

# AEON



# BRINGING PEOPLE TOGETHER

ANNUAL REPORT 2022

# BRINGING PEOPLE TOGETHER



## COVER RATIONALE

At AEON, we believe that our malls and stores have become the heart and soul of our communities. The spaces we create have evolved into specially-designed ecosystems that do not only sell products and services, but instead have become places that bring people together, creating connections with people from all walks of life.

Over the years, we have infused elements of inclusiveness and sustainability in everything we do to protect the people and our planet. With our insights and experience, we bring to life a real sense of community, be it through specially-curated products, services, events and activities that reflect the evolving lifestyles of our customers.

Bringing People Together is our goal for our customers and communities as we continue to strive to create meaningful value and thriving spaces that make a positive difference in their lives.



Scan the QR Code to view  
AEON's Annual Report  
2022 in pdf.



AEON  
PEOPLE

# 11,917

*(includes full time, part time, casual workers, outsourced contract workers and interns)*

TENANT PARTNERS

# 2,936

FY2022 REVENUE

# RM 4.1 Billion

SUPPLIERS AND  
BUSINESS PARTNERS

# 2,469

People's needs are constantly changing but one thing remains, their desire for safe and secure spaces. At AEON, this is at the very heart of everything we do – bringing people together within our places where they can shop with ease and comfort. This is our promise to our customers.



TOTAL OUTLETS  
IN MALAYSIA

**177**

AEON MEMBER PLUS  
MEMBERSHIPS

**2.4** Million

**28** AEON  
Mall

**35** AEON  
Store

**8** AEON  
MaxValu

**62** AEON  
Wellness

**41** DAISO

**3** Komai-So

AEON MALL NETT LETTABLE AREA (NLA)

**13.4** Million  
Square Feet

Information as at 31 March 2023

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# Basis of This Report

## REPORTING GUIDELINES AND STANDARDS

This is AEON CO. (M) BHD.'s (AEON or the Company) Annual Report 2022. This report is a review of the Company's value creation efforts and we have strived to present a comprehensive and transparent account of our strategic progress set against the challenges, opportunities and risks we have identified.

In addition, we have presented a holistic overview of our non-financial performance reported against Economic, Environmental and Social indicators, which is elaborated further in our Sustainability Statement.

Throughout the preparation of this report, we have been guided by best practices as prescribed by the following statutory bodies:

- Malaysian Code on Corporate Governance 2021 (MCCG 2021)
- Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements (MMLR)
- Bursa Malaysia's Corporate Governance Guide 4<sup>th</sup> edition
- Companies Act 2016
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards and other regulatory requirements as applicable
- International Integrated Reporting Framework (<IR> Framework)

In the area of sustainability, this report contains a Sustainability Statement that we have developed in line with key sustainability reporting guidelines such as Bursa Malaysia's Sustainability Reporting Guide 2<sup>nd</sup> Edition. The sustainability statement has also been prepared with reference to the Global Reporting Initiative (GRI) Standards, and the GRI Content Index can be found on our corporate website at <https://aeongroupmalaysia.com>.

## SCOPE AND BOUNDARIES

AEON is publicly listed on the Main Market of Bursa Malaysia Securities Berhad. This report covers our principal business activities in Malaysia, during the period 1 January 2022 to 31 December 2022. The scope of the Sustainability Statement covers AEON's most pertinent sustainability-related projects, initiatives and activities in the Financial Year 2022 (FY2022).

## FORWARD-LOOKING STATEMENTS

Forward looking statements should be read with a degree of caution as they are reliant on various events, risks, uncertainties and other factors beyond our control. These statements can be identified through the use of key words such as 'believes', 'intend', 'will', 'plans', 'outlook' and other similar words in conjunction with discussions on future operating or financial performance. Such statements are not to be taken as implicit or explicit guarantee of our future performance.

## FEEDBACK

We welcome feedback on our Annual Report 2022. Please contact:

Corporate Communications Department  
 AEON CO. (M) BHD.  
 AEON Home Ground  
 3<sup>rd</sup> Floor, AEON Taman Maluri Shopping Centre  
 Jalan Jejaka, Taman Maluri  
 Cheras, 55100 Kuala Lumpur

Email: CorpComms@aeonretail.com.my

## NAVIGATING THIS REPORT

### Our Capitals

-  Financial
-  Human
-  Manufactured
-  Intellectual
-  Natural
-  Social and Relationship

### Stakeholders

-  Employees
-  Customers
-  Government and Regulators
-  Investors
-  Community
-  Suppliers
-  Media
-  Industry

## UN SDGS ADOPTED





## 02 ABOUT AEON

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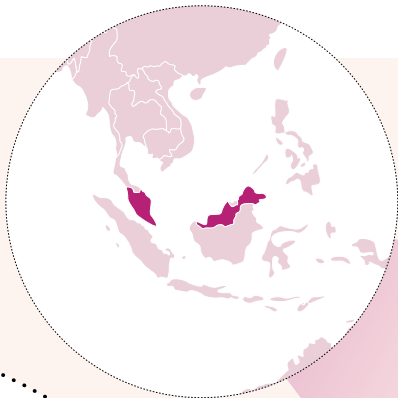
## OUR OFFERING



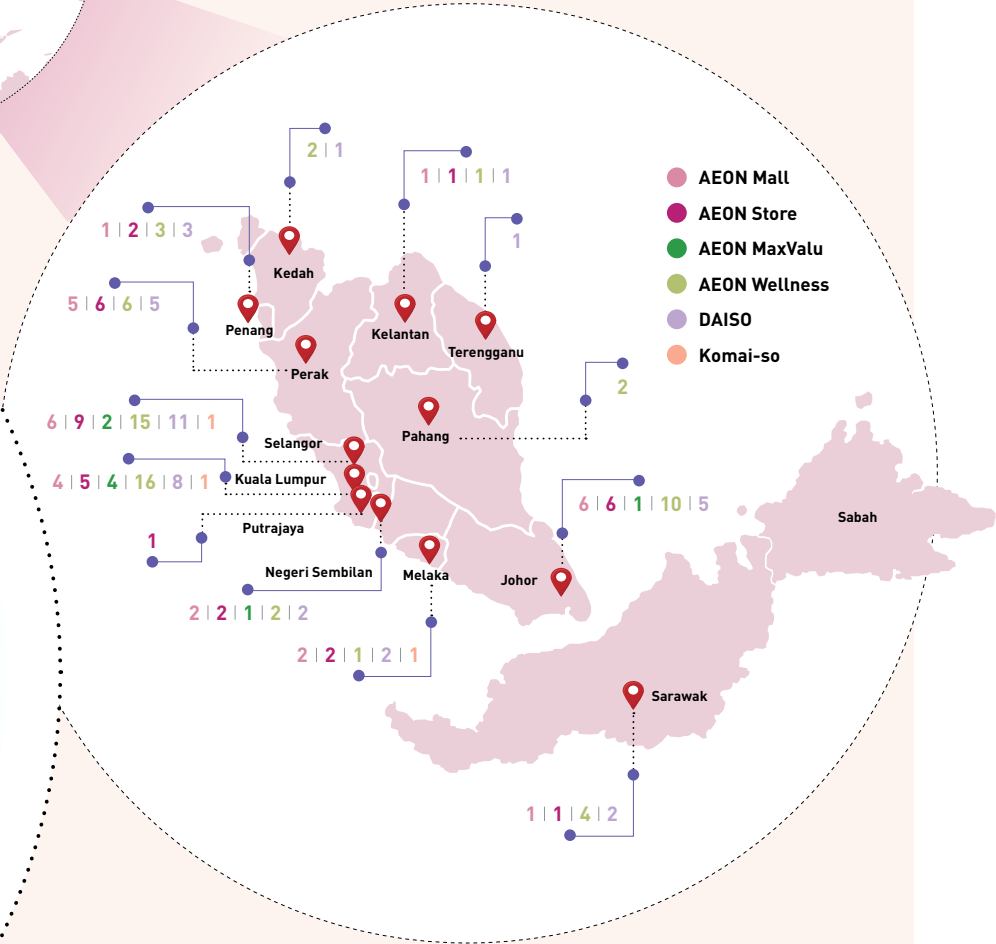
**AEON IS PART OF THE AEON GROUP OF COMPANIES IN MALAYSIA WHICH IS 51.7% OWNED BY AN INTEGRATED HOLDING COMPANY BASED IN JAPAN, AEON CO., LTD., WHICH EMPLOYS APPROXIMATELY 570,000 AEON PEOPLE AND OPERATES IN 14 COUNTRIES WORLDWIDE.**

AEON was incorporated in Malaysia on 15 September 1984 in response to the Malaysian Government's invitation to help modernise the country's retail industry. Currently, we manage and operate a retail chain of departmental stores, supermarkets and pharmacies with an extensive range of products such as daily essentials, household items, apparel, pharmaceuticals, flat-price shops and other merchandise. AEON also offers a personal shopper service, drive-thru service and delivery service via our myAEON2go e-commerce platform for a fast, efficient, safe and low-contact shopping in our effort to seamlessly adopt Online-Merge-Offline (OMO).

AEON's chain of stores strive to satisfy the ever-changing needs and desires of our customers. Guided by our 'Customer First' philosophy and the Company's intimate understanding of our customers' needs, we endeavour to provide an optimal product mix that surpasses customer expectations and enhances their experience every time they shop at AEON.



# OUR PRESENCE



## Total Outlets in Malaysia

# 177



Scan the QR Code for our locations

**28** AEON Mall   **35** AEON Store   **8** AEON MaxValu   **62** AEON Wellness   **41** DAISO   **3** Komai-so

\* As at 31 March 2023

## OUR OFFERING

### AEON MALL



AEON Mall offers different attractions featuring local and international brands with a unique product mix to cater to our customers' needs under one roof. Being the pulse point for the surrounding community, AEON Mall is primarily visited for shopping, as well as for relaxation, social gatherings, green spaces, F&B, fun and entertainment. Oftentimes, the renowned festive sales at AEON Mall create enormous attraction and increased footfall for greater bargains.

Being one of Malaysia's largest mall operators, there are 28 AEON Malls nationwide with supermarkets, fashion boutiques, pharmacies, household items, bistros and cafes, cinemas, accessories, deco and gifts shops and many more for AEON customers to explore.

AEON Mall also offers many exciting retail opportunities with a total of 13.4 million sq ft net lettable area.

AEON Mall offers retail spaces at affordable prices, including push carts and kiosks, to those who are keen to become AEON's tenant partners. Multi-scheme rental rates are available in our continuous effort to support tenant partners to grow their businesses together

with us. In line with the Government's aspiration to develop SMEs, we have embarked on various initiatives in collaboration with ministries, local authorities and state agencies such as the Ministry of Domestic Trade and Cost of Living (KPDN), Lembaga Pemasaran Pertanian Persekutuan (FAMA), Majlis Amanah Rakyat (MARA), etc.

AEON Mall provides Market Place, a digital platform that is part of the iAEON App, providing business opportunities to our Tenant Partners and business operators located within our areas of operation. This platform enhances their online presence and enables them to adopt Online-Merge-Offline (OMO) seamlessly.

For improved business operations, the e-Tenant Portal is made available to all tenant partners as the business automation solution catering to the management of billings, data analysis, feedback and inventories.

Strategic advertisement spaces are also available at AEON Malls for tenant partners to leverage in enhancing their brand presence.



## OUR OFFERING

## AEON STORE



AEON Store comprises the **General Merchandise Store (GMS)** and **Supermarket** sections that have something for every customer at every time. In essence, it serves as a one-stop destination for urban and suburban households to meet their daily needs. From fresh vegetables brought straight from local vegetable farmers to freshly prepared ready-to-eat meals and a wide range of goods and services which includes Softline and Hardline merchandise, they are all being offered at reasonable prices inspired by sustainable living. All the 35 AEON Stores nationwide aim at delivering a complete lifestyle value proposition for our customers amidst a convenient and conducive shopping environment.

AEON Store presents various reputable in-house fashion brands in meeting customers' needs, namely **TOPVALU, Puteri, Scarlet, Scarlet Plus, Crème, Suave, JKids, Inner Casual, Home Coordy, Arcadia, Agenda** and **Guy Vision**.

The **Delicatessen** at AEON Store caters to the growing demand for ready-to-eat meals, offering a wide range of speciality food choices from sushi, bento, roast chicken, desserts, hot snacks, healthy drinks and many more. The dishes served at the Delicatessen are certified halal and are freshly prepared on an hourly and daily basis. The Delicatessen aims to be the destination of choice for those looking for quality and affordable family outings.

The halal certified **La Boheme** at AEON Store offers an array of oven-fresh breads and bakery-related products including pastries and puddings. Customers can be assured of tasty and good-quality products served daily in a cosy setting.

The **Coco Café** is a kopitiam-like eating place with a warm ambience at AEON Store that caters to customers who would like to savour light meals such as toasted bread, half-boiled or poached eggs, nasi lemak and hot drinks.

## OUR OFFERING

### AEON MAXVALU



AEON MaxValu outlets are located in densely populated neighbourhoods for customers' daily shopping convenience, making it a breezy and pleasant experience for everyone. Downscaled in built-up area, it reflects on the concept of providing maximum value in terms of an extensive range of premium fresh produce and quality goods with value for money, anchored on providing special attention to all customers.

Selected AEON MaxValu outlets also offer a variety of general merchandise items such as apparel, household goods and electrical appliances at reasonable prices. Since the first outlet was established in 2005, AEON MaxValu has now expanded to eight outlets offering personalised and friendly services.

### AEON WELLNESS



AEON Wellness is a go-to destination for all things related to well-being and healthy living, beauty care and personal hygiene. Focusing on three elements – wellness and healthcare; trusted halal beauty products; and quality Japanese products catering to a niche segment, AEON Wellness has evolved into an all-inclusive pharmacy chain, offering an extensive selection of products and professional consultation services. Its dedicated team of in-store pharmacists and beauty advisors are on hand to cater to customers' growing awareness about the importance of health and beauty.

AEON Wellness also offers skin analysis and health checks, smoking cessation services and uric acid, lipid profile and glucose tests, as well as diet and supplement advice for the management of the three highs (high blood pressure, high cholesterol and high glucose level). These services are available at selected outlets only.

Other than in-store purchases and online transactions via myAEON2go platform (Health and Wellness category), AEON Wellness also provides pick up and AEON Rider Home Delivery services. First established in 2006, AEON Wellness has since expanded to over 62 outlets nationwide and remains committed in every way to providing the best services and product offerings in ensuring customers' satisfaction.

## OUR OFFERING

## DAISO



## DAISO

DAISO by AEON opened its first outlet in Malaysia in 2010 at AEON Mall Bandaraya Melaka. It is a flat-price one-stop shopping destination offering an extensive inventory of products across multiple categories. DAISO's products are known for their affordability, quality, variety and uniqueness and include household and living, kitchen, gardening, cosmetics, stationery, decorative items and many more.

Every outlet features over 8,000 fascinating offerings in meeting its promise to continuously provide customers with fresh new ideas each time they shop at DAISO. Customers also have the option to make their purchases online or via the order and pick up service available at all 41 DAISO outlets nationwide.

## KOMAI-SO



## Komai-so

## コマイ.ソー

Komai-so first opened its doors to the public in September 2021 and now has three outlets operating in AEON Mall Bandaraya Melaka, AEON Mall Metro Prima and AEON Mall Cheras Selatan. With the tagline 'Little Happiness in Life', Komai-so is a digital, cashless Japan-inspired lifestyle store infused with Malaysian tastes. It is the first digital flat-price store in the country that offers three price options for all items: RM2.50, RM5.00 and RM10.00. Komai-so prioritises five essential categories as its product pillars, namely, Snack (Umai-so), Cooking and Baking (Kaori-so), Passion (Genki-so), Celebration (Tanoshii-so) and Lifestyle (Kurashi-so).

At Komai-so, customers can enjoy a new shopping experience in shopping for snacks and home fashion, beauty and fragrance and gift items through digitalisation, where they only need to scan the iAEON App on their mobile phones and pay online. The Scan and Go facility at Komai-so eliminates the need to deal with queues and cashier counters. Komai-so is definitely a quick and easy way to shop.

## OUR OFFERING

### AEON'S E-COMMERCE PLATFORM

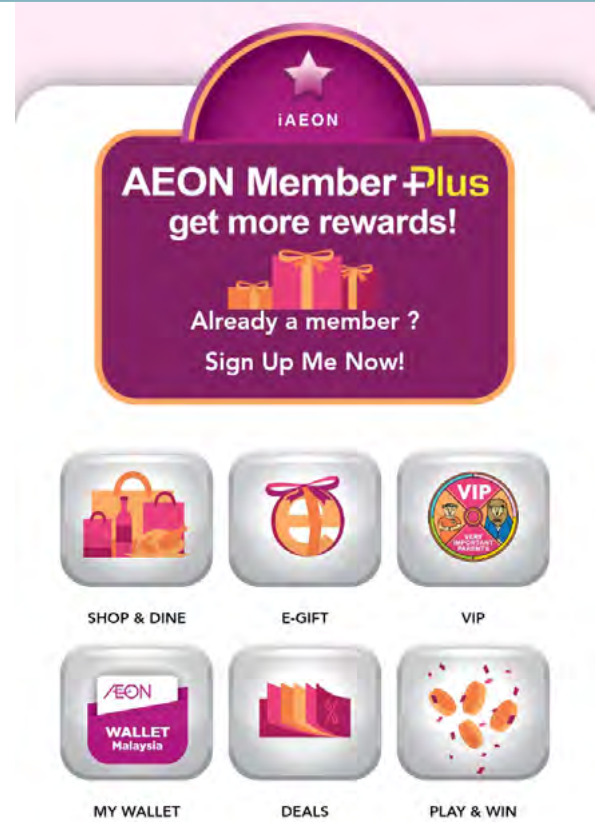


### myAEON2go

Our e-commerce platform, myAEON2go is about giving customers easy access to AEON's wide assortment of products to cater to their needs under one roof at their fingertips. It is aligned with our digital transformation as part of the New Retail business model that aims to seamlessly adopt Online-Merge-Offline (OMO). Customers are given the choice for a hassle-free shopping experience from the comfort and safety of their homes where items are specially handpicked upon order. This digital platform is ideal for meeting today's ever-evolving consumer habits, as well as for providing enhanced customer service while creating new job opportunities in helping to stimulate economic growth.

Many exciting and exclusive promotions are offered to encourage purchases via myAEON2go, including free delivery for orders placed of a certain value, special discount, etc., to promote the platform to new users and encourage registration and the use of the app. Customers can be rest assured that they can receive their orders via delivery on the same day or select a time that is most convenient to them. Updates on myAEON2go special promotions can be obtained via customers' registered emails or AEON's social media platforms.

Beginning November 2022, AEON members will be able to earn points from both myAEON2go and offline purchases.



### iAEON

iAEON App is a personalised digital lifestyle platform that caters to evolving customer behaviours and improves digital communication. It is an inclusive open-looped application in AEON's ecosystem that connects the dots to reach more touch points in our customers' daily journey. iAEON allows customers to access everything AEON from anywhere; collect points, track purchases, get exclusive perks and keep up-to-date with AEON's exciting events, latest news and happenings.

## OUR OFFERING

## AEON PRIVATE BRANDS



TOPVALU is a private brand that was first introduced in Malaysia in 2013 and has since become the leading private brand in Japan. The brand's aim is to make customers' everyday lives better by providing trusted quality and delivering new ideas and excitement.

One of the key aspects of TOPVALU's commitment to quality is its focus on safety. The brand ensures that its products are safe for consumption and use by adhering to AEON safety standards. Additionally, TOPVALU understands that Halal compliance is important for its Muslim customers and ensures that its locally developed products meet the necessary Halal standards.

TOPVALU offers a wide selection of quality products, including groceries, daily necessities, and household items. The brand promises to provide great value for its customers by offering high-quality products at affordable prices.



Inner Casual (iC) is an athleisure brand of AEON from Japan. From its smart fabric technology that champions how clothing can enhance an active lifestyle plus ensuring that these added values are easy on budget, iC also prioritises maintaining high comfort to fit into customers' daily lifestyle. Made from eco-friendly, 100% organic cotton, iC is designed to

be anti-odour, anti-bacterial, with UV protection plus its garments are guaranteed for high sweat absorption and quick drying ability.

There are 3 distinctive styles in iC: Active Wear; PeaceFit, as well as the Sustainable fashion range in collaboration with the british designer and activist, Katherine Hamnett, a pioneer in ethical fashion. 'SAVING THE PLANET' is the message on many iC tees print that embodies Katherine Hamnett's will and passion to protect the earth and environment that nurtures it.

iC brand is available at AEON Taman Maluri Shopping Centre, AEON Wangsa Maju, AEON Bandar Utama, AEON Ipoh Kinta City, AEON Midvalley, AEON Bandar Puchong, AEON Tebrau City, AEON Bukit Indah, AEON Bandaraya Melaka & AEON Kuching Central.



Home Coordy features minimalistic, durable and quality home living products. Home Coordy brings a wide range of products that are designed with simplicity and functionality in mind.

Our products are not only designed to look great but also to help transform any space into a cosy and inviting home. We believe that a comfortable and well-designed home is essential for a happy and healthy lifestyle.

# OUR MILESTONES AND AWARDS IN 2022

7 March  
**MoU Signing: AEON x MFA**

AEON continued to empower entrepreneurs by signing an MoU with the Malaysian Franchise Association (MFA). Apart from providing franchise entrepreneurs with MFA memberships, this partnership established a framework and platforms to enhance competitiveness, drive marketing opportunities as well as encourage knowledge sharing to support, develop and promote franchise businesses.

30 June  
**AEON first-ever Fashion Preview @MRT**

AEON launched a new athleisure brand called Inner Casual (iC) during the company's first-ever AEON Fashion Preview (AFP), where models showcased the brand's clothing while riding the MRT, a first in the country. The brand focuses on providing superior comfort, using advanced fabric technology from Japan.

JAN

MAR

APR

MAY

JUN



13 January  
**Bronze Award – Retail**

AEON received the Bronze Award in the Retail Category at the Prestigious Putra Brand Awards 2022.

1 April  
**IDEA @ AEON Alpha Angle**

AEON Alpha Angle completed its renovation and upgrading exercise, anchored on the concept of Inclusivity, Digital and Experiential @ AEON (IDEA). The IDEA initiative focuses on inclusivity of the ecosystem and digitalisation, offering a seamless shopping experience that fulfils the needs of multi-generational communities.



31 May  
**AEON1000: Suppliers and Partners Conference**

AEON hosted around 1,000 participants from various industries at a hybrid conference, themed 'Creating Sustainable Communities'. During the event, AEON announced a 100-day initiative known as 'JIMAT POKET' in collaboration with its business partners to reduce the rising cost of living.

**Launch of AEON Sustainability Charter (ASC)**

Introduced ASC, AEON's blueprint on our sustainability principles and key engagement areas.



Scan the QR Code for more details on Our Milestones

## OUR MILESTONES AND AWARDS IN 2022

7 July  
**CEO of The Year**

AEON's previous Managing Director/Chief Executive Officer, Shafie Shamsuddin won CEO of the Year Award at the 17<sup>th</sup> Retail Asia Awards 2022. AEON continued to drive its sustainability journey, based on the guidance and leadership received throughout his tenure.



**Sustainability Initiative of the Year**

AEON was also presented with the Sustainability Initiative of the Year award. The award win reflected AEON's core belief whereby a sustainable business is one that not only prioritises financial returns, but also protects the environment, nurtures its employees and uplifts its communities and ecosystems.



8 October  
**AEON breaks Malaysia Book of Records**

AEON, in collaboration with Colours of India Creation and Global Mega Exhibition, emerged as the nation's record holder for organising the "Largest Participants Wearing Indian Attire in A Gathering" by The Malaysia Book of Records. More than 2,500 customers from all races and ages donned Indian cultural attires, in conjunction with its Deepavali event held at AEON Mall Bukit Raja, Klang.



23 November  
**New DAISO outlet**

DAISO opened its latest outlet at Gurney Mall Plaza, Penang.

JULY

AUG

OCT

NOV

DEC



21 July  
**Excellence in Halal Certified Food Outlets**

AEON received Excellence in Halal Certified Food Outlets by the Global Halal Excellence Awards (GHEA), in recognition of its adherence to halal business principles as well as its contribution to the growth of the global halal economy.

**Excellence in Preferred Retail Store**

AEON was conferred Excellence in Preferred Retail Store by the Global Business Leadership Awards (GBLA). The GBLA recognised individuals and organisations who excel in business and corporate sustainability leadership.



29 August  
**Partnering Yinson for greener solutions**

To accelerate its transition towards carbon neutral environment AEON partnered with Yinson GreenTech to provide EV charging infrastructure across AEON shopping outlets in Malaysia.



13 October  
**AEON Sayap Bagimu Drama Series and Media Conference**

AEON launched the drama series titled "Sayap Bagimu" at its Gala Screening and Press Conference. The drama was produced to thank its customers, business partners and all stakeholders for their unwavering loyalty and support in making AEON the preferred retail brand.



**FTSE4Good**

13 December  
**FTSE4Good**

AEON was included in the FTSE4Good Bursa Malaysia (F4GBM) Index and the FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index.



9 December  
**Partnership for the Goals Recognition**

AEON was recognised by UN Global Compact Network Malaysia and Brunei at the Sustainability Performance Awards for its continuous efforts in making sustainability an integral part of its business strategies.



# OUR APPROACH TO SUSTAINABILITY

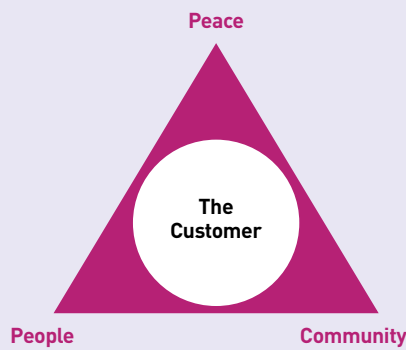
Our sustainability journey is deeply rooted in AEON Basic Principles of pursuing peace, respecting humanity and contributing to local communities, always with the customer’s point of view as its core.



In terms of our approach, we are centred on driving inclusivity, where we strive to reduce inequalities for the socially and economically disadvantaged, lending our support to create a more sustainable, nature-focused and compassionate environment.

Guided by AEON Basic Principles, we strive to drive greater engagement and deliver added value to the communities we serve, supported by our stakeholders to help them realise their potential and enrich their lives.

### AEON Basic Principles



#### Peace

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

#### People

AEON is a corporate group that respects human dignity and values personal relationships.

#### Community

AEON is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

In addition to AEON Basic Principles, our sustainability initiatives are guided by Bursa Malaysia Securities Berhad’s Sustainability Reporting Guide that is divided into three pillars - Economic, Environment and Social (EES), with shared values and goals. Our approach to sustainability is also guided by the United Nation’s Sustainable Development Goals (UN SDGs). Out of the 17 SDGs, we have adopted SDG 3, 4, 8, 10, 12, 13, 15, 16 and 17, which are most relevant to our business management and operations.

### Adopted United Nations Sustainable Development Goals (SDGs)



## #AEONResponsible





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Key  
Messages

# LETTER FROM THE CHAIRMAN



## LETTER FROM THE CHAIRMAN

Dear Valued Shareholders,

2022 marked a new beginning for AEON. Emerging from the pandemic that changed our lives dramatically, the year 2022 allowed us to strengthen our collective resilience and reimagine our future to deliver new experiences to our customers. Despite the uncertainties, we made steady progress in realising our AEON Living Zone ecosystem, capturing opportunities that resonated with the needs and expectations of our customers. We deepened customer relationships by serving different customer segments across the community.

Through it all, we were constantly guided by our strategic business approaches – Agile, Genba and Entrepreneurial, supported by our loyal team of AEON People who have consistently demonstrated strong commitment to driving strong growth and delivering value to our shareholders.

### DATUK ISKANDAR SARUDIN

Independent Non-Executive Chairman



At AEON, we have designed a pathway that will make us stronger and nimble in the face of future uncertainties. Although pressures will remain high, we will continue to strive to learn from our past to create a better future and deliver value to our stakeholders.

#### OUR OPERATING ENVIRONMENT IN FY2022

In 2022, the world faced challenges on multiple fronts, covering economic, social and health challenges. With COVID-19 in retreat, we witnessed the reopening of international borders and businesses resumed their activities. Adapting to the constant change, the Malaysian government and businesses continuously explored various avenues to stimulate growth, which resulted in the economy expanding by 8.7% in 2022, supported by robust domestic and external demand.

Undeterred by these uncertainties, we experienced a strong growth momentum and improved sales due to the effective execution of customer activities and marketing communication programmes that resulted in higher footfall at our AEON stores nationwide. While we carried out our activities in accordance to the required Standard Operating Procedures (SOPs), we continued to provide to our customers with the best service standards and peace of mind at all our AEON stores. For us, it was important that they were provided with a pleasant shopping experience within a clean and safe environment.

With the resumption of economy, disciplined cost management measures and improved operational efficiencies across the organisation, we recorded stronger profits for FY2022. We centred efforts on delivering the best services and the right products to our customers. In addition, our debt profile has also improved in FY2022 with 32% reduction in borrowings compared to FY2021.

#### REVENUE

FY2022

**RM4.1** billion

FY2021: RM3.6 billion

#### PROFIT AFTER TAX

FY2022

**RM111.2** million

FY2021: RM85.3 million

#### DIVIDEND PER SHARE

FY2022

**4.0** sen

FY2021: 3.0 sen

#### DIVIDEND PAYOUT RATIO

FY2022

**50.5%**

FY2021: 49.4%

## LETTER FROM THE CHAIRMAN

### UPHOLDING CUSTOMER FIRST

At AEON, customers are at the heart of everything we do. Guided by our “Customer First” philosophy, we continuously strived to surpass customer expectations and enhance their experience every time they visit our stores.

Keeping our customers at the heart of our strategy, our digital transformation continued to drive innovation and increased synergies across our businesses, boosted efficiency as well as enabled the introduction of new products and services that created greater value for customers. Building on our Online-Merge-Offline (OMO) strategy and the New Retail model, we enhanced our AEON Living Zone ecosystem by introducing new digitalisation initiatives, both front-end and back-end, to benefit our suppliers, tenants, business partners, employees and customers. Taking an omnichannel approach, we integrated the various AEON platforms onto the iAEON app, featuring new designs and promotions that helped increase our customer base.

With 28 AEON Malls and 35 stores with a nett lettable area (NLA) of 13.4 million square feet, increasing footfall and physical sales remained an essential component in our growth strategy. The successful renovation of AEON Alpha Angle showcased our OMO strategy and Inclusive, Digital and Experiential @AEON (IDEA) concept. IDEA essentially integrates the offerings by our offline and online tenants as well as sustainability elements together in one space, leveraging digital and technology to create a seamless shopping experience. We were heartened by the positive response received by customers, tenants and even suppliers to our IDEA concept.

### DELIVERING VALUE TO OUR SHAREHOLDERS

FY2022 proved to be the year where we improved business performance, notwithstanding the challenging market dynamics. For the continued support received from our shareholders, the Board has recommended a final dividend of 4 sen per share, which is equivalent to RM56.2 million or a payout ratio of 50.5%, subject to the approval of shareholders.

Year	2018	2019	2020	2021	2022
Net Dividend (RM '000)	56,160	56,160	21,060	42,120	56,160
Net Dividend Per Share (sen)	4.00	4.00	1.50	3.00	4.00
Payout Ratio (%)	53.4	51.4	50.8	49.4	50.5

### CHAMPIONING SUSTAINABILITY

At AEON, we believe that a sustainable business is one that not only prioritises financial returns but also protects the environment, nurtures its employees while uplifting its communities and the overall ecosystem. Our efforts in improving the lives of people in the communities, and helping drive progress in terms of industry practices were recognised during the year under review as AEON was added to the FTSE4Good Bursa Malaysia (F4GBM) Index and the FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index.

Throughout FY2022, we journeyed towards becoming more nature positive. We continued to address financial inclusivity and climate change, while expanding our commitments to realise a low-carbon economy future, aligned to our People, Peace and Community ethos. Towards this end, we reaffirmed our commitment towards championing Environmental, Social and Governance (ESG) practices with the launch of the AEON Sustainability Charter (ASC).

The ASC is anchored on the five core pillars of #AEONResponsible and aligned to nine United Nations' Sustainable Development Goals (UN SDGs) to ensure our actions are driven by the positive changes we make across all levels of society. It is a blueprint that represents our key stakeholder engagement areas, based on the identified challenges faced by the industry in the communities we serve. Through the ASC, we aim to contribute towards achieving a sustainable society in tandem with the growth experienced at AEON.

Shifting towards more green and sustainable practices, we have installed photovoltaic (PV) solar panels at AEON Taman Maluri and AEON Alpha Angle, and this initiative will be replicated progressively across all our other malls as well. We have also launched EV charging networks and introduced organic waste disposal systems in AEON Alpha Angle to convert organic waste into fertiliser.

We stepped up our initiatives which centred on improving the economic status of entrepreneurs, creating employment opportunities and generating income for the local community. Our successes thus far were made possible through the support of the communities around us, who are part of our ecosystem. Under the AEON Sayap Bagimu umbrella to uplift communities, we contributed essential items to victims affected by natural disasters and extended assistance to over 30,000 school children from eligible B40 families via the Malaysian AEON Foundation.

### COMMITTED TO GOOD GOVERNANCE PRACTICES

Set against a dynamically evolving business and regulatory landscape, AEON continued to uphold a robust governance system 2021, supported by sound internal controls and risk management practices. Guided by the Malaysian Code on Corporate Governance 2021 (MCCG 2021), we have made the necessary policy amendments to comply with the guidelines and regulations. In the context of diversity, we are progressively working towards fulfilling the recommendation by MCCG 2021 of having 30% female representation among our Directors.

To improve corporate governance, integrity and transparency practices, we adopted the Institute of Internal Auditors' Three Lines of Defence Model. We also collaborated with external collaborators such as United Nations Global Compact Network Malaysia and Brunei (UNGCMB), Malaysian Green Technology and Climate Change Corporation (MGTC) and the Institut Integriti Malaysia (IIM) to drive sustainable programmes and fortify our ESG framework over the long term, in line with the aspirations of our ASC.

## LETTER FROM THE CHAIRMAN



## OUTLOOK AND PROSPECTS

In 2023, the outlook remains moderate as global growth is forecasted to moderate between 1.7% and 2.9% due to weakened economic activity. As a result, Malaysia's growth estimates are forecasted to range between 4% to 5% in 2023, driven by domestic consumption and tourism activities. While the retail industry is expected to continue experiencing robust growth, we are aware of headwinds from tightening financial conditions, elevated inflation in certain markets and escalating geopolitical tensions.

Moving into 2023, we will step up efforts to achieve AEON's strategic priorities, namely providing the best shopping experience to our customers and delivering both financial and non-financial value to our stakeholders for the long term. Cognisant of this, we will continue to enhance our New Retail Business model, optimise digital transformation and innovation as this will allow us to deliver products and services that correlate with the evolving needs of our customers. As we continue to strengthen our competitive advantage in the industry, we will also work to realise our goals of being a force of good in the communities we serve while ensuring sustainable value creation.

## ACKNOWLEDGEMENTS

First and foremost, on behalf of the Board, I would like to record our gratitude and sincere appreciation to Encik Shafie Shamsuddin for his valuable contributions as Managing Director/Chief Executive Officer since January 2020. Under his visionary leadership, AEON has become more resilient and agile to meet future challenges. We wish him success in all his future undertakings.

On that note, we would like to welcome Mr Keiji Ono as the new Managing Director of AEON. Mr Ono brings with him 27 years of experience, having served various roles within the AEON group of companies globally. We look forward to working with him as he guides AEON into our next phase of growth.

I would like to also extend our welcome to Mr Tsugutoshi Seko and Mr Naoya Okada as the new Deputy Managing Directors of AEON and also to our new Independent Non-Executive Directors, Puan Zaida Khalida Shaari and Encik Hisham Zainal Mokhtar. Meanwhile, Mr Hiroaki Egawa had also been appointed as Non-Independent Non-Executive Director. I would also like to extend our thanks and appreciation to Mr Tsutomu Motomuro, Executive Director and Mr Soichi Okazaki, Non-Independent and Non-Executive Director who had resigned from the Board. We wish them well in their future endeavours.

To our Board and all our stakeholders, namely our customers, shareholders, business partners, financiers, suppliers, Government authorities and statutory bodies, thank you for your unwavering commitment and support. Finally, my heartfelt appreciation goes out to all our AEON People – thank you for your hard work, patience, trust and loyalty. You have demonstrated the true meaning of working as a team through your actions, and this has allowed the Company to achieve sustainable growth.

Thank you.

**Datuk Iskandar Sarudin**  
Independent Non-Executive Chairman

# LETTER FROM THE MANAGING DIRECTOR



Dear Shareholders,

We entered into 2022 with a sense of cautious optimism as we had just emerged from two years of lockdowns due to the COVID-19 pandemic. Despite market volatility and uncertainties, we remained disciplined in executing our strategic priorities.

**MR. KEIJI ONO**  
Managing Director

Throughout the year, we recorded commendable performance, underpinned by our ability to strengthen our portfolio and accelerate existing initiatives to advance digital transformation and revamp underperforming businesses to meet the needs of our stakeholders. We implemented our digital transformation journey, setting a pathway that placed us in a position of strength. Through collective action, we successfully reshaped the future of the retail industry in Malaysia, pushing ahead to achieve our strategic goals.

## OUR OPERATING ENVIRONMENT

In FY2022, countries worldwide focused on economic recovery with the opening of international borders. After a long period of movement restrictions, Malaysia transitioned into a period of endemic as business activities resumed and mobility increased as the population gradually returned to their workplace. As a result, the nation recorded a GDP of 8.7%, backed by strong domestic consumption and a low base in 2021.

While the economy continued to strengthen, demand outstripped supply, as prices of commodities increased, exacerbated by the Russia-Ukraine conflict, tight labour markets and supply chain disruptions. On the retail front, the industry experienced a rebound as the gradual relaxation of many COVID-19 SOPs throughout the year encouraged consumers to return to their normal shopping behaviours and patterns at physical stores. However, consumers remained cautious in their purchase decisions as they faced increases in the prices of raw goods and higher costs of living.

## RETAIL

### REVENUE

FY2022

**RM3,525.6** million

FY2021: RM3,099.1 million

### PROFIT

FY2022

**RM224.2** million

FY2021: RM130.2 million

## PROPERTY MANAGEMENT SERVICES

### REVENUE

FY2022

**RM615.5** million

FY2021: RM531.3 million

### PROFIT

FY2022

**RM218.8** million

FY2021: RM199.6 million

## LETTER FROM THE MANAGING DIRECTOR

### FINANCIAL PERFORMANCE

#### Revenue and Profit Segment

For the year under review, the Company continued to demonstrate strong financial performance, recording a Profit Before Tax (PBT) of RM211.5 million, an increase of 61.4% from RM131.0 million in FY2021. Higher PBT was contributed by an increase in revenue which managed to offset the rise in operating costs. Total revenue stood at RM4,141.1 million, 14.1% higher as compared to RM3,630.4 million recorded in the preceding year.

The retail segment experienced a 13.8% increase in revenue, from RM3,099.1 million in FY2021 to RM3,525.6 million. This was due to improved Softline and Hardline sales, attributed to the reopening of national borders and a higher number of customers as they resumed outdoor activities and festive celebrations after two years of restricted movements. The improved performance was also a reflection of our personalisation strategy to better understand customer needs.

