o Suggestions	329	259	146	323

Note: 2017 figures have been updated

Out of the total complaints in 2018, the voices specifically related to service, staff attitude and behaviour have shown a reduction by 2% compared to 2017, whereas out of the total staff compliments, service and attitude has increased by 286% compared to 2017, which validates the effectiveness of our training and coaching efforts to improve AEON service culture.

In terms of enquiries and suggestions also, it has recorded an increment of 7% and 27% respectively which indicates that more customers are interested to know more details of AEON’s business activities and initiatives.

Our current CRM system has improved the efficiency and effectiveness of AEON’s customer voice as compared to previous years. Cases are updated on real time basis.

SUSTAINABILITY STATEMENT

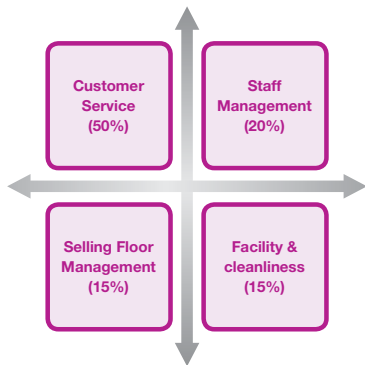
• **TECHNOLOGY – POINT OF SALES (POS) AND INTRODUCTION OF VIRTUAL ELECTRONIC WALLET**

AEON continues to strengthen its POS system functions by offering a digitalise automated service process to manage issues such as cashier’s speed and customer long queues in order to improve our employees’ efficiency and productivity.

By end of November 2018, AEON had fully implemented “touch button” function for our POS system to support the Delica and Pizza department sales transactions to provide a more clean and organised management. In addition, the POS system was enhanced to generate an accurate and automated reports.

In 2018, another remarkable achievement by AEON was introducing the AEON “E-Wallet” and AEON “E-Money” payment function mode in the POS system to foster a “cashless” environment, for customers’ convenience and to ensure a safe and secured payment system.

• **PROCESS – CUSTOMER SATISFACTION INDEX (CSI)**



As reported in AEON Sustainability Statement 2017, Customer Service Department has initiated the CSI assessment method in the second-quarter of 2018 to evaluate our customers’ experience at AEON stores and shopping malls. CSI helps AEON to improvise and achieve a sustainable competitive advantage in terms of understanding customers’ perspective on our product, services, quality and brand reputation.

CSI also build strong customer relationship and loyalty, which serves as an indicator for overall Company’s customer relationship management. CSI focuses on 4 key aspects; Customer Service, Staff Management, Selling Floor Management and Facility & Cleanliness. In 2018, AEON has achieved a CSI of 87%, slightly below target of 90%.

Overall customer feedback pointed out on the improvement of our stores selling area management and staff availability at selling area, whilst for our shopping malls is to focus on enhancing the ambience and accessibility at the parking area.

CUSTOMER AUDIT RESULT	2018	2017	2016	2015
o Customer Satisfaction Index	87%			
o MyShopper		87%		
o Mystery Shopper			83%	84%

In previous years, AEON’s service performance was being evaluated through “Mystery Shopper” and “MyShopper” programme, however in 2018 AEON shift to CSI assessment method to establish a holistic outcome to determine and analyse our customer service standard and performance with more customer experience samplings.

SUPPLY CHAIN MANAGEMENT

At AEON, we always value and respect our business partners; our suppliers, contractors, vendors and retail tenants who help AEON to achieve our “Customer First” objective, and with an emphasis on offering safety, assurance and high quality products and services. We work fairly together with our business partners, and aspire for success and mutual prosperity.

• **PROCUREMENT**

AEON merchandisers are bound by the ‘AEON’s Purchasing Code of Ethics’ (the “Code”) and “Policy on Gifts” regulations that governs the relationship between our employees and suppliers, ensuring that our businesses are conducted ethically. The Code and Policy on Gifts 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 and Policy on Gifts, 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 and Policy on Gifts, suppliers are required to report immediately. Suppliers who choose not to do so shall be deemed as non-compliant.

PROCUREMENT DETAILS		2018	2017	2016	2015
o	Total no. of local suppliers (active)	1,750	1,589	1,400	1,400
o	Amount spent on local procurement (RM’ billion)	4.40	3.81	3.96	3.78

In line with AEON’s Basic Principles to contribute to local communities, we support local businesses with our procurement. In 2018, we have a total of 1,750 active local suppliers registered with AEON, an increase of 10% against 2017, and total procurement amount of approximately RM4.4 billion, an increment of 15% compared to 2017.

• **BUSINESS PARTNER ENGAGEMENTS**

o **CEO “Buka Puasa” Event**

AEON business partner engagements and activities continuously build strong business relationship, share knowledge and information and work hand-in-hand on social issues, community welfare and services.

On 5 June 2018, AEON held its 2018 “CEO Buka Puasa” event with approximately 200 of its AEON Mall tenants to share AEON future strategies and initiatives. AEON presented its historical development journey since it started business in Japan some 250 years ago and how it grew and transformed into a giant group business across 13 countries.



AEON shared on its development and expansion plans including the successful opening of AEON Mall Kuching, the expansion and refurbishment of AEON Taman Maluri and its upcoming AEON Mall Nilai. AEON further shared its digitalisation shift with introduction of AEON e-wallet and the loyalty prepaid AEON Member Plus Card. Appreciation awards were also given out to deserving tenants that night.

SUSTAINABILITY STATEMENT

o **AEON Business Partner Alliance Luncheon & Award Ceremony**

At its annual AEON Business Partners Alliance (ABPA) Luncheon and Award ceremony on 27 July 2018, participated by over 200 of its business partners, AEON updated its business partners on its current and future business plans. It is a strategic annual engagement platform with business partners to strengthen alliance, working together and sharing insights on the industry. Present at the Luncheon was the Deputy Director General (Macro) Economic Planning Unit of the Prime Minister’s Department, Datuk Dr. Kamariah Noruddin who was invited to present an overview of the Malaysian economic situation, GDP growth and retail’s contribution as the key driver for the nation’s economic development. Awards for top achieving partners were also given during the event.



SUPPORTING SMALL AND MEDIUM ENTERPRISES (SMES)

In line with AEON’s pledge to support local community growth, we also focus on developing the economy of local small and medium enterprises (SMEs) through several initiatives that creates a platform for their business exposure and development. AEON worked closely with ministries and government agencies, such as the Ministry of Domestic Trade and Consumer Affairs (MDTCA), 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 through promotion of the local products in marketplace.

• **“PROGRAM CITARASA MALAYSIA”**

AEON worked together with MDTCA Johor branch to launch the “Program Citarasa Malaysia” at AEON Mall Bukit Indah from 1 August to 5 August 2018 to introduce SMEs and promoted Malaysian made products to shoppers. The programme further assisted SMEs to create a working collaboration with supermarkets and entrepreneurs to expand its marketing opportunities and stimulate sales of the SME products.



• **SPECIAL PROJECTS**



AEON assisted by carrying out revamp on its SME's section header boards for better presentation and highlights. Besides refreshing Header boards to highlight SME products, AEON also managed to implement and alter gondola planogram for the SMEs products range and added new gondolas to increase the numbers of new SME's SKUs at the selling areas.

SME SALES ACHIEVEMENT		2018	2017	2016
o	Total SME sales (RM)	1.88 mil	1.26 mil	1.05 mil

AEON has successfully registered approximately 104 SMEs, with 1,490 SKUs of 30 categories of product.

• **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). In 2019, MOH is expected to issue new guidelines for SSDP programme under which retailer like AEON will be responsible to monitor performance and welfare of sponsored interns and to ensure that an effective FSMS is established for SMEs suppliers.

DIGITALISATION

In line with rapid changes in customer demand and lifestyles, the Company continuously study and analyse on new dynamism to revolutionise our business model to stay competitive and relevant in the retail industry. The Company has established a clear and vigorous long-term digitalization roadmap to introduce new digital aspects into working processes to meet the changing demands.

In 2018, new initiatives were initiated to mark the shift into digital business world to increase customer convenience and satisfaction as well as realising the vision to be the most favoured retailer.

• **DIGITALISED SALES CHANNEL – HONESTBEE**

On 24 January 2018, a Memorandum of Understanding (MOU) was signed to form a business alliance with honestbee Malaysia, to start and provide an online grocery delivery services for AEON's customers, further enhancing our value proposition to them. AEON Mid Valley store was selected as the first store to initiate the new personal shopper service.

Feedbacks were closely monitored and with positive results recorded, we have expanded our participating outlets to a total of fifteen (15) which includes AEON Stores, AEON Maxvalu Prime and AEON Wellness.

The "Click & Collect" concierge services was further introduced with a drive-thru lane at AEON Bukit Indah Store in further partnership with honestbee. This service allowed shoppers from Johor Bahru and Singapore to purchase their grocery items online and collect them later at the kiosk or drive-thru lane located at AEON Bukit Indah Store. We have since expanded the services to AEON Mid Valley store.



SUSTAINABILITY STATEMENT

DIGITALISED PAYMENT CHANNEL – AEON MEMBER PLUS CARD & AEON E-WALLET

AEON accomplished another milestone in its digitalisation journey by promoting cashless transactions at its retail stores, in line with Bank Negara and government’s initiatives to push for cashless society. On 16 May 2018, AEON group of companies in Malaysia introduced the prepaid AEON Member PLUS Card and the virtual AEON E-Wallet.

AEON Member PLUS Card is a prepaid card that allows AEON customers to earn up to double reward points when they spend at participating AEON outlets such as AEON Retail Malaysia, AEON Big Malaysia, AEON MaxValu stores and AEON Wellness. The synergy also enabled members to enjoy financial services and benefits from AEON Credit Service (ACS) thus enhancing customers’ shopping experience and maximising customers’ benefits.

As for AEON E-Wallet, it functions as a virtual electronic wallet which users are able to securely store payment electronically on their mobile devices. Using QR code, transactions at the cashier counter can be completed seamlessly.



Since the launching in May 2018, a total of 277,815 customers have acquired the AEON Member PLUS Card and 81,036 customers’ are using the AEON E-Wallet function on their mobile devices.

CYBER SECURITY

As the demand for digitalisation increases, the possibility of cyber threat also increases. AEON has in place its IT security policy to strengthen and govern its IT practices and governance in terms of accessibility controls, management of incident responses, firewall and back up to combat cyber threat. Annual review and assessment of the risks and necessary new measures are carried out.

CUSTOMER RETENTION PROGRAMMES

Over the years AEON has initiated several marketing promotions, campaigns, activities and loyalty programmes to increase footfall and sustains the customer numbers in our stores and shopping malls.

AEON DAY & THANK YOU DAY

In 2018, AEON offered bigger and better deals across the nation benefiting more than 1 million of its AEON members and drove recruitments through the creation of “AEON Day” and “AEON Thank You Day” which offered more promotions and rewards for loyal customers.

The promotions were launched on 8 March 2018 at AEON Mid Valley store to reward members and non-members with greater savings for more than 1,000 items.



- **AEON PRICE LOCK PROMOTION**

In line with AEON Basic Principles, AEON always pays attention and care to issues that affect community's daily life. Effective from 1 September 2018 due to the implementation of Sales and Service Tax (SST), AEON responded with its effort to alleviate the burden of the community through its "Price Lock" promotion campaign, offering good value of products and services to customers.



AEON launched its nationwide "Price Lock" campaign for all its stores whereby prices of selected products remained unchanged from 1 to 30 September 2018.