Meanwhile, property management services revenue increased by 15.8% to RM615.5 million in FY2022 from RM531.3 million in the preceding year, attributed to higher occupancy rate, higher sales commission and temporary sales rental received, following higher customer footfall at our malls.

#### Balance Sheet

AEON continued to remain cash positive, as our assets continued to surpass our liabilities. In terms of cash position, we registered an increase in liquidity to RM237.5 million from RM193.6 million in the preceding year. On the whole, liabilities were reduced by RM500.8 million as we lowered our borrowings and lease liabilities, adhering closely to scheduled lease payments.

Capital expenditure for FY2022 increased by 76.5% to RM118.4 million from RM67.1 million in FY2021 due to the opening of AEON Store in Putrajaya, major renovations carried out at AEON Alpha Angle and also investments made to strengthen our digitalisation efforts.

### STRATEGIC PERFORMANCE REVIEW

As we navigated through the uncertainties of FY2022, we focused on executing the AEON Living Zone ecosystem, built on our Online-Merge-Offline (OMO) strategy and our New Retail Business model. A comprehensive and integrated digital ecosystem, it is built on three key philosophies - demand, personalisation and transparency - and driven by five strategic thrusts. Through this ecosystem, all our malls, supermarkets and department stores are placed on a shared platform, with our customers as its main focus.

In FY2022, we centralised efforts on enriching the lives of our customers by delivering added value and convenience. Leveraging our AEON Living Zone ecosystem, we introduced products, services and lifestyle-related solutions that remained rooted in community needs, as follows:

Priorities	Initiatives in 2022
Enhanced existing core business and enriched merchandising assortment	<ul style="list-style-type: none"> <li>Created unique value via our supply chain by expanding our range and assortments of private brand products, namely TOPVALU, Inner Casual and Home Coordy.</li> </ul>
Embraced transformation by providing digital infrastructure for AEON Living Zone	<ul style="list-style-type: none"> <li>Completed the roll-out of self-check-out terminals at all our stores.</li> <li>Accelerated technology upgrades in the following areas:               <ul style="list-style-type: none"> <li>Introduced electronic billing and contract management for our business partners;</li> <li>Provided added value services in the e-commerce portals for tenants; and</li> <li>Introduced non-trade portals for business partners, suppliers and contractors.</li> </ul> </li> </ul>
Engaged and strengthened customer loyalty	<ul style="list-style-type: none"> <li>Integrated and redesigned the iAEON App with new features, promotions and e-gift vouchers to attract and retain customers</li> <li>Conducted AEON's Members' Exclusive "A-Day" for 7 stores and malls in conjunction with AEON's 38<sup>th</sup> Anniversary Celebration.</li> <li>Continuously offered attractive redemption products under AEON's Star Rewards programme.</li> </ul>
Accelerated sustainability initiatives in green energy	<ul style="list-style-type: none"> <li>Completed the installation of photovoltaic renewable solar energy panels on the rooftops of AEON Taman Maluri and AEON Alpha Angle.</li> <li>Implemented AEON's Zero Plastic Bags Campaign, under the #AEONResponsible banner to eliminate all single-use plastic bags at our cashiers and checkout counters at all AEON Stores, AEON MaxValu, AEON Wellness, DAISO, AEON Pet, Komai-so stores and outlets nationwide.</li> </ul>

We continued to leverage our 7 Customer Personas, which used market research and consumer behaviour concepts to create accurate customer profiles. Ranging from Forgotten Heroes to the current Woke or Truth Generation, we were able to customise our offerings, based on these personas and demographic profiles of the respective areas.

Prioritising all stakeholders' needs and minimising our environmental footprint, we strengthened our retail strategy, ensuring that it remained relevant to present-day market dynamics, customer consumption patterns and behaviours.

## LETTER FROM THE MANAGING DIRECTOR

### RETAIL SEGMENT

Our retail strategy continues to deliver value and potential, further validating the success of our gradual transformation since it began at the end of FY2020. Over the last two years, we have successfully repositioned and simplified our portfolio, creating clear customer segmentation strategies to improve customer experience.

Nevertheless, we have realised that the accelerated pace of change experienced over the last few years will continue. We worked hard to build enduring relationships with our customers as well as broaden our suite of products and services. For AEON, it was not only about meeting their needs but creating enriching experiences that build loyalty and trust over the long term.

#### Deepening Customer Relationships

We understand that our customers are always expecting more from us. Guided by our 'Customer First' philosophy and the 7 Customer Personas, we conducted continuous research on the respective market segments, proactively engaging with customers to understand their post-pandemic consumption behaviour and concerns.

Cognisant of the increased cost of living and its impact on Malaysians, we proactively managed our pricing and supply chain strategies to offer added value to our customers. We worked closely with our suppliers to reduce this impact on our customers by launching 'Jimat Poket'. Through this campaign, we provided price protection and price guarantee against inflation of more than 500 essential items, whereby 45% of these items consisted of the most sought-after daily necessities by AEON customers. The campaign was conducted over a period of 100 days in conjunction with National Day and Malaysia Day in August and September 2022, respectively. Through this programme, we successfully managed to preserve the price of products and help our customers adapt to the market changes.

To create enduring value, deepen customer engagement and strengthen customer loyalty, we rolled out various brand innovations and promotions to targeted customer segments, including strategic collaborations with famous fashion designers, chefs and well-known beauty brands and homegrown sportswear brand.

During the year under review, we experienced higher sales from the retail segment as compared to FY2021, with an average basket size of RM70. This was mainly due to improved sales after the resumption of economic activities in April 2022. Meanwhile, down south in Johor, the return of shoppers from Singapore contributed up to 40% in sales for FY2022.

Besides conducting the AEON Members' only "A-Day" at 7 stores and malls, we extended our Star Rewards Programme from 17 March 2022 to 31 October 2022, offering attractive items such as Neoflam and Carl Schmidt Sohn glassware via our redemption catalogue. We also opened another specialty store, DAISO in Gurney Plaza, Penang.

### Looking Ahead

Without a doubt, the retail industry will go through its fair share of challenges in FY2023. Cognisant of this, we remain committed to enhancing our ecosystem and driving our digital transformation, leveraging on our AEON Living Zone strategy, to create meaningful value for our stakeholders.

As our AEON Living Zone strategy has resonated well with customers and business partners, plans have been established to rejuvenate another two malls in FY2023. We recently opened AEON Putrajaya, which is our 35<sup>th</sup> store that caters to the needs of the community in the surrounding areas in Putrajaya and the southern region of Selangor.

With the expected changes in consumer shopping behaviour and purchasing patterns, we will make concerted efforts to deliver unique and value-driven offerings across our operations. We will do this by enriching our product portfolio and merchandising. Additionally, we will also identify new opportunities to manage pricing and supply chain strategies, working closely with our business partners, to help customers manage their expenses.

On the customer engagement front, we will continue to advance our digital transformation journey, by strengthening the myAEON2go platform as well as introducing innovations to enhance the efficiency levels of our back-office and store operations. We will also increase the value of our existing assets, particularly the General Merchandise Store (GMS) business by providing differentiation in terms of shopping experience and product development. We will also move forward on our plans to conduct renovations and rejuvenate our older stores.

### PROPERTY MANAGEMENT SERVICES

Throughout FY2022, we continued to partner and collaborate with our tenant partners on various programmes and initiatives via thematic marketing initiatives to not only improve growth prospects for our tenants but also unlock value from customer demand, customer experience and mitigate supply chain challenges.

With the increase in consumers visiting our malls, our revenue from property management services increased by 15.9% as compared to FY2021 contributed by higher sales commission, temporary space rental and carpark income. Tenant sales also increased by 78% in FY2022 compared to FY2021 due to higher sales coming from specialty stores and accessories segments. Meanwhile, tenant renewals increased to 90%, as compared to 85% in FY2021, following the strategy to restructure tenancy income whereby we reduced fixed rental but imposed higher commission-based fees. We did this as part of our efforts to assist our tenant partners in managing their costs in order for them to sustain business performance. We also saw improvements in our occupancy rate, achieving 91.4% occupancy as compared to 88.3% in FY2021. We also successfully diversified our tenant mix by securing new tenants across the F&B, cosmetics and apparel segments such as Taco Bell, Sushi Zanmai, Lush, Krispy Kreme and Lovisa, to name a few.



## LETTER FROM THE MANAGING DIRECTOR



## DRIVING DIGITALISATION

When we began our digital transformation journey, we were clear that it was not just about connectivity or leveraging data analytics. Instead, it was about reshaping every aspect of our business and creating a positive impact on our stakeholders, with customers as our focus. This, we believe, will improve customer experience, enhance operational efficiency and effectiveness as well as drive innovation. In short, it was an existential imperative that would determine our future growth, given the changing environment.

In FY2022, we accelerated our digital transformation to ensure we were constantly connected to customers' demands. Embracing our New Retail Business model and OMO strategy, we completed the renovation of AEON Alpha Angle which is built on the IDEA concept emphasising the holistic approach of the AEON Living Zone. This open loop ecosystem not only improved customers' shopping experience but also encouraged more local businesses to be part of AEON's Living Zone.

One of the key initiatives in FY2022 in driving digitalisation across AEON was the introduction of self-checkout (SCO) terminals at all our stores which were widely utilised by customers. These were introduced for the ease of customers as they reduced waiting time at the cashier terminals and improved overall efficiency.

Recognising that customers today expect the same experience, be it at our physical stores or online, we consolidated various service channels such as the AEON Personal Shopper, AEON Members Plus Loyalty programme and myAEON2go online platform onto the iAEON app, an inclusive community-friendly tool that also helped our customers and business partners gain access to our ecosystem. With this integration, customers were able to enjoy uninterrupted cross-channel experience on a single app as it helped simplify their purchase journey. It also accelerated customer acquisition and enhanced customer experience.

As AEON positions itself for future growth, we have not forgotten our responsibility to our tenants and business partners. We launched the new supplier portal to improve data analytics while our tenants were provided access to e-billing as well as e-contract management system. These were introduced for suppliers and tenants in order to streamline workflow and improve overall visibility as this helps in making more informed decisions. These incremental changes will also increase overall productivity and ensure better cost management. In addition, we continued to utilise entrepreneurial data-driven technology to encourage our partners and tenants to take on a more disciplined approach in their execution. We will continue to serve the needs of our partners across our value chain with the introduction of more end-to-end solutions to improve synergies and operational efficiency, thus unlocking the potential of our AEON Living Zone strategy.

## LETTER FROM THE MANAGING DIRECTOR



### COMMITTED TO SUSTAINABLE PRACTICES

Central to our growth strategy is our ability to realise our sustainability commitments, given rising investor and stakeholder expectations. Over the last few years, we have continuously fostered ESG integration across the business to protect enterprise value and improve ESG risk management. Our ability to demonstrate strong ESG practices enabled AEON to be included in the FTSE4Good Bursa Malaysia (F4GBM) Index and the FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index in FY2022.

In FY2022, we scaled up our sustainability efforts by reviewing our past programmes, identifying gaps, and aligning ourselves to local and global goals. This led to the establishment of the AEON Sustainability Charter (ASC), which is essentially our blueprint that outlines our key stakeholders, principles and key initiatives. The ASC consists of five core pillars which correlate to the needs of our key stakeholders and are aligned with the specific UN SDGs. The five core pillars are Environmentally Focused, Responsible Employment, Efficiency and Integrity, Sustainable Economics and Dynamic CX (Customer Experience).

We also focused on realising our decarbonisation commitments, which is essential to achieve carbon neutral by 2040 with the installation of solar panel photovoltaic (PV) facilities at AEON Taman Maluri and AEON Alpha Angle. Our goal is to install solar panels at all our owned malls by end of FY2023.

Recognising the harmful impact of single-use plastics on nature and biodiversity, we introduced the Zero Plastic Bag Campaign at all our stores since 1 January 2023. Through this campaign, we halted the sale of single-use plastic bags at our cashiers and checkout counters at all AEON Stores, AEON MaxValu, AEON Wellness, DAISO, AEON

Pet, Komai-so stores and outlets nationwide. This is aligned with one of the goals set out in the ASC which focuses on reducing waste and enhancing biodiversity conservation.

AEON became a member and participant of the United Nations Global Compact Malaysia and Brunei (UNGCMYB) in May 2022 as part of our goal to align strategies and operations with its Ten Principles, covering human rights, labour, environment and anti-corruption. It also allows us to expand our network and collaborate on initiatives that will advance our societal goals.

As we navigated through this challenging market environment, there have been increasing calls for greater action to help consumers and communities to manage the higher cost of living and rising prices. In light of present-day challenges, we empowered our community by supporting the Small and Medium Enterprises (SMEs) and conducting social activities in collaboration with sustainability experts, non-governmental organisations, including local Government and authorities.

Through AEON Sayap Bagimu, we worked through Malaysia AEON Foundation, in collaboration with Yayasan Didik Negara, to implement the Smart Classroom Project in 40 schools nationwide. These schools, with at least 50% population of B40 students were selected to receive smartboard, basic classroom infrastructure set up and repairs to improve teaching and learning digitally.

As a testament to our efforts, AEON received the Sustainability Initiative of the Year award at the Retail Asia Awards 2022. We were also awarded the Partnership for the Goals Recognition at the Sustainability Performance Awards 2022 organised by the UNGCMYB.

## LETTER FROM THE MANAGING DIRECTOR

### OUTLOOK AND PROSPECTS

Malaysia's economic growth is expected to moderate to between 4% to 5% in 2023, due to slower global demand and elevated inflation pressures. Similarly, the retail industry will not be spared from the expected economic slowdown. While we expect to witness positive retail momentum as consumers return to malls and shopping centres, we are also cautious as consumer spending will be anchored on the stability of market conditions, improvements in overall income levels and continued policy support by the government.

Laying our foundation for the future, we remain resolute in our efforts to fortify our core business and at the same time, forge ahead on our transformation. In 2023, digitalisation, innovation and sustainability will continue to be our game changers as we move towards realising sustainable digital transformation. We will collectively accelerate and scale up our New Retail model to ensure it is more demand-based and attuned to present market dynamics, customer consumption behaviours and patterns.

In building a customer-centric mindset, we aim to improve customer experience whenever they step into our malls and stores. Towards this end, we will focus on the rejuvenation of two malls in 2023. The maintenance at these malls and stores will be enhanced to ensure they are equipped with facilities that reflect customers' preference. We will also pay greater attention to improving the operational aspects of all our malls and stores where we will adopt more energy efficient measures, enhance waste and water management as well as increase renewable energy consumption, where possible. This reflects our detailed approach in ensuring customers' ease and comfort in the spaces we create.

We will also raise the bar by increasing the value of our assets, differentiating sales areas under our private brands covering groceries and food, household items, health and wellness and apparel for adults and kids. At the same time, we will introduce experiential features that not only relate to consumers but also meet their needs.

Sustainability has been and will continue to be an integral component in our strategy and we believe we have what it takes to drive collective impact in realising our sustainability agenda. Towards this end, we will continue to promote sustainable management and introduce new green-focused initiatives which will provide a sustainable and conducive shopping experience to customers.

### ACKNOWLEDGEMENTS

In the last 12 months, we have set the stage to take AEON to the next level, creating meaningful progress while delivering strong growth performance in a responsible, sustainable manner. While we will continue to face headwinds, I believe that we will be able to rise above these challenges, through collective effort. We have built a strong circle of trust among our stakeholders and we remain grateful for their continuous support.

On behalf of the Company, I would like to extend our sincere gratitude to our Board for your continued wisdom and counsel. To our formidable AEON People, you have demonstrated sheer perseverance and outstanding performance in realising our strategic priorities, and for this, thank you. We would also like to record our appreciation to our ecosystem partners - our tenants partners, suppliers, and business partners for your trust and loyalty.

Moving into 2023, AEON remains committed to maintaining strong momentum in delivering the best customer experience, accelerating growth and creating stakeholder value as we take steps to take our growth to the next level and drive meaningful progress.

Thank you.

**Mr. Keiji Ono**  
Managing Director

# FIVE YEAR FINANCIAL HIGHLIGHTS

Year Ended 31 December	2022 RM'000	2021 RM'000	2020 RM'000	2019* RM'000	2018 RM'000
<b>FINANCIAL RESULTS</b>					
Revenue	<b>4,141,094</b>	3,630,364	4,051,302	4,538,884	4,353,640
Retailing	<b>3,525,563</b>	3,099,107	3,444,661	3,832,247	3,666,306
Property management services	<b>615,531</b>	531,257	606,641	706,637	687,334
EBITDA	<b>759,931</b>	724,652	746,127	843,402	532,568
Profit before tax	<b>211,468</b>	131,014	101,756	196,887	187,038
Profit after tax and attributable to owners of the Company	<b>111,232</b>	85,287	41,423	109,292	105,123
Net dividend	<b>56,160</b>	42,120	21,060	56,160	56,160
<b>FINANCIAL POSITIONS</b>					
<b>ASSETS</b>					
Property, plant and equipment and Intangible assets	<b>3,003,477</b>	3,171,171	3,376,593	3,659,183	3,713,634
Right-of-use assets	<b>1,211,173</b>	1,501,217	1,689,636	1,772,427	-
Investment	<b>59,098</b>	63,927	57,848	76,600	82,160
Deferred tax assets	<b>180,639</b>	168,264	147,071	120,059	2,242
Other non-current assets	<b>18,238</b>	18,101	18,424	19,024	17,954
Current assets	<b>953,698</b>	940,115	803,819	890,481	830,770
<b>TOTAL ASSETS</b>	<b>5,426,323</b>	5,862,795	6,093,391	6,537,774	4,646,706
<b>EQUITY</b>					
Share capital	<b>702,000</b>	702,000	702,000	702,000	702,000
Non-distributable reserves	<b>57,392</b>	62,221	54,698	64,636	70,023
Retained earnings	<b>1,047,636</b>	978,524	914,297	929,034	1,248,352
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>1,807,028</b>	1,742,745	1,670,995	1,695,670	2,020,375
<b>LIABILITIES</b>					
Borrowings	<b>497,776</b>	728,333	933,580	928,660	995,423
Lease liabilities	<b>1,779,411</b>	2,064,988	2,230,339	2,293,098	-
Other liabilities	<b>1,342,108</b>	1,326,729	1,258,477	1,620,346	1,630,908
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,426,323</b>	5,862,795	6,093,391	6,537,774	4,646,706
<b>FINANCIAL INDICATORS</b>					
Earnings per share (sen)	<b>7.92</b>	6.07	2.95	7.78	7.49
Net dividend per share (sen)	<b>4.00</b>	3.00	1.50	4.00	4.00
Net assets per share (RM)	<b>1.29</b>	1.24	1.19	1.21	1.44
Net debt to equity (%)**	<b>14.41</b>	30.69	51.60	50.82	45.20
Return to equity (%)	<b>6.16</b>	4.89	2.48	6.45	5.20
Price earning ratio	<b>17.30</b>	23.23	36.27	18.25	19.63
Share price as at 31 December (RM)	<b>1.37</b>	1.41	1.07	1.42	1.47

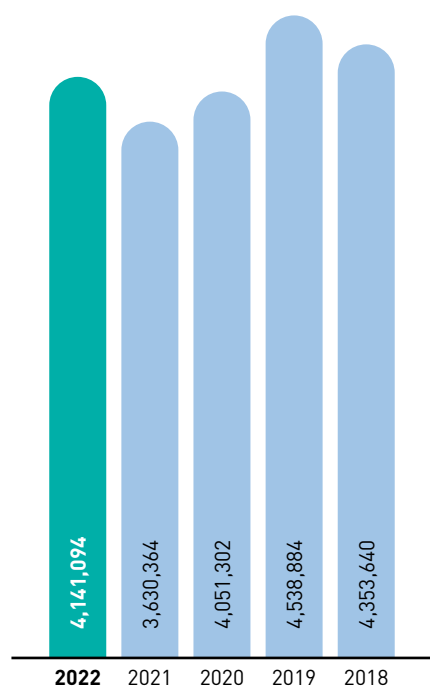
## Notes:

\* The Company adopted MFRS 16, Leases replacing MFRS 117, Leases from 1 January 2019.

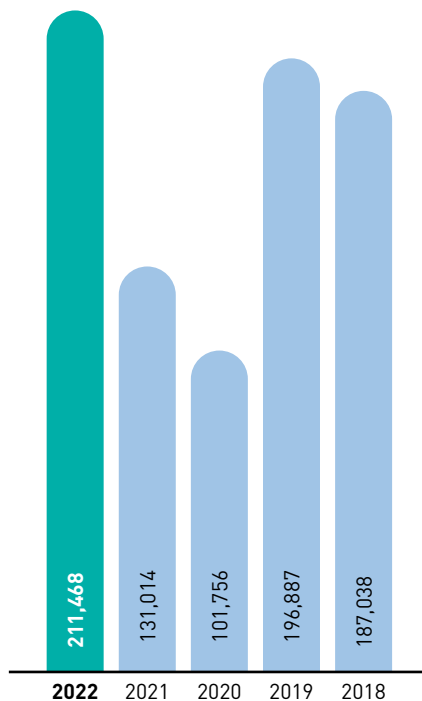
\*\* Net debt to equity excludes lease liabilities.

## FIVE YEAR FINANCIAL HIGHLIGHTS

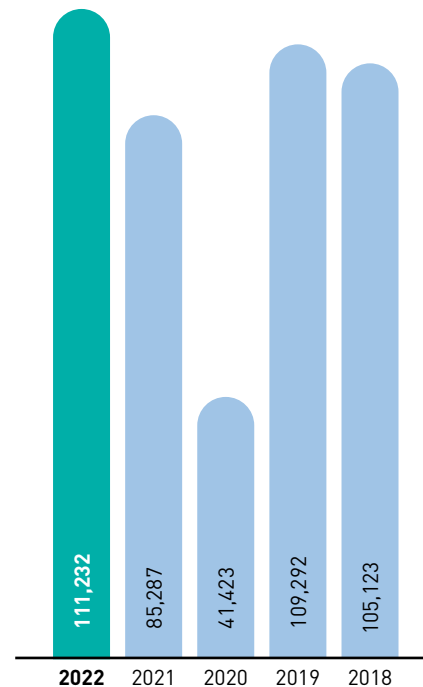
Revenue (RM'000)



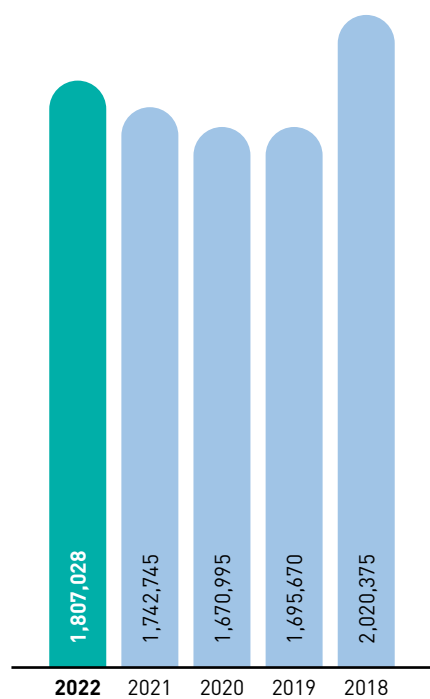
Profit before tax (RM'000)



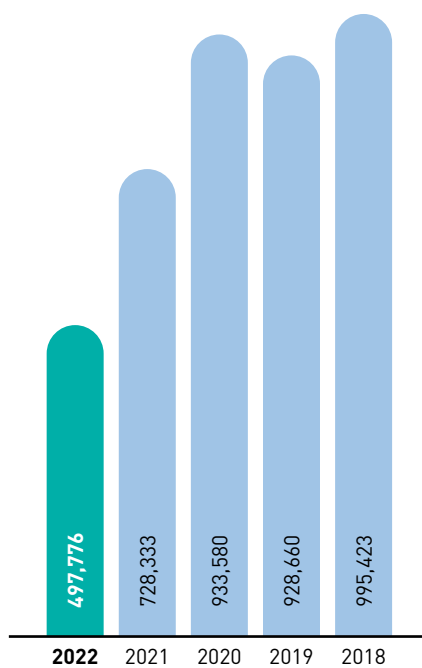
Profit after tax (RM'000)



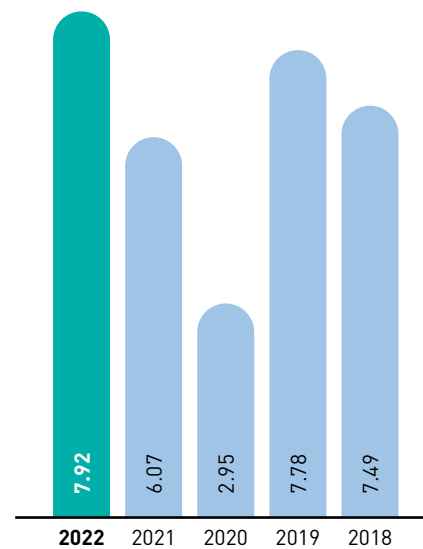
Net assets (RM'000)



Borrowings (RM'000)

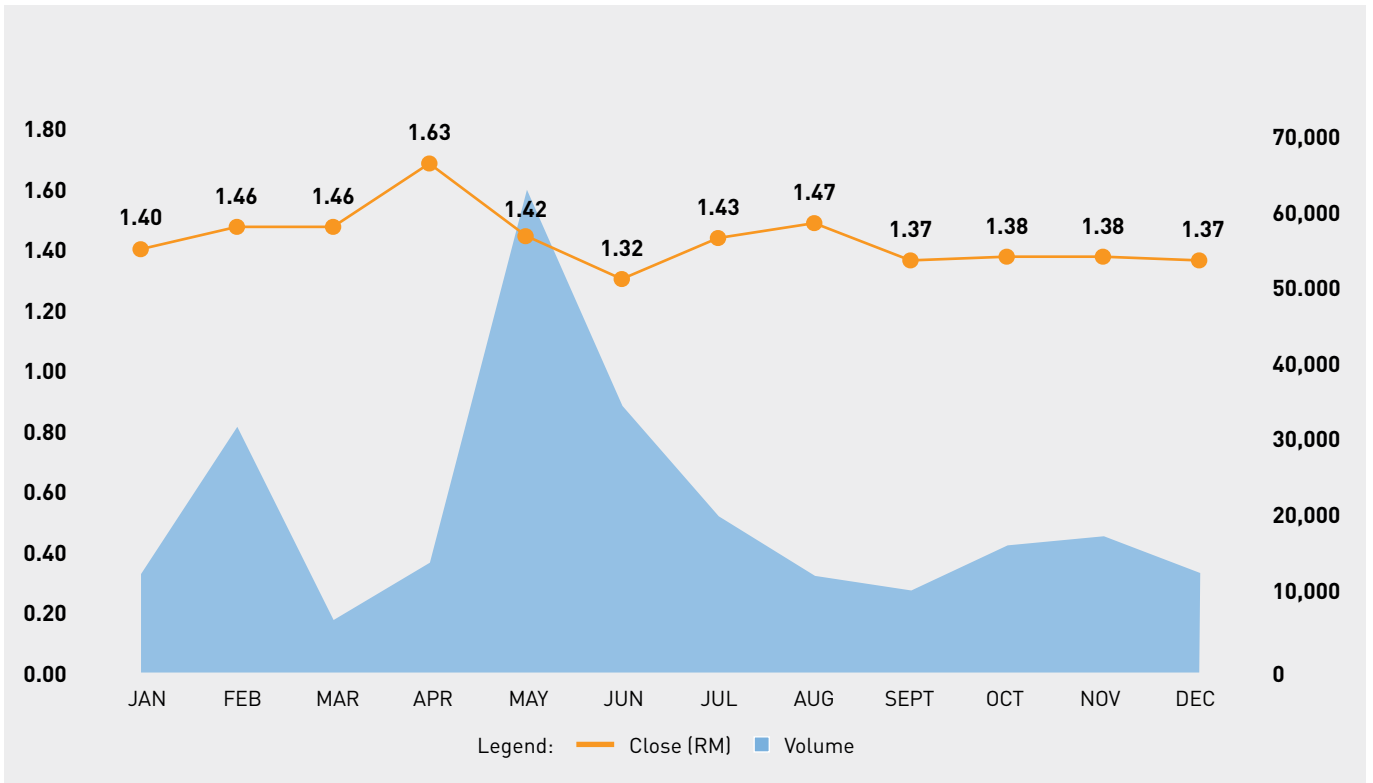


Earnings per share (sen)



# SHARE PRICE

2022	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
High (RM)	1.46	1.53	1.52	1.65	1.69	1.58	1.44	1.49	1.48	1.42	1.40	1.41
Low (RM)	1.36	1.29	1.41	1.58	1.40	1.29	1.26	1.38	1.34	1.32	1.32	1.34
Close (RM)	1.40	1.46	1.46	1.63	1.42	1.32	1.43	1.47	1.37	1.38	1.38	1.37
Volume ('000)	13,161	33,577	6,789	14,740	63,846	36,475	21,171	12,906	10,884	17,139	18,403	13,305





# 04 CREATING VALUE

- 30 Key Market Trend
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- 38 The Risks We Consider

## KEY MARKET TREND

As a retailer, we pay close attention to our operating environment and the key market trends that influence our business. We consider these factors in our strategies to ensure that we respond proactively and appropriately to mitigate any impact on our business.

### BUMPY ECONOMIC RECOVERY AND RISING INFLATIONARY PRESSURES

#### What was the Trend

- Inflationary pressures are rising and are expected to dampen economic growth.
- The IMF forecasts that the world economy to decelerate to 2.9% growth in 2023 with looming recession concerns. This is due to tightening financial conditions arising from rising interest rates, exacerbated by supply chain dislocations and surging commodity prices post Russia-Ukraine conflict.
- Overall, this will have a knock-on effect on the region. For us, inflationary pressures could impact production pricing and labour cost, while the weakening of consumer purchasing power could reduce demand for our retail business in the short term.

#### How We Monitored and Responded to the Trend

- Learning from the last 2 years of the pandemic phase, we continued to exercise discipline cost management and prudent spending with clear focus on ensuring customer experience.
- Whilst our supermarket business may be more resistant to inflationary pressures, we strived to ensure that we remained resilient, and continue to sharpen our competitive strengths via our sourcing and partnership initiatives.
- We worked hard, facilitated by data collected to identify savings and efficiencies that helped us cushion the impact of higher commodity costs.
- We continued to invest in our private brands to meet our customers' expectations for quality and affordability to ensure that we remain relevant.

#### Link to UN SDGs



#### Capitals



#### Link to Our Risk



### SUPPLY CHAIN DISRUPTIONS

#### What was the Trend

- Alongside increased material costs, businesses must deal with continued supply chain constraints, labour issues and higher wage pressures which trigger cost escalation.
- Supply-side challenges arising from COVID-19 related shutdowns, export restrictions and weather change which has disrupted global supplies of commodities including oil, gas, minerals, grains and fertilisers.
- The retail industry continued to be impacted by supply chain disruptions.

#### How We Monitored and Responded to the Trend

- Through our operational resilience and effective coordination with suppliers, we faced minimum disruptions.
- Expanded our private brands offerings which helped to address the changing needs of customers' requirements and growing demand for value-for-money products.

#### Link to UN SDGs



#### Capitals



#### Link to Our Risk



#### Risks:

- Transformation Risk
- People Risk
- Digitalisation Risk
- Liquidity Risk
- Cybersecurity Risk
- Customer Retail Product Proposition Risk
- Customer Retail Experience
- Health, Safety and Security Risk
- Business Sustainability Risk



## KEY MARKET TREND

### DIGITAL AND TECHNOLOGICAL INNOVATION

#### What was the Trend

- COVID-19 and the post pandemic era has led to a new norm as people, organisations, industry and governments have willingly adopted digitalisation and digital platforms to cope with the disruptions to our lives, societies, and businesses.
- Low utilisation of digital application tools could cause slower realisation of benefits as inefficient assets will lead to disruptions in our operations, product delivery and services.

#### How We Monitored and Responded to the Trend

- As part of our digitalisation exercise which started in FY2020, we continued to embark on digital solutions which provide convenience and a better customer experience.
- Accelerated deployment of several digital initiatives as part of our digital transformation journey for faster business decisions and more value creation while putting customer centricity as priority.

▲ For more information, please refer to page 47 to 48 of our Digitalisation initiatives

#### Link to UN SDGs



#### Capitals



#### Link to Our Risk



### INTENSIFIED SUSTAINABILITY

#### What was the Trend

- Continuing from FY2021, the scrutiny and call for action by policymakers, regulators, financiers, investors, consumers and pressure groups on sustainable business practices has intensified further.
- As key economies begin translating their net zero commitments into policy and legislation, investments into low-carbon pathways have intensified.
- For AEON, we aspire to leverage the opportunities brought about by these developments to continue delivering value to our stakeholders.

#### How We Monitored and Responded to the Trend

- The increasing importance of sustainability practices brings additional considerations to our business strategies and plans.
- In FY2022, we established the AEON Sustainability Charter which acts as our blueprint that outlines our key sustainability goals and initiatives in the next three to five years.
- We also introduced policies to embed sustainability commitments into our operations and portfolios so that we become more resilient to market volatilities.

▲ For more information, please refer to page 42 to 62 of our Sustainability Statement

#### Link to UN SDGs



#### Capitals



#### Link to Our Risk



#### Capitals:







# ENGAGEMENT WITH STAKEHOLDERS





GRI 102-40, 102-41, 102-42, 102-43, 102-44

At AEON, stakeholder engagement is a crucial process that helps us to understand customer needs, enable key insights to further improve processes, products and service levels and strengthen relationships with relevant stakeholders for future growth.

We manage this via formal and informal engagements and have built a comprehensive stakeholder mapping of its stakeholder universe in tandem with a robust comprehensive engagement plan. In FY2022, we further strengthened our connection with our stakeholders by organising physical engagements whenever possible, along with our various online engagements throughout the year, as Malaysia progressed in the endemic stage of COVID-19.

Stakeholder Group	Areas of Concern	Engagement Plan	Frequency of Engagement
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Career development</li> <li>• Compensation, welfare and benefits</li> <li>• Employment equality</li> <li>• Working environment and quality</li> <li>• Safety</li> <li>• Job performance evaluation/assessment</li> <li>• Ethics, disciplinary and misconduct</li> <li>• Strategic direction and business growth</li> </ul>	<ul style="list-style-type: none"> <li>• Learning and development programmes</li> <li>• Bi-weekly Head of Department meeting</li> <li>• Weekly AEON Leadership Council (ALC) meeting</li> <li>• Morning assembly with AEON People</li> <li>• Internal surveys</li> <li>• Messages through Email and iAEON app</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic engagements</li> <li>• Bi-weekly</li> <li>• Weekly</li> <li>• Monthly</li> <li>• Annually</li> </ul>
 <p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>• Product pricing, safety and quality</li> <li>• Service culture, comfort, convenience and satisfaction</li> <li>• Privileges, benefits and added value</li> <li>• Online shopping</li> </ul>	<ul style="list-style-type: none"> <li>• AEON Careline QR Code for customers feedback</li> <li>• Corporate website – <a href="http://www.aeongroupmalaysia.com">www.aeongroupmalaysia.com</a></li> <li>• AEON Members' Day</li> <li>• Social media – Facebook, Instagram, Twitter and YouTube</li> <li>• Customer service counter</li> <li>• Newsletters via email</li> </ul>	<ul style="list-style-type: none"> <li>• Day-to-day</li> <li>• Periodic engagements</li> </ul>
 <p><b>Government and Regulators</b></p>	<ul style="list-style-type: none"> <li>• Regulations and Policies</li> <li>• Product specifications</li> <li>• Environment and Climate Change</li> <li>• Human Rights</li> <li>• Governance and Business Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Store visits</li> <li>• Formal meetings, forums, roundtables &amp; briefings</li> <li>• Formal events</li> <li>• Bursa Link under Investor Relations on AEON's corporate website – <a href="http://www.aeongroupmalaysia.com">www.aeongroupmalaysia.com</a></li> </ul>	<ul style="list-style-type: none"> <li>• Periodic engagements</li> <li>• Quarterly</li> <li>• Annually</li> <li>• Ad-hoc</li> </ul>
 <p><b>Investors and Shareholders</b></p>	<ul style="list-style-type: none"> <li>• Business outlook and strategic direction</li> <li>• Operational efficiencies</li> <li>• Cash utilisation and dividends</li> <li>• Governance and business ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly results announcement</li> <li>• Quarterly analyst briefings</li> <li>• Group and one-on-one meetings</li> <li>• Non-deal roadshow</li> <li>• Corporate website under Investor Relations</li> <li>• Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Annually</li> <li>• Periodic engagements</li> <li>• Ad-hoc</li> </ul>

## ENGAGEMENT WITH STAKEHOLDERS

Stakeholder Group	Areas of Concern	Engagement Plan	Frequency of Engagement
 <p><b>Community</b></p>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility (CSR)</li> <li>• Financial support and aid</li> <li>• Environmental awareness and education</li> <li>• Business opportunities</li> <li>• Livelihood support</li> </ul>	<ul style="list-style-type: none"> <li>• Malaysian AEON Foundation (MAF) activities</li> <li>• Festive celebrations</li> <li>• CSR events and programmes with community</li> <li>• Job opportunity</li> <li>• Kiosk and/or temporary space rental set-ups at shopping malls</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic engagements</li> <li>• Ad-hoc</li> </ul>
 <p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• Procurement process, payment terms and practices</li> <li>• Strategic partnerships</li> <li>• Product and promotion support</li> <li>• Trading terms</li> <li>• Governance and Business Ethics</li> <li>• Human Rights</li> <li>• Technology and Digital Transformation</li> <li>• Cybersecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Clear procurement and payment policies and SOPs</li> <li>• Whistleblowing channel</li> <li>• Joint-marketing collaborations</li> <li>• Audits and site visits</li> <li>• Policies</li> <li>• Formal and social events</li> </ul>	<ul style="list-style-type: none"> <li>• Day-to-day</li> <li>• Ad-hoc</li> <li>• Periodic engagements</li> </ul>
 <p><b>Media</b></p>	<ul style="list-style-type: none"> <li>• Company's business and financial performance</li> <li>• Product launches and collaborations</li> <li>• Perception management and crisis communication</li> </ul>	<ul style="list-style-type: none"> <li>• Media conference/Interview sessions/Written responses</li> <li>• Media collaborative programmes</li> <li>• Editorial, advertorial and branded content</li> <li>• Video messages</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Periodic engagements</li> <li>• Ad-hoc</li> </ul>
 <p><b>Industry</b></p>	<ul style="list-style-type: none"> <li>• Retail sales performance</li> <li>• Industry outlook and issues</li> <li>• Government policies</li> <li>• Mutual interest issues</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings/forums/roundtables with Malaysia Retailers Association (MRA)</li> <li>• Business dialogues with MRA and/or industry leaders</li> <li>• Participation in social events</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic engagement</li> <li>• Ad-hoc</li> </ul>

# OUR MATERIAL MATTERS

## MATERIALITY PROCESS

GRI 102-47

We review our material matters annually as this enables us to identify key priorities that affect our ability to deliver sustainable value to our stakeholders.