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.

This Corporate Governance (“CG”) Overview Statement is prepared pursuant to the 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, which is available on the Company’s website, www.aeonretail.com.my, 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. CG Report is available 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, among 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 Chairman and 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.

Datuk Iskandar bin Sarudin is the Independent Non-Executive Chairman of the Board who provides strong leadership and is responsible for ensuring the adequacy and effectiveness of the Board's governance process. The Chairman also promotes an open culture for debates and encourages active participation among the Directors. During the meetings, the Chairman shares his views on key matters so that all the Directors contribute to the debates while ensuring no Director dominates the discussions.

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 regards 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 Committees members at least five (5) business days before the Board and Board Committees meetings to enable the Board or Board Committees 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 and Board Committees meetings. This allows Directors with sufficient time to review and 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, operations 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.

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 employments. All employees attend a refresher seminar on the AEON COC annually. The principles of AEON COC are 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.

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 Company's continuous effort to ensure good corporate governance practice, the Company has established a Whistleblowing Policy and Procedures with avenue for all employees and members of the public to disclose any improper conduct or irregularity within the Company with assurance that they will be protected from possible reprisals or victimization. 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. The Whistleblowing Policy and Procedures can be found on the Company's website at 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. On 23 August 2018, Ms Chong Swee Ying was appointed as Non-Independent Non-Executive Director. 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 fulfills 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 business.

The profile of each Director is set out on pages 7 to 11 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 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.

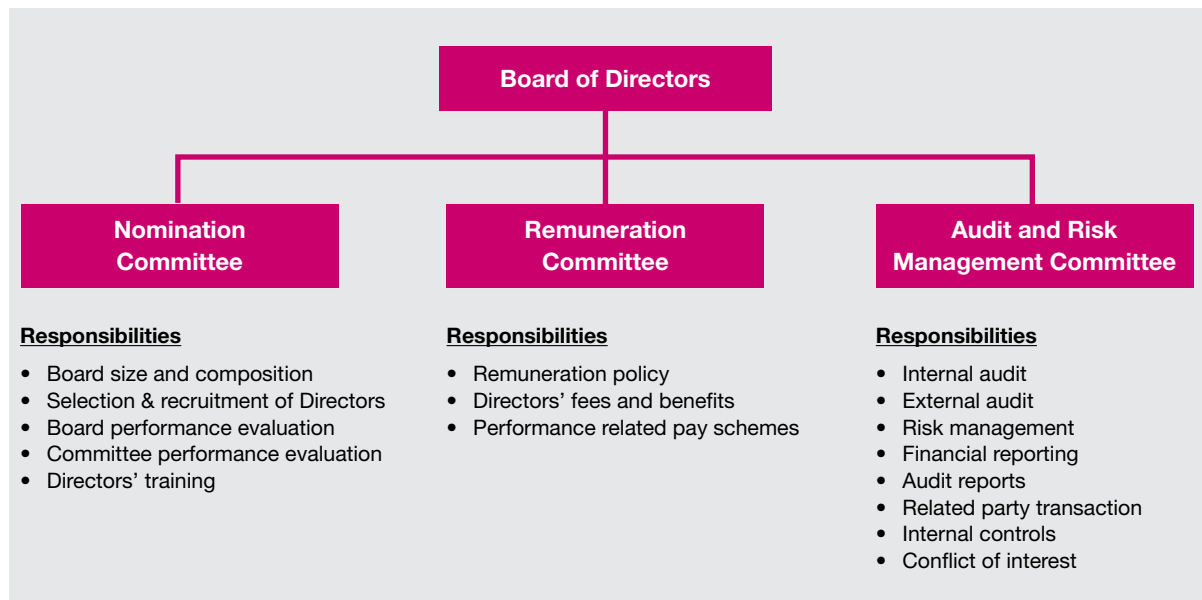
CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 regular 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.

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 towards fulfilling their roles and responsibilities as all the Directors had attended all the Board meetings during the financial year under review.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 (Independent Non-Executive Chairman)	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)	4/4
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.	Chong Swee Ying (Appointed as Non-Independent Non-Executive Director on 23 August 2018)	2/2
10.	Kenji Horii (Retired as Non-Independent Non-Executive Director on 24 May 2018)	1/1

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. 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 training attended by the Directors are set out on page 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 thorough understandings and insights of the Company's operations and strategies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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)
Datuk Iskandar bin Sarudin	Member (Independent Non-Executive Director)
Datuk Syed Ahmad Helmy bin Syed Ahmad	Member (Independent Non-Executive Director)
Kenji Horii <i>(Retired on 24 May 2018)</i>	Member (Non-Independent Non-Executive Director)

Subsequent to the retirement of Mr Kenji Horii as a Non-Independent Non-Executive Director of the Company, he ceased to be a member of the Nomination Committee on 24 May 2018.

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board size and 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 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 that is available on the Company's website at 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 the new appointee 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 candidate during the year. The suitable candidate to be considered for the appointment as a Director is facilitated through recommendations from the Directors, Management and shareholders of the Company. The Nomination Committee will assess and consider the suitability of the candidate based on the criteria set before recommending to the Board for appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Nomination Committee arranges induction for new appointment such as visits to the Company's significant businesses and meetings with Senior Management personnel, as appropriate, to enable the new appointee 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 financial year under review, the Nomination Committee evaluated and recommended Ms Chong Swee Ying as Non-Independent Non-Executive Director of the Company for the Board's approval. She was appointed as Non-Independent Non-Executive Director of the Company on 23 August 2018.

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, backgrounds, training courses for Directors and other qualities of the Board such as core competencies, which Non-Executive Directors should bring to the Board.

The evaluation of the suitability of a candidate is solely based on the candidate's competency, character, time commitment, integrity and experience towards the needs of the Company. The assessment and comments by Directors are summarized in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nomination Committee meeting, which will then be reported at the Board Meeting by the Nomination Committee Chairman. All assessments and evaluations carried out by the Nomination Committee 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 evaluate the suitability of candidate and recommend to the Board for appointment of a new Director, 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 contributions of each Director (including the Managing Director and Executive Directors), effectiveness of the Board and the Board Committees as well as changes to the Board's composition.

7. Re-election to the Board

The Nomination Committee reviewed the Directors' re-election to the Board on 27 February 2019. In accordance with the Company's Articles of Association, all the 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

Directors	Briefing/Conference/Forum/Seminar/ Training attended	Date
Datuk Iskandar bin Sarudin	<ul style="list-style-type: none"> Advocacy Programme on CG: Assessment Using the Revised ASEAN CG Scorecard Methodology 	23 July 2018
Shinobu Washizawa	<ul style="list-style-type: none"> AEON Code of Conduct (ACOC) Executive Seminar and Risk Management An Evening with ASEAN-BAC Malaysia: Friends of ASEAN-BAC Malaysia AEON Japan Top Seminar – Annual Policy 	14 May 2018 4 July 2018 25 October 2018
Poh Ying Loo	<ul style="list-style-type: none"> Corporate Governance Guide 3rd Edition AEON Code of Conduct (ACOC) Executive Seminar and Risk Management Risk Oversight Practices Risk Appetite, Tolerance and Board Oversight Cybersecurity Oversight in the Boardroom AEON Japan Top Seminar – Annual Policy KPMG Brief – MFRS 16, Leases 	25 January 2018 14 May 2018 15 May 2018 28 June 2018 22 October 2018 25 October 2018 26 November 2018
Hiroyuki Kotera	<ul style="list-style-type: none"> AEON Code of Conduct (ACOC) Executive Seminar and Risk Management AEON Japan Top Seminar – Annual Policy 	14 May 2018 25 October 2018
Datuk Syed Ahmad Helmy bin Syed Ahmad	<ul style="list-style-type: none"> Managing Cyber Risks in Financial Institutions Asset Liability Management Committee (ALCO) Session 5th BNM-FIDE Forum Annual Dialogue Fundamentals of Financial Statement 1st PIDM-FIDE Forum Dialogue Islamic Finance for Board Programme International Malaysia Law Conference 2018 AMLATFPUAA 2001: Risk Challenges & Vulnerabilities Towards Risk Based Approach 	22 January 2018 12 March 2018 19 April 2018 7 & 8 May 2018 10 July 2018 11 & 12 July 2018 14 August 2018 12 September 2018
Dato' Tunku Putra Badlishah Ibni Tunku Annuar	<ul style="list-style-type: none"> Induksi Keselamatan Bagi Pekerja Binaan (SICW) KPMG Brief – MFRS 16, Leases 	28 March 2018 26 November 2018
Abdul Rahim bin Abdul Hamid	<ul style="list-style-type: none"> Regulatory Framework – Post Listing Transactions and Related Party Transactions Rules Key Disclosures – Obligations of a Listed Company Dealings in Listed Securities, Closed Period & Insider Trading Rethinking of Independent Directors – Board Best Practices KPMG Brief – MFRS 16, Leases Power Talk – Business Judgement Rule for Directors 	15 June 2018 15 June 2018 16 June 2018 16 June 2018 5 September 2018 26 November 2018 17 December 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Directors	Briefing/Conference/Forum/Seminar/ Training attended	Date
Charles Tseng @ Charles Tseng Chia Chun	• International Professional Practices Framework (IPPF) Workshop	28 August 2018
	• KPMG Brief – MFRS 16, Leases	26 November 2018
Chong Swee Ying	• Mandatory Accreditation Programme	29 & 30 November 2018
	• Companies of the Future : The Role for Boards	4 December 2018
	• Non-Financials – Does It Matter	5 December 2018

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

III. Remuneration

1. Remuneration Committee

The Remuneration Committee establishes sets of policy and framework as well as reviews the remuneration of Directors that 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	Chairman (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)
Kenji Horii (Retired on 24 May 2018)	Member (Non-Independent Non-Executive Director)

Subsequent to the retirement of Mr Kenji Horii as a Non-Independent Non-Executive Director of the Company, he ceased to be a member of the Remuneration Committee on 24 May 2018.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT**2. Directors' Remuneration**

The determination of the remuneration packages is a matter for the Board as a whole. The Executive Directors concerned abstain 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 financial 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. Directors' fees and benefits payable to the Directors had 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/her own remuneration.

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PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

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

1. 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 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, a summary of ARMC 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 ongoing 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 frameworks 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 a risk management framework based on the principles and guidelines under Risk Management ISO 31000: 2010 (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 to discharge 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, the External and Internal Auditors are able to review and assess the risk management framework. The Risk and Crisis Management 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 continues to review the Company’s risk management framework and oversee the Company’s strategic risk management and internal control framework.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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. 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 as well as to comply with the disclosure requirements as stipulated in the MMLR.

The Board also establishes a dedicated section for corporate information disclosure on the Company's website (www.aeonretail.com.my) where information on the Company's announcements, financial information, share prices and the Company's annual report can be found. Contact details of designated persons to address 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 updates of the Company's activities and operations are also disseminated to shareholders and investors through dialogues with analysts and 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 are given opportunities to seek clarification before proceeding to poll voting.

During the Thirty-Third (33rd) AGM, an 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 the 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 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 33rd AGM was circulated at least twenty eight (28) 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 allowed shareholders to have immediate access of the notice of AGM and made necessary preparations for the AGM.

The Company will dispatch 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 27 February 2019.

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 2018.

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)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year under review, the Terms of Reference of the ARMC was assessed, reviewed and updated by the Board on 27 February 2019.

The Terms of Reference of the ARMC is available on the Company’s website at www.aeonretail.com.my.

The Nomination 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 Nomination 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	3/4

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, Messrs KPMG Desa Megat PLT have attended two (2) meetings for the financial year ended 31 December 2018, the Head of Finance, Head of Internal Audit, Head of Legal, Senior Finance Managers and Head of Corporate Planning 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 2018 are described below :

Financial Reporting Results

Reviewed with management and the External Auditors and deliberated on the quarterly financial statements and 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 27 February 2018 and 26 November 2018 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 27 February 2018 and 26 November 2018 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 Management Working Committee ("RMWC") 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 2018.

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 Professional 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 Malaysia 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 2018, 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 recognized 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

For the financial year ended 31 December 2018, eighty eight (88) 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 Conducts.

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 RM1,045,000 (2017: RM994,000).

The ARMC Report was made in accordance with the resolution and approved by the Board on 27 February 2019.

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 on 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 ongoing 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 quarterly.

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 ISO31000:2010. 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 of line 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, analyzing root causes, developing the appropriate risk treatment, monitoring and report of risks on an ongoing basis.

The Company adopts the Risk and Control Self-Assessment (“RCSA”) method to formalize 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 profile. Operational Heads of Store and Shopping Malls update their operational 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 Risk & Crisis Management Department with 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 & Crisis Management Department to the ARMC for review, deliberation and recommendation for endorsement by the Board.

RISK AND CRISIS MANAGEMENT FUNCTION

Risk and Crisis Management Department (“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 malls 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 weekly general managers meetings, monthly operational management meetings, Store and Shopping Mall Managers Meetings;
- 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 approvals 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 provides an independent assessment of the adequacy of the risk management process. He reports to the ARMC on the effectiveness of the risk management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 Audit and Assurance Practice Guide (“AAPG”) 3 issued by the MIA for inclusion in the 2018 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. AAPG 3 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 ongoing 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 27 February 2019.

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 page 135 of this Annual Report.

AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2018, 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	219
Total	479

During the financial year, the amount incurred in respect of non-audit related fees amounted to RM219,000 comprised assignments for tax consultation advisory fee including sales and service tax compliance, Statement of Risk Management and Internal Control review and sales verification review fee.

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-Third Annual General Meeting ("AGM") held on Thursday, 24 May 2018, 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 2018 is set out on page 135 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 true and fair view of the financial position of the Company as at 31 December 2018, and of their 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 2018

DIRECTORS' REPORT

for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2018.

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	105,123

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 4.00 sen per ordinary share totalling RM56,160,000 in respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year on 11 July 2018.

A final dividend recommended by the Directors in respect of the financial year ended 31 December 2018 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
 Chong Swee Ying (appointed on 23 August 2018)
 Kenji Horii (retired on 24 May 2018)

DIRECTORS' REPORT
for the year ended 31 December 2018

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 1.1.2018/ Date of appointment	Number of ordinary shares		
		Bought	Sold	At 31.12.2018
Shareholdings in which Directors have direct interests				
Interest of Poh Ying Loo in:				
AEON CO. (M) BHD.	124,000	20,000	–	144,000
AEON Credit Service (M) Berhad	1,800	–	–	1,800
Interest of Chong Swee Ying in:				
AEON CO. (M) BHD.	22,600	–	–	22,600
AEON Credit Service (M) Berhad	20,440	–	–	20,440
Shareholdings in which Directors have deemed interests				
Interest of Poh Ying Loo in:				
AEON CO. (M) BHD.	96,000	–	–	96,000
Interest of Chong Swee Ying in:				
AEON Credit Service (M) Berhad	5,220	–	–	5,220
	At 1.1.2018	Number of 3.5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		
		Bought	Sold	At 31.12.2018
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 2018 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2018

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.

OTHER STATUTORY INFORMATION (continued)

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.

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 RM17,606,000 and investment in an associate of RM8,009,000 as disclosed in the financial statements, the financial performance of the Company for the financial year ended 31 December 2018 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: 2 April 2019

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Assets				
Property, plant and equipment	3	3,699,455	3,504,045	3,436,077
Intangible assets	4	14,179	17,228	19,627
Investment in a subsidiary	5.1	–	–	49,000
Investments in associates	5	11,053	30,182	7,968
Other investments	6	71,053	62,508	44,459
Other assets	7	17,954	17,427	16,771
Deferred tax assets	8	2,242	–	–
Total non-current assets		3,815,936	3,631,390	3,573,902
Inventories	9	680,140	610,731	602,283
Contract assets	10	18,771	17,284	15,300
Receivables, deposits and prepayments	11	49,705	71,565	51,726
Tax recoverable		–	–	21,635
Cash and cash equivalents	12	82,154	78,594	81,488
Assets classified as held for sale	13	830,770	778,174	772,432
		–	–	67,382
Total current assets		830,770	778,174	839,814
Total assets		4,646,706	4,409,564	4,413,716
Equity				
Share capital		702,000	702,000	702,000
Fair value reserve		70,023	61,478	43,429
Retained earnings		1,248,352	1,199,389	1,136,502
Equity attributable to owners of the Company	14	2,020,375	1,962,867	1,881,931
Liabilities				
Borrowings	15	350,160	155,323	325,070
Other liabilities	16	17,734	14,213	7,746
Deferred tax liabilities	8	–	11,316	27,990
Total non-current liabilities		367,894	180,852	360,806
Borrowings	15	645,263	782,347	640,322
Payables and accruals	17	1,429,834	1,317,148	1,380,759
Contract liabilities	10	157,981	146,043	149,898
Current tax liability		25,359	20,307	–
Total current liabilities		2,258,437	2,265,845	2,170,979
Total liabilities		2,626,331	2,446,697	2,531,785
Total equity and liabilities		4,646,706	4,409,564	4,413,716

The notes on pages 93 to 150 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000 Restated
Continuing operations			
Revenue	18	4,353,640	4,123,351
Other operating income		8,414	29,480
Changes in inventories		69,409	8,448
Net purchases		(2,661,816)	(2,463,373)
Staff costs		(307,999)	(301,437)
Depreciation of property, plant and equipment	3	(297,807)	(285,570)
Amortisation of intangible assets	4	(6,191)	(5,662)
Operating expenses		(917,960)	(864,696)
Results from operating activities	19	239,690	240,541
Interest expense		(42,935)	(40,749)
Interest income		1,403	1,200
Share of losses of equity-accounted associates, net of tax		(11,120)	(7,186)
Profit before tax		187,038	193,806
Tax expense	21	(81,915)	(88,799)
Profit for the year		105,123	105,007
Other comprehensive income, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Net change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")	22	8,545	–
Item that is or may be reclassified subsequently to profit or loss			
Fair value of available-for-sale financial assets	22	–	18,049
Total comprehensive income for the year		113,668	123,056
Basic earnings per ordinary share (sen)	23	7.49	7.48

The notes on pages 93 to 150 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Note	<-----Attributable to owners of the Company----->			Total equity RM'000
		<---Non-distributable---> Share capital RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	
At 1 January 2017		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
Total comprehensive income for the year		–	18,049	105,007	123,056
Final dividend in respect of year ended 31 December 2016	24	–	–	(42,120)	(42,120)
At 31 December 2017/ 1 January 2018		702,000	61,478	1,199,389	1,962,867
Net change in fair value of equity investments designated at FVOCI		–	8,545	–	8,545
Profit for the year		–	–	105,123	105,123
Total comprehensive income for the year		–	8,545	105,123	113,668
Final dividend in respect of year ended 31 December 2017	24	–	–	(56,160)	(56,160)
At 31 December 2018		702,000	70,023	1,248,352	2,020,375
		Note 14	Note 14		

The notes on pages 93 to 150 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000 Restated
Cash flows from operating activities			
Profit before tax		187,038	193,806
Adjustments for:			
Amortisation of intangible assets	4	6,191	5,662
Depreciation of property, plant and equipment	3	297,807	285,570
Dividend income		(2,103)	(2,181)
Impairment loss on:			
- Property, plant and equipment	3.1	17,606	11,429
- Intangible assets	4	134	-
- Investment in an associate	5.1	8,009	-
- Investment in a subsidiary	5.1	-	19,600
Loss / (Gain) on disposal of:			
- Property, plant and equipment		261	(64)
- Assets classified as held for sale		-	(18,519)
Interest expense		42,935	40,749
Interest income		(1,403)	(1,200)
Property, plant and equipment written off		7,154	3,325
Intangible assets written off		143	351
Share of results of associates		11,120	7,186
Operating profit before changes in working capital		574,892	545,714
Changes in working capital:			
Inventories		(69,409)	(8,448)
Receivables, deposits and prepayments and other assets		20,715	(23,362)
Payables and accruals and other liabilities		117,534	(59,299)
Contract assets		(1,487)	(1,984)
Contract liabilities		11,938	(3,855)
Cash generated from operations		654,183	448,766
Tax paid		(90,421)	(63,531)
Net cash from operating activities		563,762	385,235
Cash flows from investing activities			
Acquisition of:			
- Property, plant and equipment	3	(519,119)	(368,668)
- Intangible assets	4	(3,079)	(3,302)
Deposit refunded for cancellation of acquisition of land	11.2	-	3,485
Proceeds from disposal of:			
- Property, plant and equipment		541	190
- Assets classified as held for sale		-	85,839
Dividend received		2,103	2,181
Interest received		1,403	1,200
Net cash used in investing activities		(518,151)	(279,075)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	2018 RM'000	2017 RM'000 Restated
Cash flows from financing activities			
Proceeds from borrowings		840,100	782,347
Repayment of borrowings		(782,347)	(810,069)
Dividend paid to owners of the Company	24	(56,160)	(42,120)
Interest paid		(43,644)	(39,212)
Net cash used in financing activities		(42,051)	(109,054)
Net increase/(decrease) in cash and cash equivalents		3,560	(2,894)
Cash and cash equivalents at beginning of year		78,594	81,488
Cash and cash equivalents at end of year	(i)	82,154	78,594

(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	2018 RM'000	2017 RM'000
Cash and bank balances	12	36,006	60,887
Deposits with licensed financial institutions	12	46,148	17,707
		82,154	78,594

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 2018 comprise the Company and the Company's interests in associates.

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 2 April 2019.

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 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*
- 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (continued)**(a) Statement of compliance (continued)*****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, amendments and interpretations:

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for amendments to MFRS 3 and amendments to MFRS 11 which are not applicable to the Company.
- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, except for amendments to MFRS 3 which is not applicable to the Company.
- The Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Company, except for MFRS 16, *Leases*.

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 plans to apply MFRS 16 on 1 January 2019, using modified retrospective approach. The Company chooses to measure the right-of-use asset as if MFRS 16 had always been applied with no restatement of comparative information.

Based on the information currently available, the Company estimates that it will recognise lease liabilities of RM2,195,000,000 with a corresponding right-of-use assets of RM1,742,000,000 and deferred tax assets of RM109,000,000, recognising the difference in retained earnings. The Company does not expect the adoption of MFRS 16 to impact its ability to comply with the regulatory capital requirements. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change until the Company presents its first financial statements that include the date of initial application.

No significant impact is expected for leases in which the Company is a lessor.

1. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Amendments to MFRS 123, *Borrowing Costs* (Annual Improvements to MFRS Standards 2015-2017 Cycle)

Amendments to MFRS 123 clarifies that if any specific borrowing becomes outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period.