The material assessment process consists of three steps:



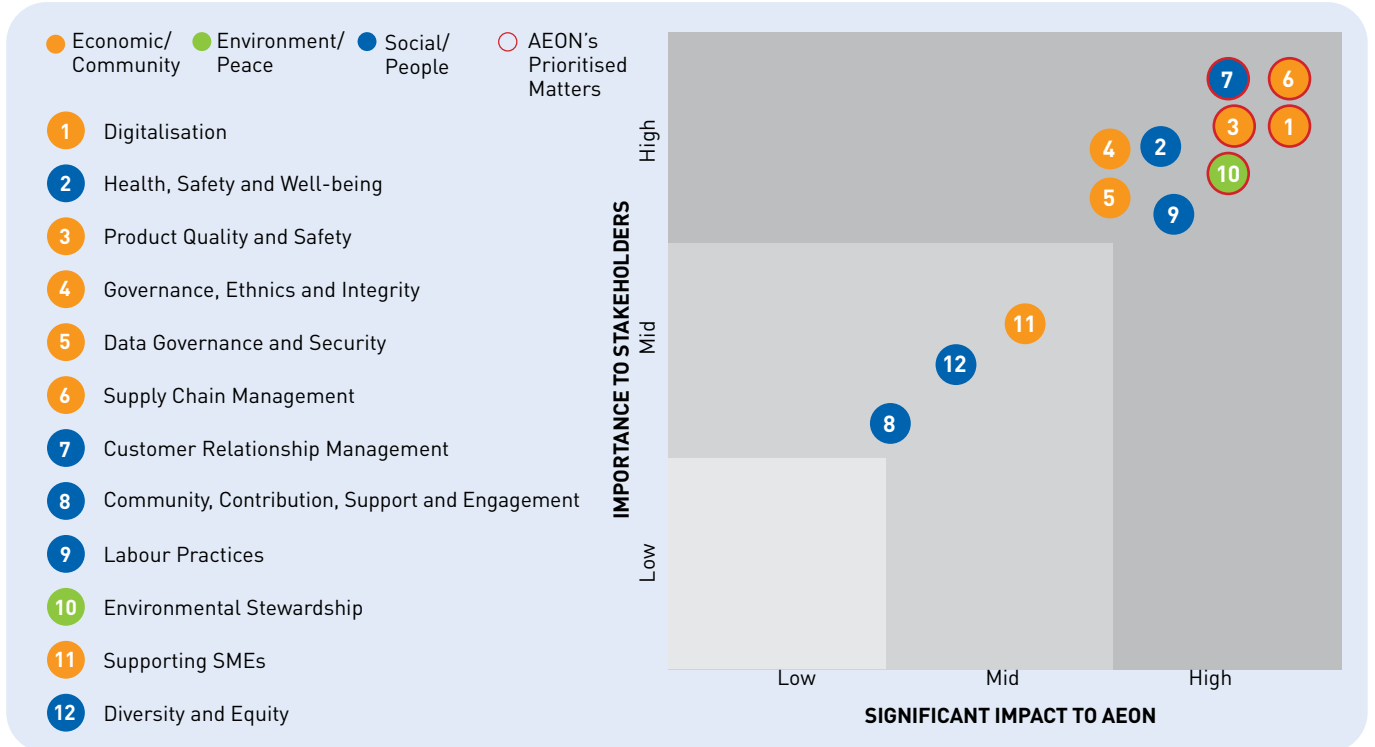
### 1. Revalidation of Relevant Material Matters

We reviewed the FY2021 Sustainability Statement and updated the material matters for FY2022. As part of this process, we took into consideration the current business environment, internal changes as well as risks and opportunities that impact AEON's business and operations.

Through this exercise, 12 material matters were mapped out based on AEON's Basic Principle.

### 2. Prioritisation of Material Matters

Based on the revalidation process, we reprioritised our material matters based on their impact on our business growth and stakeholders.



### 3. Review and Endorsement

The revised Materiality Matrix, created based on internal and external stakeholder feedback, was reviewed and endorsed by the Sustainable Steering Committee (SSC).

## OUR MATERIAL MATTERS

### HOW WE ACCESS OUR MATERIALITY

GRI 103-1







#### Aligning Our Material Matters with Sustainable Development Goals

To better contribute to the global goals, we have aligned our 12 material matters with the nine Sustainable Development Goals (SDGs) that we adopted as well as the GRI Standards.

MATERIAL MATTERS	SDGs	GRI STANDARDS
Digitalisation		GRI 418 – Customer Privacy
Health, Safety and Well-being		GRI 403 – Occupational Health and Safety
Product Quality and Safety	  	GRI 416 – Customer Health and Safety GRI 417 – Marketing and Labelling
Governance, Ethics and Integrity		GRI 205 – Anti-Corruption
Data Governance and Security	 	GRI 418 – Customer Privacy
Supply Chain Management	 	GRI 102 – General Disclosures GRI 204 – Procurement Practices
Customer Relationship Management		GRI 103 – Management Approach
Community Contribution, Support and Engagement	 	GRI 203 – Indirect Economic Impact
Labour Practices	 	GRI 402 – Labour/ Management Relations
Environmental Stewardship	   	GRI 302 – Energy GRI 303 – Water and Effluents GRI 306 – Waste
Supporting SMEs	  	GRI 203 – Indirect Economic Impact
Diversity and Equity	 	GRI 102 – General Disclosures GRI 405 – Diversity and Equal Opportunity GRI 406 – Non-Discrimination

# VALUE CREATION MODEL

## BUSINESS VALUES — 01 Demand Chain Driven Understanding the Needs of Customers

BUSINESS INPUTS / CAPITALS					
 <b>Financial</b> <p>Robust balance sheet and strong earnings enable us to reward shareholders with dividends and reinvest for future growth.</p> <ul style="list-style-type: none"> <li>Market Cap: RM1.92 bil</li> <li>Shareholder equity: RM1.8 bil</li> <li>Total assets: RM5.4 bil</li> <li>Cash: RM237.5 mil</li> </ul>	 <b>Human Capital</b> <p>Active recruitment, development and retention of AEON People while championing a culture of Agile, Genba and Entrepreneurial (A.G.E.)</p> <ul style="list-style-type: none"> <li>9,374 AEON People (direct hire) across the organisation</li> <li>57% female employee representation in FY2022</li> </ul>	 <b>Manufactured Capital</b> <p>Portfolio of our owned and leased assets allow us to reach, influence, market and distribute to our extensive customer base nationwide.</p> <ul style="list-style-type: none"> <li>28 AEON Malls</li> <li>35 AEON Stores</li> <li>AFPC (AEON Food Processing Centre)</li> </ul>	 <b>Intellectual Capital</b> <p>Established brand equity built over 39 years with longstanding partnerships with tenant partners and business partners</p> <ul style="list-style-type: none"> <li>AEON Brand</li> <li>Private brands: TOPVALU, Home Coordy, La Boheme</li> <li>AEON Loyalty Programme (AEON Members)</li> <li>iAEON app</li> </ul>	 <b>Natural Capital</b> <p>Sustainable environmental practices through responsible and efficient use of energy, water and other natural resources</p> <ul style="list-style-type: none"> <li>Total electricity usage</li> <li>Total water usage</li> </ul>	 <b>Social and Relationship Capital</b> <p>Pledging social commitments and bridging communications with our stakeholders while giving back to communities we operate in</p> <ul style="list-style-type: none"> <li>Active CSR programmes under MAF and Sayap Bagimu initiatives</li> <li>Supporting SMEs and MSMEs</li> </ul>

### OUR KEY OUTCOMES FOR OUR STAKEHOLDERS



▲ Please refer to page 32 to 33.

OUTCOMES AND VALUE CREATED					
<p>Delivered positive financial performance, notwithstanding macroeconomics challenges and rewarded shareholders through dividend distributions.</p> <ul style="list-style-type: none"> <li>Revenue: RM4,141.1 mil</li> <li>Net Profit: RM111.2 mil</li> <li>Total proposed dividend payout: 4 sen per share with dividend payout of 50%</li> </ul>	<p>Committed and capable employees with healthy talent pipeline and strong succession planning strategies</p> <ul style="list-style-type: none"> <li>48% leadership positions held by women</li> <li>12,909 AEON People spent 150,000 man-hours on 160 training programmes</li> <li>Employed 123 PWDs (FY2021: 115)</li> </ul>	<p>Invested in the rejuvenation and expansion of our malls and stores as well as expanded assortments of our products and services to improve customer experience</p> <ul style="list-style-type: none"> <li>Completed rejuvenation/ refurbishment of AEON Alpha Angle in FY2022</li> <li>Opened one store in January 2023 (AEON IOI Putrajaya) which makes up a total of 35 AEON stores nationwide</li> <li>Portfolio of 33 premises that serves high quality, Halal-certified bakery goods</li> </ul>	<p>Invested in digitalisation by adopting the OMO strategy to strengthen our AEON Living Zone ecosystem and increase brand equity</p> <ul style="list-style-type: none"> <li>Winner of the Brand of The Year Award 2021/2022 In the Retailer - Departmental Stores Category</li> <li>Partnership with 2,469 suppliers and business partners</li> <li>2.4 million AEON members</li> </ul>	<p>Positive contribution to climate-change reduction and increased sustainability initiatives and solutions in FY2022.</p> <ul style="list-style-type: none"> <li>387,349 MWh in total renewable energy which is equivalent to 302,132 tonnes of CO<sub>2</sub>e</li> <li>Zero single plastic use effective 1 January 2023 at our cash counters in all AEON outlets</li> </ul>	<ul style="list-style-type: none"> <li>Contributed RM2.2 mil to our communities through programmes under MAF</li> <li>Supported more than 200 SMEs and MSMEs through various programmes which helped to generate more than RM9 mil profit</li> </ul>

# VALUE CREATION MODEL

## 02 Sniping and Personalisation

Targeted and Segmented Customer Offerings

## 03 Transparency

Employees, Customers and All Stakeholders, SMEs and Industry Leaders

### 01 ENHANCE OUR ENGINES

Enhancing existing business models to understand our customers across all our business offerings, including AEON Malls, AEON Stores, AEON Wellness, DAISO and Komai-so.

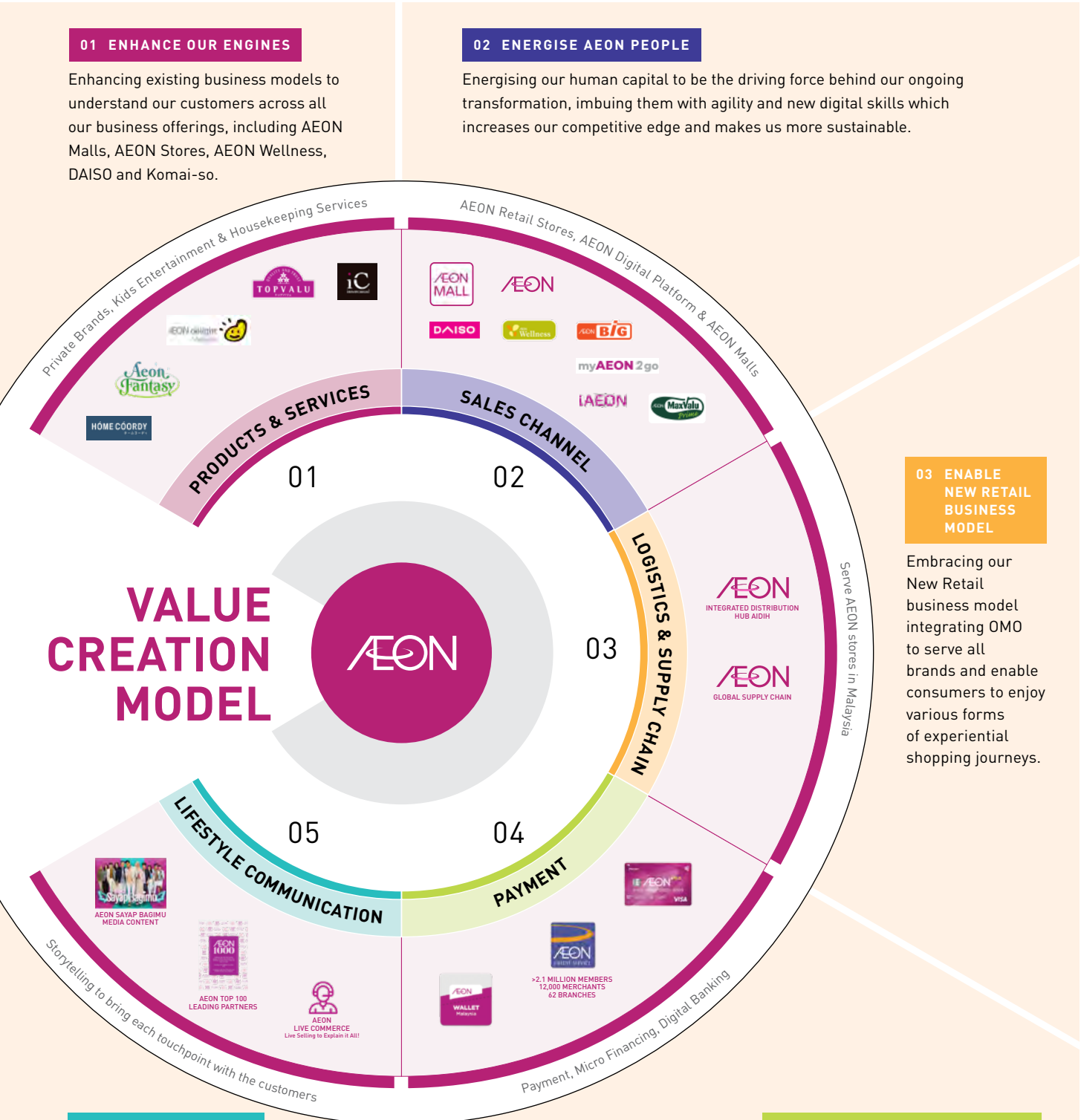
### 02 ENERGISE AEON PEOPLE

Energising our human capital to be the driving force behind our ongoing transformation, imbuing them with agility and new digital skills which increases our competitive edge and makes us more sustainable.

### 03 ENABLE NEW RETAIL BUSINESS MODEL

Embracing our New Retail business model integrating OMO to serve all brands and enable consumers to enjoy various forms of experiential shopping journeys.

# VALUE CREATION MODEL



### 05 EMPOWER AEON ECOSYSTEM

Leveraging the strength of AEON's stakeholders and partners by connecting every touchpoint of the ecosystem.

### 04 ENTREPRENEURIAL DATA DRIVEN TECHNOLOGY

Utilising entrepreneurial data driven technology to empower AEON People and partners to be more focused on executing based on our business values of Demand Chain Driven, Sniping and Personalisation, and Transparency.

# THE RISKS WE CONSIDER

AEON has in place a robust Enterprise Risk Management Framework that enables us to manage and report the risks that we face as a business. A risk that can seriously affect our ability to deliver our customer value proposition or business sustainability is termed as a 'Principal Risk'.

To manage these principal risks effectively, we have identified the risk appetites for key areas affecting the management of our principal risks. The table below sets out our principal risks, their underlying causes and the key control factors in addressing each risk.



## TRANSFORMATION RISK

Inability to transform the existing business model and to deliver the New Retail business model vision due to poor resource prioritisation, poor target-setting and result-tracking, change inertia or lack of willingness to experiment in pursuing innovation.



## PEOPLE RISK

The risk of not being able to attract, retain and develop the required capabilities and to embed AEON's Agile, Genba and Entrepreneurship (A.G.E.) values in our people.



## DIGITALISATION RISK

Delays in digitalisation may affect the Company's competitive position.

RATIONALE / CAUSE		
<ul style="list-style-type: none"> <li>Poor governance structure to monitor, report and follow up on any action plan.</li> <li>External factors such as the COVID-19-induced public health crisis, dampened retail spending environment, climate change and global competition for digital and technology talent.</li> <li>Project-related risks such as risks incurred during project planning and execution, and in the management of contracts.</li> </ul>	<ul style="list-style-type: none"> <li>Heightened competition for talent locally and globally.</li> <li>Remuneration and benefits that are insufficiently competitive to attract and retain the right people for the right jobs.</li> </ul>	<ul style="list-style-type: none"> <li>High reliance on third parties to deliver front-end retail applications.</li> <li>Inadequate integration between front-end applications and AEON's back-end physical and IT systems.</li> </ul>
KEY CONTROL AND MITIGATION FACTORS		
<ul style="list-style-type: none"> <li>A clear strategic roadmap that repositions and re-energises sustainability in every facet of business – codified and communicated via the AEON Strategy Playbook.</li> <li>Pilot programme initiative to incorporate new retail vision and new mall vision (i.e. AEON Alpha Angle).</li> <li>Redirection of capital expenditure from physical mall renewal towards delivering an omnichannel experience.</li> <li>Project management governance practices are being put in place to monitor the execution spending and procurement activities and progress of key projects.</li> </ul>	<ul style="list-style-type: none"> <li>Five-year Human Resource Transformation Programme.</li> <li>Succession programme in place for key personnels.</li> <li>In-house development and training programmes (i.e. AEON Skills Training Centre).</li> </ul>	<ul style="list-style-type: none"> <li>An in-house specialist team under the aegis of the Chief Operation Officer was established to identify specialist talent, incubate AEON's digital retail initiatives and serve as a bridge between AEON and its third-party application developer.</li> <li>A specialist team reporting to the Chief Technology Officer for the implementation of various back-end applications, such as the SAP system, as well as the integration of existing front-end applications with AEON's back-end applications.</li> </ul>
LINK TO MATERIAL MATTERS		
<p>1 2 4 9 12</p>	<p>1 2 4 9 12</p>	<p>1 3 6 7 11</p>
LINK TO UN SDGS		
<p>8 DECENT WORK AND ECONOMIC GROWTH, 10 AFFORDABLE AND CLEAN ENERGY, 16 PROMOTE SUSTAINABLE CONSUMPTION AND PRODUCTION</p>	<p>3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 10 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PROMOTE SUSTAINABLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH, 10 AFFORDABLE AND CLEAN ENERGY, 16 PROMOTE SUSTAINABLE CONSUMPTION AND PRODUCTION</p>



## THE RISKS WE CONSIDER



### LIQUIDITY RISK

Ineffective cash management and inadequate tenant collection management, leading to potential delays in fulfilling payment obligations.



### CYBERSECURITY RISK

Compromised IT infrastructure due to internal or external threats, which may lead to data breaches, theft, loss and misappropriation of information that could result in loss of customer confidence, leading to reputational damage and business disruption.



### CUSTOMER RETAIL PRODUCT PROPOSITION RISK

The risk of not understanding customer demand in terms of product needs and requirements such as choice/assortment, quality, safety, price competitiveness and evolving ethical and responsible sourcing standards, leading to inability to build and sustain customer loyalty.

- Business disruptions due to COVID-19-induced movement control orders, the recession and erratic and extreme weather patterns due to climate change, exacerbated by poor urban development and resource management.
- Adverse changes in commodity prices, affecting supply cost of key inventory, leading to lower sales and increased logistic costs and energy costs.
- Changes in government/regulatory stance on licensing, permits, taxation and interest rates.

- Heightened exposure, given the acceleration of digitalisation in AEON's business functions.
- Lack of an adequate cybersecurity policy and programme.
- Lack of specialists in cybersecurity and data integrity.
- Increase in external cyber threats through Distributed Denial-of-Service (DDoS) attacks and ransomware.

- Poor assortment due to inadequate data-driven decision-making process.
- Inadequate ethical and responsible supply chain management.
- Inadequate supply chain management.
- Changing demographics, e.g. Gen-Zs are not only emerging as potent retail spenders, but they are also influencing the course of the regulatory environment in which we operate.
- Heightened competition from physical and digital retailers, locally and globally.
- Global/local supply chain disruptions due to climate change-induced events, global political volatility, geopolitical tensions, government restrictions, COVID-19 and the recession, leading to insolvency of key suppliers.

- Increasing engagement with land/building owners of malls to obtain lease reductions due to the COVID-19-induced MCOs.
- Supply chain task force established to closely monitor supply changes and implement necessary remediation plans.
- Continuous review of fit-for-purpose financing facilities against operating needs.
- Annual review of insurance plans to ensure their adequacy and exploring new risks to be insured.

- Increasing reliance on a cloud-based storage service provider that provides enhanced data security protection, such as Alibaba Cloud, Google Cloud or Microsoft Azure (e.g. Alibaba Security Centre).
- Enhancing and monitoring cybersecurity features to secure our network, web applications, web server, application codes and database layers of various front-end and back-end applications.
- Increasing IT security audits and reviews.

- Strategies implemented to develop AEON's private brands by adhering to ethical and responsible sourcing practices while combining a balanced approach to local and global sourcing to future proof AEON against chain disruptions.
- Buying decisions to be driven by data-driven customer demand analysis and insights instead of supplier incentives (i.e. AEON's 7 Customer Persona).

1 2 4 9 12

1 4 5

3 4 5 6 7 8 10 11



# THE RISKS WE CONSIDER



## CUSTOMER RETAIL EXPERIENCE

Failure to continuously attract and satisfy customers due to lack of personalisation.



## HEALTH, SAFETY AND SECURITY RISK

Health, safety and security risks compromising the health and safety of secured work and retail environment for its stakeholders.



## BUSINESS SUSTAINABILITY RISK

Maintaining and enhancing AEON's competitiveness and reliability in terms of attracting retailers, customers, and the local community, especially in a highly disruptive marketplace.

RATIONALE / CAUSE		
<ul style="list-style-type: none"> <li>A combination of poor understanding of consumer preferences and our lack of data analysis on their past purchase trends.</li> <li>Inadequate personalisation in our e-commerce/customer relationship management of front-end retail applications, e.g. myAEON2go.</li> </ul>	<ul style="list-style-type: none"> <li>Internal threats, such as employee misconduct/negligence and poor facility management, and external threats, such as robbery, child kidnapping, fire, flood, etc.</li> <li>Heightened security risks arising from COVID-19-induced public health crisis and job losses.</li> <li>Climate change-induced erratic and extreme weather patterns, exacerbated by poor urban development and leading to floods and other threats.</li> </ul>	<ul style="list-style-type: none"> <li>Shift in customer preferences towards online retail and shopping.</li> <li>Water and power disruptions due to climate change-induced events, exacerbated by poor urban development and resource management.</li> <li>Heightened competition from physical and virtual malls.</li> <li>Business disruptions arising from flood, fire, etc.</li> <li>Shift in customers' expectation of the future of malls.</li> </ul>
KEY CONTROL AND MITIGATION FACTORS		
<ul style="list-style-type: none"> <li>Development of e-commerce solutions, such as myAEON2go to deliver omnichannel retail experience, as well as e-wallet payment options in stores and QR codes to better assist customers' purchase decisions.</li> <li>In-house market/customer insights and customer experience/happiness team.</li> <li>Enhancing the delivery of the AEON membership loyalty programme through corporate partnerships and member incentives.</li> <li>Enhancing the timely analysis of consumer purchase trends.</li> </ul>	<ul style="list-style-type: none"> <li>In-house and dedicated health and safety team to audit malls' compliance with AEON's health, safety and security requirements.</li> <li>Deployment of enhanced technological features such as smart CCTVs to secure malls and their people.</li> <li>Assessment of threats, such as floods, to cultivate a localised approach in securing our malls and their people; reviewing firefighting facilities to secure operational ability during water disruptions.</li> <li>Enhancing the business continuity programme, which includes the emergency response procedures and disaster recovery plan, to minimise business disruptions for customers.</li> </ul>	<ul style="list-style-type: none"> <li>Development of iAEON App by integrating new features, e-gift vouchers and promotions to attract and retain customers.</li> <li>Enhancing AEON's retail stores through a myriad of digitalisation endeavours to further strengthen our malls' value proposition.</li> <li>Adopting passive design features and other enhancements in new and renewal mall projects in order to protect them from energy and water disruptions.</li> <li>Adopting and embedding the United Nations SDG principles and standards in organisation performance indicators.</li> <li>Strengthening leasing by restructuring tenant mix to increase engagement and traffic to malls.</li> </ul>
LINK TO MATERIAL MATTERS		
1 3 5 7 8	2 4 7 9	2 7 8 10
LINK TO UN SDGs		

05

# SUSTAINABILITY STATEMENT

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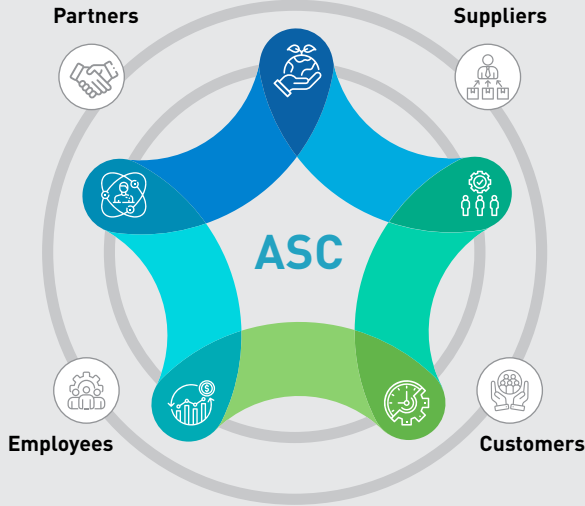
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# SUSTAINABILITY STATEMENT

## AEON SUSTAINABILITY CHARTER (ASC)



-  **Environmentally Focused**
-  **Responsible Employment**
-  **Efficiency & Integrity**
-  **Sustainable Economics**
-  **Dynamic CX (Customer Experience)**

At AEON, we believe that a sustainable business is one that not only prioritises financial returns but also protects the environment, nurtures its employees and at the same time, uplifts its communities and ecosystem. After having been in Malaysia for the last 39 years, we have continuously supported the needs of the local communities, businesses and contributed to the nation’s growth.

We have developed a robust ESG roadmap which has been integrated into our business, governance, culture and ecosystem, as outlined in AEON’s Basic Principles and our new retail strategy. We ensured that our business decisions always took into consideration our ESG priorities, as this allows us to mitigate future ESG-related risks.

This year, we deepened our sustainability commitments by establishing the AEON Sustainability Charter (ASC). The ASC is a blueprint that outlines our ambitious targets to realise a sustainable society in tandem with the growth experienced. Through the ASC, we continued to uphold the basic principles of pursuing peace, respecting humanity and contributing to local communities. We also focused on minimising our impact on the environment, with a key goal of achieving carbon neutrality by the year 2040. We worked closely with our stakeholders across a wide range of sectors to realise meaningful, sustainable change.

 The ASC can be viewed at AEON’s website <https://aeongroupmalaysia.com/aeon-sustainability-charter/>

Nevertheless, we are aware of the devastating effects of climate change that are accelerating around the world. Following the Paris Agreement and United Nations Climate Change Conference [COP 27], governments and corporations worldwide have been urged to take concerted efforts to accelerate climate resilience and reduce emissions in a sustained manner.

We understand that becoming fully nature-positive will not happen overnight, nor within the next 12 months. It is an ongoing process that requires the deep commitment of everyone within and outside our value chain. Towards this end, we have also committed to

manage our climate-related impact, with targets to transition towards full Task-Force on Climate-related Financial Disclosures (TCFD) compliance by 2025.

Our approach to sustainability is also aligned with the Economic, Environmental and Social (EES) pillars that seeks to improve the prosperity of the world we live in, protect our planet for the benefit of our communities while taking action that uplifts the communities we operate in.



We care about the people around us. We remained focused on nurturing people, be it at the workplace, with our supply chain and business partners, or across the communities we serve. Aligned to the United Nations Guiding Principles on Business and Human Rights (UN Guiding Principles), we fostered diversity and inclusivity, creating a safe ecosystem for AEON People, our business partners, tenant partners and communities to thrive.

As the retail industry continues to evolve, we remain anchored in our pursuit of embedding sustainability in everything we do, supported by a strong digital ecosystem and our core values. Collectively, we remain committed to deliver our ESG-related initiatives in a phased approach towards meeting our targets over the next three years.



## STRENGTHENING ECONOMIC PERFORMANCE



In FY2022, the retail industry recorded strong growth, due to the easing in COVID-19 restrictions and business resumed operations at full capacity. A majority of Malaysians opted to visit physical stores and reverted to their pre-COVID-19 lifestyles, which helped spur economic activities. Apart from economic contribution to the country, it also created employment opportunities that contributed to nation building.

As part of our goal to become Malaysia's most preferred retailer, we continued to integrate ESG-related practices through impactful measures that would strengthen operational resilience over the long-term.

### PRODUCT SAFETY, QUALITY AND SERVICES




GRI 416-1, 417-1


At AEON, we strive to deliver long-term value for our stakeholders, including our customers and business partners. We are committed to continually enhance the reputation of the brands that we produce and distribute. In this regard, we endeavoured to maintain consumer confidence by developing and implementing food safety and quality systems, standards and practices. This in turn strengthens our position as a reputable retailer, building customer trust and loyalty.

#### Adhering to Safety and Quality Standards

We ensured our products and services are aligned with the international regulatory and industry best practices such as the Hazard Analysis and Critical Control Point (HACCP) Certification, where we emerged as the only supermarket in Malaysia that has this certification. We had obtained the HACCP certification voluntarily, thus further demonstrating our deep commitment towards ensuring food safety.

Locally, we are governed by the Food Act 1983 and Halal Assurance Management System, issued by Department of Islamic Development Malaysia (JAKIM). Within AEON, we are guided by the following policies:-

 <b>AEON Food Safety and Quality Policy</b>	 <b>AEON Food Safety and Hygiene Policy</b>	 <b>AEON Halal Policy</b>
<ul style="list-style-type: none"> <li>Act as an overarching policy, outlining our commitment and guidance in relation to food safety procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Policy on AEON's food safety and hygiene in all areas pertaining to food.</li> </ul>	<ul style="list-style-type: none"> <li>Outlines AEON's commitment on stringent control in receiving raw materials to storing, packaging, processing, display and distribution in ensuring all its products are Halal, safe and nutritious to eat</li> </ul>

 The policies above can be viewed on our website at <https://aeongroupmalaysia.com/sustainability-policies/>

AEON's Halal Policy has been deeply ingrained in our daily operations since its implementation in 2010. In adherence with the Halal Assurance System guidelines, we ensured the following:-

- We develop, implement and improve halal requirements with halal purity and sincerity
- We ensure a quality management system through the supply chain by taking a systematic approach to preserve halal integrity of all products.
- We have all the guidelines ingrained and adhered strictly to prevent any non-compliance in producing halal products.
- We are following JAKIM's standards and requirements.

#### Performance in FY2022:-

##### 1. HACCP Certification

The HACCP Certification are subjected to periodic internal and external audits to ensure continued compliance with the standard requirements of food safety and fulfilling consumer requirement, as outlined in the Good Manufacturing Practice (GMP) and Food Safety Critical Control Points.

HACCP Certification			
 <b>100%</b> AEON Stores certified			
	2022	2021	2020
No. of AEON Stores	34	34	33

## STRENGTHENING ECONOMIC PERFORMANCE

### 2. Halal Certification

Obtained more Halal certification in FY2022, an **increase of 21** outlets due to the increase in the number of outlets at our newly-renovated AEON Alpha Angle. In addition, we also successfully conducted a Halal internal audit to ensure we maintained our Halal certifications at all AEON outlets. Relevant employees were also required to attend the Halal certification training sessions and review meetings.

#### Halal Certification



124

outlets certified

	2022	2021	2020
Delicatessen, La Boheme, Coco Café, Sushi, Pizzas and Drinks	124	103	131

### 3. 'Bersih, Selamat dan Sihat' (Clean, Safe and Healthy) (BeSS) Certification

BeSS Certification is an approved recognition given to food premises' operators by the MOH, Malaysia to encourage provision of safe and healthy food.

BeSS Certification	2022	2021	2020
<b>PREMISES CERTIFIED</b>			
AEON Stores	6	13	13
AEON Shopping Malls	3	6	6
<b>TOTAL</b>	<b>9</b>	<b>19</b>	<b>19</b>

BeSS Certification	2022	2021	2020
<b>FOOD COUNTERS CERTIFIED</b>			
Food Courts - AEON Stores	42	93	93
Food Courts - AEON Malls	6	45	45
<b>TOTAL</b>	<b>48</b>	<b>138</b>	<b>138</b>

The decrease in certification was due to renewal process of the existing certifications and the change in the number of tenants following the resumption of business activities post MCO.

### 4. Strict requirements for AEON Private Brand – TOPVALU

Focusing on our core priorities towards product safety and quality, suppliers that produced and manufactured products under the TOPVALU brand were also required to undergo an AEON Food and Non-Food Quality Audit and adhere strictly to our Supplier Code of Conduct.

#### Encouraged Informed Decision-Making

Consumers need to be able to obtain accurate, unbiased information about the products and services they purchase to enable them to make informed choices based on their interests and prevents them from being mistreated or misled by businesses. In FY2022, we established the following policy:



#### AEON Customer Responsibility Policy

- Outlining the principles, commitment and guidance on AEON's position with regard to consumer rights.



The Customer Responsibility Policy can be viewed on our website at <https://aeongroupmalaysia.com/sustainability-policies/>

### 1. Nutrition Information

Recognising that our customers come from different backgrounds, cultures and lifestyles, we ensured our food products had the appropriate labelling that highlighted product content, nutritional aspects, calorie-content and allergen information to avoid any negative health impact. This was done to assist our customers in making informed-decisions on the nutritional quality of their food purchases.

We also ensured that our website was regularly updated so customers had easy access to the latest information on some of our products. Customers also had their questions answered by browsing through the Frequently Asked Questions (FAQs) section.



Information on some of our products can be viewed on our website at <https://www.aeonretail.com.my/food-safety-halal/nutrition-health/facts/>



FAQ section can be viewed on our website at <https://www.aeonretail.com.my/food-safety-halal/faq/>

Similarly, customer engagement activities were carried out in FY2022, where we provided valuable tips and information regarding our products through our website, Customer Careline at 1300 80 3266 which operates from 9am to 10pm daily, and our social channels, namely Facebook and Instagram. These were also used in the event of any product alerts or recalls.



Tips on some of our product can be viewed on our website at <https://www.aeonretail.com.my/food-safety-halal/tips-info/>



Standardised icons on price labels for our Ready-to-Eat food selections

### 2. Responsible Advertising & Marketing of Alcohol

We commit to minimising the negative impact of alcohol on our customers. In alignment with Regulation 361 of Food Regulation 1985 (as an anchor guideline), we ensured that all alcoholic beverages were appropriately labelled (including the alcohol content of the beverage and health warning statement).

## STRENGTHENING ECONOMIC PERFORMANCE

### Active engagement with stakeholders

Throughout FY2022, we proactively engaged with stakeholders including the government and regulators, especially the Ministry of Health (MOH), Malaysia to ensure the safety and quality of our products throughout their lifecycle. In September 2022, we collaborated with MOH to conduct World Food Safety Day at AEON Alpha Angle where medical practitioners and nutritionist provided health-talks as well as health check-ups to our customer and the public.



### Achievements in FY2022



#### Excellence in Halal Certified Food Outlets

by Global Halal Excellence Awards (GHEA)



#### Excellence in Preferred Retail Store by Global

Business Leadership Awards (GBLA)



#### AEON Ayer Keroh won 2<sup>nd</sup> place in the "Supermarket Cleanliness Competition"



#### AEON Bandaraya Melaka won 3<sup>rd</sup> place in the "Supermarket Cleanliness Competition"



#### AEON Taman Universiti in Johor won 3<sup>rd</sup> place in the "Clean Food Premise" competition organised by the Iskandar Puteri Town Council (Majlis Perbandaran Iskandar Puteri)

### SUPPLY CHAIN MANAGEMENT

GRI 2-6, 204-1, 414

With over 1.3 million SKUs available across all 34 AEON Stores, we sourced for quality products and services from a wide range of suppliers, both locally and abroad. As at end of FY2022, majority of our products were sourced locally, with only 2% sourced internationally. Through our ecosystem, we worked towards building a more equitable, ethical and sustainable supply chain. We believe in treating our suppliers with respect, trust and fairness as this is important in creating a resilient supply chain.

### Supplier and Vendor Audits

Guided by the AEON Supplier Code of Conduct, we carried out regular suppliers and vendors audits, coupled with routine due diligence and performance evaluations to ensure they were able to meet our strict quality parameters, stringent standards, ethical guidelines and policies. These actions also minimised issues that may have affected our reputation, operational efficiency, financial performance and business continuity over the long term.



The AEON Supplier Code of Conduct (CoC) can be viewed on our website at <https://www.aeon.info/en/sustainability/social/coc/> and the document is made available in 15 languages



**102**  
suppliers



**97**  
factory and quality audits



**43**  
CoC audits

## STRENGTHENING ECONOMIC PERFORMANCE

### Established New Policies

As a signatory of the United Nations Global Compact (UNGC), we remain guided on matters pertaining to human rights, labour standards, environment and anti-corruption. In FY2022, we established the following policies to strengthen our commitment to producing our products in an ethical and responsible manner.



#### AEON Responsible Sourcing Policy

- Outlining the principles, commitment and guidance adopted by AEON whilst engaging with our suppliers and vendors.



#### AEON Animal Health and Welfare Policy

- Outlining the guidelines on the requirements to be adhered by our suppliers, supplying livestock-derived products to AEON.



The policies above can be viewed on our website at <https://aeongroupmalaysia.com/sustainability-policies/>

Through the establishment of these new policies, we are able to integrate more progressive practices to ensure our products are sourced from responsible suppliers and vendors, considering their social, environmental and governance practices.

### Outlook

Moving forward, we are committed to working with our suppliers to implement improvement plans. In this regard, we target a 12 to 18-month timeline for our suppliers and vendors to adhere to the minimum requirement expected.

### Expanded AEON's Supply Chain

To ensure we are able to react swiftly to evolving customer demands and market trends, we continued to fortify our relationship with our suppliers and vendors to ensure it is efficient yet flexible and able to function even in the toughest conditions. In FY2022, we expanded our supply chain network to include more local suppliers and entrepreneurs to support the local economy.

Procurement Details	2022	2021	2020
Local Suppliers	2,404	1,886	1,445
Foreign Suppliers	65	n/a	n/a

### Enhanced digitalised processes

We leveraged our digital ecosystem to ensure a fair and transparent procurement process. In FY2022, we integrated digital solutions into our supplier and vendor procurement process via the following initiatives:-

1. Digitalised the existing process which include electronic contract management, work flow approvals and sales dashboard as part of value-added services provided to suppliers.
2. Provided access to our suppliers on AEON's various policies and guidelines on responsible conduct to improve their knowledge base and where practicable to extend sustainable practices across their supply chain ecosystem as well.

### SUPPORTING SMALL AND MEDIUM ENTERPRISES (SMES)

GRI 203-1, 203-2

As the country gradually emerged from the various movement restrictions conducted to combat the pandemic, unemployment among certain segments of the population remained high. For Micro, Small and Medium Enterprises (MSMEs) segment, they were faced with several challenges such as inflationary pressures, increased costs, labour shortages and shifting market demands.

In view of this, we persisted in our efforts to support Small and Medium Enterprises (SMEs) to create sustainable ecosystems and foster an inclusive environment. To help them alleviate financial difficulties, we promoted the development of local SMEs and MSMEs, through the Malaysia Family Digital Economy Centre (Pusat Ekonomi Digital Keluarga or PEDi), leveraging the Program Pemerkasaan Pendigital Usahawan Kecil or PUPUK@AEON programme.

In support of local SMEs, especially micro businesses, we also collaborated with various ministries and government agencies to provide a platform to the local MSMEs to promote their products throughout AEON outlets nationwide, including our online platform.



## STRENGTHENING ECONOMIC PERFORMANCE

### Performance in FY2022:-

#### 1. PUPUK@AEON Programme

PUPUK@AEON was launched collaboratively with Malaysian Communications and Multimedia Commissions (MCMC) in 2021, with the objective of empowering local micro entrepreneurs and upscaling their business.

In FY2022, we pursued strategic partnerships with various government agencies to identify local SMEs and MSMEs to help promote products sold by these entrepreneurs at AEON supermarkets whilst encouraging gig economy employment.