Amendments to MFRS 123 is expected to have impact to the financial statements of the Company for the year ending 31 December 2019 as it applies the amendments only to borrowing costs incurred on or after the date it first apply the amendments which is 1 January 2019.

(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 2018, the Company's current liabilities exceeded its current assets by RM1,427,667,000 (2017: RM1,487,671,000).

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 2018, a total of RM1.0 billion (2017: RM765.0 million) in respect of this facility has not been issued. As at year end, RM291.0 million (2017: RM453.5 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.

(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 9 – Inventories
- Note 10 – Contract liabilities
- Note 16 – Other liabilities

NOTES TO THE FINANCIAL STATEMENTS

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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- (i) financial instruments;
- (ii) revenue recognition; and
- (iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 31.

(a) Accounting for investment in subsidiary and associate**(i) Subsidiary**

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

The Company 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 Company 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 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.

(ii) Loss of control

Upon the loss of control of a subsidiary, the Company 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 Company 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 a 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.

Investments in associates are accounted for in the Company's financial statements using the equity method 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Accounting for investment in subsidiary and associate (continued)

(iii) Associates (continued)

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.

(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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Financial instruments**

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Company has elected not to restate the comparatives.

(i) Initial measurement and recognition

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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at 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.

Previous financial year

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

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was 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**Current financial year**

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

Current financial year (continued)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2 (j)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income - Equity investments

This category comprises investment in equity that is not held for trading, and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

All financial assets, except for equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2 (j)(i)).

Previous financial year

In the previous financial year, financial assets of the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Loans and receivables

Loans and receivables category comprised debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)*****Financial assets (continued)*****Previous financial year (continued)****(b) Available-for-sale financial assets**

Available-for-sale category comprised investments in equity and debt securities instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss.

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

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

Financial liabilities**Current financial year**

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

Financial liabilities categorised as fair value through profit or loss were 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 transferred, 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 of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Property, plant and equipment (continued)****(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(f) Intangible assets (continued)****(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.

(h) Contract asset/Contract liability

A contract asset is recognised when the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(j)(i)).

A contract liability is stated at cost and represents the obligation of the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) 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 its short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment

(i) Financial assets

Unless specifically disclosed below, the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Company elected not to restate the comparatives.

Current financial year

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

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

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(j) Impairment (continued)****(i) Financial assets (continued)****Previous financial year**

All financial assets (except for investments in a subsidiary and in associates) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in the profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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 was not reversed through profit or loss.

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

(ii) Other assets

The carrying amounts of other assets (except for deferred tax asset, 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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.

(k) 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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Revenue and other income****(i) Retail sales - goods sold and commission earned**

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Company performs;
- (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

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.

For items that are not sold separately – e.g. customer loyalty programme and customer rebates – the Company estimates stand-alone selling prices as follow:

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 (contract liability) 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.

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 (contract liability) 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 contract liability will be estimated by reference to the monetary value attributable to the customer rebates and redemption profile.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue and other income (continued)

(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.

(iii) 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.

(iv) 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.

(v) Membership income

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

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) 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.

(p) 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.

(q) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(s) 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.

(t) 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

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										
At 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	13	-	-	40	141	472	93	5	-	751
At 31 December 2017/										
1 January 2018	643,002	1,812,752	586,187	18,290	1,440,415	556,526	6,923	75,807	260,630	5,400,532
Additions	-	4,348	35,706	399	68,823	49,472	1,001	4,140	355,230	519,119
Disposals	-	-	(482)	-	(1,706)	(300)	(325)	-	-	(2,813)
Written off	-	(1,423)	(16,986)	(249)	(17,365)	(27,564)	-	(2,162)	-	(65,749)
Transfer in/(out)	-	5,385	35,960	35	20,212	8,459	-	368	(70,419)	-
Transfer to intangible assets	4	-	-	-	-	-	-	-	(340)	(340)
At 31 December 2018	643,002	1,821,062	640,385	18,475	1,510,379	586,593	7,599	78,153	545,101	5,850,749

NOTES TO THE FINANCIAL STATEMENTS

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
Depreciation and impairment loss										
At 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
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)
	13	-	-	23	115	456	93	2	-	689
At 31 December 2017/										
1 January 2018										
- 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
Depreciation for the year	41,234	284,340	310,126	13,418	764,497	423,474	5,675	53,723	-	1,896,487
Impairment loss	3,498	39,844	48,180	971	138,863	56,823	687	8,941	-	297,807
Disposals	-	166	5,174	104	5,960	5,790	-	412	-	17,606
Written off	-	-	(188)	-	(1,257)	(240)	(326)	-	-	(2,011)
	-	(72)	(15,660)	(211)	(14,837)	(26,073)	-	(1,742)	-	(58,595)
At 31 December 2018										
- Accumulated depreciation	44,732	324,112	327,479	13,748	881,635	448,587	6,036	60,790	-	2,107,119
- Accumulated impairment loss	-	166	20,153	534	11,591	11,187	-	544	-	44,175
	44,732	324,278	347,632	14,282	893,226	459,774	6,036	61,334	-	2,151,294

NOTES TO THE FINANCIAL STATEMENTS

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
Carrying amounts										
At 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/ 1 January 2018	601,768	1,528,412	276,061	4,872	675,918	133,052	1,248	22,084	260,630	3,504,045
At 31 December 2018	598,270	1,496,784	292,753	4,193	617,153	126,819	1,563	16,819	545,101	3,699,455

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 Impairment loss

The historical losses from loss-making 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 was determined by comparing the recoverable amount to the carrying amount of the plant and equipment.

The amount of impairment loss recorded for certain property, plant and equipment is as follows:

	2018 RM'000	2017 RM'000
Impairment loss	17,606	11,429

The impairment losses 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.

The recoverable amounts, determined by way of value in use, were calculated by discounting the future cash flows expected to be generated from the continuing use of the stores and were 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 1.0% to 7.5% (2017: 2.0% to 5.0%), 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 45.9% (2017: 2.0% to 30.0%) based on average growth levels experienced over the years.
- A discount rate of 5.80% (2017: 6.12%) 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).

The above estimates are particularly sensitive in discount rate and annual revenue growth rate. Therefore, any adverse change in a key assumption may result in a further impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

	Note	Information technology software RM'000	Franchise fees RM'000	Total RM'000
Cost				
At 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 2017/1 January 2018		48,586	–	48,586
Additions		3,079	–	3,079
Transfer from construction work-in-progress	3	340	–	340
Written off		(534)	–	(534)
At 31 December 2018		51,471	–	51,471
Accumulated amortisation				
At 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 2017/1 January 2018		31,358	–	31,358
Amortisation for the year		6,191	–	6,191
Impairment loss		134	–	134
Written off		(391)	–	(391)
At 31 December 2018				
- Accumulated amortisation		37,158	–	37,158
- Accumulated impairment loss		134	–	134
		37,292	–	37,292
Carrying amounts				
At 1 January 2017		19,253	374	19,627
At 31 December 2017/1 January 2018		17,228	–	17,228
At 31 December 2018		14,179	–	14,179

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN ASSOCIATES

	Note	2018 RM'000	2017 RM'000
At cost			
Unquoted shares		38,600	38,600
Less: Impairment loss	5.1	(8,009)	–
Share of post-acquisition reserves		(19,538)	(8,418)
		11,053	30,182

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Note	Effective ownership interest and voting interest	
				2018 %	2017 %
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.**	Malaysia	Furniture retailer	5.1	49	49

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

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

5.1 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. (“ILMM”). On the same day, 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 in the financial year 2017.

During the financial year, ILMM ceased all of its operation. As such an impairment loss of RM8,009,000 is recognised to write down the cost of investment to nil. Both the Company and ILM have agreed to dissolve ILMM through members’ voluntary liquidation on 19 February 2019.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN ASSOCIATES (continued)

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

2018	AFM RM'000	ATVM RM'000	ILMM RM'000	Total RM'000
Summarised financial information				
As at 31 December				
Non-current assets	92,706	161	–	
Current assets	24,216	35,488	2,850	
Non-current liabilities	(31,114)	–	–	
Current liabilities	(19,473)	(30,796)	(2,066)	
Net assets	66,335	4,853	784	
Year ended 31 December				
Profit/(Loss) from continuing operations	8,271	4,773	(28,994)	
Included in the total comprehensive income is:				
Revenue	77,385	89,768	21,883	
Reconciliation of net assets to carrying amount as at 31 December				
Company's share of net assets	10,082	971	–	11,053
Carrying amount in the statement of financial position	10,082	971	–	11,053
Company's share of results for the year ended 31 December	1,651	971	(13,742)	(11,120)
Other information				
Dividends received by the Company	141	–	–	

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN ASSOCIATES (continued)

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

2017	AFM RM'000	ATVM RM'000	ILMM RM'000	Total RM'000
Summarised financial information				
As at 31 December				
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	
Year ended 31 December				
Profit/(Loss) from continuing operations	2,317	4,532	(33,747)	
Included in the total comprehensive income is:				
Revenue	81,328	86,375	29,181	
Reconciliation of net assets to carrying amount as at 31 December				
Company's share of net assets	8,431	–	14,591	23,022
Goodwill	–	–	7,160	7,160
Carrying amount in the statement of financial position	8,431	–	21,751	30,182
Company's share of results for the year ended 31 December	463	–	(7,649)	(7,186)
Other information				
Dividends received by the Company	193	–	–	

NOTES TO THE FINANCIAL STATEMENTS

6. OTHER INVESTMENTS

	Note	2018 RM'000	2017 RM'000
Non-current			
Quoted equity in Malaysia - Fair value through other comprehensive income	6.1	71,053	-
Non-current			
Quoted equity in Malaysia - Available-for-sale		-	62,508

6.1 Equity investments designated at fair value through other comprehensive income

At 1 January 2018, the Company designated the investments shown below as equity security as at fair value through other comprehensive income because this equity security represents investment that the Company intends to hold for long-term strategic purposes. In 2017, this investment was classified as available-for-sale.

	Fair value at 31 December 2018 RM'000	Dividend income recognised during 2018 RM'000
AEON Credit Service (M) Berhad	71,053	1,962

7. OTHER ASSETS

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

8. DEFERRED TAX ASSETS/(LIABILITIES)**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment						
- capital allowance	-	-	(30,663)	(39,346)	(30,663)	(39,346)
- revaluation	-	-	(9,185)	(9,386)	(9,185)	(9,386)
Provisions	4,789	3,735	-	-	4,789	3,735
Contract liabilities	37,301	33,681	-	-	37,301	33,681
Net tax assets/(liabilities)	42,090	37,416	(39,848)	(48,732)	2,242	(11,316)

NOTES TO THE FINANCIAL STATEMENTS

8. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Movement in temporary differences during the year

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2018 RM'000
Property, plant and equipment					
- capital allowance	(48,768)	9,422	(39,346)	8,683	(30,663)
- revaluation	(9,587)	201	(9,386)	201	(9,185)
Provisions	1,309	2,426	3,735	1,054	4,789
Contract liabilities	29,056	4,625	33,681	3,620	37,301
	(27,990)	16,674	(11,316)	13,558	2,242

9. INVENTORIES

	2018 RM'000	2017 RM'000
Retail merchandise	382,037	341,811
Food and others	298,103	268,920
	680,140	610,731
Recognised in profit or loss:		
Inventories recognised as an expense	2,594,704	2,461,169
Reversal of inventories written down to net realisable value	(2,297)	(6,244)

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

10. CONTRACT ASSETS/(LIABILITIES)

	2018 RM'000	2017 RM'000 Restated
Contract assets	18,771	17,284
Contract liabilities	(157,981)	(146,043)

NOTES TO THE FINANCIAL STATEMENTS

10. CONTRACT ASSETS/(LIABILITIES) (continued)

The contract assets primarily relate to the Company's right to consideration for the rental earned but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 90 days.

The contract liabilities primarily relate to the unredeemed customer loyalty awards, rebates and unutilised cash vouchers. The amount will be recognised as revenue when the points and rebates are redeemed and cash vouchers are utilised by customers, which is expected to occur over the next three years.

	2018 RM'000	2017 RM'000 Restated
Customer loyalty awards	42,569	42,547
Customer rebates	4,905	5,630
Unutilised cash vouchers and others	110,507	97,866
	157,981	146,043

The fair value of the customer loyalty awards and customer rebates are estimated by reference to the monetary value attributable to the awarded gift redemption points, rebates and redemption profile.

The customer loyalty awards and customer rebates are based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

Movement in contract liabilities

The following table shows reconciliation from the opening balance to the closing balance for the contract liabilities and its components.

	Customer loyalty awards RM'000	Customer rebates RM'000	Unutilised Cash vouchers and others RM'000	Total RM'000
At 1 January 2017	41,907	5,324	102,667	149,898
Additions during the year	19,630	12,173	224,184	255,987
Utilisation during the year	(13,755)	(8,564)	(211,840)	(234,159)
Reversal during the year	(5,235)	(3,303)	(17,145)	(25,683)
At 31 December 2017/ 1 January 2018	42,547	5,630	97,866	146,043
Additions during the year	20,825	9,856	260,714	291,395
Utilisation during the year	(15,231)	(7,762)	(226,432)	(249,425)
Reversal during the year	(5,572)	(2,819)	(21,641)	(30,032)
At 31 December 2018	42,569	4,905	110,507	157,981

NOTES TO THE FINANCIAL STATEMENTS

11. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	2018 RM'000	2017 RM'000 Restated
Trade			
Trade receivables		36,929	58,246
Amount due from a related company	11.1	546	454
		37,475	58,700
Non-trade			
Other receivables and prepayments	11.2	9,310	9,731
Amount due from associates	11.1	1,184	1,865
Amount due from related companies	11.1	1,736	1,269
		12,230	12,865
		49,705	71,565

11.1 Amounts due from 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 associates and related companies are unsecured, interest free and repayable on demand.

11.2 Other receivables and prepayments

Included in other receivables and prepayments are deposits of RM207,000 (2017: RM207,000) 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 Nil (2017: RM3,485,000) upon cancellation of the purchase of lands due to non-fulfillment of the conditions precedent within the extended period.

12. CASH AND CASH EQUIVALENTS

	2018 RM'000	2017 RM'000
Cash and bank balances	36,006	60,887
Deposits with licensed financial institutions	46,148	17,707
	82,154	78,594

NOTES TO THE FINANCIAL STATEMENTS

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2017 RM'000
Property, plant and equipment		
<i>Carrying amount</i>		
At 1 January		67,382
Transfer from property, plant and equipment	3	(62)
Disposals		(67,320)
		-

On 29 June 2017, the Company entered into a Sale and Purchase Agreement to dispose of the assets. The disposal has been completed on 21 December 2017 with a net disposal proceed of RM85,839,000 and gain on disposal of RM18,519,000 being recognised in previous financial year.

14. CAPITAL AND RESERVES**Share capital**

	2018		2017	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid:				
Ordinary shares	1,404,000	702,000	1,404,000	702,000

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 equity investment designated at fair value through other comprehensive income (2017: available-for-sale financial assets) until the investments are derecognised or impaired.

NOTES TO THE FINANCIAL STATEMENTS

15. BORROWINGS

	Note	2018 RM'000	2017 RM'000
Non-current			
Bank loans	15.1	350,160	155,323
Current			
Bank loans	15.1	165,163	229,747
Revolving credits - unsecured	15.2	480,100	317,600
Islamic Medium Term Notes and Islamic Commercial Papers - unsecured	15.3	–	235,000
		645,263	782,347
		995,423	937,670

15.1 The bank loans are unsecured, bears interest ranging from 3.96% to 4.58% (2017: 3.92% to 4.10%) per annum and are repayable on quarterly basis up to 30 November 2021.

15.2 The unsecured revolving credits bear interest rates ranging from 3.70% to 4.26% (2017: 3.45% to 4.01%) per annum.

15.3 The unsecured Islamic Medium Term Notes and Islamic Commercial Papers in previous year bore interest rates ranging from 3.78% to 3.80% per annum.

15.4 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/ 1.1.2018 RM'000	Net changes from financing cash flows RM'000	At 31.12.2018 RM'000
Bank loans	567,317	(182,247)	385,070	130,253	515,323
Revolving credits - Unsecured	213,500	104,100	317,600	162,500	480,100
Islamic Medium Term Notes and Islamic Commercial Papers - Unsecured	184,575	50,425	235,000	(235,000)	–
Total liabilities from financing activities	965,392	(27,722)	937,670	57,753	995,423

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER LIABILITIES**Provision for restoration cost**

	2018 RM'000	2017 RM'000
At 1 January	14,213	7,746
Provision made during the year	4,348	6,091
Provision used during the year	–	(12)
Provision reversed during the year	(1,453)	–
Unwinding of discount	626	388
At 31 December	17,734	14,213

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 5.06% (2017: 5.03%).

17. PAYABLES AND ACCRUALS

	Note	2018 RM'000	2017 RM'000 Restated
Trade			
Trade payables		840,947	776,212
Amount due to an associate	17.1	28,420	17,054
		869,367	793,266
Non-trade			
Other payables and accrued expenses	17.2	198,723	169,324
Progress claims by contractors		54,861	50,185
Rental and utility deposits		256,087	249,039
Amount due to holding company	17.1	17,813	16,531
Amount due to associates	17.1	2,218	2,067
Amount due to related companies	17.1	30,765	36,736
		560,467	523,882
		1,429,834	1,317,148

17. PAYABLES AND ACCRUALS (continued)

17.1 Amounts due to holding company, associates and related companies

The trade amount due to an associate is 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 Other payables and accrued expenses

Included in other payables and accrued expenses is interest accrued of RM1,454,000 (2017: RM2,155,000).

18. REVENUE

	2018 RM'000	2017 RM'000 Restated
Sale of goods	3,211,008	2,998,429
Net commission from concessionaire sales	390,325	388,108
Property management services	687,334	664,370
Others	64,973	72,444
	4,353,640	4,123,351

NOTES TO THE FINANCIAL STATEMENTS

18. REVENUE (continued)**Nature of goods and services**

The following information reflects the typical transactions of the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds
Sale of goods and net commission from concessionaire sales	Revenue is recognised when the goods are accepted by the customers at the stores of the Company. When the Company acts in the capacity of an agent rather than as principal, the revenue recognised is the net amount of commission made.	Cash term	Customers may earn loyalty points and rebates (see below).	The Company allows returns for exchange with new goods under normal circumstances within 14 days from the date of purchase.
Property management services	Revenue is recognised on a straight-line basis over the term of the lease.	Credit period of 30 days from invoice date.	Not applicable	Not applicable
Loyalty programme	Customers who purchase the products using members' card are entitled to earn points and rebates that are redeemable against any future purchases. The amount will be recognised as revenue when the points and rebates are redeemed by customers, or have expired or are no longer expected to be redeemed.	The points and rebates are expired between 6 months to 3 years.	The Company allocates a portion of the consideration received to loyalty points and rebates. The consideration allocated to the points issued and rebates given is measured at fair value, i.e. the relative selling prices. This amount is deferred and included in contract liabilities. For loyalty points, the amount of revenue recognised is based on the number of points that have redeemed, relative to the total number of points expected to be redeemed. For rebates, the revenue is estimated by reference to the monetary value attributable to customer rebates and redemption profile.	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

19. RESULTS FROM OPERATING ACTIVITIES

	2018 RM'000	2017 RM'000
Results from operating activities is arrived at after charging:		
Auditors' remuneration		
- Audit fees		
- KPMG Desa Megat PLT Malaysia	260	260
- Non-audit fees		
- KPMG Desa Megat PLT Malaysia	57	46
- Local affiliates of KPMG Desa Megat PLT in Malaysia	162	584
Material expenses/(income)		
Amortisation of intangible assets	6,191	5,662
Depreciation of property, plant and equipment	297,807	285,570
Impairment loss:		
- Trade receivables	4,918	1,054
- Property, plant and equipment	17,606	11,429
- Intangible assets	134	-
- Investment in a subsidiary	-	19,600
- Investment in an associate	8,009	-
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	35,169	34,392
- Wages, salaries and others	272,830	267,045
Property, plant and equipment written off	7,154	3,325
Intangible assets written off	143	351
Rental expense		
- Land and buildings	252,972	235,080
- Equipment	3,372	2,621
Royalty expense	16,358	15,660
Loss/(Gain) on disposal of:		
- Property, plant and equipment	261	(64)
- Assets classified as held for sale	-	(18,519)
Property management services		
- Rental income on shopping mall operation	(610,901)	(591,682)
- Other property management services income	(76,433)	(72,688)

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	2018 RM'000	2017 RM'000
Directors:		
Fees	1,067	1,285
Remuneration	2,527	2,325
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	149	143
	3,743	3,753

NOTES TO THE FINANCIAL STATEMENTS

21. TAX EXPENSE

	2018 RM'000	2017 RM'000
Current tax expense		
- Current year	95,902	90,799
- (Over)/Under provision in prior year	(429)	14,674
	95,473	105,473
Deferred tax expense		
- Reversal of temporary differences	(9,054)	(7,041)
- Over provision in prior year	(4,504)	(9,633)
	(13,558)	(16,674)
Tax expense	81,915	88,799
Reconciliation of tax expense		
Profit before tax	187,038	193,806
Tax calculated using Malaysian tax rate of 24% (2017: 24%)	44,889	46,513
Non-deductible expenses	43,123	42,347
Non-taxable income	(1,164)	(5,102)
	86,848	83,758
(Over)/Under provision in prior year		
- Current tax expense	(429)	14,674
- Deferred tax expense	(4,504)	(9,633)
Tax expense	81,915	88,799

NOTES TO THE FINANCIAL STATEMENTS

22. OTHER COMPREHENSIVE INCOME

	2018		2017	
	Before tax RM'000	Net of tax RM'000	Before tax RM'000	Net of tax RM'000
Item that will not be reclassified subsequently to profit or loss				
Net change in fair value of equity investments at fair value through other comprehensive income	8,545	8,545	–	–
Item that is or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets				
- Gain arising during the year	–	–	18,049	18,049

23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the period.

	2018 RM'000	2017 RM'000
Profit for the year attributable to owners of the Company	105,123	105,007
	'000	'000
Weighted average number of ordinary shares	1,404,000	1,404,000
Basic earnings per ordinary share (sen)	7.49	7.48

Diluted earnings per ordinary share

There is no dilution in earnings per share as there is no potential diluted ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

24. DIVIDEND

Dividend recognised by the Company is as follows:

	Sen per share	Total amount RM'000	Date of payment
2018			
Final 31.12.2017 dividend	4.00	56,160	11 July 2018
2017			
Final 31.12.2016 dividend	3.00	42,120	13 July 2017

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

	Sen per share	Total amount RM'000
Final 31.12.2018 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.