Successfully awarded new contracts to 28 entrepreneurs, of which 18 were from MSMEs. This was due to more active engagement carried out with micro businesses in FY2022.

	2022	2021
SMEs	33	23
MSMEs	27	9
	<b>60</b>	<b>32</b>



**RM4.1 million**  
total turnover sales

**2. Jualan Terus Dari Ladang (JTDL)** is a collaborative initiative with the Ministry of Agriculture and Food Industry, with the objective of providing farmers and partner marketers to directly market agricultural produce to consumers as a means to generate income and minimise intermediary cost. Consumers in turn benefit in terms of savings through more affordable prices and fresh quality products from the field.



**4**  
AEON Malls  
involved



**120**  
entrepreneurs  
supported



**RM10,000**  
average sales/  
entrepreneur

#### 3. Karnival Bumi Kenyalang

In FY2022, we also organised the Karnival Bumi Kenyalang in AEON Shah Alam to promote local products from Sarawak. The event was held in collaboration with AEON BiG, Ministry of Domestic Trade and Cost of Living (KPDN), and Ministry of International Trade, Industry and Investment Sarawak (MINTRED).



**33**  
Sarawak entrepreneurs  
supported



**RM241,788**  
total sales

#### 4. AEON Perkasa

AEON Perkasa is part of our commitment to realise Government's goal to accelerate economic growth post COVID-19. We provided platform for entrepreneurs to market their products in AEON Malls for about a month in three phases. The programme was held in collaboration with AEON BiG, Kraftangan Malaysia, Federal Agricultural Marketing Authority (FAMA), Federal Land Development Authority (FELDA), Majlis Amanah Rakyat (MARA) and Koperasi Usahawan Groom Big Kelantan.



**110**  
entrepreneurs  
supported



**4**  
AEON Malls  
involved



**RM5,739,434**  
total sales

### DIGITALISATION

GRI 418-1

The digitalisation of our entire ecosystem has been identified as one of AEON's game changers. The successful integration of our digital strategy will optimise efficiency, drive innovation, improve profitability and accelerate our sustainability journey. In FY2022, one of our main goals was to improve customers' shopping experience by making our customers feel comfortable and at the same time, reduce the burden placed on our employees.

### Performance in FY2022:-

#### Enriched Customer Retail Experience

##### 1. Installation of Self-Checkout Counters (SCO)



**182 SCOs installed**

in all AEON Stores and Maxvalu by September 2022

**10%** utilisation rate in FY2022



## STRENGTHENING ECONOMIC PERFORMANCE

### 2. Integrated features of the iAEON App

Through the iAEON app that we launched in 2020, we elevated our digital capabilities by adopting the Online-Merge-Offline (OMO) strategy to strengthen our AEON Living Zone ecosystem, enabling the creation of a seamless shopping experience across multi-generations. This multi-loop system also connected our stakeholders – tenants, suppliers and vendors who wish to be part of AEON's supply chain.



- Consolidated various service channels such as myAEON2go, AEON Personal Shopper and AEON Members Plus Loyalty Programme, AEON Cloud Kitchen and AEON Rider, etc.
- Customers were able to enjoy uninterrupted cross-channel experience on a single app and helped simplify their purchase journey.

### 3. Digital payment options

We expanded digital payment options for our customers by enabling utilisation of Touch 'n Go and Grab e-Wallet services, in addition to current options such as AEON Wallet, Alipay and Maybank QRPay.



**Grab**  
e-Wallet was made available in  
**January 2022**



**Touch 'n Go**  
e-Wallet was made available in  
**July 2022**



**22% e-Wallet  
transaction increased**  
in December 2022 compared with  
January 2022, largely contributed by  
both Grabpay and Touch 'n Go

### Enhanced Stakeholders' end-to-end experience

In FY2022, we upgraded our digital infrastructure and software systems to benefit our various stakeholders:

#### For Suppliers

- Integrated digital solutions into our supplier and vendor procurement process.

#### For Tenant Partners

- Implemented electronic billing and contract management for our tenants partners.
- Implemented an online registration and payment system for tenants who were interested in leasing our temporary spaces/ area under "Temporary Space Rental", which increased our mall income levels.
- Provided value added services such as Point of Sale (POS) terminals, payment gateway and e-commerce.
- Upgraded the network of our big format stores with the latest devices and higher bandwidth.

#### For AEON People:

- Implemented electronic Employee Self Service (ESS) system which records attendance and electronic workflow for internal paperwork approval.
- Deployed 700 new hand-held terminals for store back-end operations with updated features to improve efficiency.

### Outlook

Taking on board the experiences gained in FY2022, we remain committed to strengthening our digital initiatives across our businesses and operations. The accelerated pace in digitalising our ecosystem will lead to more growth opportunities, increased productivity, as well as improved operational and cost efficiencies.

Towards this end, we will focus on strengthening the myAEON2go platform to drive higher sales performance as well as our iAEON app to connect deeper with our stakeholders. We will also continue our plans to digitalise our back office and store operations as this will not only improve the productivity and efficiency of our day-to-day activities but also reduce on paper-based processes. This in turn is expected to lead to cost savings of up to 25% for all paper-related costs. Plans are also in place to uplift customer experience by installing the SCOs in our specialty stores as well as enhancing the SCO systems in all AEON stores with more user-friendly features and with this, increase customer utilisation to more than 20%.

Ultimately, we will continue to drive the digitalisation of our ecosystem to support sustainable business growth over the long term.

## STRENGTHENING ECONOMIC PERFORMANCE

### DATA GOVERNANCE AND SECURITY

GRI 418-1

As we strengthened our foundations to realise our digital aspirations, increasing focus was placed on heightening data governance and security. As the developer of this ecosystem, it is our responsibility to protect our digital assets and those of our stakeholders who are part of this ecosystem from cyber security threats and other form of vulnerabilities. This is to protect ourselves and our stakeholders from any adverse consequences such as reputational damage, litigation or fines which may impact financial performance.

We are guided by AEON's Personal Data Protection Policy and AEON Japan's data security standards. Taking cue from the increasing number of security threats faced, we introduced higher security protocols and privacy protection standards for the company, customers and users of our shared platforms. We also paid close attention to cyber security standards, best practices and industry requirements to further protect our business and our stakeholders.

#### Performance in FY2022:-

1. Strengthened data governance capabilities and IT security by integrating various data sources within the Company to improve accessibility and data-driven decision making.
2. Implemented network monitoring stack to ensure data security is enforced throughout the Company.
  - Converted all AEON systems to cloud computing.
  - Deployed network security alert monitoring with Japan data security standard.
3. Enhanced employee awareness and education on cyber security threats via regular email updates.
  - A total of 25 emails containing 11 topics sent to all AEON People in FY2022 to educate and spread awareness on cyber security threats.

### GOVERNANCE, ETHICS AND INTEGRITY

GRI 2-23, 2-24, 2-25, 2-26, 205-2

Strong governance, ethics and integrity are critical factors in realising our sustainability aspirations. We believe that a robust governance framework continuously sustains effective governance practices, integrity and responsible business conduct. It ensures we execute on our strategic priorities to achieve our strategic goals.

At AEON, we are governed by the AEON Code of Ethics and AEON Code of Conduct (ACOC) which focuses on sustaining a healthy relationship with our stakeholders. Designed to protect the best interests of our stakeholders, the ACOC provides clear guidelines on good ethical conduct, proper corporate behaviour and integrity across the Company.

AEON People are aware of and were regularly briefed on the ACOC during the monthly morning assembly held virtually where all employees commit to the ACOC pledge, an activity led by the head of department or an ALC. It is also printed on the back of our employee ID, in both Bahasa Malaysia and English.

### AEON CODE OF CONDUCT (ACOC)

- 1 AEON People are always grateful to the many other individuals who provide support and help, never forgetting to act with humanity.
- 2 AEON People values the trust of others more than anything else, always acting with integrity and sincerity in all situations.
- 3 AEON People actively seek out ways to exceed customer expectations.
- 4 AEON People continually challenge themselves to find new ways to accomplish the AEON ideals.
- 5 AEON People support local community growth, acting as good corporate citizens in serving society.

## STRENGTHENING ECONOMIC PERFORMANCE



### AEON Whistleblowing Policy

- This policy allows whistleblowers to disclose any improper conduct (misconduct or criminal offence) through designated channels. Through this policy, AEON People or members of public are encouraged to raise concerns on any wrongful activity, without fear of possible reprisals or victimisation.



The policy above can be viewed on our website at <https://aeongroupmalaysia.com/sustainability-policies/>



### Anti-Bribery and Corruption Policy

- The purpose of this policy is to set out AEON's stance against Bribery and Corruption. It also provides general guidance to the public on AEON's policies and procedures, to enable them to make reports on any actual, suspected or attempted Bribery or Corruption to AEON.



The policy above can be viewed on our website at <https://aeongroupmalaysia.com/sustainability-policies/>

1. We signed a Memorandum of Corporation (MoC) with Institut Integriti Malaysia (IIM) with the objective of strengthening our focus on improving ethics, integrity, transparency and governance across AEON. Moving forward, we will continue to engage with IIM leveraging IIM's expertise to enhance our visibility, image, processes and policies.
2. We completed PROJECT CARA, an initiative which was started in 2021 to assist business units at the strategic level to assess current business processes and procedures by reviewing and updating all SOPs to align with AEON's objective to digitalise processes.

#### PROJECT CARA



#### One-stop digital library and dashboard

was launched in October 2022, where all AEON SOPs were centralised, digitised and standardised on the CARA platform



#### Increased efficiency as it allows auto-tracking of users

for audit purposes as well as storing, reviewing, updating and sharing on a real-time basis by all employees



**1,287 manuals and SOPs** successfully digitised and uploaded onto the CARA system



**72% employees** have accessed this system as at 31 March 2023

3. Embedded Risk Management practices across AEON operations.
  - We continued to implement PROJECT TRUST, an initiative which started in 2021 to strengthen AEON's Enterprise Risk Management (ERM) model which encompasses risk management, Business Continuity Management (BCM) and Anti-Bribery and Anti-Corruption (ABAC).
  - We spread awareness on AEON's Anti-Bribery and Corruption Policy where we implemented anti-bribery e-learning for management and operational leaders (Managers and above).

#### PROJECT TRUST

Governance body



**80%** received communication updates  
**75%** trained

Operational leaders (Managers and above)

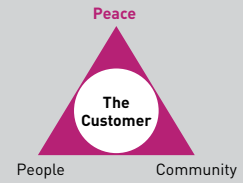


**100%** received communication updates  
**81%** trained

- We also established Risk Champion Committee (RCC) comprising representatives from each business unit to lead more robust discussions on risk identification, mitigation and control.



## REALISING OUR GREEN AGENDA



Climate change remains the greatest environmental threat we face and is recognised as one of AEON's priority matters under our Environmental Stewardship umbrella. The global retail sector is responsible for 25% (Source: World Business Council for Sustainable Development) of global greenhouse gas (GHG) emissions. As a business, AEON's operations and supply chains have an impact on the climate.

We believe that we have a responsibility to introduce more nature-positive solutions in the way we manage our business and operations, stakeholders and our communities. We are deeply committed to reducing our environmental impact by implementing climate change actions as this will not only accelerate the nation's transition to a low-carbon economy, but also realise our sustainability aspirations.

We are committed to ensuring all our activities are sustainable and we benchmark our responsibility towards the environment based on global expectations. This commitment is underpinned by our:



### Sustainability & Climate Change Policy

- This Policy provides a commitment statement along with guidance on AEON's position with regard to sustainability and climate change



### AEON Sustainability Charter (ASC)

- ASC focuses on three goals; establish context and objective, preservation of diversity and promotion of recycling



The policies above can be viewed on our website at <https://aeongroupmalaysia.com/sustainability-policies/>

## ENVIRONMENTAL STEWARDSHIP

GRI 302, 303, 305, 306

### Climate Change and Environmental Management

In FY2022, we started a new carbon footprint analysis for the Company's operations to understand the main sources of emissions and to help us develop reduction strategies. Based on the analysis, our mall and store business operations generate the highest GHG emissions under Scope 2. Meanwhile, the second highest was emissions associated with our tenants' energy consumption which falls under our Scope 3 emissions.

Notwithstanding the challenges, we remain on track to meet our target of becoming carbon neutral by 2040 and we will continue to manage our operations towards a low-carbon future across all our businesses and supply chain. During the year, we also started collaborating with Malaysian Green Technology and Climate Change Corporation (MGTC) to power our ESG ambition where we have established plans to implement energy management and GHG management over the next 12 months.

We aim to lead the retail sector by embedding more nature-positive solutions as this will help not only help reduce our environment footprint but also ensure a better future for our communities and future generations.

# REALISING OUR GREEN AGENDA

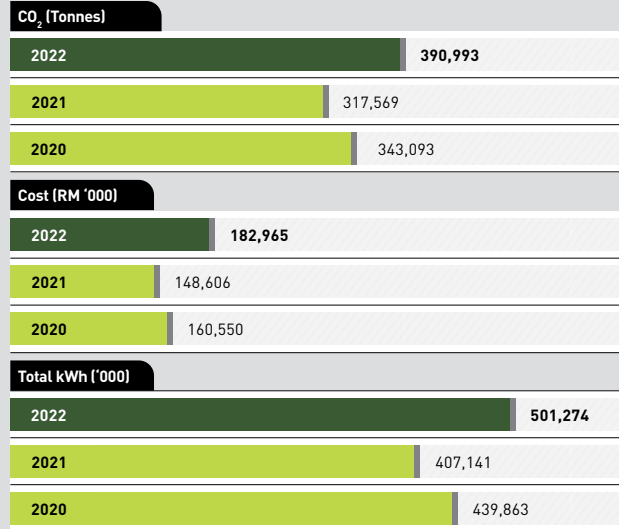
## 1. Energy Consumption

GRI 302-1, 302-4, 305-1, 305-2

In FY2022, we started assessing our Scope 1, 2 and some of the Scope 3 GHG emissions to identify appropriate measures and initiatives to reduce our GHG emissions. During the year, we also installed energy-saving devices throughout our operations and started to utilise renewable energy.

AEON Malls and Stores consume a large volume of energy for air-conditioning and lighting to offer a comfortable shopping environment to customers. AEON's Facility Department, which is under the Property Division has clear guidelines on the management of electricity, as it adopts best practices within the industry such as ensuring air-conditioning is set to optimal temperature and these are only activated during business hours. In FY2022, we also completed the conversion from conventional to LED light fittings in all our malls and stores to conserve energy and reduce emissions. We will continue to adopt a more energy efficient LED lightings and upgrade, where necessary.

### Performance for FY2022:-



### ANNUAL ENERGY SAVINGS

#### ENERGY SAVINGS 2022

Total Savings (RM)

**15,681,090**

-10%

Before (RM)  
**149,921,164**  
After (RM)  
**134,240,074**

Based on 17 AEON Malls

Based on 28 AEON Malls and 6 AEON Stores

Notwithstanding the various energy saving measures introduced in FY2022, AEON recorded a total of 501,274,000 kWh annual electricity consumption, an increase of 23% compared with FY2021, largely due to our businesses being fully operational as compared to previous years due to MCO.

## 2. Renewable Energy

GRI 302-1

In FY2022 AEON subscribed to Green Electricity Tariff (GET) under TNB's GET Programme for 27 malls and 1 AEON store. We also completed solar PV installation in AEON Maluri & AEON Alpha Angle which only commenced in May 2022 and October 2022, respectively.

**74.7% in renewable electricity consumption**  
**389,477 MWh in total renewable energy**



#### 74.7% from GET

- 387,495 MWh in total renewable energy
- equivalent to reduction of 302,246 tonnes CO<sub>2</sub>e.



#### 0.3% from solar PV

- 1,982 MWh in total renewable energy
- equivalent to reduction of 1,546 tonnes CO<sub>2</sub>e.

### Other FY2022 Initiatives:

1. In FY2022 we conducted a pilot installation of Electric Vehicle (EV) charging station at AEON Alpha Angle, powered by two alternating current (AC) charges.
2. In August 2022, AEON signed a Memorandum of Cooperation (MOC) with Yinson Holdings Bhd (Yinson) for Yinson to provide charging infrastructure across AEON shopping malls nationwide. Under the agreement, Yinson's green technology division, Yinson GreenTech (YGT) aims to deploy its chargEV chargers to AEON Malls in 2023.
3. In October 2022, AEON awarded GSPARX Sdn. Bhd. (SPARX) as the registered solar PV investor for AEON's solar project initiative whereby GSPARX will install, operate and maintain solar PV for all AEON Malls.

## REALISING OUR GREEN AGENDA

### 3. Water Consumption

GRI 303-5

Fresh and clean water is an important resource, especially for the retail industry where our water footprint cuts across key areas - raw materials, suppliers, our operations, product preparation and how our products are used. Therefore, it is important that we recycle the resources we have extracted to minimise our impact on the environment.

At AEON, we remain committed to ensuring all our activities are sustainable. We benchmark our responsibility towards the environment and society based on global expectations and guidelines. Guided by the ASC as well as our Sustainability & Climate Change Policy, our water strategy is focused on ensuring sustainable water supply and minimising water consumption by implementing water conservation and recycling program.

To date, we have installed water sensor and self-closing taps in all 28 AEON Malls, together with tap fittings for water efficiencies. Moving forward, we will implement water conservation and recycling programme as this is critical given the increasing water supply disruptions in certain parts of Malaysia, especially in the Klang Valley.

### 4. Waste Management

GRI 306-2, 306-4

Waste management is important as it saves the environment from the toxic effects of the inorganic and biodegradable elements present in the waste. Mismanagement of waste can cause water contamination, soil erosion and air contamination.

Our goal is to reduce and reuse our waste that is a result of our operations, namely food surplus, leftover food waste, waste from our packaging and food supply chain. Managing our waste efficiently is integral part of our sustainability journey as this will impact our customers' perception on our brand. In addition, our natural resources are an integral part to our operations. Due to this, we are actively committed to reducing or avoiding impact of excess resource use.

#### Total Water Withdrawal

##### Performance for FY2022:-

Cost (RM '000)	
2022	11,607
2021	10,152
2020	10,464

Total Water Withdrawal (m <sup>3</sup> )	
2022	4,616
2021	4,035
2020	4,326

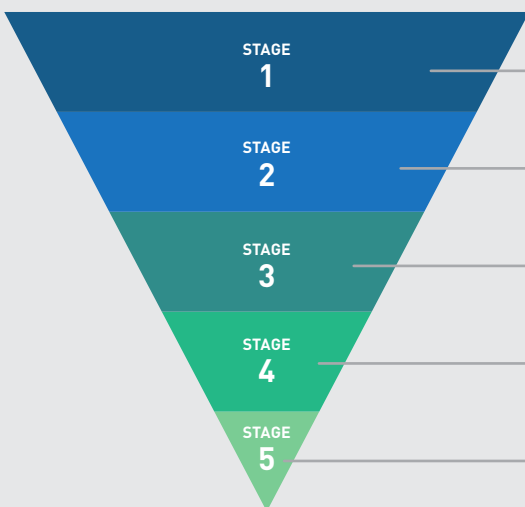


#### AEON Waste Management Policy

- Outlining the principles, commitment and guidance adopted by AEON to managing our waste according to local and national regulations and requirements



The Waste Management Policy can be viewed on our website at <https://aeongroupmalaysia.com/sustainability-policies/>



#### Prevention

Using less material in design; keeping products for longer; using less hazardous material.



#### Reduce/Re-Use

Preparing for re-use; cleaning; repairing, and refurbishing.



#### Recycling

Turning waste into a new substance or product, including composting.



#### Recovery

Anaerobic digestion - conversion to biogas for electricity generation; incineration with energy recovery.



#### Disposal

Landfill and incineration without energy recovery.

## REALISING OUR GREEN AGENDA

Currently, food and non-food surplus take up over 70% of our waste, consisting of perishable items, processed food, bakery product, amongst others. We recognise the need to manage our waste responsibly to meet regulatory requirements. We are also committed to contributing towards UN SDG 12 – Responsible Consumption and Production, as we step up our efforts to reduce the amount of waste generated and to recycle or recover waste as much as possible.

### Performance for FY2022:-

Total Waste (kg '000)	
2022	4,730
2021	4,035
2020	4,326

### Waste Management initiatives in FY2022



In FY2022, we implemented an Integrated Waste Management system at AEON Alpha Angle,

**a pilot project to improve our waste management efforts.**  
**5,309kg food waste collected**

from July to December 2022



In line with guidelines from the Ministry of Domestic Trade and Cost of Living (KPDN), we worked together with Kechara Soup Kitchen, an NGO who provides food to the homeless. In FY2022,

**37,131 kg of unsold bakery items, fresh produce and fruits**

were distributed through Kechara Soup Kitchen

AEON takes pollution seriously and continues to avoid polluting to minimise impact on the environment. Moving forward, we will continue to intensify our waste management initiatives across all AEON Malls and Stores.

### Preserving Biodiversity

GRI 304-1, 304-2, 306-2, 306-4

Preserving our natural biodiversity has become the cornerstone that drives our sustainability roadmap and future growth. Our natural ecology and biodiversity play a key role in supporting the needs and overall well-being of our customers, communities, and on a larger scale, the nation's economic growth. We recognise that protecting our natural capital and committing to reducing impact on biodiversity ensures continued access to clean water, raw materials that is part of our businesses, supports job growth, and protects our climate.

Across our stores and malls, we were determined to work with our customers, suppliers, government and regulatory authorities, NGOs and other stakeholders to preserve our biodiversity. As we are governed by our Sustainability Policy, we aligned our measures to protect biodiversity based on our business activities throughout our value chain and supply chain, including our products and services.

### Embracing Circularity



**Partnered recycling associations such as Kloth Cares**

Collected **676 kg textiles** from 1 Nov 2022 to 25 December 2022 which contributed to a reduction of **1,245 kg** of CO<sub>2</sub>e being emitted into the environment.



**Collaborated with Coca-Cola Malaysia and Hiroyuki Industries for PET bottle collection and recycling campaign.**

**175 kg** of PET bottles collected from 6 AEON Malls in Johor between December 2022 to February 2023.



**Zero Plastic Bags Campaign**

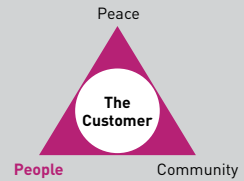
Eliminated the sale of single-use plastic bags at all AEON counters nationwide starting 1 January 2023, in support of Malaysia's Single-Use Plastic Roadmap 2018-2030.







## ENHANCING OUR SOCIAL POSITION



2022 marked yet another wave of change across our business operations. As business activities resumed, people returned to their workplace, albeit supported by SOPs to ensure a safe working environment.

This year we took an even more holistic approach to review our talent pipeline and their capabilities as this would be a key factor in driving business growth across our ecosystem, both now and in the future. For us, it was not only about driving performance but also creating value for AEON People, encouraging them to have a mindset for the future. For our communities, we reached out to empower the younger generation and assisted those in need as this will foster higher levels of trust, respect and deepen our relationship.

### HUMAN RIGHTS AND LABOUR PRACTICES

GRI 405, 406, 407, 408, 409

At AEON, we treat everybody with respect. We provided our workforce throughout our business with competitive remuneration and equal opportunities, irrespective of gender, age, race, religion, ethnicity and/or nationality. At the same time, we also looked after the health and overall well-being of our workforce as this will help us drive performance and productivity over the long term.

We remain committed to ensuring fair employment, adhering to all applicable laws, regulations and employment standards, namely the National Minimum Wage Policy, Minimum Retirement Age employer guidelines, and the Employment Act 1955.

Increased minimum wage

**RM1,200 to RM1,500**

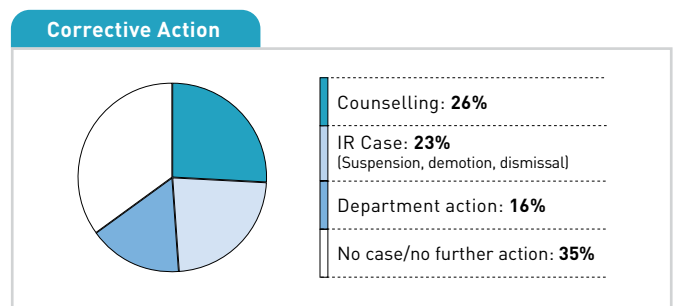
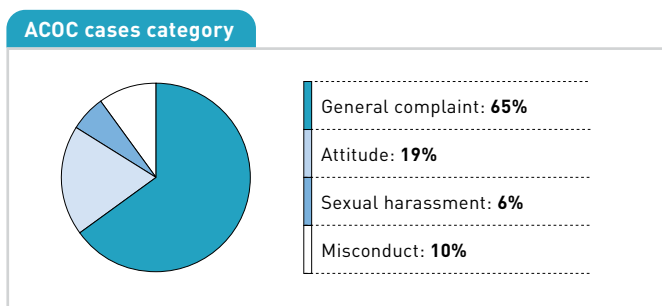
Effective 1 January 2020  
(before timeline recommended by the Government)

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**4,209** new hires employed with the implementation of the new minimum wage

AEON Code of Conduct (ACOC) stipulates the expected standards for corporate behaviour, applicable to AEON People and related stakeholders. ACOC also provides a safe platform and whistleblowing channel for AEON People. There were 31 ACOC complaints received in FY2022 and all of the cases were investigated and closed. The Employee Relations Team conducted series of visits and briefings known as "Salam Santai" to gauge any matters and issues directly from the general workers, as they make the highest number of our workforce. Corrective actions and measures were escalated to the Line Managers for improvement.

[Details of ACOC can be viewed on page 49 of this Annual Report and on the Company's website at https://aeongroupmalaysia.com/corporate-profile-governance/](https://aeongroupmalaysia.com/corporate-profile-governance/)



Besides adhering to the ACOC, we also comply to the human rights standards set out in the Universal Declaration of Human Rights (UDHR), International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, as well as the UN Guiding Principles. These commitments apply to our employees, stakeholders, and partners throughout our value chain. We also constantly kept employees updated on the various initiatives or changes via internal communication channels, namely email, iAEON app and the human resource portal.

**AEON Work from Home/ Remote Work Policy**

- Introduced guidelines for employees who chose remote work arrangements.

**Human and Labour Rights Policy**  
(Effective 1 September 2022)

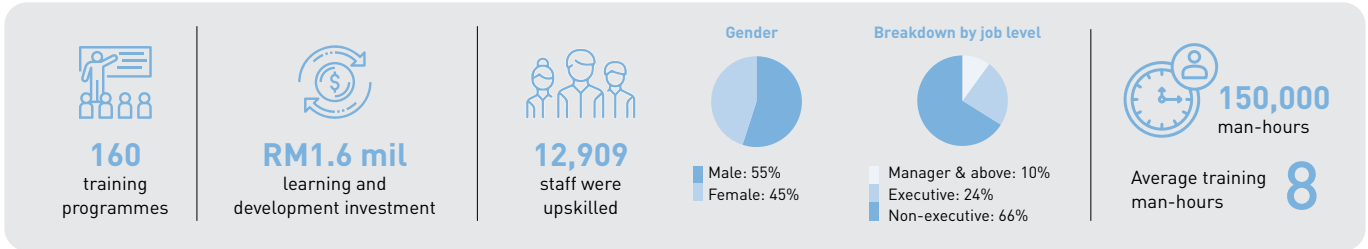
- Strengthened our commitment to upholding fairness, dignity, equality and respect for all our stakeholders and supply chain.
- Implementation of this Policy is spearheaded by the Governance and Integrity Department, which reports to AEON's Audit and Risk Management Committee.

## ENHANCING OUR SOCIAL POSITION

### TALENT MANAGEMENT AND DEVELOPMENT

GRI 404-1, 404-2, 404-3

We recognise that our ability to deliver on our strategies and realise our aspirations is dependent on our workforce. In future-proofing our organisation, it is essential that we invest in building our human capital as this will lead to a strong team of high-performing employees.



Given our aspirations to be a leading retailer in Malaysia, we focused on developing a quality workforce by attracting, retaining and developing the required capabilities, based on our Agile, Genba and Entrepreneurial (A.G.E) values in order to deliver on our goals. We provide employment opportunities to Malaysians across all backgrounds. We hire those with no tertiary qualifications and provide them with training and upskilling opportunities. We focused on creating an inclusive culture where employees are provided with the right working environment and opportunities to gain new capabilities and skills. We also encouraged them to improve their digital capabilities and introduced new skill sets across our business to inculcate a high-performance culture.

#### Future leaders' development

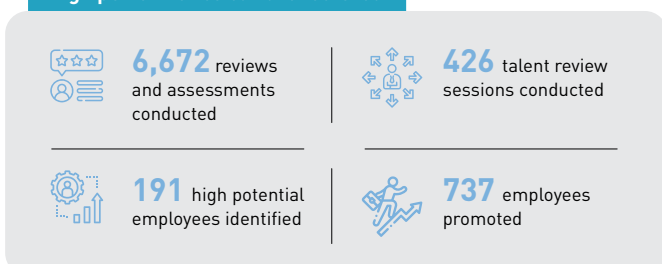


#### Learning and Development investment



We took the time to understand our employees' needs – what would make their jobs easier and how we can add value to them. In driving this forward, we administered the AEON Code of Conduct Survey as an avenue for AEON People to voice their opinions freely. Based on the findings, we improved employee welfare such as enhancing medical benefits. We also reviewed and improved our current Learning and Development programmes to help them work more efficiently. We exposed employees to new career opportunities across our business, leveraging the digitalisation of the AEON ecosystem.

#### High performance culture fostered



## ENHANCING OUR SOCIAL POSITION

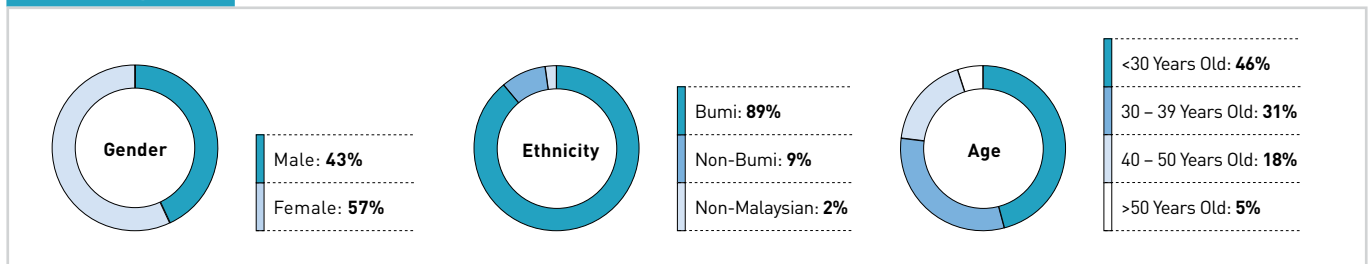
### DIVERSITY AND EQUITY

GRI 2-7, 405-1, 406-1


Our employees are our assets. As a responsible organisation, we believe that diversity is our strength as it allows us to gain a deep understanding of our stakeholders, supported by a team of employees who bring together a wide range of skills and ideas that represent our multicultural society. This we believe is a positive aspect of our business as it also allows our employees to achieve their potential within a thriving work environment.

In driving diversity and equity, we are guided by the AEON Diversity Policy that focuses on enhancing the effectiveness, creativity and capacity of the Board of Directors and employees, regardless of their age, gender, ethnicity, cultural background or other personal factors.


#### Workforce profile




We remain committed to creating a diverse work environment. Towards this end, we have centred our efforts on promoting diversity and inclusivity in key areas, namely, female representation at the Board level and workforce ratio, building an inclusive and non-discriminatory work culture and finally, equity in development and career opportunities. In fact, we have zero tolerance towards any form of discrimination or disrespectful behaviour pertaining to gender, religion, race, nationality and age.



**123 Persons with Disabilities (PWD)**  
employed



**48% female**  
held leadership position



**One additional female**  
board member appointed to improve composition

### HEALTH, SAFETY AND WELLBEING

GRI 403-5, 405-1, 405-2, 405-3, 405-6

We place great emphasis on creating a strong health, safety and well-being culture at the workplace as this sets the foundation for a thriving business. We believe that it is our responsibility to safeguard the health and overall well-being of our employees, contractors and stakeholders throughout our value chain as it not only reinforces our position as a caring employer but is also vital in attracting and retaining talent.

#### Employee experience survey



**64%**  
satisfaction (FY2021: 53%)



**87%**  
score for AEON DNA/3H survey (Head, Hand, Heart)

#### Employee well-being prioritised



**6,311**  
employees received COVID-19 booster vaccination



**43**  
employees attended Mental Health seminar



**898**  
employees awarded Long Service Awards

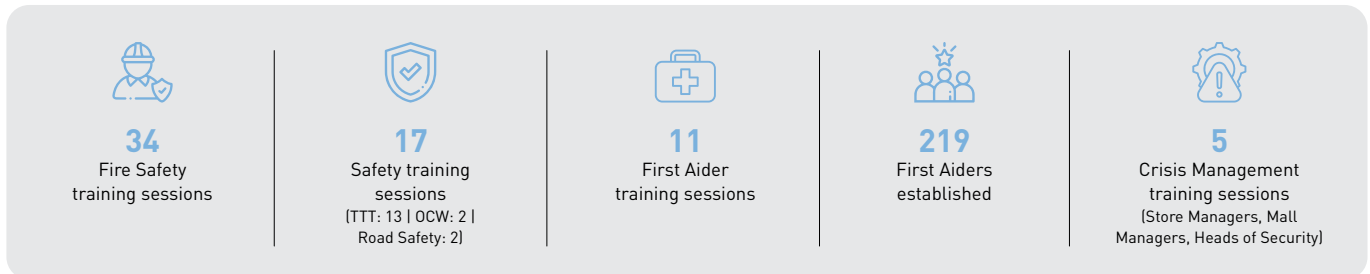


#### Rasa Sayang AEON Club (RSAC)

registered with the Registrar of Society (\*RSAC consists of existing and former AEON People aged 50 years and above)

## ENHANCING OUR SOCIAL POSITION

In terms of COVID-19 prevention measures, we continued to carry out regular sanitisation, deep cleaning and sanitisation, temperature check, amongst others, at all AEON stores and malls. Besides protecting our employees, we extended these safety measures towards customers who visit our malls and stores as this positively impacts our reputation in the industry. In FY2022, we worked relentlessly to build a health and safety culture by conducting various awareness-building and training sessions, guided by AEON Health, Safety and Environmental (HSE) Policy. These included fire safety, health and safety, and even first-aid training.



### CUSTOMER RELATIONSHIP MANAGEMENT GRI 2-29

Our customers remain at the heart of AEON as every decision is made with them in mind. At AEON, we live by our “Customer First” philosophy, where we are committed to identify avenues to delight and deliver the best customer experience. We believe that excellent customer experience will not only drive growth but also unlock new opportunities to provide new products and services that serve the needs of our wide range of customers.

Focused on the Voice of our Customers, we have made it our mission to ensure that we can grow by conducting programmes that are related to driving customer experience. We recognise that in order to drive meaningful customer experience, we need to understand our

customers’ needs and aspirations. We did this by developing the 7 Customer Personas in FY2021, a customer-centric segmentation that allows us to serve their needs across the AEON ecosystem.

As part of the focus on strengthening customer-centricity, we have in place the AEON Careline which is essentially a holistic and integrated platform that consolidates the Voice of Our Customers. Voice of our Customers is made up of four categories, namely enquiries, complaints, compliments and suggestions, all of which pertain to our products and services. These are recorded via various channels namely via the AEON Careline (1300-80-2366), email, social media and our online YAYA live chat. Additionally, we have QR Codes which have replaced the Customer Voice forms found at our physical stores, in line with our efforts to reduce paper usage throughout AEON.



#### Net Promoter Score Programme: Scored an average of +75

for our newly launched NPS programme. As part of this programme, a survey was conducted to measure the likelihood of customers repeating their shopping experience with AEON.



#### Love Our Customer: Introduced Love Our Customer Forum at 10 stores

across various regions to identify solutions to customer issues based on any given situation.



#### Mystery Shopper: Achieved an impressive 92.53% in service quality across 7 stores over a period of 6 months

as part of our Mystery Shopper programme. Measuring service quality, the 70-question questionnaire focused on details such as trolleys and baskets, store ambience, mall wayfinding, surau availability, bakery and Delica sections.

#### AEON Careline:

Recorded higher enquiries than FY2021, with the majority of enquiries regarding our business hours during the endemic phase and the validity of AEON Gift Vouchers during the lockdown.

CATEGORY	2022	2021	2020
Enquiries	40,834	15,380	71,005
Complaint	9,723	30,679	8,975
Compliments	6,428	5,005	8,351
Suggestions	664	625	701
Total	57,649	51,689	89,302

## ENHANCING OUR SOCIAL POSITION



### COMMUNITY CONTRIBUTION, SUPPORT AND ENGAGEMENT

GRI 2-29, 203-1, 203-2, 413

At AEON, the key to long-lasting business success is to collaborate and take care of the community surrounding our operations. This is reflected in the ACOC as part of our commitment where AEON People continuously support local community growth, acting as good corporate citizens in serving society. Simply put, AEON cannot survive in the long term if our community does not thrive.

As a testament to our commitment to the community, we rechannelled food surplus from our stores to populate the food bank for Kechara Soup Kitchen daily. The food was prepared and delivered to needy communities close to our malls. We believe by looking out for the greater good of many, there will be more growth in the communities and society as a whole.

#### Food Bank



Distributed  
**37,131 kg**  
food surplus to  
needy communities



Donated  
**1.8 tonnes**  
of food on  
World Food Day

We recognise that developing sustainable economies should start with the younger generation and which is why, we reached out to this group through our Annual Asia Youth Leaders programme. Selected students from Malaysia, together with students from eight countries, participated in observations and presentations by experts on the topic of environmental issues in the host country, followed by an in-depth debate and search for solutions to the environmental issues. The programme successfully provided participants with a global perspective and the attitude to accept each other's values.

#### Asia Youth Leaders Programme



**7 students**  
from Klang Valley represented Malaysia at the programme

We continued to create value for communities through various initiatives and programmes under AEON Sayap Bagimu and also via our corporate responsibility arm, the Malaysian AEON Foundation (MAF). Guided by ASC and aligned to AEON Sayap Bagimu thrusts, our efforts encompassed various social and sustainable development programmes covering Education, Creative Communications and Community Service.

Under the Creative Communications pillar, we launched the AEON Sayap Bagimu drama series that revolves around the challenges, pressures and support faced at work in our efforts to deliver on our customer commitments. Putting this into perspective, we are a company that places great importance on customer priorities and the drama series is one of our approaches to engage and further strengthen the relationship between AEON and its customers.

#### AEON Sayap Bagimu Drama



**13**  
episodes

**Over 20,000**  
views per episode

**288,000**  
total views

Throughout the year, we continued to support national relief efforts in times of crisis, as part of our commitment to giving back to society. We also actively contributed to the local communities in which we operate through a range of initiatives implemented by MAF. Our ability to do this allows us to deepen our relationships, build trust and help them improve their quality of life.

# ABOUT MALAYSIAN AEON FOUNDATION

Inspired to reach out to those in need, the Malaysian AEON Foundation (MAF) was established in 2004 by AEON, the first retailer in Malaysia to start its own charitable foundation. To date, MAF has contributed more than RM20 million to implementing various community sustainability programmes.

MAF is the joint philanthropic arm of AEON CO. (M) BHD., AEON Credit Service (M) Berhad, AEON Big (M) Sdn. Bhd., AEON Delight (Malaysia) Sdn, Bhd. and AEON Fantasy (M) Sdn. Bhd., MAF strives to assist those who do not have the access to basic needs such as education, shelter and medical support. It also aims at guiding the younger generation in addressing today's social challenges regardless of race and religion, and to further develop their potential for a more meaningful future.