NOTES TO THE FINANCIAL STATEMENTS

25. OPERATING SEGMENTS (continued)

	Retailing		Property management services		Total	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000 Restated
Business segments						
Revenue from external customers	3,666,306	3,458,981	687,334	664,370	4,353,640	4,123,351
Total revenue	3,666,306	3,458,981	687,334	664,370	4,353,640	4,123,351
Segmental profit						
Less: Unallocated expenses	51,727	39,274	209,831	239,845	261,558 (21,868)	279,119 (38,578)
Operating profit						
Interest expense					239,690 (42,935)	240,541 (40,749)
Interest income					1,403	1,200
Share of results of associates					(11,120)	(7,186)
Profit before tax						
Tax expense					187,038 (81,915)	193,806 (88,799)
Profit for the year						
					105,123	105,007
Segment assets						
Unallocated assets	1,338,365	1,287,717	3,259,951	3,104,140	4,598,316 48,390	4,391,857 17,707
Total assets						
					4,646,706	4,409,564
Segment liabilities						
Unallocated liabilities	(1,210,213)	(1,096,972)	(377,602)	(366,219)	(1,587,815) (1,038,516)	(1,463,191) (983,506)
Total liabilities						
					(2,626,331)	(2,446,697)
Capital expenditure	177,216	109,930	344,982	262,040	522,198	371,970
Depreciation and amortisation	117,666	113,503	186,332	177,729	303,998	291,232
Impairment of property, plant and equipment and intangible assets	17,740	11,429	-	-	17,740	11,429
Reversal of inventories written down	(2,297)	(6,244)	-	-	(2,297)	(6,244)
Non-cash expenses other than depreciation and amortisation	24,771	11,693	525	(15,171)	25,296	(3,478)

Geographical segment

There is no geographical information as the Company is predominantly operating in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

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 has complied with this requirement.

27. OPERATING LEASES***Leases as lessee***

Non-cancellable and optional renewal rental payables are as follows:

	2018 RM'000	2017 RM'000 Restated
Less than one year	259,707	222,009
Between one and five years	1,001,239	888,972
More than five years	1,762,107	1,588,095
	3,023,053	2,699,076

The Company leases 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.

The disclosure above includes the non-cancellable periods and optional renewal periods where the Company is reasonably certain to extend. The comparatives have been updated accordingly.

28. CAPITAL COMMITMENTS

	2018 RM'000	2017 RM'000
Property, plant and equipment		
<i>Contracted but not provided for and not payable:</i>		
Within one year	86,511	307,470
One year or later and not later than five years	–	49,508

NOTES TO THE FINANCIAL STATEMENTS

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.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Holding company:				
Royalty expenses	(16,358)	(15,660)	(16,358)	(15,660)
Related companies:				
Sales through AEON credit card	9,954	6,092	170	126
Sales through easy payment scheme financing	5,209	6,383	377	328
Rental income	7,439	5,121	975	262
Convertible AEON Member card point income	2,604	2,324	218	197
Support services	3,205	4,120	1,884	984
Retail support services	19	24	4	2
Management services	97	163	1	-
Trustee fee	29	29	-	-
Credit card sales commission expenses	(165)	(146)	-	-
Supply chain and distribution centre management fee	(63,668)	(55,225)	(16,052)	(15,449)
Purchase of merchandise	(1,342)	(1,003)	(253)	(110)
Purchase of consumables	(1,371)	(1,160)	(293)	(321)
Facility management service	(59,244)	(62,796)	(5,882)	(10,410)
Rental expense	(17,356)	(17,349)	-	-
Management fee	(11,256)	(9,756)	(7,520)	(9,756)
Associates:				
Purchase of merchandise	(85,809)	(76,510)	(28,419)	(11,704)
Rental income	15,115	12,328	(5)	-

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.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS**30.1 Categories of financial instruments**

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

- (a) Amortised cost (“AC”); and
- (b) Fair value through other comprehensive income (“FVOCI”)
 - Equity investment designated upon initial recognition (“EIDUIR”)

	Carrying amount RM'000	AC RM'000	FVOCI - EIDUIR RM'000
2018			
Financial assets			
Other investments	71,053	–	71,053
Receivables and deposits (excluding prepayments)	42,358	42,358	–
Cash and cash equivalents	82,154	82,154	–
	195,565	124,512	71,053
Financial liabilities			
Borrowings	(995,423)	(995,423)	–
Payables and accruals	(1,429,834)	(1,429,834)	–
	(2,425,257)	(2,425,257)	–

The table below provides an analysis of financial instruments as at 31 December 2017 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
2017			
Financial assets			
Available-for-sale investments	62,508	–	62,508
Receivables and deposits (excluding prepayments)	66,355	66,355	–
Cash and cash equivalents	78,594	78,594	–
	207,457	144,949	62,508
Financial liabilities			
Borrowings	(937,670)	(937,670)	–
Payables and accruals	(1,317,148)	(1,317,148)	–
	(2,254,818)	(2,254,818)	–

30. FINANCIAL INSTRUMENTS (continued)

30.2 Net gain/(loss) arising from financial instruments

	2018 RM'000	2017 RM'000
Net gain/(loss) on:		
Equity investment designated at fair value through other comprehensive income		
- recognised in other comprehensive income	8,545	-
Available-for-sale financial assets:		
- recognised in other comprehensive income	-	18,049
Financial assets at amortised cost	(3,515)	-
Loans and receivables	-	(532)
Financial liabilities at amortised cost	(43,174)	(40,844)
	(38,144)	(23,327)

30.3 Financial risk management

The Company has 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. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

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 requires 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 has in place an ongoing process to monitor closely and ensure risk exposure is always minimal.

At each reporting date, Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)**30.4 Credit risk (continued)*****Trade receivables and contract assets (continued)****Exposure to credit risk and credit quality*

As at the end of the reporting period, the Company does 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 trade receivables and contract assets is represented by the carrying amounts in the statements of financial position.

These receivables are credit card receivables from banking institution and regular tenants that have been transacting with the Company. The tenants are required to place adequate security deposits as stipulated under the tenancy agreement.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 120 days. The Company's debt recovery process is as follows:

- a) Above 90 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored by the tenant management team; and
- b) Above 180 days past due, the Company will commence a legal proceeding against the customer.

The Company uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past two years. The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the year.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	2018 Loss allowance RM'000	Net balance RM'000
Current (not past due)	40,337	–	40,337
1 – 30 days past due	2,076	(53)	2,023
31 – 60 days past due	1,691	(126)	1,565
61 – 90 days past due	878	(141)	737
	44,982	(320)	44,662
Credit impaired			
More than 90 days past due	9,090	(2,780)	6,310
Individually impaired	9,305	(4,577)	4,728
	63,377	(7,677)	55,700
Trade receivables	44,606	(7,677)	36,929
Contract assets	18,771	–	18,771
	63,377	(7,677)	55,700
Collateralised trade receivables			
- Where no loss allowance recognised	13,113	–	13,113
- Where loss allowance recognised	16,426	(7,677)	8,749
	29,539	(7,677)	21,862

Trade receivables and contract assets which are credit impaired amounting to RM16,426,000 are partially collateralised in the form of security deposit as stipulated in the lease agreement. Impairment loss has been provided to the extent of the collateral value of the security deposit of RM8,749,000.

There are trade receivables where the Company has not recognised any loss allowance as the trade receivables are supported by security deposits in managing exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)**30.4 Credit risk (continued)*****Trade receivables and contract assets (continued)****Recognition and measurement of impairment losses (continued)*

The movements in loss allowance in respect of trade receivables and contract assets during the year are shown below:

	2018			
	Trade receivables		Contract assets	Total
	Lifetime ECL	Credit impaired		
RM'000	RM'000	RM'000	RM'000	
Balance at 1 January as per MFRS 9/MFRS 139	–	2,759	–	2,759
Net remeasurement of loss allowance	3,100	1,818	–	4,918
Balance at 31 December	3,100	4,577	–	7,677

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross	Individual impairment	Net
	RM'000	RM'000	RM'000
2017			
Not past due	59,961	–	59,961
Past due 1 - 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

The movements in the allowance for impairment losses of trade receivables during the previous financial year were:

	2017
	RM'000
At 1 January	1,705
Impairment loss recognised	1,287
Impairment loss reversed	(233)
At 31 December	2,759

30. FINANCIAL INSTRUMENTS (continued)

30.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Company manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

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 2018, a total of RM1.0 billion (2017: RM765.0 million) in respect of this facility has not been issued. As at year end, RM291.0 million (2017: RM453.5 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.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)**30.5 Liquidity risk (continued)***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
2018					
Revolving credits	480,100	3.70 - 4.26	480,614	480,614	–
Bank loans	515,323	3.96 - 4.58	538,754	168,605	370,149
Payables and accruals	1,429,834	–	1,429,834	1,429,834	–
	2,425,257		2,449,202	2,079,053	370,149
2017					
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	1,317,148	–	1,317,148	1,317,148	–
	2,254,818		2,295,352	2,116,211	179,141

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.

30. FINANCIAL INSTRUMENTS (continued)

30.6 Market risk (continued)

30.6.1 Interest rate risk (continued)

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:

	2018 RM'000	2017 RM'000
Fixed rate instruments		
<i>Financial asset</i>		
Deposits placed with licensed financial institutions	46,148	17,707
<i>Financial liabilities</i>		
Revolving credit	(480,100)	(317,600)
Bank loans	(515,323)	(385,070)
Islamic Medium Term Notes and Islamic Commercial Papers	–	(235,000)
	(995,423)	(937,670)
	(949,275)	(919,963)

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% (2017: 1%) increase in the market price of the investment as at the end of the reporting period would have increased equity by RM711,000 (2017: RM625,000). A 1% (2017: 1%) decrease in market price would have had equal but opposite effect on equity.

NOTES TO THE FINANCIAL STATEMENTS

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		
2018										
Financial asset										
Investment in quoted equities	71,053	-	-	71,053	-	-	-	-	71,053	71,053
Financial liability										
Bank loans	-	-	-	-	-	-	(493,464)	(493,464)	(493,464)	(515,323)
2017										
Financial asset										
Investment in quoted equities	62,508	-	-	62,508	-	-	-	-	62,508	62,508
Financial liability										
Bank loans	-	-	-	-	-	-	(362,777)	(362,777)	(362,777)	(385,070)

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 (2017: 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

During the year, the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on its financial statements. The Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Company has elected not to restate the comparatives.

NOTES TO THE FINANCIAL STATEMENTS

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)**31.1 Impacts on financial statements**

The following tables summarise the impacts arising from the adoption of MFRS 15 on the Company's financial statements.

(a) Statement of financial position

	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
1 January 2017			
Contract assets	–	15,300	15,300
Receivables, deposits and prepayments	67,026	(15,300)	51,726
Total assets	67,026	–	67,026
Payables and accruals	(1,530,657)	149,898	(1,380,759)
Contract liabilities	–	(149,898)	(149,898)
Total liabilities	(1,530,657)	–	(1,530,657)
31 December 2017			
Contract assets	–	17,284	17,284
Receivables, deposits and prepayments	88,849	(17,284)	71,565
Total assets	88,849	–	88,849
Payables and accruals	(1,463,191)	146,043	(1,317,148)
Contract liabilities	–	(146,043)	(146,043)
Total liabilities	(1,463,191)	–	(1,463,191)

(b) Statement of profit or loss and other comprehensive income

	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
For the year ended 31 December 2017			
Continuing operations			
Revenue	4,088,164	35,187	4,123,351
Net purchases	(2,394,412)	(68,961)	(2,463,373)
Operating expenses	(898,470)	33,774	(864,696)
	795,282	–	795,282

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

31.1 Impacts on financial statements (continued)

(b) Statement of profit or loss and other comprehensive income (continued)

With the adoption of MFRS 15, certain consideration receivable from customers which were netted off against expenses are now recognised as part of the revenue.

(c) Statement of cash flows

	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
For the year ended 31 December 2017			
Change in receivables, deposits and prepayments and other assets	(25,346)	1,984	(23,362)
Change in payables and accruals and other liabilities	(63,154)	3,855	(59,299)
Change in contract assets	-	(1,984)	(1,984)
Change in contract liabilities	-	(3,855)	(3,855)

31.2 Accounting for financial instruments

(a) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

- i) The Company has not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*. There is no impact on the retained earnings and reserves as at 1 January 2018 upon the adoption to MFRS 9.
- ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
 - the determination of the business model within which a financial asset is held;
 - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
 - the designation of certain investments in equity investment not held for trading as at FVOCI.
- iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

31.2 Accounting for financial instruments (continued)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018:

Notes	Financial assets	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM'000	Carrying amount under MFRS 9 RM'000	Note
6	Other investments	Available-for-sale	Fair value through other comprehensive income	62,508	62,508	(i)
11	Receivables and deposits (excluding prepayments)	Loans and receivables	Amortised cost	66,355	66,355	(ii)
12	Cash and cash equivalents	Loans and receivables	Amortised cost	78,594	78,594	
				207,457	207,457	
Notes	Financial liabilities	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139	Carrying amount under MFRS 9	Note
15	Borrowings	Other financial liabilities measured at amortised cost	Amortised cost	(937,670)	(937,670)	
17	Payables and accruals	Other financial liabilities measured at amortised cost	Amortised cost	(1,317,148)	(1,317,148)	
				(2,254,818)	(2,254,818)	

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)

31.2 Accounting for financial instruments (continued)

(i) Reclassification from AFS to FVOCI

Investment in quoted shares is investment that the Company intends to hold for long term strategic purposes. As permitted by MFRS 9, the Company has designated this investment as measured at FVOCI at the date of initial application.

(ii) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. There is no impact on allowance for impairment upon adoption.

31.3 Accounting for revenue

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

- (a) for comparatives, the Company does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Company expects to recognise revenue.

The following are the revenue recognition policies arising from the adoption of MFRS 15 as compared to previous year and the impact of adoption is disclosed in Note 31.1(b):

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sale of goods and net commission from concessionaire sales	<p>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.</p> <p>When the Company acts in a capacity of an agent rather as principal in a transaction, the revenue is recognised upon the sale of goods and is the net amount of commission made by the Company.</p>	<p>The Company recognises revenue when it transfers control over a product to customer. An asset is transferred when the customer obtains control of the asset.</p> <p>When the Company acts in a capacity of an agent rather as principal in a transaction, the revenue is recognised upon the sale of goods and is the net amount of commission made by the Company.</p>

NOTES TO THE FINANCIAL STATEMENTS

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)**31.3 Accounting for revenue (continued)**

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Property management services	Revenue from property management services include rental income, service charges, sales commission and car park charges. The revenue is recognised on a straight-line basis over the term of the lease.	Revenue from property management services include rental income, service charges, sales commission and car park charges. The revenue is recognised on a straight-line basis over the term of the lease.
Customer loyalty program	<p>The Company allocates a portion of the consideration received to loyalty points and rebates. The consideration allocated to the points issued and rebates given is measured at fair value, i.e. the relative selling prices. This amount is deferred, and is recognised as revenue when loyalty points and rebates are redeemed, or have expired or are no longer expected to be redeemed.</p> <p>For loyalty points, the amount of revenue recognised is based on the number of points that have redeemed, relative to the total number of points expected to be redeemed. For rebates, the revenue is estimated by reference to the monetary value attributable to customer rebates and redemption profile.</p>	<p>The Company allocates a portion of the consideration received to loyalty points and rebates. The consideration allocated to the points issued and rebates given is measured at fair value, i.e. the relative selling prices. This amount is deferred, and is recognised as revenue when loyalty points and rebates are redeemed, or have expired or are no longer expected to be redeemed.</p> <p>For loyalty points, the amount of revenue recognised is based on the number of points that have redeemed, relative to the total number of points expected to be redeemed. For rebates, the revenue is estimated by reference to the monetary value attributable to customer rebates and redemption profile.</p>

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 150 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 2018 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: 2 April 2019

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 150 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 2 April 2019.

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 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows 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 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 RM3,699,455,000 as at 31 December 2018. 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 2018 of RM680,140,000. 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.

INDEPENDENT AUDITORS' REPORT
to the members of AEON CO. (M) BHD.

Key Audit Matters (continued)

iii) Adequacy of contract liabilities

Refer to Note 2(m) - Significant accounting policy: Customer loyalty awards and customers rebates and Note 10 – Contract liabilities.

The key audit matter

The Company recognised contract liabilities as at 31 December 2018 of RM157,981,000 in respect of customer loyalty awards, customer rebates and cash vouchers. 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. Customers can also purchase cash vouchers to be used to purchase products. The unredeemed points and rebates and unutilised vouchers are recognised as liabilities in the statements of financial position and recognised as revenue when the points, rebates and cash vouchers are redeemed, expired or are no longer expected to be redeemed. The estimation of customer loyalty awards, customer rebates and cash vouchers 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 contract liabilities by comparing to the historical rates of redemption of the gift points, rebates and cash vouchers and assessed whether the Company is in compliance with relevant standards on the recognition of contract liabilities.

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.

INDEPENDENT AUDITORS' REPORT
to the members of AEON CO. (M) BHD.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion on the financial statements of the Company. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
to the members of AEON CO. (M) BHD.

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 MATTER

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

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

Ong Beng Seng
Approval Number: 02981/05/2020 J
Chartered Accountant

Petaling Jaya, Malaysia

Date: 2 April 2019

ANALYSIS OF SHAREHOLDINGS

as at 29 March 2019

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	422	4.85	5,429	0.00
100 - 1,000	2,266	26.02	1,492,341	0.11
1,001 - 10,000	4,400	50.52	19,106,816	1.36
10,001 - 100,000	1,300	14.93	39,190,965	2.79
100,001 - 70,199,999 (*)	319	3.66	539,537,249	38.43
70,200,000 and above (**)	2	0.02	804,667,200	57.31
Total	8,709	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 29 March 2019

No.	Name	Direct Interest	No. of Shares		%
			%	Indirect Interest	
1	AEON Co., Ltd.	725,640,000	51.68	-	-
2	Employees Provident Fund Board	ⁱ 178,166,800	12.69	-	-
3	Standard Life Aberdeen PLC and its subsidiaries (together "The Group") on behalf of account managed by The Group	107,191,000	7.63	-	-
4	Aberdeen Asset Management PLC	ⁱⁱ 107,191,000	7.63	-	-

Notes: ⁱ 23,752,000 Ordinary Shares are registered in the name of Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (ABERDEEN)
ⁱⁱ The disclosures include holdings of mandates delegated from other subsidiaries of Standard Life Aberdeen PLC.

DIRECTORS' INTEREST

as per Register of Directors' Shareholdings as at 29 March 2019

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	Chong Swee Ying	22,600	0.002	-	-

Note: * Indirect interest pursuant to Section 59(11)(c) of the Companies Act, 2016

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 29 March 2019

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	88,627,200	6.31
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	60,265,500	4.29
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	32,606,700	2.32
5	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	31,089,900	2.21
6	HSBC NOMINEES (ASING) SDN BHD BPSS LUX FOR ABERDEEN GLOBAL - ASIAN SMALLER COMPANIES FUND	28,315,900	2.02
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	23,752,000	1.69
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	21,403,700	1.53
9	HSBC NOMINEES (ASING) SDN BHD BPSS LDN FOR ABERDEEN STANDARD ASIA FOCUS PLC	19,041,200	1.36
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	14,654,600	1.04
11	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND(3969)	14,554,800	1.04
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	10,455,700	0.75
13	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR NOMURA SECURITIES CO LTD (CLIENT AC)	9,600,000	0.68
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ROZILAWATI BINTI HAJI BASIR (MY3089)	9,240,000	0.66
15	ROSHAYATI BINTI BASIR	9,240,000	0.66
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	7,245,400	0.52
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	6,697,700	0.48
18	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	6,493,500	0.46
19	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	6,294,000	0.45
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)(419500)	5,760,700	0.41
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	5,490,500	0.39
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,965,800	0.35
23	SYARIKAT MALURI SDN BHD	4,920,000	0.35
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN ABSR EQ)	4,891,100	0.35
25	HIDENORI FUTAGI	4,800,000	0.34
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	4,500,000	0.32
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN AM A EQ)	4,391,100	0.31
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ARIM)	4,300,000	0.31
29	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND J724 FOR SPDR S&P EMERGING MARKETS ETF	4,229,590	0.30
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-AHAM)(420317)	3,952,600	0.28
TOTAL		1,167,819,190	83.18

PARTICULARS OF PROPERTIES

as at 31 December 2018

Details of AEON's properties as at 31 December 2018 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 31/12/2018 (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)	27 20 ¹ / ₂	99 years expiring on 19/12/2089	42,225
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)	26 ¹ / ₂	95 years expiring on 28/03/2085	65,885
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)	23	99 years expiring on 09/05/2093	44,042
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)	16 ¹ / ₂	Freehold	20,267
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)	15	99 years expiring on 25/08/2103	73,385
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)	13 2 ¹ / ₄	Freehold	341,650
Lot PT 41977	Leasehold land/	550,910/	April 2004 (A)/	12	99 years expiring on 12/04/2103	70,061
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)	10	87 years expiring on 05/04/2083	118,682

PARTICULARS OF PROPERTIES

as at 31 December 2018

Details of AEON's properties as at 31 December 2018 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 31/12/2018 (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)	10	Freehold	220,298
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)	7	99 years expiring on 03/11/2109	115,142
Lot 106273, Mukim Kulai, Daerah Kulajaya, Johor Darul Takzim.	Freehold land/ Two-storey shopping centre with two-storey car park	793,623/ 911,842	December 2011 (A)/ November 2013 (C)	5	Freehold	96,909
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)	4½	Freehold	142,264
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)	2¾	99 years expiring on 26/10/2103	259,562
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	286,769

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 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 MID VALLEY

AT3 Mid Valley Megamall, Mid Valley City,
Lingkar Syed Putra, 59200 Kuala Lumpur.
Tel: 03-2284 4800



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 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 BANDAR UTAMA

No. 1, Leboh Bandar Utama,
Bandar Utama, Damansara,
47800 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7726 6266



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 BANDAR PUCHONG

Lot G40, IOI Mall, Batu 9,
Jalan Puchong, Bandar Puchong Jaya,
47100 Puchong, Selangor Darul Ehsan.
Tel: 03-8070 1200



AEON CHERAS SELATAN

Lebuhr Tun Hussein Onn,
43200 Balakong, Selangor Darul Ehsan.
Tel: 03-9080 3018

AEON MALL CHERAS SELATAN

Tel: 03-9080 3498



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 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 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 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 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