### MAF Pillars

MAF's commitment is shown through its three pillars:



Fundraising



Education



Community Support

## HOW HAVE WE IMPACTED THE COMMUNITY IN 2022?



### EDUCATION

AEON Sayap Bagimu was launched in 2021 based on the spirit of succeeding together through support for those in need, especially in the pandemic situation and living in a new norm. Following the successful implementation in 2021, MAF continued AEON Sayap Bagimu through its Smart Classroom Project, in collaboration with Yayasan Didik Negara.



MAF provided classrooms with technology-enhanced learning tools to improve how our community teaches and learns digitally. The goal of these smart classrooms is to modernise and provide quality education to students. This will be done by creating a fun learning experience to improve their reading and interaction skills as well as help them succeed academically.

20 primary and 20 secondary schools nationwide, with at least 50% population of B40 students, were selected to receive smartboard, basic classroom infrastructure set up and repairs.



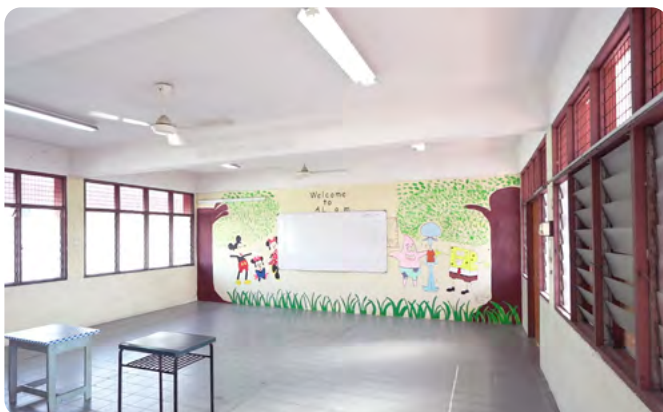
40 schools transformed



33,100 students benefitted



10 state education offices aided



Before



After

## ABOUT MALAYSIAN AEON FOUNDATION



### COMMUNITY SUPPORT

#### AEON BERSAMAMU

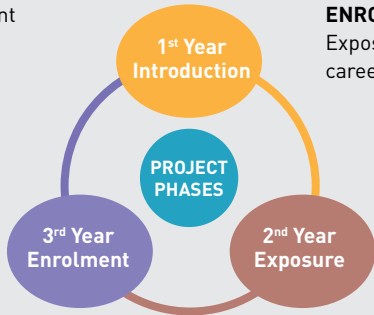
MAF introduced an urban poverty support programme through Keceriaan Anda Misi Kami (KAMI) Project. This three-year project aims to provide greater opportunity for the community in terms of economic, social & education. In this pilot phase, MAF worked with the local councils and non-governmental organisations (NGOs) to identify and select suitable Program Perumahan Rakyat (PPR) communities as the beneficiaries.



Communities from Blok MR, Jalan Minang, Cheras and Pangsapuri Angsana, Subang Jaya received grocery packages and were successfully engaged in a half-day of fun activities including zumba, gotong-royong, telematch, colouring contest, wellness and health check. KAMI was supported by volunteers from AEON Credit Services, AEON BiG and AEON Delight Malaysia.



**INTRODUCTION:**  
Engagement



**EXPOSURE/  
ENROLMENT:**  
Expose next  
career growth

**EVALUATION:**  
Enrolment for the next step



**2**  
locations  
impacted



**203**  
families  
assisted



**160**  
volunteers  
involved



#### AEON MESRA

MAF continued its culture of celebrating major festivities by reaching out to underprivileged children. AEON Mesra celebrations in 2022 include AEON Mesra Chinese New Year, AEON Mesra Ramadan, AEON Mesra Deepavali & AEON Mesra Christmas and AEON Mesra Aidiladha.



Through AEON Mesra, thousands of children have enjoyed shopping sprees at our stores, with our AEON volunteers from AEON Co, AEON BiG and AEON Credit Services. Besides children's shopping sessions, MAF also supported deserving homes/organisations/families through gifting. AEON Mesra festive celebration is the essence of our belief in receiving joy by helping others achieve joy.



**1,480**  
children  
reached



**38 nursing  
homes/  
organisations**  
supported



**550**  
families  
assisted



## ABOUT MALAYSIAN AEON FOUNDATION

### AEON BANTU

AEON Bantu was created to offer immediate help or assistance in events of natural disasters. When floods hit the country in 2022, MAF mobilised immediate assistance of food and healthcare boxes to those affected nationwide.



 <b>11</b> locations reached	 <b>1,730</b> families assisted	 <b>72</b> volunteers involved
--	---	--



### GENERAL CONTRIBUTION

MAF also supported selected nursing homes, communities and individuals through one-time monetary or in-kind donations in the form of packed food, homecare boxes or infrastructure repairs. In some cases, MAF worked with local NGOs and partners to identify and support the beneficiaries.

 <b>5</b> nursing homes supported	 <b>271</b> families assisted	 <b>25</b> special needs students benefitted
--	---	--



## TOTAL IMPACT IN 2022



**40** schools  
transformed



**10** state  
education offices  
aided



**43** nursing homes/  
organisations  
supported



**33,125** students,  
including those with  
special needs, benefitted



**1,918** children  
reached



**2,242** families  
assisted



**292** volunteers  
involved



**RM2,240,834**  
contributed

(Includes contribution from AEON Credit Service (M) Berhad)



# HÓME COORDY



**06**

## **CORPORATE GOVERNANCE**

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**94 Statement of Directors' Responsibility**

## BOARD OF DIRECTORS' PROFILE



<p><b>1</b></p> <p><b>DATUK ISKANDAR SARUDIN</b></p>	<p><b>2</b></p> <p><b>MR. KEIJI ONO</b></p>	<p><b>3</b></p> <p><b>MR. TSUGUTOSHI SEKO</b></p>	<p><b>4</b></p> <p><b>MR. NAOYA OKADA</b></p>
<p>Independent Non-Executive Chairman</p>	<p>Managing Director</p>	<p>Deputy Managing Director / Chief Governance Officer</p>	<p>Deputy Managing Director / Chief Operating Officer</p>
<p>Meeting Attended: 8/8</p>	<p>Meeting Attended: 3/3</p>	<p>Meeting Attended: 3/3</p>	<p>Meeting Attended: 3/3</p>
<p><b>9</b></p> <p><b>MR. HIROAKI EGAWA</b></p>	<p><b>10</b></p> <p><b>ENCIK HISHAM ZAINAL MOKHTAR</b></p>	<p><b>11</b></p> <p><b>PUAN ZAIDA KHALIDA SHAARI</b></p>	<p><b>ARMC</b> Audit and Risk Management Committee</p> <p><b>NRC</b> Nomination and Remuneration Committee</p>
<p>Non-Independent Non-Executive Director</p>	<p>Independent Non-Executive Director</p> <p><b>ARMC</b></p>	<p>Independent Non-Executive Director</p> <p><b>NRC</b></p>	<p><b>Chairman</b></p> <p><b>Member</b></p>
<p>Meeting Attended: 3/3</p>	<p>Meeting Attended: 3/3</p>	<p>Meeting Attended: 3/3</p>	

## BOARD OF DIRECTORS' PROFILE



5

**DATUK SYED AHMAD HELMY SYED AHMAD**

Independent  
Non-Executive Director

**ARMC** **NRC**

Meeting Attended: 6/8

6

**DATO' TUNKU PUTRA BADLISHAH IBNI TUNKU ANNUAR**

Independent  
Non-Executive Director

**ARMC** **NRC**

Meeting Attended: 7/8

7

**ENCIK ABDUL RAHIM ABDUL HAMID**

Independent  
Non-Executive Director

**ARMC** **NRC**

Meeting Attended: 8/8

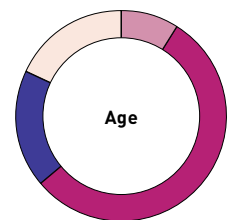
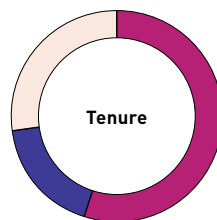
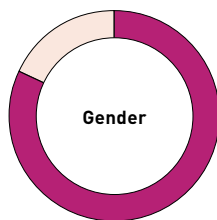
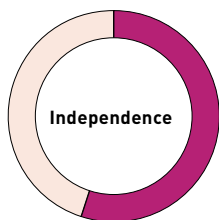
8

**MS. CHONG SWEE YING**

Non-Independent  
Non-Executive Director

**NRC**

Meeting Attended: 8/8



## BOARD OF DIRECTORS' PROFILE

<b>1 DATUK ISKANDAR SARUDIN</b>		
<b>Male</b>	<b>Age 68</b>	<b>Malaysian</b>
Independent Non-Executive Chairman		
<b>Date of Appointment</b> 27 February 2017		

#### Board Committee:

- Nil

#### Academic/Professional Qualification:

- B.A. (Hons) of Malay Studies in University of Malaya
- Diploma of Public Administration (INTAN)

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

- Eversendai Corporation Berhad
- Classic Scenic Berhad

<b>2 MR. KEIJI ONO</b>		
<b>Male</b>	<b>Age 50</b>	<b>Japanese</b>
Managing Director		
<b>Date of Appointment</b> 1 July 2022		

#### Board Committee:

- Nil

#### Academic/Professional Qualification:

- Bachelor of Laws, Keio University

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

- Nil

**Datuk Iskandar Sarudin** was appointed to the Administrative and Diplomatic Service of Malaysia as Assistant Secretary (ASEAN) at the Ministry of Foreign Affairs in 1979. In 1983, he was appointed as Second Secretary, Embassy of Malaysia in Jakarta, Indonesia. In 1985, he was appointed as First Secretary, High Commission of Malaysia in Lagos, Nigeria. In 1988, he was appointed as Principal Assistant Secretary (East Asia), Ministry of Foreign Affairs and then as Principal Assistant Secretary (CHOGM), Ministry of Foreign Affairs. In 1991, he was tasked by the Ministry to establish the Embassy of Malaysia in Republic of Chile and was appointed as Counsellor, Embassy of Malaysia, Santiago, Chile.

In 1995, he was tasked by the Ministry to establish the Embassy of Malaysia in Sarajevo, Bosnia and Herzegovina and was appointed as Counsellor, Embassy of Malaysia, Sarajevo, Bosnia and Herzegovina. He was the Deputy Director General (ASEAN), Ministry of Foreign Affairs in 1998. From 2000 to 2004, he was appointed as High Commissioner of Malaysia to Sri Lanka and High Commissioner of Malaysia to Republic of Maldives. From 2003 to 2004, he was President of Colombo Plan Organisation, Colombo. From 2004 to 2006, he was Ambassador of Malaysia to the Republic of Philippines.

In 2006, he was the Deputy Secretary General (Management Affairs) Ministry of Foreign Affairs responsible for service, finance, administration, security, ICT and consular development. In 2010, he was Ambassador of Malaysia to People's Republic of China. He is also President of Persatuan Muafakat One Belt One Road Malaysia since 2016.

**Mr. Keiji Ono** is the Managing Director of AEON Co. (M) Bhd.

Mr. Ono has 27 years of experience in serving various roles within AEON group of companies globally. He started his career with AEON upon joining Jusco Co., Ltd in 1995 and became a Store Manager in various AEON Co., Ltd stores including Mino store, Seto Mizuno Store and Musashi Murayama Store. He also worked in the Strategy Department of AEON Co., Ltd. in 2007.

His career progressed to the role of General Manager, Corporate Planning Department of South Kanto Co. in 2011. He was subsequently appointed as the Customer Service Manager of AEON Co., Ltd. and Customer Service Department Manager of AEON Retail Co., Ltd. in March 2012.

Mr. Ono's overseas postings started with AEON Thailand in 2013 where he served as Sales Headquarter Manager and afterwards, as Managing Director of AEON Cambodia in 2015. In 2021, he returned to Japan as the President and Chief Executive Officer of AEON Ryukyu Co., Ltd. before being posted to his current position in Malaysia. He is also currently the Executive Officer, Malaysia Business, AEON Co., Ltd..

## BOARD OF DIRECTORS' PROFILE

**3 MR. TSUGUTOSHI SEKO**

<b>Male</b>	<b>Age 54</b>	<b>Japanese</b>
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Deputy Managing Director /  
Chief Governance Officer

**Date of Appointment**  
1 July 2022

**Board Committee:**

- Nil

**Academic/Professional Qualification:**

- Bachelor of Arts, Kansai University

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

- Nil

**4 MR. NAOYA OKADA**

<b>Male</b>	<b>Age 39</b>	<b>Japanese</b>
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Deputy Managing Director /  
Chief Operating Officer

**Date of Appointment**  
1 July 2022

**Board Committee:**

- Nil

**Academic/Professional Qualification:**

- Bachelor of Laws, Keio University
- Master of International Public Policy and Management, University of Southern California, USA

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

- Nil

**Mr. Tsugutoshi Seko** is the Deputy Managing Director / Chief Governance Officer of AEON Co. (M) Bhd.

Mr. Tsugutoshi Seko started his career with AEON Co., Ltd in 1993. In 2004, Mr. Seko became the Human Resource Manager in Kanto Division of AEON Co., Ltd and subsequently was posted to AEON Co., Ltd.'s Human Resource Planning Department. Mandated to spearhead the department, he was appointed as Group Human Resource Department Manager and progressed to General Manager of Group Human Resource Department in 2015.

Prior to his appointment in AEON Co. (M) Bhd, Mr. Seko served in AEON Cambodia as Senior General Manager from 2018-2021 and later, as Chairman and Managing Director of AEON Cambodia.

**Mr. Naoya Okada** is the Deputy Managing Director / Chief Operating Officer of AEON Co. (M) Bhd.

He started his career in JP Morgan Securities Japan Co., Ltd after obtaining his Master of International Public Policy and Management from University of Southern California, USA. After seven years in the Investment Banking Division as Analyst and later as Associate, he joined AEON Co., Ltd., in 2015.

Within the AEON group of companies globally, he has had an illustrious seven-year career ranging from Management Trainee to Store Manager in AEON, managing sales, operation planning and human resources.

Prior to coming to Malaysia, Mr. Okada headed the Project Team for AEON CO., Ltd. which conducted research and business planning and eventually led to the establishment of Bio C'Bon Japon, a joint-venture (JV) company with a French company. Bio C'Bon Japon operates an organic speciality supermarket business in Japan where Mr. Okada served as Managing Director between 2019 to mid-2022.

## BOARD OF DIRECTORS' PROFILE

<b>5 DATUK SYED AHMAD HELMY SYED AHMAD</b>		
<b>Male</b>	<b>Age 76</b>	<b>Malaysian</b>
Independent Non-Executive Director		
<b>Date of Appointment</b>		
16 April 2013		

#### Board Committee:

- Member of Audit and Risk Management Committee
- Member of Nomination and Remuneration Committee

#### Academic/Professional Qualification:

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

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

- Nil

<b>6 DATO' TUNKU PUTRA BADLISHAH IBNI TUNKU ANUAR</b>		
<b>Male</b>	<b>Age 58</b>	<b>Malaysian</b>
Independent Non-Executive Director		
<b>Date of Appointment</b>		
16 April 2013		

#### Board Committee:

- Member of Audit and Risk Management Committee
- Member of Nomination and Remuneration Committee

#### Academic/Professional Qualification:

- BSc (Hons) in Business Administration

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

- Johor Land Berhad

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

**Dato' Tunku Putra Badlishah** started his career as Account Manager in J.Walter Thompson Advertising in 1987 and subsequently joined DMIB Berhad as Senior Executive - Communications in 1989 and thereafter was promoted as Marketing Manager. From January 1992 to December 1995, he worked in Sandestin Resort, Florida, United States of America as Manager of Marketing and Development. He joined the Sime Darby Group in January 1996 and had held various senior positions within the Group, amongst them act as Senior Manager in Sales and Marketing of Sime Darby Land Sdn. Bhd. (January 1996 to July 2000), General Manager – Sales and Marketing of Auto Bavaria (August 2000 to March 2004), Managing Director of Auto Bavaria (February 2004 to March 2005), Director of Operations of Sime UEP Properties Berhad (April 2005 to December 2005) and Director - Group Property of Sime Darby Berhad (January 2006 to October 2007).

Dato' Tunku was appointed as the Executive Vice President - Property Development and Strategic Investments, Sime Darby Property Berhad from November 2007 to July 2008 and as Managing Director and Member of the Board of Sime Darby Healthcare Sdn Bhd and Sime Darby Property Berhad from August 2008 to July 2011, prior to founding the Putra Group of Companies. He is currently the Executive Chairman of Putra Ventures Sdn Bhd and Putra Land Sdn Bhd.

## BOARD OF DIRECTORS' PROFILE

<b>7 ENCIK ABDUL RAHIM ABDUL HAMID</b>		
<b>Male</b>	<b>Age 72</b>	<b>Malaysian</b>
Independent Non-Executive Director		
<b>Date of Appointment</b> 16 August 2013		

**Board Committee:**

- Member of Audit and Risk Management Committee
- Member of Nomination and Remuneration Committee

**Academic/Professional Qualification:**

- Member of the Malaysian Institute of Accountants (MIA)
- Fellow of the Association of Chartered Certified Accountants
- Member of the Malaysian Institute of Certified Public Accountants

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

- Petra Energy Berhad
- GFM Services Berhad

**Encik Abdul Rahim Abdul Hamid** started his career in Coopers & Lybrand (previously known as Cooper Brothers & Co.) in 1971. He rose in the firm to eventually become its Chief Executive in 1993. When the firm merged with Price Waterhouse in 1998 to form PricewaterhouseCoopers, he served as its Deputy Executive Chairman until he retired in June 2004. During the span of more than three decades in the firm, he was involved in audit, management consultancy and insolvency practice covering multiple industries including retail and manufacturing, construction, plantation, entertainment and banking in both public and private sectors.

In the education sector, he was an Adjunct Professor of Accountancy at Universiti Malaysia Terengganu; a member of the Senate at Open University Malaysia; a member of the Advisory Panel at Universiti Kebangsaan Malaysia and Universiti Putra Malaysia and Industry Adviser at Universiti Tunku Abdul Rahman.

He was also appointed to the Council of the MIA and was elected by the Council to hold office as President. He served as President of the MIA (2005 to 2007 and 2009 to 2011) and as President of the ASEAN Federation of Accountants from 2010 to 2011.

<b>8 MS. CHONG SWEE YING</b>		
<b>Female</b>	<b>Age 59</b>	<b>Malaysian</b>
Non-Independent Non-Executive Director		
<b>Date of Appointment</b> 23 August 2018		

**Board Committee:**

- Member of Nomination and Remuneration Committee

**Academic/Professional Qualification:**

- Tunku Abdul Rahman College, Kuala Lumpur

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

- Kerjaya Prospek Group Berhad

**Ms. Chong Swee Ying** started her journey with AEON Co. (M) Bhd in 1985 as an Administration staff. In 1990, she was the pioneer staff selected to undergo a year long on-job training in Japan. From 1985 to 2002, she was leading various departments including Hardline Merchandiser, Softline Group Leader and Leasing Manager. In 2003, she was appointed as General Manager of Shopping Centre Management, New Business Development, Store Operations and Marketing.

In 2011, she was appointed as Executive Director for Aeon Fantasy (Malaysia) Sdn Bhd and promoted to Managing Director in 2012. She retired from the same position in July 2018. Subsequently, she served as Advisor to AEON Fantasy (Malaysia) Sdn Bhd for over three years.

She has over three decades of diverse experience in the retail business, property management and new business development, picking up numerous Executive of the Year awards along her way.

## BOARD OF DIRECTORS' PROFILE

<b>9 MR. HIROAKI EGAWA</b>		
<b>Male</b>	<b>Age 56</b>	<b>Japanese</b>
Non-Independent Non-Executive Director		
<b>Date of Appointment</b> 1 July 2022		

#### Board Committee:

- Nil

#### Academic/Professional Qualification:

- Bachelor of Economics, University of Tokyo

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

- Nil

<b>10 ENCIK HISHAM ZAINAL MOKHTAR</b>		
<b>Male</b>	<b>Age 61</b>	<b>Malaysian</b>
Independent Non-Executive Director		
<b>Date of Appointment</b> 1 July 2022		

#### Board Committee:

- Chairman of Audit and Risk Management Committee

#### Academic/Professional Qualification:

- Chartered Financial Analyst, CFA Institute, USA
- Master of Business Administration, Massachusetts Institute of Technology - Sloan School of Management
- Master of Science, Mathematics, Illinois State University
- Bachelor of Science, Mathematics, Illinois State University

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

- KPJ Healthcare Berhad
- Telekom Malaysia Berhad

**Mr. Hiroaki Egawa** hails from a strong corporate financial banking background, kickstarting his career in The Dai-Ichi Kangyo Bank in 1989. He then joined the Mizuho Corporate Bank Ltd., Japan and served under many positions as well as portfolios including Counselor and later, Deputy General Manager of the Americas Audit Office Business Audit Department; General Manager of Yokohama Branch and General Manager of Corporate Finance Division in Mizuho Americas.

Moving into new horizons, Mr. Egawa joined AEON Co., Ltd. in 2021 serving as the Chief Affiliate Companies Officer of AEON Co., Ltd before serving as the Executive Officer, Finance and Business Management of AEON Co., Ltd since March 2022.

**Encik Hisham Zainal Mokhtar** started his career in the insurance industry at Universal Life and General Insurance in 1987 and thereafter William M. Mercer Sdn Bhd in 1988 before becoming an investment analyst initially with Crosby Research (M) Sdn Bhd in 1991. He later joined Barings Research (Malaysia) Sdn Bhd in 1994 and subsequently, UBS Research (Malaysia) Sdn Bhd in 1996. In 1998, Hisham became a financial consultant at Sithe Pacific LLC, a regional independent power producer before he ventured out to set up a boutique investment advisory firm, KE Malaysia Capital Partners Sdn Bhd with another partner.

In 2001, he joined Tricubes Berhad, a software and services company as a consultant and later became its Chief Financial Officer. From 2005 to 2014, he served at Khazanah Nasional Bhd where his last position was Director in the Investments Division. He later moved on to Astro Overseas Ltd as its Chief Operating Officer, a position he held until 2018. His last management position was as a Director in MIDF Bhd's Group Managing Director's Office, which he held until 2019. He is also a Business Coach at Asia School of Business since August 2018.



## BOARD OF DIRECTORS' PROFILE

<b>11 PUAN ZAIDA KHALIDA SHAARI</b>		
<b>Female</b>	<b>Age 55</b>	<b>Malaysian</b>
Independent Non-Executive Director		
<b>Date of Appointment</b> 1 July 2022		

**Board Committee:**

- Chairman of Nomination and Remuneration Committee

**Academic/Professional Qualification:**

- MBA, University of Strathclyde
- Barrister-at-Law, Gray's Inn
- Bachelor of Laws - LLB, University of Warwick

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

- UEM Sunrise Bhd
- Cement Industries (M) Bhd
- MNRB Holdings
- Pelaburan Hartanah Nasional

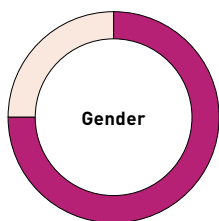
**Puan Zaida Khalida Shaari** commenced her career as an Advocate & Solicitor in Zain & Co in 1991. In 1997, she joined PNB as a Senior Compliance Officer, moving up the ranks over a nine-year stint to positions such as Head of Legal and Company Secretary. She later joined Khazanah Nasional Bhd in 2007 as an Executive Director and in 2020, she was appointed as the Chief Executive Officer of Yayasan AMIR which is an education-focused not-for-profit organisation incorporated by Khazanah. She is also currently an advisor to MeReka, an alternative education entity that aims to upskill the youth on the necessary digital and other skills for the future.

**Note:** Save as disclosed in this annual report, all the Directors mentioned in pages 66 to 71 have no conflict of interest with AEON CO. (M) BHD. or any family relationship with any Director and/or major shareholder or any convictions for offenses within the past 5 years and any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year, except for traffics summons, if any.

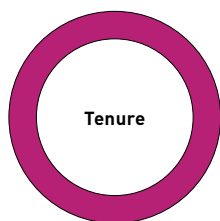
# AEON LEADERSHIP COUNCIL



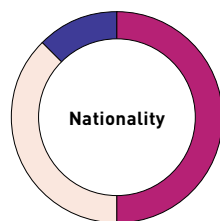
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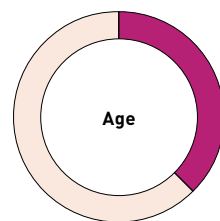
Male	- 75%
Female	- 25%



0-3 Years	- 100%
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Malaysian	- 50%
Japanese	- 37.5%
Indonesian	- 12.5%



<50 Years Old	- 37.5%
50-59 Years Old	- 62.5%

**Note:** Save as disclosed in this annual report, all the Senior Management mentioned in pages 73 to 74 have no conflict of interest with AEON CO. (M) BHD. or any family relationship with any Director and/or major shareholder or any convictions for offences within the past 5 years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, except for traffic summons, if any.

## AEON LEADERSHIP COUNCIL

### 1 MR. KEIJI ONO

Male | Age 50 | Japanese

Managing Director

**Date of Appointment:**  
1 July 2022

*For more information, please refer to page 66.*

### 2 MR. TSUGUTOSHI SEKO

Male | Age 54 | Japanese

Deputy Managing Director /  
Chief Governance Officer

**Date of Appointment:**  
1 July 2022

*For more information, please refer to page 67.*

### 3 MR. NAOYA OKADA

Male | Age 39 | Japanese

Deputy Managing Director /  
Chief Operating Officer

**Date of Appointment:**  
1 July 2022

*For more information, please refer to page 67.*

### 4 DR. GRACE LEE HWEE LING

Female | Age 48 | Malaysian

Chief Financial & Sustainability Officer

**Date of Appointment:**  
1 October 2021

#### Directorship(s) in other public companies/ listed companies:

- Tune Protect Group Berhad

#### Responsibilities:

- Ensures the strategic execution of business plans to deliver on our operating and financial goals to create long-term value for our shareholders
- Oversees financial control that encompasses planning, budgeting, forecasting, management reporting, financial reporting processes and finance business partners
- Responsible for AEON's financial, capital and investment management including specifically overseeing treasury, tax and investor relations
- Leads AEON's effort on Sustainability which focuses on environmental, social and governance (ESG) by providing leadership to design, align and integrate AEON's Sustainability initiatives, policies and goals to help drive the Sustainability agenda for AEON.

#### Academic/Professional Qualification:

- Doctorate in Business Administration, ELM Graduate School, HELP University
- Fellow of the Australian CPA
- Certified Information Systems Auditors (CISA)
- Certified in the Governance of Enterprise IT (CGEIT)
- MBA with Distinction, Charles Sturt University, NSW Australia
- Bachelor of Commerce (Accounting and Finance), Curtin University, Australia

#### Experience:

- Group Chief Transformation and Group Chief Technology Officer, Astro Malaysia
- Chief Executive Officer and Non-Independent Director, Astro Go Shop
- Senior Vice President, Group Finance and Group Chief Risk Officer, Astro Malaysia
- Consultant, Pricewaterhouse Coopers Malaysia

### 5 MS. LOW NGAI YUEN

Female | Age 47 | Malaysian

Chief Merchandising and  
Marketing Officer

**Date of Appointment:**  
1 July 2021

#### Directorship(s) in other public companies/ listed companies:

- GDEX Berhad
- OSK Group Berhad

#### Responsibilities:

- Develops commercial strategies to drive continuous market share growth of brick and mortar as well as the online business as a seamless experience for the customers
- Leads the conception and execution of scaling the ecosystem's partnership and community-driven loyalty system using analytics and data to benefit customers' journeys and lifestyle
- Grows new opportunities and innovations that are sustainable, adding to the value propositions of private brands and labels to meet increasing customers' demands

#### Academic/Professional Qualification:

- Bachelor of Science in Biology and Chemistry, Campbell University, North Carolina, USA
- Filmmaking, University of Melbourne, Australia

#### Experience:

- President, Persatuan Kakiseni
- Founder and President, WOMENgirls - Pertubuhan Pembangunan Kendiri Wanita dan Gadis
- Executive Director/CEO, Global Entrepreneurship Movement Association
- Co-founder of Makespace, Fearless Ideas and Garang Pictures
- Executive Officer for Special Development, The Melium Group Sdn Bhd
- Marketing and Communications Director, Carrefour Malaysia-Singapore
- Executive Producer and Content Creator, New Vision Media
- Film/TV/Radio Producer and Director

## AEON LEADERSHIP COUNCIL

### 6 MR. LEE BENG BENG

Male | Age 54 | Malaysian

Chief Property Officer

**Date of Appointment:**  
12 March 2020

**Directorship(s) in other public companies/listed companies:**

- Nil

**Responsibilities:**

- Overall strategy, planning and management of the Property division
- Responsible for developing the strategy, planning and setting directions for property and related scopes including business development, retail planning, concept and design and project management
- Responsible for property management, maintenance and operations of facilities of the properties

**Academic/Professional Qualification:**

- Diploma in Business and Management, Institute of Commercial Management, UK
- Registered Property Manager (PM0352) with the Malaysian Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVAEA/LPPEH)
- Certified Centre Manager (CCM) with Persatuan Pengurusan Kompleks Malaysia (PPKM)

**Experience:**

- Director of Retail at Malaysia Land Properties Group, Malaysia
- Director of Retail at OSK Property Malaysia
- Head of Retail and Commercial at Belleview Group Malaysia
- Various senior management positions at shopping centres in Belleview Group and Penas Group, Malaysia

### 7 MR. DJONI HERLAMBANG

Male | Age 58 | Indonesian

Chief Technology Officer

**Date of Appointment:**  
15 April 2020

**Directorship(s) in other public companies/listed companies:**

- Nil

**Responsibilities:**

- Responsible for digital transformation initiative
- Responsible for the set-up of AEON IT Department as a profit-centric business unit
- Advises the best suitable technology for the Company
- Overall management of the design and customised technological systems and platforms to improve customer experience
- Analyses the costs, value and risks of technology to advise management and suggest actions

**Academic/Professional Qualification:**

- Master's Degree in Information System

**Experience:**

- More than 30 years of experience in the retail industry, specialising in digital transformation
- Held various senior management positions leading the IT Divisions in several retail organisations throughout Asia

### 8 DR. KASUMA SATRIA MAT JADI

Male | Age 51 | Malaysian

Chief Human Resources Officer

**Date of Appointment:**  
1 April 2020

**Directorship(s) in other public companies/listed companies:**

- Nil

**Responsibilities:**

- Overall management and operations of Human Resources, Corporate Communications and Corporate Services divisions
- Responsible for setting, executing and operationalising AEON's people, business and branding strategies

**Academic/Professional Qualification:**

- Doctorate in Business Administration, Multimedia University, Malaysia
- MBA, University of Huddersfield, UK
- Degree in Business Administration (Hons.), Universiti Utara Malaysia

**Experience:**

- General Manager, Education Operations, LeapEd Services Sdn Bhd
- Director and Vice President, Sales and Business Development, Onshore and Offshore, Malaysia and Brunei, TechnipFMC
- Vice President, East Malaysia and Brunei, Technip
- Regional Vice President, Human Resources and Corporate Development, Asia Pacific, Technip
- Group Vice President, Global Sourcing and Recruitment, France, Technip

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

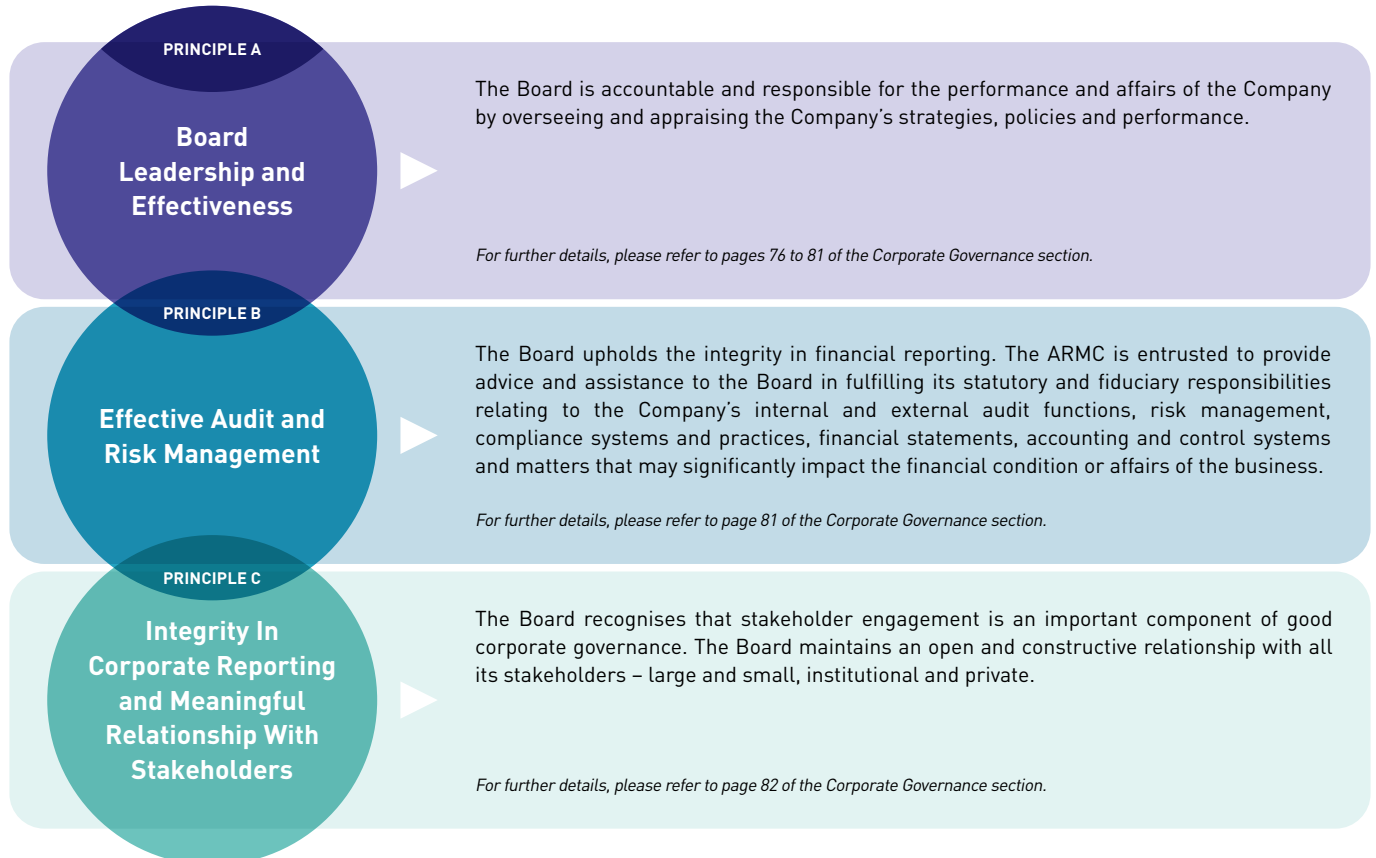
The Board of Directors (Board) of AEON CO. (M) BHD. (AEON or the Company) recognises the importance of good corporate governance and is committed in ensuring the sustainability of the Company's business and operations through maintaining good governance ethics as promulgated by the Malaysian Code on Corporate Governance 2021 (MCCG 2021). The Board believes that maintaining good corporate governance is key to delivering stakeholders' value.

This Corporate Governance Overview Statement (CG Overview Statement) presents key governance highlights for the financial year 2022 and up to the date of publication of this Annual Report, outlining AEON's application of the 3 principles, 43 practices and 5 Step-up practices of the MCCG 2021, during the year under review.

This statement is complemented with a Corporate Governance Report (CG Report) that is prepared based on a prescribed format pursuant to paragraph 15.25 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), which is made available on the Company's website

<https://aeongroupmalaysia.com/> as well as via an announcement on the website of Bursa Securities. This statement should also be read in conjunction with the Statement on Risk Management and Internal Control (SORMIC) and the Audit and Risk Management Committee (ARMC) Report as well as other information in the Governance and Sustainability Report accompanying this Annual Report.

The Board is committed to maintaining the highest standards of good governance to promote quality decision-making and the execution of those decisions within a disciplined framework of policies and procedures.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A

## Board Leadership and Effectiveness

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. 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.

Under the Chairman's leadership, Board members share collective responsibility for corporate governance arrangements. The Board's roles and responsibilities are detailed in the Board Charter which is published on the Company's website at <https://aeongroupmalaysia.com/>. The latest revision of the Board Charter was on 27 August 2021.

### I. BOARD ROLES AND THEIR RESPONSIBILITIES

#### Chairman

The Chairman is responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda. The profile of the Chairman is set out in page 66 of this Annual Report.

#### Managing Director (MD)

The Managing Director is responsible for leading and managing the Company's business within a set of authorities delegated by the Board and for the implementation of the Company's strategies and policies. The profile of the Managing Director, is set out in page 66 of this Annual Report.

#### Independent Non-Executive Directors

The primary responsibility of an Independent Non-Executive Director is to protect the interests of minority shareholders and other stakeholders. In addition, the Independent Non-Executive Directors play a key role in monitoring the implementation of the Company's strategy and business performance. The profiles of the Independent Non-Executive Directors are set out in pages 64 to 71 of this Annual Report.

#### Company Secretaries

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 and legislations. The Company Secretaries also advise the Board on the adoption of corporate governance best practices as recommended under the MCCG 2021.

The Company Secretaries ensure that deliberations at the Board and Board Committees meetings are well minuted, and matters arising from the Board and Board Committees meetings are subsequently communicated to the Management for appropriate actions.

The Company Secretaries, Ms. Tai Yit Chan and Ms. Tan Ai Ning, both from Boardroom Corporate Services Sdn. Bhd. are fellow members of the Malaysian Institute of Chartered Secretaries and Administrators and have more than 20 years of experience as Company Secretaries.

### II. BOARD COMPOSITION

#### 1. Board Composition and Balance

During the financial year under review, our Board comprised eleven (11) Directors, comprising the Chairman (Independent Non-Executive), five (5) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, and three (3) Executive Directors. The Company fulfils 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 has at least half of the board comprised of Independent Directors which is sufficient to provide effective oversight of Management.

The profile of each Director is set out on pages 64 to 71 of this Annual Report.

#### 2. Board Independence

The Board is mindful of the importance of independence and objectivity in its decision-making process in line with MCCG 2021 which is one of its focus areas on corporate governance.

The Board delegates to the Managing Director who is supported by the AEON Leadership Council (ALC), which 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 the 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 considering the interest, not only of the Company but also of shareholders, employees, customers, partners and communities in which the Company conducts businesses. The Board, via the Nomination and Remuneration Committee, assesses each Director's independence to ensure ongoing compliance with this requirement annually. Encik Abdul Rahim bin Abdul Hamid is the Senior Independent Non-Executive Director to whom concerns on matters relating to the corporate governance of the Company can be conveyed.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A (CONT'D)

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 decision 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.

The Board is aware that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended by MCCG 2021 and twelve (12) years as mandated under the MMLR. 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. If the Board intends to retain the Director as an Independent Director after the Director has served a cumulative term of nine (9) years but less than twelve (12) years, the Board must justify the decision and seek shareholders' approval at general meeting as prescribed under MCCG 2021. Once an Independent Director has served a cumulative term of his/her twelfth (12th) year, he/she will either be re-designated as a Non-Independent Non-Executive Director or retire as Director of the Company.

As at the date of this statement, Datuk Syed Ahmad Helmy Syed Ahmad and Dato' Tunku Putra Badlishah Ibni Tunku Annuar had served the Company as Independent Directors for more than nine (9) years on 16 April 2022 while Encik Abdul Rahim Abdul Hamid had served the Company as Independent Directors for more than nine (9) years on 16 August 2022. The Board, having assessed the independence of Dato' Tunku Putra Badlishah Ibni Tunku Annuar, Datuk Syed Ahmad Helmy Syed Ahmad and Encik Abdul Rahim Abdul Hamid, had recommended them to continue to act as Independent Directors of the Company at the 37<sup>th</sup> Annual General Meeting (AGM) of the Company with the justification for their continuation as Independent Directors being circulated to the shareholders in the notice of the 37<sup>th</sup> AGM. During the 37<sup>th</sup> AGM, the shareholders had approved the resolutions for Dato' Tunku Putra Badlishah Ibni Tunku Annuar, Datuk Syed Ahmad Helmy Syed Ahmad and Encik Abdul Rahim Abdul Hamid to continue in office as Independent Directors.

#### 4. Sustainability Governance

At AEON, we have embedded sustainability in the way we do business, encompassing our entire organisation, strategic planning and governance framework. We believe that a sound governance structure is important as it clearly defines the roles and responsibilities across the Company. We uphold the highest level of accountability and integrity to deliver on our sustainability commitments and realise our aspirations.

In realising our sustainability initiatives, we have in place a robust governance structure that is outlined in our Board Charter, with the Board providing oversight on AEON's overall sustainability strategy. The Board is responsible for ensuring adequate measures for systems and processes are in place. This is supported by the Audit and Risk Management Committee (ARMC).

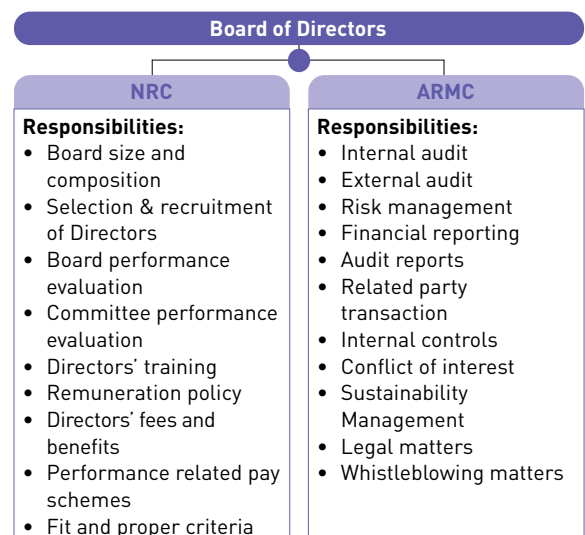
The Sustainability Steering Committee (SSC) was established in 2020 to oversee development of the Company's sustainable strategy as well as create stronger leadership and participation from the ALC. The SSC is chaired by the Managing Director and supported by the Sustainability Task Force (STF), whose role is to review, deliberate and implement strategies to drive sustainability throughout the Company as well as monitor its progress.

#### 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 and Remuneration Committee (NRC); and
- Audit and Risk Management Committee (ARMC).

The following diagram shows a brief overview of the 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 each Committee from time to time. The terms of office and performance of the ARMC is reviewed on regular basis by the NRC. The Board approves the appointment of the members and the Chairman of each Committee.

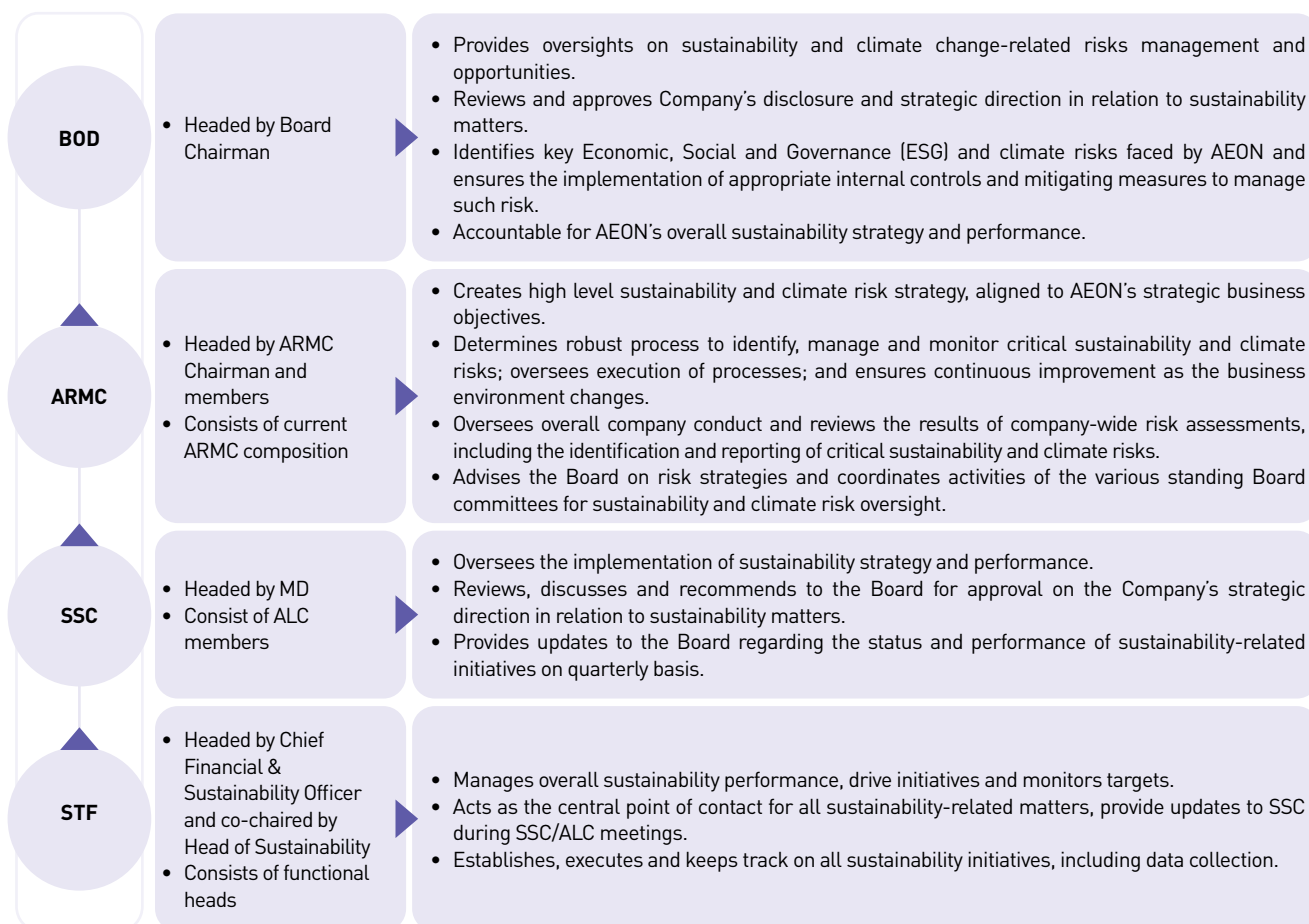


The Terms of Reference of each of the Board Committee are published on the Company's website at <http://ir2.chartnexus.com/aeon/corporate-governance.php>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A (CONT'D)

## AEON's Sustainability Governance Structure and Key Responsibilities



## 5. 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 schedules for the year. The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities. All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.

The Board met eight (8) times during the financial year under review. The details of Directors' attendance are set out as follows:

1.	<b>Datuk Iskandar Sarudin</b> (Independent Non-Executive Chairman)	8/8
2.	<b>Mr. Keiji Ono</b> (Appointed as Managing Director on 1 July 2022)	3/3
3.	<b>Mr. Tsugutoshi Seko</b> (Appointed as Deputy Managing Director on 1 July 2022)	3/3
4.	<b>Mr. Naoya Okada</b> (Appointed as Deputy Managing Director on 1 July 2022)	3/3
5.	<b>Datuk Syed Ahmad Helmy Syed Ahmad</b> (Independent Non-Executive Director)	6/8
6.	<b>Dato' Tunku Putra Badlishah Ibni Tunku Annuar</b> (Independent Non-Executive Director)	7/8

7.	<b>Encik Abdul Rahim Abdul Hamid</b> (Independent Non-Executive Director)	8/8
8.	<b>Encik Hisham Zainal Mokhtar</b> (Appointed as Independent Non-Executive Director on 1 July 2022)	3/3
9.	<b>Puan Zaida Khalida Shaari</b> (Appointed as Independent Non-Executive Director on 1 July 2022)	3/3
10.	<b>Ms. Chong Swee Ying</b> (Non-Independent Non-Executive Director)	8/8
11.	<b>Mr. Hiroaki Egawa</b> (Appointed as Non-Independent Non-Executive Director on 1 July 2022)	3/3
12.	<b>Encik Shafie Shamsuddin</b> (Resigned as Managing Director/ Chief Executive Officer on 30 June 2022)	5/5
13.	<b>Mr. Tsutomu Motomura</b> (Resigned as Executive Director on 30 June 2022)	5/5
14.	<b>Mr. Soichi Okazaki</b> (Resigned as Non-Independent Non-Executive Director on 30 June 2022)	5/5

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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A (CONT'D)

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 have devoted sufficient time to update their knowledge and enhance their skills by attending various trainings. Details of trainings attended by the Directors are set out on page 80 of this Statement.

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

#### 6. NRC – Board Nomination and Appointment of Directors

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

<b>Puan Zaida Khalida Shaari</b> (Appointed on 1 July 2022) (Redesignated as Chairman on 1 March 2023)	<b>Chairman</b> (Independent Non-Executive Director)
<b>Dato' Tunku Putra Badlishah Ibni Tunku Annuar</b> (Redesignated as Member on 1 March 2023)	<b>Member</b> (Independent Non-Executive Director)
<b>Datuk Syed Ahmad Helmy Syed Ahmad</b>	<b>Member</b> (Independent Non-Executive Director)
<b>Encik Abdul Rahim Abdul Hamid</b>	<b>Member</b> (Independent Non-Executive Director)
<b>Ms. Chong Swee Ying</b> (Appointed on 1 July 2022)	<b>Member</b> (Non-Independent Non-Executive Director)

The NRC 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 NRC develops certain criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the NRC considers the following factors:-

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



The details are stated in the Terms of Reference of the NRC that is available on the Company's website at <http://ir2.chartnexus.com/aeon/corporate-governance.php>

The Board may appoint an individual to be a Director by having a selection process for the new appointee as recommended by the NRC 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 had utilised

independent sources and recommendations from the Directors, Management and shareholders of the Company to identify suitable qualified candidate to be appointed as Director of the Company during the year. The NRC will assess and consider the suitability of the candidate based on the criteria set before recommending it to the Board for appointment.

The NRC arranges induction for newly appointed Directors such as visits to the Company's significant businesses and meetings with the ALCs, as appropriate, to enable the new appointee to have a 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.

#### 7. Board Assessment and Annual Evaluation

The NRC annually reviews the required mix of skills and experience of Directors, the effectiveness of the Board as a whole, succession plans, Board diversity, including gender, age, ethnicity, backgrounds training courses for Directors and other qualities of the Board such as core competencies, which Directors should bring to the Board. A questionnaire was circulated to the Directors for the Directors to carry out self and peer evaluation on the effectiveness of the Board.

The results of the assessment and comments by Directors regarding the effectiveness of the Board and its Board Committees were tabled and discussed at the NRC meeting, thereafter reported at the Board meeting by the NRC Chairman. All assessments and evaluations carried out by the NRC are properly documented.

The NRC meets at least once a year with additional meetings to be convened, if necessary. During the financial year under review, the NRC held five (5) meetings to:

- Evaluate the suitability of candidates and recommend to the Board for appointment of new Directors and changes to the Board's and Board Committee's composition;
- 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;
- Review the contributions of each Director (including the Managing Director and Executive Directors);
- Review the effectiveness of the Board and the Board Committees;
- Consider and recommend the Fit and Proper Policy to the Board for adoption; and
- Review and recommend the revision in the Directors' Fees and benefits payable to the Directors including meeting allowance.

#### 8. Re-election to the Board

The NRC reviewed the Directors' re-election to the Board and in accordance with the Company's Articles of Association, all the Directors are subject to retirement at the AGM every year.

#### 9. Directors' Training

The Board, via the NRC, 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.



The Fit and Proper Policy can be viewed on our website at <http://ir2.chartnexus.com/aeon/corporate-governance.php>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE A (CONT'D)

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 Sarudin	• AEON Policy Meeting in Japan	27 October
	• AEON Top Seminar in Japan	28 October
	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 – 3 November
Mr. Keiji Ono	• MAP	20-22 September
	• Malaysian Company Act 2016 and the Authorities of Directors and Members	20 October
	• AEON Policy Meeting in Japan	27 October
	• AEON Top Seminar in Japan	28 October
	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 – 3 November
Mr. Tsugutoshi Seko	• MAP	20-22 September
	• Malaysian Company Act 2016 and the Authorities of Directors and Members	20 October
	• AEON Policy Meeting in Japan	27 October
	• AEON Top Seminar in Japan	28 October
Mr. Naoya Okada	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 – 3 November
	• MAP	20-22 September
	• Malaysian Company Act 2016 and the Authorities of Directors and Members	20 October
	• AEON Policy Meeting in Japan	27 October
Datuk Syed Ahmad Helmy Syed Ahmad	• AEON Top Seminar in Japan	28 October
	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 November
	• AEON Policy Meeting in Japan	27 October
Encik Abdul Rahim Abdul Hamid	• AEON Top Seminar in Japan	28 October
	• Board Effectiveness Engagement – KPMG	15 February
	• Audit Oversight Board's Discussion	7 April
	• AEON's Partners' Conference	31 May
	• Malaysian Institute of Accountants' Conference	8 - 9 June
	• FCD C Series Training – ICDM 8	8 September
	• Global Facilities Management Board Retreat - Desaru	19 - 21 September
	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 – 3 November
Encik Hisham Zainal Mokhtar	• TM Forum on Digital Transformation	20-22 September
	• AEON Policy Meeting in Japan	27 October
	• AEON Top seminar in Japan	28 October
Puan Zaida Khalida Shaari	• AEON Top Seminar in Japan	27 October
	• AEON Policy Meeting in Japan	28 October
	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 – 3 November
Ms. Chong Swee Ying	• Reputation and Crisis Management for Board by ICDM	8 September
	• AEON Policy Meeting in Japan	27 October
	• AEON Top seminar in Japan	28 October
	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 – 3 November
	• Audit Oversight Board Conversation with Audit Committees by SC Malaysia	17 November
Mr. Hiroaki Egawa	• MAP	20-22 September
	• Malaysian Company Act 2016 and the Authorities of Directors and Members	20 October
	• AEON Policy Meeting in Japan	27 October
	• AEON Top Seminar in Japan	28 October
	• Anti-Bribery & Corruption (Personal & Corporate Liability Awareness)	2 – 3 November

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 MMLR of Bursa Securities, the requirements of MCCG 2021 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A (CONT'D)

#### III. DIRECTORS' REMUNERATION

The NRC also establishes sets of policies and frameworks as well as reviews the remuneration of Directors that is linked to the 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 NRC 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 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 NRC meetings at the invitation of the Chairman of the NRC if their presence is required.

During the financial year under review, the NRC 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 the NRC. Directors' fees and benefits payable to the Directors had also been reviewed and recommended by the NRC 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.

### PRINCIPLE B

## Effective Audit and Risk Management

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

The Board upholds the integrity of 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 for ensuring that the financial statements of the Company comply with the applicable financial reporting standards in Malaysia.

The ARMC in its Terms of Reference provides that a former key audit partner has to observe a cooling-off period of at least three years before being appointed as a member of ARMC.

The ARMC comprises four members all of whom are Independent Non-Executive Directors, with Encik Hisham Zainal Mokhtar as the ARMC Chairman. The composition of the ARMC, including its roles and responsibilities, the 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 83 to 86 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 the 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 31000:2018 (which is a standard relating to risk management codified by the International Organisation for Standardisation) for the setting of objectives, for 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 with the support of the Risk Management Committee (RMC) which is led by the Chief Governance Officer. The ARMC processes are designed to establish a proactive framework and dialogue in which the ARMC, the Management, and the External and Internal Auditors are able to review and assess the risk management framework.

Details on internal control and risk management framework are set out on pages 87 to 92 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. The RMC reports to ARMC on a quarterly basis.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE C

## Integrity In Corporate Reporting and Meaningful Relationship with Stakeholders

The Board recognises that stakeholder engagement is an important component of good corporate governance. The Board maintains an open and constructive relationship with all its stakeholders – large and small, institutional and private. The Board does not distinguish between institutional and private investors and treats all shareholders equally. In line with this, steps are taken to ensure that all investors have access to the same information and disclosures.

The Chairman, supported by the management, has the overall responsibility of ensuring that the Company listens to and effectively communicates with its stakeholders. The Company's Investor Relations (IR) unit, headed by the Chief Financial Officer, facilitates communication between the Company and the investment community. The IR unit conducts regular meetings, conference calls and site visits with investors to keep the investment community abreast of the Company's operations, strategic developments and financial performance. A comprehensive investor relations programme, designed for institutional investors and private shareholders, addresses these matters on a regular basis.

The Company also establishes a dedicated section for corporate information disclosure on the Company's website where information on the Company's announcements, quarterly financial results, share prices and the Company's annual reports can be found. Contact details of designated persons to address queries are also published on this website.

Communication lines with local and foreign investors were kept open throughout FY2022. IR engagements are fronted by authorised spokesperson to ensure credibility and effective communication with the Company's shareholders and the investment community.

### 1. Quarterly Financial Results Announcements and Analyst Briefings

The Company consistently issues the quarterly financial results announcements to Bursa Securities in accordance with MMLR in a timely manner. Subsequently, analyst briefings were conducted for investment communities to allow further clarification and interaction between the analysts and the management. The sessions were chaired by Chief Financial Officer and attended by the Managing Director. For FY2022, the Company conducted four virtual Results Briefings for Quarter 1, Quarter 2, Quarter 3 and Quarter 4, respectively. The quarterly announcements to Bursa Securities as well as the results presentations and press releases were published on AEON' corporate website under the IR section.

#### Announcement of Unaudited Consolidated Results and Results Briefings held with analysts in FY2022

1 <sup>st</sup> Quarter ended 31 March 2022	2 <sup>nd</sup> Quarter ended 30 June 2022	3 <sup>rd</sup> Quarter ended 30 September 2022	4 <sup>th</sup> Quarter ended 31 December 2022
Announcement date : <b>18 May 2022</b>	Announcement date : <b>23 August 2022</b>	Announcement date : <b>23 November 2022</b>	Announcement date : <b>22 February 2023</b>
Briefing date : <b>20 May 2022</b>	Briefing date : <b>24 August 2022</b>	Briefing date : <b>25 November 2022</b>	Briefing date : <b>24 February 2023</b>

9 research houses covered AEON's stock in FY2022 as follows:

1. Affin Hwang Capital
2. Hong Leong Investment Bank
3. KAF Equities Sdn Bhd
4. Kenanga Investment Bank Berhad
5. Maybank Investment Bank Berhad
6. MIDF Amanah Investment Bank
7. RHB Research Institute Sdn Bhd
8. TA Securities Holdings Berhad
9. BIMB Securities Berhad



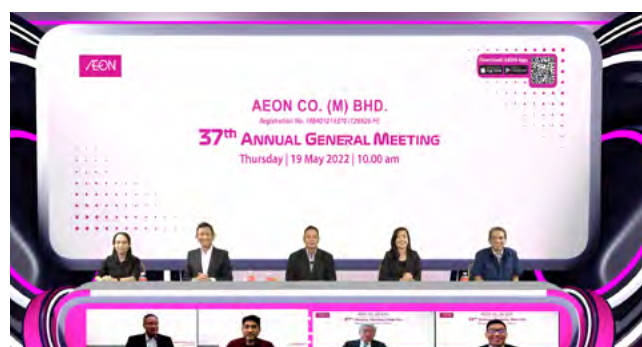
For more information on Quarterly Financial Results Announcements, please refer to AEON's corporate website at [https://ir2.chartnexus.com/aeon/quarterly\\_report.php](https://ir2.chartnexus.com/aeon/quarterly_report.php)

### 2. Annual General Meeting

AGM provides a platform for the shareholders to interact or engage directly with the Board. At the AGM, an overview on the Company's performance and major activities 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 who participate in the deliberations of the proposed resolutions are given opportunities to seek clarification before proceeding to poll voting.

The Company's Thirty-Seventh (37<sup>th</sup>) AGM was conducted on 19 May 2022 through live streaming and online remote participation by using Remote Participation and Voting Facilities (RPV), which was in compliance with Section 327 of the Companies Act 2016. During the 37<sup>th</sup> AGM, the MD provided shareholders with a brief review on the operating environment, financial highlights, business performance, ecosystem, key strategies and key priorities of the Company. The Chief Financial Officer also addressed all questions received from the Minority Shareholder Watchdog Group (MSWG). The Chairman of the Board, ARMC and NRC were present at the 37<sup>th</sup> AGM.

Notice of the 37<sup>th</sup> AGM was circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed, which is in line with Section 316(2) of Companies Act 2016 and paragraph 7.15 of MMLR of Bursa Securities. Notice of AGM was also circulated in a national newspaper alongside an announcement on the website of Bursa Securities. This allowed shareholders to have immediate access of the notice of AGM and make necessary preparations for the AGM.



This CG Overview Statement was approved by the Board on 23 February 2023.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Company's Audit and Risk Management Committee (ARMC) was established to assist the Board in fulfilling its oversight responsibilities through a review of the financial reporting process, risk management, internal control systems and overall compliance with relevant applicable legal and regulatory requirements.

In discharging its responsibilities, the ARMC is guided by the ARMC Terms of Reference which was reviewed and approved by the Board on 24 November 2021 and can be downloaded from <https://aeongroupmalaysia.com>. The Board is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2022.

## COMPOSITION

The ARMC comprises the following members:

Name	Directorship
<b>Encik Hisham Zainal Mokhtar</b> (Chairman) (Appointed on 1 July 2022) (Redesignated as Chairman on 1 March 2023)	Independent Non-Executive Director
<b>Encik Abdul Rahim Abdul Hamid</b> (Member) (Redesignated as Member on 1 March 2023)	Independent Non-Executive Director
<b>Dato' Tunku Putra Badlishah Ibni Tunku Annuar</b> (Member)	Independent Non-Executive Director
<b>Datuk Syed Ahmad Helmy bin Syed Ahmad</b> (Member)	Independent Non-Executive Director

The composition of the ARMC complies with Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements in the following respects:

- the ARMC comprises at least three (3) members, all of whom are Non-Executive Directors with majority being Independent Director. The ARMC currently has four (4) members and all members including the ARMC Chairman, are Independent Non-Executive Directors.
- at least one (1) member of the ARMC fulfils the qualification criteria. Encik Abdul Rahim Abdul Hamid, a member of the ARMC is a member of the Malaysian Institute of Accountants, Fellow of the Association of Chartered Certified Accountants and Member of the Malaysian Institute of Certified Public Accountants and therefore fulfils the qualification criteria.

The composition of the ARMC also complies with Practice 9.2 of the MCCG 2021 which states that a former key audit partner shall not be appointed as a member of the ARMC until the expiry of a three-year cooling-off period. This practice is adopted by the Company as Encik Abdul Rahim Abdul Hamid has retired in June 2004 as Deputy Executive Chairman of PricewaterhouseCoopers and no other ARMC members are former audit partners. The Step-up Practice 9.4 of the MCCG 2021 where the ARMC is to be comprised solely of Independent Directors had also been adopted.

Additionally, the NRC reviews the terms of the office and performance of the ARMC and each of its members annually to distinguish whether the ARMC and the members have carried out their duties in accordance with the Terms of Reference. The ARMC composition has further complied with additional stipulations in the Terms of Reference of ARMC that:-

- each member shall be financially literate and must be able to understand matters under the purview of the ARMC including the financial reporting process; and
- the Chairman of the Board shall not be the Chairman of the ARMC.

## MEETINGS AND ATTENDANCE

During the financial year under review, the ARMC had convened five (5) meetings. The attendance records of the members of the ARMC are as follows:

100%	<b>Encik Abdul Rahim Abdul Hamid</b> Independent Non-Executive Director	5/5
100%	<b>Dato' Tunku Putra Badlishah Ibni Tunku Annuar</b> Independent Non-Executive Director	5/5
100%	<b>Datuk Syed Ahmad Helmy Syed Ahmad</b> Independent Non-Executive Director	5/5
100%	<b>Encik Hisham Zainal Mokhtar (Appointed on 1 July 2022)</b> Independent Non-Executive Director	2/2

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Chief Financial Officer and Chief Governance Officer were invited to attend all ARMC meetings to facilitate deliberations as well as provide clarification on audit and risk-related matters and the Company's operations. The Head of Internal Audit also attended all ARMC meetings to table internal audit reports. Where required, the relevant Management representatives were invited to present and/or provide an explanation to the ARMC on specific control lapses and issues noted from audit reports as well as clarification on their respective areas of responsibilities.

The representatives of the external auditor, Messrs KPMG PLT have attended two (2) meetings for the financial year ended 31 December 2022 to present their reports on external audit and review matters. The Company Secretary acts as the Secretary of the ARMC and was present in all the meetings.

### SUMMARY OF KEY ACTIVITIES DURING THE YEAR UNDER REVIEW

During the year under review, the ARMC performed its duties in accordance with its Terms of Reference. The summary of activities that the ARMC carried out during FY2022 are described below:

#### Financial Reporting Results

- a. Reviewed compliance by the Company with the accounting standards issued by International Financial Reporting Standards (IFRS) and incorporated in Malaysian Financial Reporting Standards (MFRS). The ARMC also focused on changes to accounting policies and adoption of new accounting standards; and
- b. All quarterly financial results and the annual audited financial statements for FY2022 were reviewed and recommended to the Board for approval.

#### External Audit

- a. Reviewed and approved the appointment of external auditors, taking into consideration their competencies, commitments, objectivity, and independence;
- b. Reviewed and approved the scope of work and audit plan for FY2022;
- c. Reviewed External Auditors' term of reference of their appointment and their audit and non-audit related fees for FY2022 for recommendation to the Board for approval;
- d. Reviewed and discussed the External Auditors' audit report of the Financial Statement and key audit matters;
- e. Reviewed External Auditors' management letters and management responses;
- f. Completed the annual external auditor assessment prior to the recommendation for re-appointment to the Board for approval; and
- g. In FY2022, the ARMC held two (2) meetings with the External Auditors on 21 February 2022 and 21 November 2022 without management's presence, to allow the External Auditors to discuss issues arising from the audit exercise and/or any other matters.

#### Internal Audit

- a. Reviewed and approved the annual internal audit plan for FY2022 based on the risk assessment conducted to ensure adequate scope and comprehensive coverage of the Company'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. In FY2022, the ARMC held two (2) meetings with the Head of Internal Audit on the 21 February 2022 and 21 November 2022 without management's presence for discussion on the audit related matters and activities of the Internal Audit Department; and
- e. Reviewed and approved the performance, competency and resources of the Internal Audit functions for FY2022 to ensure that it has the required expertise and professionalism to discharge its duties.

#### Related Party Transaction (RPT) and Recurrent Related Party Transactions (RRPT)

- a. Reviewed RPTs and RRPTs of the Company on a quarterly basis and also the Internal Audit reports detailing the results of review on proposed RPTs to ensure compliance with the Companies Act 2016, Main Market Listing Requirement (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities) and the Malaysian Financial Reporting Standards (MFRS). From the approved RRPT mandate, the ARMC is satisfied that there were reasonable controls in monitoring the amounts transacted during the year.
- b. Reviewed the RPTs entered into by the Company with related parties to ensure that:
  - (i) RPTs were conducted based on the Company's normal commercial terms and are not detrimental to the Company's minority shareholders;
  - (ii) Proposed disclosures were made in compliance with the MMLR; and
  - (iii) Actual transaction values for the RRPTs are within the mandate approved by the shareholders.
- c. Reviewed the estimated RRPT mandate for the ensuing year and the Circular to Shareholders in respect of new and renewal of shareholders' mandate for RRPTs prior to seeking Board approval.

#### Risk Management and Internal Control

During the third quarter of FY2021, the Company had appointed BDO Governance Advisory Sdn. Bhd. (BDO) to conduct a professional review of the Company's risk management framework, processes, and internal control procedures to strengthen and assure a sound system of risk management and internal control to safeguard shareholder's investments, protect stakeholders' interest and the assets of the Company. The exercise was completed and the report had been presented to the Board.

The details of the risk management are reported separately under the Statement on Risk Management and Internal Control on pages 87 to 92 of this Annual Report.

#### Governance and Regulatory 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 all legal matters of the Company and report to the Board.
- d. Reviewed and discussed the final dividend in respect of the financial year ended 31 December 2022 for the Board to recommend to the shareholder for approval.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### Annual Report

- a. Reviewed and endorsed the following:-
- Annual Audited Financial Statements for FY2022;
  - Statement on Risk Management and Internal Control; and
  - The Corporate Governance Overview Statement, Corporate Governance Report and ARMC Report prior to Board's approval for inclusion in the Annual Report 2022.

### Other Activities

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

### KEY MATTERS CONSIDERED

The ARMC receives updates on key governance matters, audit initiatives and issues across the Company at each Committee meeting. The ARMC also reviews and reports to the Board on significant matters including financial reporting, significant judgements made by the Management, significant and unusual events or transactions, and how these matters are addressed.

Some of the areas and key matters considered by the ARMC during the financial year include:

Significant Initiatives/Issues	Matters Considered	Outcomes
(a) Effectiveness of Enterprise Risk Management (ERM) structure and process	<ul style="list-style-type: none"> <li>• Review of framework, processes, formalising governance structure, review and realignment of risk registers, embedding risk mindset and culture</li> </ul>	<ul style="list-style-type: none"> <li>• The appointed consultant BDO presented the final outcome of Project TRUST to the ARMC on 17 May 2022 concluding BDO's work on the Company's ERM, BCM, and ABAC review, revision, and enhancement. Some of the proposed improvements by BDO will be implemented by GID in phases.</li> </ul>
(b) Development of fit-for-purpose Business Continuity Management	<ul style="list-style-type: none"> <li>• Establish clear business continuity plan (BCP), disaster recovery plan (DRP) and crisis management and communication</li> </ul>	<ul style="list-style-type: none"> <li>• We also refreshed our Corruption-Free Pledge with Malaysian Anti-Corruption Commission (MACC) in 2022, demonstrating our commitment to prevent corruption and unethical practices at the workplace.</li> </ul>
(c) Strengthening of Anti-Bribery and Anti-Corruption Policy (ABAC)	<ul style="list-style-type: none"> <li>• Developing integrity manual comprising the framework, corruption risk management and organisational anti-corruption plan (OACP)</li> </ul>	
(d) Assessment of current business processes and procedures	<ul style="list-style-type: none"> <li>• Outdated and incomplete Standard Operating Procedures (SOPs) to address operation gaps and improve governance processes within operation</li> </ul>	<ul style="list-style-type: none"> <li>• CARA system has become the official centralised digital library for AEON's policies, processes, and procedures, with 1,287 SOPs already being uploaded and 93 new SOPs being created. All AEON people have access to view the SOPs, with few of them being granted the advance level accessibility. The CARA System also provides digital audit checklists for the governance unit, as well as mobile version access via iAEON.</li> </ul>

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### 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 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.

The Internal Audit Division provides independent and reasonable assurance to add value and improve the operations of AEON. The Head of Internal Audit is guided by its Charter which specifies functional reporting to the ARMC and administrative reporting to the Managing Director, to allow an appropriate degree of independence from the operations of the Company. The ARMC reviews and approves the annual Internal Audit plan with periodic reviews to ensure business alignment, appropriate risk assessment and audit methodology, and to ensure robustness in the audit planning process.

The Internal Audit function in AEON is guided by its Charter. The Internal Audit Charter sets out the purpose, authority, responsibilities and reporting of the Internal Audit function which encompasses:

- a. Examination and evaluation of the adequacy, integrity and effectiveness of the Company's overall system of internal control, risk management and governance;
- b. Review Recurrent Related Party Transactions (RRPT) and reports to ascertain that the review procedures established to monitor the Recurrent Related Party Transactions have been complied with the Main Market Listing Requirements of Bursa Securities;
- c. Review J-SOX Compliance as part of the Company's requirement;
- d. Monitor and evaluate governance processes in accordance to the requirement of the current MCCG 2021; and
- e. Investigate and report on suspicious and fraud cases, if any.

Reviews are carried out based on the approved Audit Plan for FY2022, 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 Institutes of the Internal Auditors ("IIA") in International Professional Practices Framework ("IPPF") for an Internal Audit function. AEON is a corporate member of IIA Malaysia.

The Internal Audit functions in a manner consistent with the International Standards for the Professional Practice of Internal Auditing (ISPPA) together with its Code of Ethics that encompass all the mandatory elements of the IPPF, which demonstrate its practices are in line with a recognised framework. The principles to have an effective Internal Audit function has been outlined in the Internal Audit Charter and the Internal Audit Manual. The Internal Audit Manual outlines risk-based auditing approach in accordance with the ISSPIA.

For each audit, a systematic methodology is adopted, which primarily includes performing risk assessment, developing audit planning memorandum, conducting audit, convening exit meeting and finalizing 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. As part of continuous improvement, the Internal Audit function undertook an external Quality Assurance Review in FY2022 by a qualified, independent assessor from an external organisation.

For the financial year under review, ninety (90) audits were completed on various operations units at stores, malls and head office. 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 every quarterly, incorporating the findings and Management's remediation actions.

The Internal Audit Division comprises eight (8) 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 Conducts and the Head of Internal Audit has signed on 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 audited activities. The total costs incurred for the Internal Audit function for FY2022 was RM 797,200 (FY2021: RM 760,000).

The ARMC Report is made in accordance with a resolution and approved by the Board on 22 February 2023.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board is pleased to present the Statement on Risk Management and Internal Control (SORMIC or This Statement) which outlines the nature of risk management and internal controls within the Company for the financial year ended 31 December 2022.

This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and guided by the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by Bursa Securities. Risk management and internal controls are embedded in all business activities within the Company.

## RESPONSIBILITIES AND ACCOUNTABILITIES

### 1. BOARD'S RESPONSIBILITIES

The Company is led by the Board. The Board has delegated the governance and risk management responsibilities to ARMC which ensures independent oversight of internal controls and risk management. Notwithstanding the delegated responsibilities, the Board affirms its responsibility for overseeing and ensuring a sound system of risk management and internal control for the Company. Such a system covers not only controls on the financial aspects, but also matters relating to operational, investment, risk management, and compliance with applicable laws, regulations and guidelines. Effective risk management helps the Company achieve its optimal performance and profitability targets by incorporating risk information for decision making. The Board has an established ongoing process for identifying, evaluating, prioritising and managing the significant risks encountered by the Company. The Board through the ARMC reviews this process every quarter. The Board is cognisant of the importance of having in place an integrated approach to manage key risks in achieving the Company's business objectives. The Board also recognises the fact that internal control systems are designed to manage and minimise rather than eliminate and avoid the occurrence of material misstatements, unforeseeable circumstances, fraud or losses.

#### • ARMC

The key responsibility of the ARMC is to assist the Board in fulfilling the Board's statutory and fiduciary responsibilities of monitoring the Company's management of financial risk processes and quality of the Company's accounting function, financial reporting and the internal control systems. This involves the implementation of an effective ethics programme and monitoring compliance of established policies and procedures.

The ARMC also assists the Board in providing oversight, direction and counsel on the overall risk management process; establishing and reviewing the risk management framework, processes and responsibilities; as well as assessing whether they provide reasonable assurance that risks are managed within tolerable ranges. The ARMC is also entrusted to set the tone and culture towards effective risk management and control within the Company. The ARMC presents its findings to the Board quarterly.

The Board has received assurance from the Managing Director and Chief Governance Officer 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. In discharging its duties, the ARMC is supported and assisted by the Risk Management Committee (RMC).

The responsibilities of the ARMC are detailed on pages 83 to 86 of this annual report.

### 2. MANAGEMENT'S RESPONSIBILITIES

The Management via the RMC acknowledges their responsibilities to identify, evaluate, prioritise, mitigate and continuously monitors the risks faced by the Company's system of internal controls. The RMC is responsible for implementing Board-approved frameworks, policies and procedures related to risk management and internal controls. The RMC is also accountable for identifying, assessing and monitoring the risks that may impede the Company's goals and objectives.

#### THE RMC'S RESPONSIBILITIES INCLUDE BUT ARE NOT LIMITED TO:

- a. To ensure that at least four (4) meetings are held during the financial year to deliberate on existing risk profiles and continuously embedding the risk management process to identify emerging risk(s) and propose actions to mitigate and thereafter monitor;
- b. Annual review of Enterprise Risk Management (ERM) Manual, including framework, process, risk appetite statement and policies;
- c. Identify and determine ERM risks to maximise opportunity based on AEON's risk appetite statement;
- d. To ensure adequate controls and management action plan are in place and aligned to achieving the Company's Objective Key Results (OKR);
- e. Overall assessment of the effectiveness of internal controls;
- f. Periodical review on major and serious workplace incidents and/or accidents to deliberate on additional preventive measures;
- g. Review and discussion of internal audit findings and reporting; and
- h. Periodical updates on disciplinary, code of conduct and integrity related cases (if any).

## 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 (3) lines model for risk management which consist of operation and business unit heads as the first line of defence, the Governance and Integrity Department (GID) as second line of defence and Internal Audit division 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 objectives. The risk appetite statement serves as a guide for the Company in formulating and planning the risk-taking activities in line with the Company's mission and strategy.