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 SUNWAY VELOCITY

B-01, Basement One,
Sunway Velocity Mall,
Lingkar SV, Sunway Velocity,
55100 Kuala Lumpur.
Tel: 03-9202 8103

AEON STORES, AEON MALLS AND MAXVALU

CENTRAL (continued)

**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 EVO BANGI**

No. G.09, Ground Floor,
Kompleks Evo, Jalan Pusat Bandar 2,
43650 Bandar Baru Bangi,
Selangor Darul Ehsan.
Tel: 03-8922 9484

**AEON STORE QUILL CITY**

Lot LG-21, Kompleks Beli-Belah Quill,
No. 1018, Jalan Sultan Ismail, 50250 Kuala Lumpur.
Tel: 03-2202 8923

**AEON MAXVALU PRIME SECTION 17 PETALING JAYA**

L1-01, Level 1, Seventeen Mall,
No. 998, Jalan 17/38, Seksyen 17,
46400 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7622 6955

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 IPOH KLEBANG**

Lot 12080, Klebang Perdana,
31200 Chemor, Perak Darul Ridzuan.
Tel: 05-291 9225

AEON MALL KINTA CITY

Tel: 05-548 4668

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 IPOH FALIM**

No. 1, Hala Falim 1,
Taman Mas Jaya, Falim,
30200 Ipoh, Perak Darul Ridzuan.
Tel: 05-281 7870

AEON MALL IPOH STATION 18

Tel: 05-321 6807

**AEON SERI MANJUNG**

Pusat Perniagaan Manjung Point 3,
32040 Seri Manjung, Perak Darul Ridzuan.
Tel: 05-687 0008

**AEON QUEENSBAY**

1F-61, Queensbay Mall,
100, Persiaran Bayan Indah,
11900 Bayan Lepas, Pulau Pinang.
Tel: 04-641 3822

AEON MALL SERI MANJUNG

Tel: 05-687 0018

**AEON TAIPING**

Lot 8576 & 8577 Jalan Kamunting,
34000 Taiping, Perak Darul Ridzuan.
Tel: 05-804 8722

**AEON BUKIT MERTAJAM**

No. 3393, Jalan Rozhan Alma,
Seberang Perai Tengah,
14000 Bukit Mertajam, Pulau Pinang.
Tel: 04-530 7160

AEON MALL TAIPING

Tel: 05-804 8711

AEON MALL BUKIT MERTAJAM

Tel: 04-530 7625

AEON STORES, AEON MALLS AND MAXVALU

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 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



AEON NILAI

No. 2, Persiaran Pusat Bandar,
Putra Point, Putra Nilai,
71800 Nilai, Negeri Sembilan Darul Khusus.
Tel : 06-790 4928

AEON MALL NILAI

Tel: 06-790 4988



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, Johor Darul Takzim.
Tel: 07-361 4223

AEON MALL BANDAR DATO' ONN

Tel: 07-364 9913

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

SARAWAK



AEON KUCHING CENTRAL

No 88, Lot 3458, Block 10 KCLD,
Jalan Tun Ahmad Zaidi Adruce,
93150 Kuching, Sarawak.
Tel: 082-547 413

AEON MALL KUCHING CENTRAL

Tel: 082-521 936

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.
	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".
1992	APRIL	JUSCO Wangsa Maju (Alpha Angle Shopping Centre), the first Shopping Centre, opened.			JUSCO Permas Jaya (JUSCO Permas Jaya Shopping Centre) opened.
	AUGUST	The Distribution Centre began operations.	2004	JANUARY	JUSCO Metro Prima Tree Planting Ceremony held. 2,000 saplings were planted.
OCTOBER	Japan Trainee Programme began.			JUSCO Metro Prima (JUSCO Metro Prima Shopping Centre) opened.	
1995	JUNE	JAYA JUSCO Taman Tun Dr. Ismail closed.		JUNE	"With All Our Hearts" Charity Fund was officially registered as the "With All Our Hearts" Malaysian JUSCO Foundation.
	AUGUST	JUSCO Bandar Utama (1 Utama Shopping Centre) opened.		AUGUST	Company authorised share capital increased from RM100 million to RM500 million.
1996	OCTOBER	JUSCO Bandar Baru Klang (Bukit Raja Shopping Centre) opened.	SEPTEMBER	JAYA JUSCO STORES BHD officially changed name to AEON CO. (M) BHD..	
	DECEMBER	JAYA JUSCO STORES BHD was listed on the Main Board of the Kuala Lumpur Stock Exchange (KLSE).		JUSCO celebrated 20th Anniversary in Malaysia with Gala Dinner.	
1997	AUGUST	JUSCO Ipoh (Kinta City Shopping Centre) opened.		Official launch of "With All Our Hearts" Malaysian JUSCO Foundation.	
1998	DECEMBER	JUSCO Melaka Superstore was upgraded to a Shopping Centre.		30,000 saplings were planted in the Malaysian-Japan Friendship Forest, AEON Woodland, Paya Indah Wetlands.	
1999	DECEMBER	JUSCO Mid Valley opened.			
2000	DECEMBER	JUSCO Taman Maluri Superstore was upgraded to a Shopping Centre. JUSCO Bandar Puchong opened.		OCTOBER	Completed Bonus Issue (1:1) for 87,750,000 new Ordinary Shares.

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.		AUGUST	AEON Seberang Prai City Shopping Centre Tree Planting Ceremony held. 3,500 saplings were planted.	
	OCTOBER	JUSCO Seremban 2 (JUSCO Seremban 2 Shopping Centre) opened.		AUGUST	JUSCO Seberang Prai City (AEON Seberang Prai City Shopping Centre) opened.	
	DECEMBER	The first Pasar Raya J-One Supermarket in Damansara Damai opened.		OCTOBER	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.	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.	DECEMBER	AEON Bukit Indah Shopping Centre Tree Planting Ceremony held. 3,000 saplings were planted.		
	JULY	JUSCO Taman Equine (AEON Taman Equine Shopping Centre) opened.	DECEMBER	JUSCO Bukit Indah (AEON Bukit Indah Shopping Centre) opened.		
	SEPTEMBER	Pasar Raya J-One Supermarket in Pearl Point opened.	2009	JUNE	Pasar Raya MaxValu Pearl Point closed.	
	NOVEMBER	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.	
	2007	DECEMBER	JUSCO Queensbay opened.	2010	JANUARY	"With All Our Hearts" Malaysian JUSCO Foundation changed name to Malaysian AEON Foundation.
		DECEMBER	JUSCO Cheras Selatan (AEON Cheras Selatan Shopping Centre) opened.		FEBRUARY	JUSCO Bandaraya Melaka (AEON Bandaraya Melaka Shopping Centre) opened.
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.	
SEPTEMBER		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.		DECEMBER	JUSCO Rawang (AEON Anggun Rawang Shopping Centre) opened.	
DECEMBER		Pasar Raya MaxValu Desa ParkCity and Pasar Raya MaxValu Ampang opened.	DECEMBER	Disposal of Smart Wonder World (SWW) amusement business completed.		
DECEMBER	JUSCO Bukit Tinggi (AEON Bukit Tinggi Shopping Centre) opened.					

OUR MILESTONES

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.		NOVEMBER	Launch of www.shoppu.com.my	
	DECEMBER	AEON Seri Manjung (AEON Seri Manjung Shopping Centre) opened.		2016	JANUARY	AEON Mall Shah Alam Tree Planting Ceremony held. 13,048 saplings were planted.
	2013	SEPTEMBER			Launch of AEON Business Academy.	MARCH
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.		
2018	JANUARY	Launch of online delivery services with Honestbee. AEON MaxValu Prime Evo Bangi opened		2018	JANUARY	Launch of online delivery services with Honestbee. AEON MaxValu Prime Evo Bangi opened
	FEBRUARY	AEON MaxValu Prime Sphere Bangsar South opened.	FEBRUARY		AEON MaxValu Prime Sphere Bangsar South opened.	
	MARCH	AEON Mall Kuching Central Tree Planting Ceremony held. 500 saplings were planted.	MARCH		AEON Mall Kuching Central Tree Planting Ceremony held. 500 saplings were planted.	
	APRIL	AEON Kuching Central (AEON Mall Kuching Central) opened.	APRIL		AEON Kuching Central (AEON Mall Kuching Central) opened.	
	OCTOBER	Air On Park opened in AEON Mall Shah Alam. AEON Quill City remodelled. Index Living Mall Malaysia Sdn. Bhd. ceased operation.	OCTOBER		Air On Park opened in AEON Mall Shah Alam. AEON Quill City remodelled. Index Living Mall Malaysia Sdn. Bhd. ceased operation.	
	NOVEMBER	AEON Mall Nilai Tree Planting Ceremony held. 10,000 saplings were planted. AEON MaxValu Prime Section 17 Petaling Jaya opened.	NOVEMBER		AEON Mall Nilai Tree Planting Ceremony held. 10,000 saplings were planted. AEON MaxValu Prime Section 17 Petaling Jaya opened.	
	2019	JANUARY	AEON Nilai (AEON Mall Nilai) opened.		JANUARY	AEON Nilai (AEON Mall Nilai) opened.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fourth 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, 30 May 2019 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 2018 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 4.00 sen per ordinary share in respect of the financial year ended 31 December 2018. *Ordinary Resolution 1*
3. To approve the aggregate Directors' fees of the Company of RM1,067,500 for the financial year ended 31 December 2018. *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 Hiroyuki Kotera *Ordinary Resolution 11*
 - (ix) Ms Chong Swee Ying *Ordinary Resolution 12*
6. To re-appoint Messrs 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 30 April 2019 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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-Fourth Annual General Meeting, a final dividend of 4.00 sen per ordinary share in respect of the financial year ended 31 December 2018 will be paid to shareholders on 11 July 2019. The entitlement date for the said dividend shall be 14 June 2019.

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 2019 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: 30 April 2019

NOTICE OF ANNUAL GENERAL MEETING

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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, 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 23 May 2019 (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-Fourth 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 30 April 2019.

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 34th Annual General Meeting (34th AGM)

AEON CO. (M) BHD.

Date	: Thursday, 30 May 2019
Registration	: From 8.00 a.m. onwards at Manhattan III Ballroom
Commencement of meeting	: 10.00 a.m.
Venue	: Berjaya Times Square Hotel, Kuala Lumpur, Manhattan II Ballroom, Level 14, 1, Jalan Imbi, 55100 Kuala Lumpur

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 a wristband printed with passcode ("wristband") and door gift upon successful registration. Please retain the wristband for voting purposes.
- Please note that you will not be allowed to enter the meeting hall without the wristband. There will be no replacement in the event you lose or misplace the 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 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 23 May 2019 (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
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)

No. of Shares Held	
CDS Account No.	

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-Fourth 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, 30 May 2019 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

No.	Resolution	For	Against
	ORDINARY BUSINESS		
Ordinary Resolution 1	To declare and approve the payment of a final dividend of 4.00 sen per ordinary share in respect of the financial year ended 31 December 2018		
Ordinary Resolution 2	To approve the aggregate Directors' fees of the Company of RM1,067,500 for the financial year ended 31 December 2018		
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 Hiroyuki Kotera as Director		
Ordinary Resolution 12	To re-elect Ms Chong Swee Ying as Director		
Ordinary Resolution 13	To re-appoint Messrs KPMG Desa Megat PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
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 _____ 2019

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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, 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 23 May 2019 (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.

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 30 April 2019.



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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,

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