AEON's Risk Appetite Statement includes measurable guidelines demonstrating AEON's risk tolerance levels. Risk tolerance is the boundary of risk taking; outside of which, AEON is not prepared to accept. Any critical breach of risk tolerance limits will be reported immediately to the Board directly by the Chairman of the ARMC. Any breach will warrant one of the following:

- Review effectiveness of internal control/mitigation action; or
- Recalibrate appetite or limits if they no longer reflect AEON's actual risk appetite

Key Risk	Risk Appetite Statement	Impact on Policy and Procedures
<b>Product Quality</b>	<ul style="list-style-type: none"> <li>• AEON does not tolerate any sub-standard/defective products which are sold by its business or its tenants which may cause any harm to its users or those who come in contact with it.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy on sourcing criteria, evaluation of product and suppliers.</li> <li>• Dedicated subject matter expert in-house resources in monitoring requirements on critical areas such as food safety and hygiene and product compliance for Private Brand.</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>• AEON regards health and safety as a core indicator of its business success.</li> <li>• AEON does not tolerate any activities where adequate measures in preventing foreseeable death/debilitating injuries was not deployed effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Defines AEON's tolerance with regard to health and safety risk.</li> <li>• Reinforces the significances of AEON's Safety and Security, especially in terms of clarifying overall direction with regard to Health and Safety standards.</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>• AEON does not tolerate any labour exploitations within its business and amongst its suppliers and tenants.</li> <li>• AEON commits itself in adhering to international standards on ethical labour standards, which is at minimum guided by local laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforces communication and monitoring of compliance to AEON's standards on ethical labour practices within the Company.</li> </ul>
<b>Integrity</b>	<ul style="list-style-type: none"> <li>• AEON will not tolerate any bribery, fraud or other acts of corruption by its employees, agents, vendors and tenants when acting for or on behalf of AEON.</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforces significance of AEON's MACC Integrity Pledge which was undertaken by top management in the Company.</li> <li>• Defines the stance undertaken and communicated to its stakeholder via AEON Employee Handbook and Supplier Code of Conduct.</li> <li>• AEON Industrial Relations Manual Guideline that stipulates the categories of misconduct, the internal process and procedures in managing employee misconduct.</li> </ul>
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>• AEON endeavours to comply with all relevant legislation; and does not tolerate any significant non-compliance that led to the loss of trust/reputation and/or imprisonment of officials in relation to their duty in/for AEON.</li> </ul>	<ul style="list-style-type: none"> <li>• Various policies and procedures provide clarification and guidance in preventing any significant non-compliance, and where applicable, make reference to provisions of laws deemed significant.</li> </ul>
<b>Natural Environment</b>	<ul style="list-style-type: none"> <li>• AEON does not tolerate significant non-compliance practices that pollute the environment or endanger any wildlife contrary to environmental and conservation standards prescribed by local laws and/or which may cause public outrage.</li> </ul>	<ul style="list-style-type: none"> <li>• Defines AEON's tolerance with regard to the impact of its operations and practices which may harm the environment.</li> </ul>
<b>Technology Disruption</b>	<ul style="list-style-type: none"> <li>• AEON will seek to minimise the risk of technological disruption by continuously exploring synergetic opportunities with technological partners or other means in order to innovate its product offering as part of its digital-proofing strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• Defines AEON's tolerance towards technology disruption arising from failure in embracing digitalisation.</li> </ul>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Key Risk	Risk Appetite Statement	Impact on Policy and Procedures
<b>Data Security</b>	<ul style="list-style-type: none"> <li>AEON does not tolerate any leakages of confidential information and/or illegal manipulation of legal information (e.g. customer and employees personal data).</li> </ul>	<ul style="list-style-type: none"> <li>Defines AEON's tolerance to data leakages and/or illegal manipulation of information such as accounting records, personal data etc.</li> <li>Clarifies AEON's mandate and direction in adopting best practices in strengthening cybersecurity.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>AEON has adopted a multifaceted approach towards sustainability by aligning itself with 9 out of 17 United Nations Sustainable Development Goals, therefore does not tolerate any endeavours or practices that runs counter to this.</li> </ul>	<ul style="list-style-type: none"> <li>Clarifies AEON's emphasis on sustainability by incorporating it into corporate vision and mission statement.</li> </ul>

- Governance & Integrity Department (GID)**

The Head of GID reports directly to the Chief Governance Officer (CGO) and she has been assigned as the secretary of the RMC. GID has three (3) staff including the Head of GID.

- Risk Management Policy**

AEON Risk Policy covers four (4) key areas which govern the implementation of Enterprise Risk Management (ERM) defined in the ERM Manual. The four (4) key areas are as follows:

- General Risk Policies** – relevance of ERM framework, compliance of ERM framework, awareness and capabilities, risk culture, application of risk management, ERM process, consultation and communication, and confidentiality and use of risk information.
- Risk Identification** – triggers for risk identification and review, frequency of risk identification and review, approval of new risk and changes, and appointment of risk owners.
- Risk Analysis and Assessment** – risk analysis, review of risk analysis, risk assessment, aggregation of company-level risks, objectivity and robustness of risk analysis and assessment, approval of risk register, risk treatment action plan and key risk indicators.
- Risk Monitoring and Reporting** – risk monitoring and risk reporting.

### Key Activities of FY2022

Some of the key activities of GID for FY2022 includes but are not limited to:

- Project management**
  - Leading, planning, coordinating and continuously communicating with management, business units and operations to facilitate and ensure timely deliverables of Project TRUST.
  - Implementation of anti-bribery E-Learning for management and operational leaders (managers and above).
- COVID Task Force**
  - Developed daily dashboard of COVID cases involving employee, tenant and other AEON stakeholders;
  - Liaised with Ministry of Health to check on latest information, revising and updating internal COVID SOP;
  - Communicated between ALC and stores to coordinate and execute measures and recommendations proposed by Ministry of Health and state authorities; and
  - Prepared additional safety guidelines for AEON people and stakeholders.
- Operation Support**
  - Store visits, risk assessment, provide advice and guideline to operation leaders for matters related to risk management and business continuity plan.
- Risk Champion Committee (RCC)**

Implementation of RCC comprising the middle management team (representatives from each business unit at the head office) to lead a more robust discussion on risk identification, mitigation and controls.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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 risks that will have an adverse impact on the Company's objectives, analysing root causes, developing the appropriate risk treatment, and continuously monitoring and report risks on a quarterly basis.

The Company adopts the Risk and Control Self-Assessment (RCSA) method to regulate the risk management process at corporate and operational levels. Through the implementation of a risk profile, it allows the respective business units, including the individual stores and shopping malls to perform risk activities, such as identify, prioritise, undertake adequate mitigation strategies, and plan, evaluating and keep monitoring the controls.

### CONTROL STRUCTURE AND ENVIRONMENT

#### 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 aspects of the Company's affairs. Senior management and business unit managers submit and present their operational performance reviews, business plans and strategic measures to ALC;
- 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. The ARMC also reviews the quarterly report and recommends the quarterly report to the Board for approval prior to the announcement to Bursa Securities;

- The Internal Audit Department periodically audits the effectiveness and evaluates the functionality 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.

The Company has established an internal control structure and is committed to continuously evaluating, enhancing and maintaining the structure to ensure effective control over the Company's business operations as well as to safeguard the value and security of the Company's assets. There is a clearly defined operating structure with lines of responsibility and delegated authority to assist the Board to maintain proper control. The key elements that support the control structure and environment are described as follows:

#### 1. INTERNAL AUDIT

The Internal Audit Department (IAD) which is an integral part of the Company's internal control systems, reports directly to the ARMC. The IAD's primary role is to provide independent and objective assurance designed to add value and improve efficiency of operations within the Company. It assists the Company in achieving its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The mission for internal auditing is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The annual internal audit plan, established on a risk-based approach, is reviewed and approved by the ARMC annually. The IAD's performance and conduct is guided by The International Standards for the Professional Practice of Internal Auditing (the IIA Standards) and the International Professional Practices Framework (IPPF). IPPF is the conceptual framework that organises authoritative guidance promulgated by the Institute of Internal Auditors (IIA). The IAD is also guided by the MCCG 2021.

#### 2. DOCUMENTED INTERNAL POLICIES AND PROCEDURES

The Company periodically reviews, updates and establishes the internal policies and standard operating procedures for improvement and to reflect the changes in the business structure and processes as and when necessary. The main policies and procedures are as follows:

##### 2.1 Whistleblowing Policy and Guidelines

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 AEON People 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 victimisation. 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 <https://aeongroupmalaysia.com/sustainability-policies/>

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 2.2 Anti-Bribery and Corruption Policy

Pursuant to the amendments to the MMLR of Bursa Securities in relation to anti-corruption measures, the Company has established an Anti-Bribery and Corruption (ABC) Policy in accordance with the new Section 17A of the Malaysian Anti-Corruption Commission (MACC) (Amendment) Act 2018 on corporate liability for corruption with effect from 1 June 2020. The development of the ABC policy and procedures, at a minimum is guided by the Adequate Procedures issued pursuant to Section 17A(5) of the MACC (Amendment) Act 2018. The Company is committed towards implementing the necessary actions to meet the requirements of the Adequate Procedures and will continuously enhance and promote measures for better governance and ethical culture at the workplace.

 The ABC Policy can be found on the Company's website at <https://aeongroupmalaysia.com/sustainability-policies/>

### 2.3 AEON Code of Conduct (ACOC)

ACOC 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, AEON people, business partners and the broader community in which the Company operates. All employees are briefed and provided with a copy of the ACOC on the commencement of their employments. All employees attend a refresher seminar on the ACOC annually. The principles of ACOC are constantly made aware to employees through citation in employees assemblies. The Board recognises the importance on adherence to the ACOC by all personnel of 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.

 Details of ACOC can be viewed on page 49 of this Annual Report and on the Company's website at: <https://aeongroupmalaysia.com/corporate-profile-governance/>

### 2.4 Procurement Policy

The procurement policies and guidelines have been duly reviewed, nevertheless as part of our working way enhancement and simplification of process, we are in the midst to digitalise the procurement process and procedures.

### 2.5 Sustainability Policy

As part of the Company's continuous effort to ensure good corporate governance practice, the Company established the Sustainability Policy in FY2022. The aim of the Policy is to embed sustainability practices across the organisation, support the Company's ability to meet sustainability expectations and needs of its stakeholders as well as provide guidelines on the Company's sustainability agenda.

### 2.6 Disaster Recovery Plan

As part of Project TRUST, the Company has finalised and adopted a Disaster Recovery Plan (DRP) to continuously focus on IT security and safety. Additionally, as part of our internal controls monitoring, we will work with our service providers to ensure that their DRP annual exercise and controls are in place.

## 3. MONITORING AND REVIEW

The processes adopted to monitor and review the effectiveness of the internal control system are as follows:

- a. All business units submit monthly Management Reports to their respective ALC and Finance Department. The reports include a review of actual results against the preceding year as well as against the budget, with significant variance being explained and necessary actions taken.
- b. Quarterly risk and compliance reports are tabled and deliberated at the ARMC meetings for onward submission to the Board for deliberation.
- c. Quarterly financial performance reports from the management are tabled to the ARMC for deliberation and thereafter recommended to the Board for approval.
- d. The ARMC meets at least every quarter to review internal audit findings and ensure that highlighted weaknesses in internal controls are appropriately addressed by management. The ARMC is supported by the Internal Audit Department in terms of the following:
  - Internal Audit findings are discussed with auditees and respective ALCs with recommendations provided to address the issues;
  - Submission of reports to the ARMC at quarterly intervals containing improvement opportunities, audit findings, management response, and corrective actions in areas with significant risks and internal control deficiencies; and
  - Continuous review of the ARMC TOR to reflect updates to the current business environment, including Malaysia Institute of Accountant by-law requirements and the formation of the GID in relation to investigation functions.

Continuous efforts are undertaken to ensure standardisation, timeliness and comprehensiveness of key internal control procedures. The system of internal controls has clear management support, including the involvement of the Board, and is designed to address the risks to which the Company is exposed.

## 4. ASSOCIATES

The disclosures in this Statement do not include the risk management and internal controls practices of the Company's associates.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 5. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG) 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the annual report of the Company for the year ended 31 December 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Company, in all material respects:

- a. has not been prepared 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, or
- b. is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control 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 the assessment and opinion by the Board of Directors and management thereon. The 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.

### 6. CONCLUSION

For the financial year ended 31 December 2022, the Board has monitored and reviewed the risk management practices and effectiveness of the internal control structure, based on the adopted ERM framework which includes processes for identifying, evaluating and managing significant risks faced by the Company. This is an on-going process which includes enhancement of the relevant key internal controls when there are changes in the business environment.

The Board is also assisted by the Management in the implementation of the Board's policies and procedures on risk and control. This includes the identification of risk control measures to address pertinent and relevant risks affecting the Company. Where weaknesses are identified, rectification steps have been put in place.

Based on the assurances provided and with the implementation of a risk management framework as well as the adoption of an internal control system, the Board is of the opinion that the risk management and internal control system for the year under review, up to the date of the issuance of the Company's financial statements, are adequate and effective in safeguarding shareholders' investments and all stakeholders' interests.

# 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 Note 29 to the financial statements under "Related Parties" on pages 141 to 142 of this Annual Report.

## AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2022, the amount of audit and non-audit fees paid by the Company to the External Auditors and its affiliates are as follows:

	Company RM
Audit services rendered	310,000
Non-audit services rendered	131,000
<b>Total</b>	<b>441,000</b>

During the financial year, the amount incurred in respect of non-audit related fees amounted to RM131,000 which comprised assignments for tax consultation advisory fee including for sales and service tax compliance, Statement on 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-Seventh Annual General Meeting held on 19 May 2022, 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 2022 is set out on page 142 of the Annual Report.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Board of Directors is responsible for ensuring that the annual audited financial statements of the Company are prepared with reasonable accuracy from the accounting records so as to give a true and fair view of the financial position of the Company as at 31 December 2022, 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 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 have ascertained that the relevant accounting policies and reasonable prudent judgement and estimates have been consistently applied. The Directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.





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# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

For The Year Ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2022.

### 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

	<b>RM'000</b>
Profit for the year	111,232

### Reserves and provisions

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

### Dividend

Since the end of the previous financial year, the Company paid a final dividend of 3.00 sen per ordinary share totalling RM42,120,000 in respect of the financial year ended 31 December 2021 as reported in the Directors' Report of that year on 20 June 2022.

A final dividend recommended by the Directors in respect of the financial year ended 31 December 2022 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	
Datuk Syed Ahmad Helmy bin Syed Ahmad	
Dato' Tunku Putra Badlishah Ibni Tunku Annuar	
Abdul Rahim bin Abdul Hamid	
Chong Swee Ying	
Hiroaki Egawa	(appointed on 1 July 2022)
Hisham bin Zainal Mokhtar	(appointed on 1 July 2022)
Keiji Ono	(appointed on 1 July 2022)
Naoya Okada	(appointed on 1 July 2022)
Tsugutoshi Seko	(appointed on 1 July 2022)
Zaida Khalida binti Shaari	(appointed on 1 July 2022)
Shafie bin Shamsuddin	(resigned on 30 June 2022)
Soichi Okazaki	(resigned on 30 June 2022)
Tsutomu Motomura	(resigned on 30 June 2022)

## DIRECTORS' REPORT

For The Year Ended 31 December 2022

### Directors' interests in shares

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:

	Number of ordinary shares			At 31.12.2022
	At 1.1.2022/ Date of appointment	Bought	Sold	
<b>Shareholdings in which Directors have direct interests</b>				
Interest of Chong Swee Ying in:				
AEON CO. (M) BHD.	42,600	-	-	42,600
AEON Credit Service (M) Berhad	13,440	-	-	13,440
Interest of Naoya Okada in:				
AEON CO., LTD.	19,900	-	-	19,900
Interest of Keiji Ono in:				
AEON CO., LTD.	3,238	-	-	3,238
<b>Shareholdings in which Directors have deemed/indirect interests</b>				
Interest of Chong Swee Ying in*:				
AEON CO. (M) BHD.	11,000	-	-	11,000
AEON Credit Service (M) Berhad	3,220	-	-	3,220

\* Deemed interest through her spouse's shareholdings pursuant to Section 59(11)(c) of the Companies Act 2016 in Malaysia.

None of the other Directors holding office at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below 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.

The Directors' benefits received or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

	RM'000
Directors of the Company:	
Fees	884
Remuneration	3,633
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	160
	4,677

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 was RM27,040. There were no indemnity given to/insurance effected for the auditors of the Company during the year.

## DIRECTORS' REPORT

For The Year Ended 31 December 2022

### Other statutory information

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

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

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

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, the financial performance of the Company for the financial year ended 31 December 2022 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 PLT, have indicated their willingness to accept re-appointment.

During the year, total fees for statutory audit services provided by the auditors amounted to RM310,000, while total fees for non-audit services amounted to RM131,000.

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

.....  
**Datuk Iskandar bin Sarudin**

Director

.....  
**Keiji Ono**

Director

Kuala Lumpur

Date: 15 March 2023

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 RM'000	2021 RM'000
<b>Assets</b>			
Property, plant and equipment	3	2,951,699	3,108,208
Right-of-use assets	4	1,211,173	1,501,217
Intangible assets	5	51,778	62,963
Investment in associates	6	676	676
Other investments	7	58,422	63,251
Other assets	8	18,238	18,101
Deferred tax assets	9	180,639	168,264
<b>Total non-current assets</b>		<b>4,472,625</b>	4,922,680
Inventories	10	605,479	601,176
Contract assets	11	17,169	14,485
Receivables, deposits and prepayments	12	93,577	130,892
Cash and cash equivalents	13	237,473	193,562
<b>Total current assets</b>		<b>953,698</b>	940,115
<b>Total assets</b>		<b>5,426,323</b>	5,862,795
<b>Equity</b>			
Share capital	14	702,000	702,000
Fair value reserve	14	57,392	62,221
Retained earnings		1,047,636	978,524
<b>Equity attributable to owners of the Company</b>		<b>1,807,028</b>	1,742,745
<b>Liabilities</b>			
Borrowings	15	49,995	327,776
Lease liabilities		1,612,564	1,888,947
Payables and accruals	16	13,060	19,590
Other liabilities	17	23,615	22,299
<b>Total non-current liabilities</b>		<b>1,699,234</b>	2,258,612
Borrowings	15	447,781	400,557
Lease liabilities		166,847	176,041
Payables and accruals	16	1,213,984	1,165,644
Contract liabilities	11	84,619	92,456
Current tax liability		6,830	26,740
<b>Total current liabilities</b>		<b>1,920,061</b>	1,861,438
<b>Total liabilities</b>		<b>3,619,295</b>	4,120,050
<b>Total equity and liabilities</b>		<b>5,426,323</b>	5,862,795

The notes on pages 105 to 152 are an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Revenue	18	4,141,094	3,630,364
Other operating income		36,848	21,284
Changes in inventories		4,303	(22,468)
Net purchases		(2,424,856)	(2,159,701)
Staff costs		(389,551)	(328,105)
Depreciation of property, plant and equipment	3	(263,504)	(288,219)
Depreciation of right-of-use assets	4	(157,549)	(169,503)
Amortisation of intangible assets	5	(15,750)	(6,662)
Net (impairment)/reversal of trade receivables	30.4	(2,460)	5,281
Operating expenses		(605,447)	(421,359)
<b>Profit from operations</b>	19	<b>323,128</b>	260,912
Interest expense	20	(114,781)	(129,899)
Interest income		3,121	645
Share of losses of equity-accounted associates, net of tax		-	(644)
<b>Profit before tax</b>		<b>211,468</b>	131,014
Tax expense	22	(100,236)	(45,727)
<b>Profit for the year</b>		<b>111,232</b>	85,287
<b>Other comprehensive income, net of tax</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Net change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")	23	(4,829)	7,523
<b>Total comprehensive income for the year</b>		<b>106,403</b>	92,810
Basic earnings per ordinary share (sen)	24	7.92	6.07

The notes on pages 105 to 152 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

31 December 2022

	Note	← Attributable to owners of the Company →			
		← Non-distributable →		Distributable	
		Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2021</b>		702,000	54,698	914,297	1,670,995
Net change in fair value of equity investments designated at FVOCI	23	-	7,523	-	7,523
Profit for the year		-	-	85,287	85,287
<b>Total comprehensive income for the year</b>		-	7,523	85,287	92,810
Final dividend in respect of year ended 31 December 2020	25	-	-	(21,060)	(21,060)
<b>At 31 December 2021/At 1 January 2022</b>		702,000	62,221	978,524	1,742,745
Net change in fair value of equity investments designated at FVOCI	23	-	(4,829)	-	(4,829)
Profit for the year		-	-	111,232	111,232
<b>Total comprehensive (expense)/income for the year</b>		-	(4,829)	111,232	106,403
Final dividend in respect of year ended 31 December 2021	25	-	-	(42,120)	(42,120)
<b>At 31 December 2022</b>		702,000	57,392	1,047,636	1,807,028
		Note 14	Note 14		

The notes on pages 105 to 152 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 December 2022

	Note	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		211,468	131,014
Adjustments for:			
Amortisation of intangible assets	5	15,750	6,662
Depreciation of property, plant and equipment	3	263,504	288,219
Depreciation of right-of-use assets	4	157,549	169,503
Dividend income		(2,252)	(2,252)
Impairment loss on property, plant and equipment	3	1,410	-
Impairment loss on right-of-use assets	4	19,760	13,500
Net impairment loss/(reversal of impairment) on trade receivables		2,460	(5,281)
Bad debts written off		2,088	750
Net gain on lease derecognition		(10,025)	(969)
Net (gain)/loss on disposal of property, plant and equipment		(106)	1,080
Interest expense		114,781	129,899
Interest income		(3,121)	(645)
Property, plant and equipment written off		4,387	1,888
Intangible assets written off		55	121
Share of results of associates		-	644
<b>Operating profit before changes in working capital</b>		<b>777,708</b>	734,133
Changes in working capital:			
Inventories		(4,303)	22,468
Receivables, deposits and prepayments and other assets		32,630	(27,378)
Payables and accruals and other liabilities		41,735	83,502
Contract assets		(2,684)	(4,721)
Contract liabilities		(7,837)	(33,690)
<b>Cash generated from operations</b>		<b>837,249</b>	774,314
Tax paid		(132,521)	(75,424)
<b>Net cash from operating activities</b>		<b>704,728</b>	698,890
<b>Cash flows from investing activities</b>			
Acquisition of:			
- Property, plant and equipment	3	(113,754)	(33,145)
- Intangible assets	5.1	(4,620)	(33,983)
Proceeds from disposal of:			
- Property, plant and equipment		1,068	700
Dividend received		2,252	3,052
Interest received		3,121	645
<b>Net cash used in investing activities</b>		<b>(111,933)</b>	(62,731)



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 December 2022

	Note	2022 RM'000	2021 RM'000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	455,000
Repayment of borrowings		<b>(230,557)</b>	(660,247)
Dividend paid to owners of the Company	25	<b>(42,120)</b>	(21,060)
Payment of lease liabilities		<b>(162,817)</b>	(158,966)
Interest paid		<b>(113,390)</b>	(128,709)
<b>Net cash used in financing activities</b>		<b>(548,884)</b>	(513,982)
Net increase in cash and cash equivalents		<b>43,911</b>	122,177
<b>Cash and cash equivalents at beginning of year</b>		<b>193,562</b>	71,385
<b>Cash and cash equivalents at end of year</b>	13	<b>237,473</b>	193,562
<b>Cash outflows for leases as a lessee</b>			
		2022 RM'000	2021 RM'000
<b>Included in net cash from operating activities:</b>			
Payment relating to short-term leases		<b>221</b>	425
Payment relating to low-value leases		<b>1,017</b>	991
<b>Included in net cash from financing activities:</b>			
Payment of lease liabilities		<b>162,817</b>	158,966
Interest paid in relation to lease liabilities		<b>95,894</b>	107,064
<b>Total cash outflows for leases</b>		<b>259,949</b>	267,446

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 December 2022

## Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2021 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Derecognition of lease RM'000	At 31 December 2021/1 January 2022 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	Remeasurement of lease RM'000	Derecognition of lease RM'000	At 31 December 2022 RM'000
Bank loans	205,080	(21,747)	-	-	183,333	(55,557)	-	-	-	127,776
Revolving credits - unsecured	313,500	(313,500)	-	-	-	-	-	-	-	-
Islamic Medium Term Notes and Islamic Commercial Papers- unsecured	415,000	130,000	-	-	545,000	(175,000)	-	-	-	370,000
Lease liabilities	2,230,339	(158,966)	1,620	(8,005)	2,064,988	(162,817)	561	(71,606)	(51,715)	1,779,411
Total liabilities from financing activities	3,163,919	(364,213)	1,620	(8,005)	2,793,321	(393,374)	561	(71,606)	(51,715)	2,277,187

## 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 2022 comprise of 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 ultimate 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 15 March 2023.

### 1. Basis of preparation

#### (a) Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs 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 2023

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

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

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

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

- from the annual period beginning on 1 January 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Company.
- from the annual period beginning on 1 January 2024 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned accounting standards and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Company.

#### (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 2022, the Company's current liabilities exceeded its current assets by RM966,363,000 (2021: RM921,323,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation

#### (b) Basis of measurement (continued)

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 ("Sukuk Programme"). The Directors are of the opinion that the Company will be able to meet its liabilities as and when they fall due as there are sufficient unutilised facilities arising from the Sukuk Programme and other financing facilities as at the year end; coupled with the ability of the Company to generate sufficient operating cash flows based on the historical trend of positive operating cash flows.

#### (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 ('000), unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

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 & 4 - Measurement of the recoverable amounts of cash-generating units
- Note 4 - Extension options and incremental borrowing rates in relation to leases
- Note 2(g) & 10 - Inventories
- Note 11 - Contract liabilities
- Note 17 - Other liabilities

### 2. Significant accounting policies

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

#### (a) Accounting for investment in associate

##### (i) 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.

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 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (a) Accounting for investment in associate (continued)

##### (ii) 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 which are recognised in other comprehensive income.

#### (c) Financial instruments

##### (i) Recognition and initial measurement

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

A financial 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.

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

The Company categorises financial instruments as follows:

###### **Financial assets**

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.

###### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

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

##### **(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)).

##### **Financial liabilities**

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 profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

##### (iii) Derecognition

A financial asset or a 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 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.

##### (iv) 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

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

##### (i) Recognition and measurement (continued)

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

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

##### (ii) Subsequent costs

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

##### (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 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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

#### (e) Leases

##### (i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (e) Leases (continued)

##### (i) Definition of a lease (continued)

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either the Company has the right to operate the asset; or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

##### (ii) Recognition and initial measurement

###### (a) As a lessee

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

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

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

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

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

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

###### (b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Company applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (e) Leases (continued)

##### (iii) Subsequent measurement

##### (a) As a lessee

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

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

##### COVID-19 – related rent concessions

The Company has applied Amendments to MFRS 16, Leases – COVID-19-Related Rent Concessions whereby rent concessions received as direct consequence of the COVID-19 pandemic are not assessed as lease modification if all of the following conditions are met:

- the change in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are met, rent concession are treated as variable lease payments and impact will be recognised in profit or loss for the year.

##### (b) As a lessor

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

#### (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

Intangible assets are amortised from the date they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets.

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

- Information technology software 5 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 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 placed with licensed 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.

#### (j) Impairment

##### (i) Financial assets

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.

## NOTES TO THE FINANCIAL STATEMENTS

**2. Significant accounting policies (continued)****(j) Impairment (continued)****(i) Financial assets (continued)**

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.

**(ii) Other assets**

The carrying amounts of other assets (except for inventories, contract assets and deferred tax assets) 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.

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 pre-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 respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (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

##### (i) 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.

##### (ii) State plans

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.

#### (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:

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (m) Revenue and other income

##### (i) Retail sales - goods sold and commission earned (continued)

###### **Customer loyalty awards**

The Company operates the customer loyalty programme and has transitioned this program to be managed by its related company. This program 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 and these rebates are redeemable for gift vouchers. 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.

##### (ii) Property management services

Revenue from shopping mall operation which include fixed and variable rental income (including sales commission), service charge 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.

With effect from July 2019, the Company has ceased accepting new members under AEON Card.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (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.

#### (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 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (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.

#### (r) 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 costs

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.

#### (s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (t) Fair value measurements

Fair value of an asset or a liability, except for 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 <sup>a</sup> RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Cost</b>											
At 1 January 2021		643,002	2,134,763	742,966	17,601	1,791,583	635,086	7,221	81,079	56,392	6,109,693
Additions		-	23	5,408	199	7,672	1,950	-	8,979	8,914	33,145
Disposals		-	(126)	(1,831)	(1)	(4,068)	(3,065)	-	(231)	-	(9,322)
Written off		-	(51)	(1,252)	(51)	(4,125)	(2,628)	-	(91)	-	(8,198)
Transfer between classes		-	-	827	-	389	268	-	-	(1,484)	-
Transfer to intangible assets	5	-	-	-	-	-	-	-	-	(5)	(5)
At 31 December 2021/ 1 January 2022		<b>643,002</b>	<b>2,134,609</b>	<b>746,118</b>	<b>17,748</b>	<b>1,791,451</b>	<b>631,611</b>	<b>7,221</b>	<b>89,736</b>	<b>63,817</b>	<b>6,125,313</b>
Additions		-	24	17,317	183	24,731	18,260	522	10,054	42,663	113,754
Disposals		-	-	-	(24)	(2,966)	(1,051)	(371)	(1,198)	-	(5,610)
Written off		-	(231)	(2,429)	(144)	(8,449)	(5,407)	-	(387)	-	(17,047)
Transfer between classes		-	-	8,549	25	7,833	3,819	-	50	(20,276)	-
At 31 December 2022		<b>643,002</b>	<b>2,134,402</b>	<b>769,555</b>	<b>17,788</b>	<b>1,812,600</b>	<b>647,232</b>	<b>7,372</b>	<b>98,255</b>	<b>86,204</b>	<b>6,216,410</b>



## NOTES TO THE FINANCIAL STATEMENTS

## 3. Property, plant and equipment (continued)

	Land <sup>a</sup> RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Depreciation and impairment loss</b>										
At 1 January 2021										
- Accumulated depreciation	51,728	422,117	433,364	13,442	1,170,964	519,682	6,378	70,296	-	2,687,971
- Accumulated impairment loss	-	602	21,810	681	17,716	13,134	15	809	-	54,767
	51,728	422,719	455,174	14,123	1,188,680	532,816	6,393	71,105	-	2,742,738
Depreciation for the year	3,497	50,257	53,963	798	134,745	39,403	321	5,235	-	288,219
Disposals	-	(31)	(1,331)	(1)	(3,459)	(2,592)	-	(128)	-	(7,542)
Written off	-	(28)	(595)	(32)	(3,274)	(2,306)	-	(75)	-	(6,310)
At 31 December 2021/ 1 January 2022										
- Accumulated depreciation	55,225	472,315	485,401	14,207	1,298,976	554,187	6,699	75,328	-	2,962,338
- Accumulated impairment loss	-	602	21,810	681	17,716	13,134	15	809	-	54,767
	55,225	472,917	507,211	14,888	1,316,692	567,321	6,714	76,137	-	3,017,105
Depreciation for the year	3,498	50,244	51,508	707	117,438	33,935	322	5,852	-	263,504
Disposals	-	-	-	(22)	(2,248)	(809)	(371)	(1,198)	-	(4,648)
Written off	-	(71)	(1,007)	(135)	(6,172)	(4,952)	-	(323)	-	(12,660)
Impairment	-	-	602	-	808	-	-	-	-	1,410
At 31 December 2022										
- Accumulated depreciation	58,723	522,488	535,902	14,757	1,407,994	582,361	6,650	79,659	-	3,208,534
- Accumulated impairment loss	-	602	22,412	681	18,524	13,134	15	809	-	56,177
	58,723	523,090	558,314	15,438	1,426,518	595,495	6,665	80,468	-	3,264,711

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Property, plant and equipment

	Land <sup>^</sup> RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Carrying amounts</b>										
At 1 January 2021	591,274	1,712,044	287,792	3,478	602,903	102,270	828	9,974	56,392	3,366,955
At 31 December 2021/ 1 January 2022	<b>587,777</b>	<b>1,661,692</b>	<b>238,907</b>	<b>2,860</b>	<b>474,759</b>	<b>64,290</b>	<b>507</b>	<b>13,599</b>	<b>63,817</b>	<b>3,108,208</b>
At 31 December 2022	<b>584,279</b>	<b>1,611,312</b>	<b>211,241</b>	<b>2,350</b>	<b>386,082</b>	<b>51,737</b>	<b>707</b>	<b>17,787</b>	<b>86,204</b>	<b>2,951,699</b>

<sup>^</sup> Included leasehold land with carrying amounts as at 31 December 2022 amounting to RM263,044,000 (2021: RM266,542,000) with remaining lease terms ranging from 61 to 87 years (2021: 62 to 88 years).

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property, plant and equipment (continued)

#### 3.1 Impairment loss

At the end of the reporting period, the Company determined whether its retail stores and shopping malls have indication of impairment. For retail stores and shopping malls that are loss-making during the reporting period, their assets' recoverable amount were being estimated for impairment testing.

For each identified retail store and shopping mall, their property, plant and equipment and ROU assets were assessed as a group of assets that generates cash inflows for the retail store and shopping mall respectively. The identified retail stores and shopping malls' recoverable amounts were determined based on their value in use. Impairment loss was recognised when the carrying amounts of the identified retail stores and shopping malls exceed their recoverable amounts.

During the year, impairment loss with respect to the plant and equipment for retail stores amounting to RM1,410,000 (2021: Nil) was recognised in operating expenses in profit or loss.

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 retail stores and shopping malls and were based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and business plan of the Company for a period up to the maximum lease term of the retail stores and shopping malls. This maximum lease term is consistent with the tenure used in the calculation of right-of-use assets as disclosed in Note 4. Management believes that this forecast period was justified due to management's intention to renew and operate the retail stores and shopping malls up to the maximum lease term.
- The anticipated annual revenue growth rates included in the cash flow projections were between 1.5% to 32.0% (2021: 1% to 51%) based on average growth levels experienced over the years and management's assessment of future trends in the industry.
- A pre-tax discount rate of 8.48% (2021: 8.06%) was applied in determining the recoverable amount of the stores.

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) of information.

The above estimates are particularly sensitive to annual revenue growth rate. A decrease of 1% of the annual revenue growth rate would result in additional impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Right-of-use assets

	Note	Land and buildings RM'000	Equipment RM'000	Total RM'000
At 1 January 2021		1,686,196	3,440	1,689,636
Addition		1,620	-	1,620
Depreciation		(167,862)	(1,641)	(169,503)
Derecognition		(7,036)	-	(7,036)
Impairment	4.5	(13,500)	-	(13,500)
At 31 December 2021/ 1 January 2022		1,499,418	1,799	1,501,217
Addition		561	-	561
Depreciation		(156,377)	(1,172)	(157,549)
Remeasurement		(71,606)	-	(71,606)
Derecognition		(41,690)	-	(41,690)
Impairment	4.5	(19,760)	-	(19,760)
At 31 December 2022		1,210,546	627	1,211,173

The Company leases a number of retail stores and shopping malls that run between one year and twelve years, with an option to renew the lease after that date. Lease payments are increased every three to five years to reflect current market rentals.

The Company had negotiated for rent concessions with some of its landlord of the retail stores and shopping malls due to COVID-19 pandemic since financial year 2020.

The amount recognised in profit or loss for the reporting period of RM636,000 (2021: RM10,944,000) relates to changes in lease payments arising from the rent concessions obtained in accordance with the practical expedient for COVID-19 related rent concessions.

## 4.1 Variable lease payments based on sales

Some leases of retail stores contain variable lease payments that are based on sales that the Company makes at the store. Those payments are common in retail stores operated by the Company. Fixed and variable rental payments were as follows.

	Fixed payments RM'000	Variable payments RM'000	Total payments RM'000	Estimated annual impact on rent of a 1% increase in sales RM'000
<i>Leases with lease payments based on sales</i>				
2022	44,037	6,243	50,280	6,305
2021	41,652	5,350	47,002	5,404

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Right-of-use assets (continued)

## 4.2 Extension options

Some leases of retail stores and shopping malls contain extension options exercisable by the Company of up to ten years (2021: ten years) before the end of the non-cancellable contract period. Where applicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. Remeasurement during the year arises from reassessment of extension options affecting lease term.

	<b>Lease liabilities recognised (discounted) RM'000</b>	<b>Potential future lease payments not included in lease liabilities (discounted) RM'000</b>	<b>Historical rate of exercise of extension options %</b>
<b>2022</b>			
Land and buildings	682,486	921,485	51
<b>2021</b>			
Land and buildings	843,545	800,191	51

## 4.3 Significant judgements and assumptions in relation to leases

The Company assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. The Company considers all facts and circumstances including past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help determine the lease term.

The Company also applied judgement and assumptions in determining the incremental borrowing rates of the respective leases. The Company first determines the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

## 4.4 Sale and leaseback

In 2013, the Company sold one of its property and leased the property back for 10 years with the option to extend another 10 years. This sale and leaseback transaction enabled the Company to access more capital while continuing to use the property. The rent is adjusted every three years to reflect increases in local market rents for similar properties.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Right-of-use assets (continued)

## 4.5 Impairment loss

During the year, impairment loss on ROU assets for retail stores and shopping malls amounting to RM19,760,000 (2021: RM13,500,000) was recognised in operating expenses in profit or loss.

Details on the impairment testing approach and key assumptions of the recoverable amounts are disclosed in Note 3.1.

The key assumptions as disclosed in Note 3.1 are sensitive to annual revenue growth rate. A decrease of 1% of the annual revenue growth rate would result in additional impairment loss.

## 5. Intangible assets

	Note	Information technology software RM'000
<b>Cost</b>		
At 1 January 2021		59,025
Additions	5.1	60,103
Transfer from construction work-in-progress	3	5
Written off		(220)
At 31 December 2021/1 January 2022		118,913
Additions	5.1	4,620
Written off		(237)
At 31 December 2022		123,296
<b>Amortisation and impairment loss</b>		
At 1 January 2021		
- Accumulated amortisation		49,247
- Accumulated impairment loss		140
		49,387
Amortisation for the year		6,662
Written off		(99)
At 31 December 2021/1 January 2022		
- Accumulated amortisation		55,810
- Accumulated impairment loss		140
		55,950
Amortisation for the year		15,750
Written off		(182)
At 31 December 2022		
- Accumulated amortisation		71,378
- Accumulated impairment loss		140
		71,518

## NOTES TO THE FINANCIAL STATEMENTS

## 5. Intangible assets (continued)

	Information technology software RM'000
<b>Carrying amounts</b>	
At 1 January 2021	9,638
At 31 December 2021/1 January 2022	62,963
At 31 December 2022	51,778

## 5.1 Acquisitions of intangible assets

During the financial year, the Company acquired intangible assets with an aggregate cost of RM4,620,000 (2021: RM60,103,000), of which Nil (2021: RM26,120,000) were under deferred payment plan and being included in amount due to related companies (see Note 16.1).

## 6. Investments in associates

	2022 RM'000	2021 RM'000
Unquoted shares	8,400	8,400
Share of post-acquisition reserves	(7,724)	(7,724)
	676	676

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2022 %	2021 %
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

All associates are audited by another firm of accountants and equity accounted based on management accounts.

\* In 2021, dividend received from ATVM amounting RM800,000 was recognised to offset its cost of investment. On 1 January 2022, ATVM lodged the Notice of Resolution for Members' Voluntary Winding Up to Companies Commission of Malaysia and is now going through winding up procedures.

## NOTES TO THE FINANCIAL STATEMENTS

## 6. Investments in associates (continued)

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

2022	AFM RM'000	ATVM RM'000	Total RM'000
<b>Summarised financial information</b>			
<b>As at 31 December</b>			
Non-current assets	95,892	283	
Current assets	53,289	3,427	
Non-current liabilities	(75,322)	(200)	
Current liabilities	(65,635)	(130)	
Net assets	8,224	3,380	
<b>Year ended 31 December</b>			
Profit from continuing operations	9,952	-	
<b>Included in the total comprehensive income is:</b>			
Revenue	106,360	-	
<b>Reconciliation of net assets to carrying amount as at 31 December</b>			
Company's share of net assets	1,645	676	2,321
Share of gain of disposal of business	(3,185)	-	(3,185)
Unrecognised share of losses	1,540	-	1,540
<b>Carrying amount in the statement of financial position</b>	-	676	676
<b>Company's share of results for the year ended 31 December</b>	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS

## 6. Investments in associates (continued)

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

2021	AFM RM'000	ATVM RM'000	Total RM'000
<b>Summarised financial information</b>			
<b>As at 31 December</b>			
Non-current assets	103,573	283	
Current assets	39,968	3,427	
Non-current liabilities	(93,493)	(200)	
Current liabilities	(51,776)	(130)	
Net (liabilities)/assets	(1,728)	3,380	
<b>Year ended 31 December</b>			
Loss from continuing operations	(12,578)	(336)	
<b>Included in the total comprehensive income is:</b>			
Revenue	28,014	41,930	
<b>Reconciliation of net assets to carrying amount as at 31 December</b>			
Company's share of net (liabilities)/assets	(346)	676	330
Share of gain of disposal of business	(3,185)	-	(3,185)
Unrecognised share of losses	3,531	-	3,531
<b>Carrying amount in the statement of financial position</b>	<b>-</b>	<b>676</b>	<b>676</b>
<b>Company's share of results for the year ended 31 December</b>	<b>(577)</b>	<b>(67)</b>	<b>(644)</b>
<b>Other information</b>			
Dividend received by the Company	-	800	800

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Other investments

	Note	2022 RM'000	2021 RM'000
<b>Non-current</b>			
Quoted equity in Malaysia - Fair value through other comprehensive income	7.1	58,422	63,251

## 7.1 Equity investments designated at fair value through other comprehensive income

The Company designated the investments in equity security shown below as fair value through other comprehensive income because this equity security represents investment that the Company intends to hold for long-term strategic purposes.

	Fair value at 31 December 2022 RM'000	Dividend income recognised during 2022 RM'000	Fair value at 31 December 2021 RM'000	Dividend income recognised during 2021 RM'000
AEON Credit Service (M) Berhad	58,422	2,252	63,251	2,252

## 8. Other assets

Other assets are rental and utility deposits relating to leased properties. These rental and utility deposits are in substance prepayments as they are offset against the rental payable towards the end of the lease term under the usual circumstances.

## 9. Deferred tax assets

## Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment						
- capital allowance	14,061	3,217	-	-	14,061	3,217
- revaluation	-	-	(5,986)	(6,110)	(5,986)	(6,110)
Right-of-use assets	-	-	(290,682)	(363,532)	(290,682)	(363,532)
Lease liabilities	426,183	495,597	-	-	426,183	495,597
Provisions	16,912	15,800	-	-	16,912	15,800
Contract liabilities	20,151	23,292	-	-	20,151	23,292
Net deferred tax assets/(liabilities)	477,307	537,906	(296,668)	(369,642)	180,639	168,264

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Deferred tax assets (continued)

## Movement in temporary differences during the year

	At 1.1.2021 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2021 /1.1.2022 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2022 RM'000
Property, plant and equipment					
- capital allowance	(15,251)	18,468	3,217	10,844	14,061
- revaluation	(8,783)	2,673	(6,110)	124	(5,986)
Right-of-use assets	(395,789)	32,257	(363,532)	72,850	(290,682)
Lease liabilities	524,699	(29,102)	495,597	(69,414)	426,183
Provisions	11,679	4,121	15,800	1,112	16,912
Contract liabilities	30,516	(7,224)	23,292	(3,141)	20,151
	147,071	21,193	168,264	12,375	180,639

## 10. Inventories

	2022 RM'000	2021 RM'000
Retail merchandise	294,636	284,594
Food and others	310,843	316,582
	605,479	601,176
Recognised in profit or loss:		
Inventories recognised as an expense	2,421,285	2,174,934
Write (back)/down to net realisable value	(732)	7,235

The inventories written (back)/down to net realisable value are included in changes in inventories.

## NOTES TO THE FINANCIAL STATEMENTS

## 11. Contract assets/(liabilities)

	2022 RM'000	2021 RM'000
Contract assets	17,169	14,485
Contract liabilities	(84,619)	(92,456)

The contract assets primarily relate to the Company's rights 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 customer 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 two years.

	2022 RM'000	2021 RM'000
Customer rebates	-	1,822
Unutilised vouchers	84,619	90,634
	84,619	92,456

In 2021, the fair value of the customer rebates are estimated by reference to the monetary value attributable to the awarded rebates and redemption profile. The 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. Redemption for customer rebates have ceased as at December 2022.

**Movement in contract liabilities**

The following table shows reconciliation from the opening balance to the closing balance for 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 2021	23,888	2,082	100,176	126,146
Additions	-	-	126,078	126,078
Utilisation/Expired	(23,888)	(260)	(135,620)	(159,768)
At 31 December 2021/ 1 January 2022	-	1,822	90,634	92,456
Additions	-	-	143,494	143,494
Utilisation/Expired	-	(1,822)	(149,509)	(151,331)
At 31 December 2022	-	-	84,619	84,619

## NOTES TO THE FINANCIAL STATEMENTS

## 12. Receivables, deposits and prepayments

	Note	2022 RM'000	2021 RM'000
<b>Trade</b>			
Trade receivables		51,122	73,212
Amount due from a related company	12.1	12,411	6,019
		63,533	79,231
<b>Non-trade</b>			
Other receivables		2,251	2,471
Prepayments		15,317	26,988
Amount due from related companies	12.1	12,476	22,202
		30,044	51,661
		93,577	130,892

## 12.1 Amounts due from 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 related companies are unsecured, interest free and repayable on demand.

## 13. Cash and cash equivalents

	2022 RM'000	2021 RM'000
Cash and bank balances	47,173	17,463
Deposits placed with licensed bank	190,300	176,099
	237,473	193,562

## NOTES TO THE FINANCIAL STATEMENTS

## 14. Capital and reserves

Share capital	2022		2021	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
<b>Issued and fully paid shares with no par value classified as equity instruments:</b>				
Ordinary shares				
At 1 January/31 December	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 until the investments are derecognised or impaired.

## 15. Borrowings

	Note	2022 RM'000	2021 RM'000
<b>Non-current</b>			
Bank loans - unsecured	15.1	49,995	127,776
Islamic Medium Term Notes and Islamic Commercial Papers - unsecured	15.2	-	200,000
		49,995	327,776
<b>Current</b>			
Bank loans - unsecured	15.1	77,781	55,557
Islamic Medium Term Notes and Islamic Commercial Papers - unsecured	15.2	370,000	345,000
		447,781	400,557
		497,776	728,333

15.1 The bank loans are unsecured, bear interest ranging from 2.99% to 3.03% (2021: 2.99% to 3.03%) per annum and are repayable on quarterly basis up to 29 July 2024.

15.2 The unsecured Islamic Medium Term Notes and Islamic Commercial Papers bear interest ranging from 3.15% to 3.65% (2021: 2.14% to 3.15%) per annum.

15.3 Significant financial covenant in connection with the unsecured Islamic Medium Term Notes and Islamic Commercial Papers includes the Company maintaining a debt to equity ratio not exceeding 1.0 time (2021: 1.0 time) throughout the programme tenure. As at the end of the reporting period, the Company has complied with these requirements.

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Payables and accruals

	Note	2022 RM'000	2021 RM'000
<b>Non-current</b>			
<b>Non-trade</b>			
Amount due to a related company	16.1	13,060	19,590
<b>Current</b>			
<b>Trade</b>			
Trade payables		698,114	707,015
Amount due to an associate	16.1	1	1
Amount due to a related company	16.1	226	2,057
		698,341	709,073
<b>Non-trade</b>			
Other payables and accrued expenses	16.2	203,959	153,906
Rental and utility deposits		246,987	245,768
Amount due to holding company	16.1	18,399	16,320
Amount due to associates	16.1	2,100	260
Amount due to related companies	16.1	44,198	40,317
		515,643	456,571
		1,213,984	1,165,644
		1,227,044	1,185,234

## 16.1 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.

Included in non-trade amounts due to related companies of RM19,590,000 (2021: RM26,120,000) is the deferred payment plan for acquisition of intangible assets in Note 5 and are unsecured, interest free and repayable on annual basis up to year 2025.

## 16.2 Other payables and accrued expenses

Included in other payables and accrued expenses is interest accrued of RM4,419,000 (2021: RM4,353,000).

## NOTES TO THE FINANCIAL STATEMENTS

## 17. Other liabilities

## Provision for restoration costs

	2022 RM'000	2021 RM'000
At 1 January	22,299	21,534
Provision made during the year	24	23
Provision reversed during the year	(33)	(177)
Unwinding of discount	1,325	919
At 31 December	23,615	22,299

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 5.11% (2021: 4.40%).

## 18. Revenue

	2022 RM'000	2021 RM'000
Sale of goods	3,033,127	2,744,037
Net commission from concessionaire sales	437,600	300,280
Property management services	623,532	537,924
Others	46,835	48,123
	4,141,094	3,630,364



## 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 at the point in time 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 at the point in time 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 program – customer loyalty award – customer rebates	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 will expire 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 been redeemed, relative to the 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. Profit from operations

	2022 RM'000	2021 RM'000
<b>Profit from operations is arrived at after charging/(crediting):</b>		
<b>Auditors' remuneration</b>		
- Audit fees		
- KPMG PLT Malaysia	310	280
- Non-audit fees		
- KPMG PLT Malaysia	38	38
- Local affiliates of KPMG PLT in Malaysia	93	132
<b>Material expenses/(income)</b>		
Amortisation of intangible assets	15,750	6,662
Bad debts written off	2,088	750
Depreciation of property, plant and equipment	263,504	288,219
Depreciation of right-of-use assets	157,549	169,503
Dividend income	(2,252)	(2,252)
Intangible assets written off	55	121
Net gain on lease derecognition	(10,025)	(969)
Net (gain)/loss on disposal of property, plant and equipment	(106)	1,080
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	47,594	35,649
- Wages, salaries and others	341,957	292,456
Property, plant and equipment written off	4,387	1,888
Impairment loss/(Reversal of impairment loss on):		
- Property, plant and equipment	1,410	-
- Right-of-use assets	19,760	13,500
- Trade receivables	2,460	(5,281)
Royalty expense	19,840	16,901
<b>Expenses arising from leases</b>		
Expenses relating to short-term leases	221	425
Expenses relating to low-value leases	1,017	991

## 20. Interest expense

	2022 RM'000	2021 RM'000
Interest expense of financial liabilities that are carried at amortised cost	18,887	22,835
Interest expense on lease liabilities	95,894	107,064
	114,781	129,899

## NOTES TO THE FINANCIAL STATEMENTS

**21. Key management personnel compensation**

The key management personnel compensations are as follows:

	2022 RM'000	2021 RM'000
<b>Directors:</b>		
Fees	884	1,005
Remuneration	3,633	3,230
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	160	80
	4,677	4,315

**22. Tax expense**

	2022 RM'000	2021 RM'000
<b>Current tax expense</b>		
- Current year	114,044	70,202
- Over provision in prior year	(1,433)	(3,282)
	112,611	66,920
<b>Deferred tax expense</b>		
- Reversal of temporary differences	(10,595)	(12,394)
- Over provision in prior year	(1,780)	(8,799)
	(12,375)	(21,193)
Tax expense	100,236	45,727
<b>Reconciliation of tax expense</b>		
Profit before tax	211,468	131,014
Tax calculated using Malaysian tax rate of 24% (2021: 24%)	50,752	31,443
Effect of changes in Malaysian tax rates*	26,771	-
Non-deductible expenses	26,468	27,097
Non-taxable income	(542)	(732)
	103,449	57,808
Over provided in prior year		
- Current tax expense	(1,433)	(3,282)
- Deferred tax expense	(1,780)	(8,799)
Tax expense	100,236	45,727

\* The current year tax and the deferred tax assets and liabilities in respect of temporary differences that were realised in 2022 were originated at blended rates. The blended rates were measured at 24% on the first RM100 million of estimated chargeable income and 33% on the remaining estimated chargeable income for the year of assessment 2022 in accordance of Malaysian Finance Act 2021.

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Other comprehensive income

	2022		2021	
	Before tax RM'000	Net of tax RM'000	Before tax RM'000	Net of tax RM'000
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Net change in fair value of equity investments at fair value through other comprehensive income	(4,829)	(4,829)	7,523	7,523

## 24. Earnings per ordinary share

**Basic earnings per ordinary share**

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

	2022 RM'000	2021 RM'000
Profit for the year attributable to owners of the Company	111,232	85,287
	<b>2022 '000</b>	<b>2021 '000</b>
Weighted average number of ordinary shares at 31 December	1,404,000	1,404,000
	<b>2022 Sen</b>	<b>2021 Sen</b>
Basic earnings per ordinary share	7.92	6.07

**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

**25. Dividend**

Dividend recognised by the Company is as follows:

	Sen per share	Total amount RM'000	Date of payment
<b>2022</b>			
Final 31.12.2021 dividend	3.00	42,120	20 June 2022
<b>2021</b>			
Final 31.12.2020 dividend	1.50	21,060	29 July 2021

After the end of the reporting period, the following dividend was recommended by the Directors. The dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 31.12.2022 dividend	4.00	56,160

**26. 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 interest income, loans and borrowings and unallocated common expenses and tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, right-of-use assets and intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

## 26. Operating segments (continued)

	Retailing		Property management services		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Business segments</b>						
Revenue from external customers	3,525,563	3,099,107	615,531	531,257	4,141,094	3,630,364
<b>Total revenue</b>	3,525,563	3,099,107	615,531	531,257	4,141,094	3,630,364
<b>Segment profit</b>	224,210	130,156	218,811	199,593	443,021	329,749
Less: Unallocated expenses					(119,893)	(68,837)
<b>Profit from operations</b>					323,128	260,912
Interest expense					(114,781)	(129,899)
Interest income					3,121	645
Share of results of equity-accounted associates, net of tax					-	(644)
<b>Profit before tax</b>					211,468	131,014
Tax expense					(100,236)	(45,727)
<b>Profit for the year</b>					111,232	85,287
<b>Segment assets</b>	1,338,108	1,393,894	3,717,276	4,124,538	5,055,384	5,518,432
Unallocated assets					370,939	344,363
<b>Total assets</b>					5,426,323	5,862,795
<b>Segment liabilities</b>	(1,208,740)	(1,324,069)	(1,882,334)	(2,018,602)	(3,091,074)	(3,342,671)
Unallocated liabilities					(528,221)	(777,379)
<b>Total liabilities</b>					(3,619,295)	(4,120,050)
Additions to non-current assets other than financial instruments and deferred tax assets	70,040	76,975	48,895	17,893	118,935	94,868
Depreciation and amortisation	201,573	143,030	235,230	321,354	436,803	464,384
Impairment of property, plant and equipment	1,410	-	-	-	1,410	-
Impairment of right-of-use assets	4,349	6,787	15,411	6,713	19,760	13,500
Inventories write (back)/down to net realisable value	(732)	7,235	-	-	(732)	7,235

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Operating segments (continued)

#### Geographical segment

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

### 27. 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.

### 28. Capital commitments

	2022 RM'000	2021 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for and not payable:	13,906	38,690

### 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 or jointly 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 parties are subject to common control. 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 29. Related parties (continued)

## Significant related party transactions

The significant related party transactions of the Company (other than key management personnel compensation as disclosed in Note 21) are shown below. The balances related to the below transactions are shown in Note 12 and 16.

	Transactions amount for the year ended 31 December		Balance outstanding at 31 December	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Holding company:</b>				
Royalty expenses	(19,491)	(16,901)	(17,539)	(15,765)
<b>Related companies:</b>				
Sales collected through AEON Credit Service payment services	1,104,060	1,000,382	11,418	5,651
Rental income	8,958	8,907	349	325
Sale of goods	2,288	3,320	515	454
Support services	2,723	1,659	356	456
Management fee	17,716	15,311	4,658	14,672
Trustee fee	30	30	-	-
Credit card sales commission expenses	(7,576)	(7,024)	-	-
Supply chain and distribution centre management fee	(60,361)	(54,689)	(15,968)	(9,000)
Purchase of inventories	(5,765)	(3,465)	(749)	(2,240)
Facility management services	(49,375)	(39,087)	(8,850)	(3,441)
Rental expenses	(17,377)	(17,351)	(36)	(1)
Royalty expenses	(349)	-	(349)	-
Loyalty point cost and service cost	(13,676)	(13,432)	(909)	(9,966)
<b>Associates:</b>				
Purchase of inventories	-	(32,681)	-	(1)
Rental income	9,646	4,288	-	1,903

The related party transactions described above were carried out on agreed terms with related parties. 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 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
<b>2022</b>			
<b>Financial assets</b>			
Other investments	58,422	-	58,422
Other assets	18,238	18,238	-
Receivables and deposits (excluding prepayments)	78,260	78,260	-
Cash and cash equivalents	237,473	237,473	-
	392,393	333,971	58,422
<b>Financial liabilities</b>			
Borrowings	(497,776)	(497,776)	-
Payables and accruals	(1,227,044)	(1,227,044)	-
	(1,724,820)	(1,724,820)	-
<b>2021</b>			
<b>Financial assets</b>			
Other investments	63,251	-	63,251
Other assets	18,101	18,101	-
Receivables and deposits (excluding prepayments)	103,904	103,904	-
Cash and cash equivalents	193,562	193,562	-
	378,818	315,567	63,251
<b>Financial liabilities</b>			
Borrowings	(728,333)	(728,333)	-
Payables and accruals	(1,185,234)	(1,185,234)	-
	(1,913,567)	(1,913,567)	-

## 30.2 Net gains and losses arising from financial instruments

	2022 RM'000	2021 RM'000
<b>Net gains/(losses) on:</b>		
Equity investment designated at fair value through other comprehensive income		
- recognised in other comprehensive income	(4,829)	7,523
- recognised in profit or loss	2,252	2,252
Financial assets at amortised cost	(1,427)	5,176
Financial liabilities at amortised cost	(18,396)	(23,094)
	(22,400)	(8,143)

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Financial instruments (continued)

#### 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 from financial institutions, the Company has in place an ongoing process to monitor closely and ensure risk exposure is always minimal.

At each reporting date, the 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 in 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.

##### *Exposure to credit risk and credit quality and collateral*

As at the end of the reporting period, the Company does not have any major concentration of credit risk and the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statement of financial position.

These receivables are credit card receivables from financial institutions and receivables from shopping mall tenants. The tenants are required to place adequate security deposits as stipulated under the tenancy agreement which act as collateral if receivables due from the tenants are not settled or in case of breaches of contract. Hence, credit risk with respect to receivables from shopping mall tenants is limited to amounts beyond the collaterals.

##### *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 expected credit losses ("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.

## 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)*

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.

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

	<b>Gross carrying amount RM'000</b>	<b>Loss allowance* RM'000</b>	<b>Net balance RM'000</b>
<b>2022</b>			
Current (not past due)	36,418	-	36,418
1 – 30 days past due	2,894	(740)	2,154
31 – 60 days past due	1,959	(501)	1,458
61 – 90 days past due	1,109	(284)	825
	42,380	(1,525)	40,855
<b>Credit impaired</b>			
More than 90 days past due	32,292	(8,258)	24,034
Individually impaired	15,413	(12,011)	3,402
	90,085	(21,794)	68,291
Trade receivables	72,916	(21,794)	51,122
Contract assets	17,169	-	17,169
	90,085	(21,794)	68,291
Collateralised trade receivables			
- Where no loss allowance recognised	17,229	-	17,229
- Where loss allowance recognised	32,577	(14,009)	18,568
	49,806	(14,009)	35,797

## 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)*

	<b>Gross carrying amount RM'000</b>	<b>Loss allowance* RM'000</b>	<b>Net balance RM'000</b>
<b>2021</b>			
Current (not past due)	23,563	-	23,563
1 – 30 days past due	4,217	(838)	3,379
31 – 60 days past due	3,668	(729)	2,939
61 – 90 days past due	4,180	(831)	3,349
	35,628	(2,398)	33,230
<b>Credit impaired</b>			
More than 90 days past due	61,937	(12,307)	49,630
Individually impaired	10,069	(5,232)	4,837
	107,634	(19,937)	87,697
Trade receivables	93,149	(19,937)	73,212
Contract assets	14,485	-	14,485
	107,634	(19,937)	87,697
Collateralised trade receivables			
- Where no loss allowance recognised	36,150	-	36,150
- Where loss allowance recognised	51,311	(19,181)	32,130
	87,461	(19,181)	68,280

\* The Company takes into account security deposits in determining the loss allowance to be provided as at financial year end.

Trade receivables and contract assets which are credit impaired amounting to RM32,577,000 (2021: RM51,311,000) 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 RM18,568,000 (2021: RM32,130,000).

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:

	Trade receivables			Total RM'000
	Lifetime ECL RM'000	Credit impaired RM'000	Contract assets RM'000	
Balance at 1 January 2021	19,057	6,161	-	25,218
Net reversal	(4,352)	(929)	-	(5,281)
Balance at 31 December 2021/ 1 January 2022	14,705	5,232	-	19,937
Net (reversal)/impairment	(4,319)	6,779	-	2,460
Written off	(603)	-	-	(603)
Balance at 31 December 2022	9,783	12,011	-	21,794

**Cash and cash equivalents**

The cash and cash equivalents are held with licensed banks. 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 licensed banks 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.

**Amount due from related companies**

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. Generally, the Company considers balances with related companies have low credit risk. The Company assumes that there is a significant increase in credit risk when a related company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the related company balance when they are payable, the Company considers the balances to be in default when the related companies are not able to pay when demanded.

At the end of the reporting period, the Company does not recognise any allowance for impairment loss.

**Other receivables**

Credit risks on other receivables are mainly arising from sundry receivable. 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. The Company does not consider it necessary to recognise 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 a licensed bank which is highly liquid.

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Financial instruments (continued)

#### 30.5 Liquidity risk (continued)

##### Risk management objectives, policies and processes for managing the risk (continued)

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 ("Sukuk Programme"). The Directors are of the opinion that the Company will be able to meet its liabilities as and when they fall due as there are sufficient unutilised facilities arising from the Sukuk Programme and other financing facilities as at the year end; coupled with the ability of the Company in generating sufficient operating cash flows based on the historical trend of positive operating cash flows.

It is not expected that the cash flows included in maturity analysis could occur significantly earlier, or at significantly different amounts.

##### Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	2 to 5 years RM'000	After 5 years RM'000
<b>2022</b>						
Bank loans	127,776	2.99 – 3.03	131,430	80,744	50,686	-
Islamic Medium Term Notes	370,000	3.15 – 3.65	382,522	382,522	-	-
Lease liabilities	1,779,411	2.95 – 10.59	2,473,925	253,419	890,745	1,329,761
Payables and accruals	1,227,044		1,227,044	1,213,984	13,060	-
	3,504,231		4,214,921	1,930,669	954,491	1,329,761
<b>2021</b>						
Bank loans	183,333	2.99 – 3.03	192,060	60,630	131,430	-
Islamic Commercial Papers	175,000	2.14	175,000	175,000	-	-
Islamic Medium Term Notes	370,000	3.10 – 3.15	387,841	181,541	206,300	-
Lease liabilities	2,064,988	2.95 – 10.59	2,880,658	266,372	983,636	1,630,650
Payables and accruals	1,185,234	-	1,185,234	1,165,644	19,590	-
	3,978,555		4,820,793	1,849,187	1,340,956	1,630,650

#### 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 fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Interest-earning financial assets are mainly deposits placed with licensed bank that generates 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, long term 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.

## NOTES TO THE FINANCIAL STATEMENTS

**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:

	2022 RM'000	2021 RM'000
<b>Fixed rate instruments</b>		
<i>Financial asset</i>		
Deposits placed with licensed bank	190,300	176,099
<i>Financial liabilities</i>		
Bank loans	(127,776)	(183,333)
Islamic Medium Term Notes and Islamic Commercial Papers	(370,000)	(545,000)
Lease liabilities	(1,779,411)	(2,064,988)
	(2,277,187)	(2,793,321)
	(2,086,887)	(2,617,222)

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company 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 of Directors.

**Equity price risk sensitivity analysis**

A 1% (2021: 1%) increase in the market price of the investment as at the end of the reporting period would have increased equity by RM584,000 (2021: RM633,000). A 1% (2021: 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 RM'000	Carrying amount RM'000	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000				
<b>2022</b>													
<b>Financial asset</b>													
Investment in quoted equities	58,422	-	-	58,422	-	-	-	-	-	58,422		58,422	
<b>Financial liability</b>													
Borrowings	-	-	-	-	-	-	-	(496,040)	(496,040)	(496,040)		(497,776)	
<b>2021</b>													
<b>Financial asset</b>													
Investment in quoted equities	63,251	-	-	63,251	-	-	-	-	-	63,251		63,251	
<b>Financial liability</b>													
Borrowings	-	-	-	-	-	-	-	(723,453)	(723,453)	(723,453)		(728,333)	



## NOTES TO THE FINANCIAL STATEMENTS

**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 Level 2 fair values during the financial year (2021: 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**

<b>Type</b>	<b>Description of valuation technique and inputs used</b>
Borrowings	Discounted cash flows using a rate based on the current market rate of similar borrowings of the Company at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 31. Material litigation

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

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

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

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

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

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

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

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

## 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 99 to 152 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 2022 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

.....  
**Keiji Ono**

Director

Kuala Lumpur

Date: 15 March 2023

## STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Dr Grace Lee Hwee Ling, the Officer primarily responsible for the financial management of AEON CO. (M) BHD., do solemnly and sincerely declare that the financial statements set out on pages 99 to 152 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 Dr Grace Lee Hwee Ling, at Kuala Lumpur in the Federal Territory on 15 March 2023.

.....  
 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 statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 99 to 152.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 and right-of-use assets**

Refer to Note 2(d) – Significant accounting policy: Property, plant and equipment, Note 2(e) – Significant accounting policy: Leases, Note 3 – Property, plant and equipment and Note 4 – Right-of-use assets.

#### **The key audit matter**

In light of the industry and business environment which the Company operates in, there are significant balances of property, plant and equipment and right-of-use assets amounting to RM2,951,699,000 and RM1,211,173,000, respectively as at 31 December 2022. There is a risk that the carrying amounts of these assets may be higher than the recoverable amount. The determination of whether or not an impairment charge for property, plant and equipment and right-of-use assets 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 and right-of-use assets.

#### **How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- Performed inquiry of management on any indication of impairment of property, plant and equipment and right-of-use assets.
- Obtained the discounted future cash flow projections for those stores and malls with indication of impairment and evaluated the appropriateness of the key assumptions used in particular those relating to revenue growth and the discount rate applied to the cash flows projections. We assessed the key assumptions applied in the cash flow projections, with reference to internal and external derived sources, taking into account the accuracy of the Company's historical forecasting.
- Performed sensitivity analysis on key assumptions such as 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 require the assets to be further impaired. We also considered the likelihood of such movement in those key assumptions.
- Assessed the adequacy of the Company's disclosure in respect of impairment of property, plant and equipment and right-of-use assets including those key assumptions to which the outcome of the impairment test is most sensitive.

**INDEPENDENT AUDITORS' REPORT**

To The Members Of AEON CO. (M) BHD.

**Key Audit Matters (continued)****ii) Inventory**

Refer to Note 2(g) – Significant accounting policy: Inventories and Note 10 – Inventories.

**The key audit matter**

The Company held significant inventory balances as at 31 December 2022 of RM605,479,000. Inventory is valued using weighted average cost of merchandise derived using the Retail Inventory Method ("RIM"). Allowance is made against inventory on the 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. The use of RIM in inventory costing requires certain assumption on the consistent mark up across all products in current and prior periods.

**How the matter was addressed in our audit**

We performed the following audit procedures, among others:

- Engaged IT Audit and tested the design and implementation and operating effectiveness of controls over the weighted average cost of inventory derived using RIM.
- Performed test of design and implementation and operating effectiveness of controls over the stock loss inventories and obtained an understanding of the management's process for measuring the amount of write down required.
- Assessed the adequacy of allowance of stock loss and slow-moving inventories by reference to the historical data on sampling basis and discussion with management.
- Checked to retail price subsequent to year end to ascertain that they are appropriately carried at the lower of carrying amount and net realization value on sampling basis.

**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 (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.

## INDEPENDENT AUDITORS' REPORT

To The Members Of AEON CO. (M) BHD.

### Information Other than the Financial Statements and Auditors' Report Thereon (continued)

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the 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 the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

**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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current year and are therefore the key audit 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 PLT**

(LLP0010081-LCA &amp; AF 0758)

Chartered Accountants

Petaling Jaya, Malaysia

15 March 2023

**Chan Chee Keong**

Approval Number: 03175/04/2023 J

Chartered Accountant

## ANALYSIS OF SHAREHOLDINGS

As At 31 March 2023

Issued Share Capital : RM702,000,000 comprising 1,404,000,000 Ordinary Shares  
 Voting Rights : 1 vote per Ordinary Share

### Analysis by size of Shareholdings

(Based on the Record of Depositors of the Company)

Size of Shareholdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares held	% of Shares held
1 - 99	709	7.35	6,037	0.00
100 - 1,000	2,796	28.99	1,631,687	0.12
1,001 - 10,000	4,443	46.06	19,738,123	1.41
10,001 - 100,000	1,379	14.30	42,366,917	3.02
100,001 - 70,199,999(*)	316	3.28	550,205,236	39.19
70,200,000 and above (**)	2	0.02	790,052,000	56.27
<b>Total</b>	<b>9,645</b>	<b>100.00</b>	<b>1,404,000,000</b>	<b>100.00</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

### Substantial Shareholders

(Based on Register of Substantial Shareholders of the Company)

No.	Name	No. of Shares			
		Direct Interest	%	Indirect Interest	%
1	AEON Co., Ltd.	725,640,000	51.68	-	-
2	Employees Provident Fund Board	154,073,713	10.97	-	-

### Directors' Interest

(Based on Register of Directors' Shareholdings of the Company)

No.	Name	No. of Shares			
		Direct Interest	%	Indirect Interest	%
1	Datuk Iskandar Sarudin	-	-	-	-
2	Mr. Keiji Ono	-	-	-	-
3	Mr. Tsugutoshi Seko	-	-	-	-
4	Mr. Naoya Okada	-	-	-	-
5	Datuk Syed Ahmad Helmy Syed Ahmad	-	-	-	-
6	Dato' Tunku Putra Badlishah Ibni Tunku Annuar	-	-	-	-
7	Encik Abdul Rahim Abdul Hamid	-	-	-	-
8	Encik Hisham Zainal Mokhtar	-	-	-	-
9	Puan Zaida Khalida Shaari	-	-	-	-
10	Ms. Chong Swee Ying	42,600	0.003	*11,000	0.0007
11	Mr. Hiroaki Egawa	-	-	-	-

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



## ANALYSIS OF SHAREHOLDINGS

As At 31 March 2023

## List of Thirty (30) Largest Shareholders

(Without aggregating securities from different securities accounts belonging to the same registered holder)

NO.	NAME	No. of Shares Held	% of Shares Held
1	AEON CO., LTD	716,040,000	51.00
2	CITIGROUP NOMINEES (TEMPATAN) SDN EMPLOYEES PROVIDENT FUND BOARD BHD	74,012,000	5.27
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	68,762,500	4.90
4	LEMBAGA TABUNG HAJI	56,738,200	4.04
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AHAM AM)	47,079,900	3.35
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	21,061,100	1.50
7	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	19,088,800	1.36
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	13,226,400	0.94
9	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	11,571,700	0.82
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	10,730,800	0.76
11	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT SHARIAH PROGRESS FUND	10,255,400	0.73
12	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND	10,117,300	0.72
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AHAM AM EQ)	9,686,900	0.69
14	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR NOMURA SECURITIES CO LTD (CLIENT AC)	9,600,000	0.68
15	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	9,441,900	0.67
16	ROSHAYATI BINTI BASIR	9,240,000	0.66
17	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	9,069,300	0.65
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AHAM ABSR EQ)	8,486,000	0.60
19	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND J724 FOR SPDR S&P EMERGING MARKETS ETF	8,114,548	0.58
20	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD - KENANGA GROWTH FUND	8,058,600	0.57
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	7,611,700	0.54
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)	7,485,100	0.53
23	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR SINGULAR VALUE FUND	6,623,700	0.47
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	6,611,000	0.47
25	CARTABAN NOMINEES (TEMPATAN) SDN BHD PRUDENTIAL ASSURANCE MALAYSIA BERHAD FOR PRULINK STRATEGIC FUND	6,246,200	0.44
26	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS DANA AL-ILHAM	5,598,100	0.40
27	HIDENORI FUTAGI	4,800,000	0.34
28	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD LEMBAGA TABUNG HAJI (AL-WARA')	4,649,900	0.33
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC)	4,429,400	0.32
30	MAYBANK INVESTMENT BANK BERHAD IVT (16)	4,377,900	0.31
	TOTAL	1,188,814,348	84.64

## PARTICULARS OF PROPERTIES

As at 31 December 2022

Details of AEON's properties as at 31 December 2022 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	Net Book Value as at 31/12/2022 (RM'000)
<b>Lot 7041, Mukim of Bukit Baru, District of Melaka Tengah, Melaka.</b>	Leasehold Land/	436,036/	February 1995 (R)	29	99 years expiring on 19/12/2089	36,966
	Existing two- storey shopping centre	200,316				
	Extension/ Renovation with rooftop car park	179,989				
<b>Lot 23551, Mukim of Setapak, District and State of Wilayah Persekutuan.</b>	Leasehold land/	368,516/	February 1995 (R)	28½	95 years expiring on 28/03/2085	58,425
	Two-storey shopping centre and three- storey car park	666,694				
<b>Lot PT 21441 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.</b>	Leasehold land/	643,753/	June 1994 (A)/	25	99 years expiring on 09/05/2093	43,119
	Two-storey shopping centre and two-storey car park	691,414	October 1995 (C)			
<b>Lot 49045, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim.</b>	Freehold land/	377,490/	April 2002 (A)/	18½	Freehold	19,201
	Two-storey shopping centre including covered car park	483,299	August 2002 (C)			
<b>Lot 62232, Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan.</b>	Leasehold land/	409,577/	January 2004 (C)	17	99 years expiring on 25/08/2103	67,430
	Two-storey shopping centre and three-storey car park	906,497				
<b>Lot 102076, Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim.</b>	Freehold land/	1,308,035/	March 2004 (A)/	15	Freehold	314,309
	Three-storey shopping centre with basement car park	1,468,693	January 2006 (C)			
	Extension/ Renovation	2,854,623	October 2016 (C)			
<b>Lot PT 41977</b>	Leasehold land/	550,910/	April 2004 (A)/	14	99 years expiring on 12/04/2103	64,718
<b>Lot 3144, Mukim of Cheras, District of Ulu Langat, Selangor Darul Ehsan.</b>	Freehold land/ Two-storey shopping centre and two- storey car park	113,451/ 893,819	April 2004 (A)/ December 2006 (C)			

## PARTICULARS OF PROPERTIES

As at 31 December 2022

Details of AEON's properties as at 31 December 2022 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	Net Book Value as at 31/12/2022 (RM'000)
<b>Lot 5106, Mukim Ulu Kelang, Kuala Lumpur.</b>	Leasehold Land/	631,620/	March 2007 (A)/	12	87 years expiring on 05/04/2083	108,785
	Two-storey shopping centre with basement car park	895,449	December 2008 (C)			
<b>Lot 136962, Mukim Pulai, District of Johor Bahru, Johor Darul Takzim.</b>	Freehold land/	1,645,671/	October 2007 (A)/	12	Freehold	209,438
	Three-storey shopping centre with open car park	845,634	December 2008 (C)]			
<b>PT 239099, Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan.</b>	Leasehold land/	755,855/	June 2010 (A)/	9	99 years expiring on 03/11/2109	105,735
	Three-storey shopping centre with two-storey car park	1,287,504	March 2012 (C)			
<b>Lot 106273, Mukim Kulai, Daerah Kulaijaya, Johor Darul Takzim.</b>	Freehold land/	793,623/	December 2011 (A)/	7	Freehold	90,294
	Two-storey shopping centre with two-storey car park	911,842	November 2013 (C)			
<b>Lot 31009, Mukim 15, Daerah Seberang Perai Tengah, Pulau Pinang.</b>	Freehold land/	784,834/	August 2011 (A)/	6½	Freehold	134,027
	Three-storey shopping centre with rooftop and open car park	750,235	June 2014 (C)			
<b>Lot 2437 Seksyen 13, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan.</b>	Leasehold land/	818,273/	December 2012 (A)/	4¼	99 years expiring on 26/10/2103	240,858
	Three-storey shopping centre, entertainment hub with rooftop & basement car park	1,573,114	March 2016 (C)			
<b>PTD 181046, Mukim Tebrau, Daerah Johor Bahru, Johor Darul Takzim.</b>	Leasehold land/	910,235/	December 2015 (A)/	3¼	Freehold	268,954
	Three-storey shopping centre, entertainment hub with rooftop & two-storey car park	1,294,639	September 2017 (C)			

## CORPORATE INFORMATION AND DIRECTORY

### BOARD OF DIRECTORS

- Datuk Iskandar Sarudin (Chairman)
- Mr. Keiji Ono
- Mr. Tsugutoshi Seko
- Mr. Naoya Okada
- Datuk Syed Ahmad Helmy Syed Ahmad
- Dato' Tunku Putra Badlishah Ibni Tunku Annuar
- Encik Abdul Rahim Abdul Hamid
- Encik Hisham Zainal Mokhtar
- Puan Zaida Khalida Shaari
- Ms. Chong Swee Ying
- Mr. Hiroaki Egawa

### SECRETARIES

#### Tai Yit Chan

(SSM PC No. 202008001023) (MAICSA 7009143)

#### Tan Ai Ning

(SSM PC No. 202008000067) (MAICSA 7015852)

### DATE OF INCORPORATION

15 September 1984

### STOCK EXCHANGE LISTING

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

Stock Name: AEON

Stock Code: 6599

### REGISTERED OFFICE AND HEAD OFFICE

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

Tel : 03 – 9207 2005

Fax : 03 – 9207 2006/2007

### PRINCIPAL BANKERS

- **MUFG Bank (Malaysia) Berhad**  
[Registration No. 199401016638(302316-U)]
- **Malayan Banking Berhad**  
[Registration No. 196001000142(3813-K)]
- **CIMB Bank Berhad**  
[Registration No. 197201001799(13491-P)]
- **Mizuho Bank (Malaysia) Berhad**  
[Registration No. 201001039768(923693-H)]
- **RHB Bank Berhad**  
[Registration No. 201001039768(923693-H)]
- **Sumitomo Mitsui Banking Corporation Malaysia Berhad**  
[Registration No. 201001042446(926374-U)]

### AUDITORS

#### KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Level 10, KPMG Tower

8, First Avenue, Bandar Utama

47800 Petaling Jaya

Tel : 03 – 7721 3388

Fax : 03 – 7721 3399

### CORPORATE CALENDAR

### SHARE REGISTRAR

#### Tricor Investor & Issuing House Services Sdn Bhd

[Registration No. 197101000970(11324-H)]

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Tel: 03-2783 9299

Fax: 03-2783 9222

#### NOTICE OF 37TH ANNUAL GENERAL MEETING

- 27 April 2022

#### PAYMENT OF DIVIDEND

- Book Closure – 31 May 2022
- Payment – 20 June 2022

#### 37TH ANNUAL GENERAL MEETING

- 19 May 2022

#### QUARTERLY RESULTS ANNOUNCEMENTS

- 1st Quarter 18 May 2022
- 2nd Quarter 23 August 2022
- 3rd Quarter 23 November 2022
- 4th Quarter 22 February 2023



Scan the QR Code for:

1. Notice of 38th Annual General Meeting
2. Proxy Form
3. Administrative Details for the 38th Annual General Meeting

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**AEON CO. (M) BHD.**

Registration No. 198401014370 (126926-H)

3<sup>rd</sup> Floor, AEON Taman Maluri Shopping Centre  
Jalan Jejaka, Taman Maluri, Cheras  
55100 Kuala Lumpur, Malaysia

Tel: +603-9207 2005

Fax: +603-9207 2006/2007

AEON Careline: 1-300-80-AEON(2366)

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For more information, please visit:



[www.aeongroupmalaysia.com](http://www.aeongroupmalaysia.com)



AEON Group Malaysia



AEON Retail Malaysia



AEON Retail Malaysia



AEON Retail Malaysia