



**ANNUAL REPORT**  
**2 0 1 6**



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## CORPORATE INFORMATION AND DIRECTORY

### BOARD OF DIRECTORS

Dato' Abdullah bin Mohd Yusof  
(Chairman)

Shinobu Washizawa  
(Managing Director)

Poh Ying Loo

Datuk Syed Ahmad Helmy  
bin Syed Ahmad

Dato' Tunku Putra Badlishah  
Ibni Tunku Annuar

Abdul Rahim bin Abdul Hamid

Charles Tseng @  
Charles Tseng Chia Chun

Kenji Horii

Hiroyuki Kotera  
(Appointed on 25 August 2016)

Datuk Iskandar bin Sarudin  
(Appointed on 27 February 2017)

Mitsuru Nakata  
(Resigned on 25 August 2016)

Nur Qamarina Chew binti Abdullah  
(Resigned on 25 October 2016)

### SECRETARIES

Tai Yit Chan (MAICSA 7009143)

Tan Ai Ning (MAICSA 7015852)

### REGISTERED OFFICE AND HEAD OFFICE

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

Tel : 03-9207 2005

Fax : 03-9207 2006 / 2007

### AUDITORS

KPMG Desa Megat PLT  
(LLP0010082-LCA & AF 0759)  
Chartered Accountants,  
Level 10, KPMG Tower,  
8, First Avenue, Bandar Utama,  
47800 Petaling Jaya.

Tel : 03-7721 3388

Fax : 03-7721 3399

### SHARE REGISTRAR

Tricor Investor & Issuing House  
Services Sdn Bhd (11324-H)  
Unit 32-01, Level 32, Tower A,  
Vertical Business Suite,  
Avenue 3, Bangsar South,  
No.8, Jalan Kerinchi 59200 Kuala Lumpur

Tel : 03-2783 9299

Fax : 03-2783 9222

### DATE OF INCORPORATION

15 September 1984

### STOCK EXCHANGE LISTING

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

Stock Name : AEON

Stock Code : 6599

### HOMEPAGE

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

### E-COMMERCE

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

### PRINCIPAL BANKERS

Bank of Tokyo-Mitsubishi UFJ  
(Malaysia) Berhad (302316-U)

Malayan Banking Berhad (3813-K)

CIMB Bank Berhad (13491-P)

Mizuho Bank (Malaysia) Berhad  
(923693-H)

RHB Bank Berhad (6171-M)

Sumitomo Mitsui Banking Corporation  
Malaysia Berhad (926374-U)

## CORPORATE CALENDAR

### NOTICE OF ANNUAL GENERAL MEETING

27 April 2016

### ANNUAL GENERAL MEETING

19 May 2016

### PAYMENT OF DIVIDEND

Book Closure 16 June 2016

Payment 14 July 2016

### QUARTERLY RESULTS ANNOUNCEMENT

1st Quarter 19 May 2016

2nd Quarter 25 August 2016

3rd Quarter 24 November 2016

4th Quarter 27 February 2017

## FIVE-YEAR FINANCIAL HIGHLIGHTS

Year Ended 31 December	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
<b>Financial Results</b>					
Revenue	4,038,655	3,834,640	3,705,477	3,514,418	3,255,669
Retailing	3,439,131	3,288,832	3,193,194	3,041,717	2,822,575
Property management services	599,524	545,808	512,283	472,701	433,094
EBITDA	449,625	444,232	486,074	484,031	438,795
Profit before tax	147,102	210,841	301,327	331,828	299,478
Profit after tax	74,965	131,671	211,877	230,962	212,825
Profit attributable to owners of the Company	79,743	133,407	212,706	230,962	212,825
Net dividend	42,120	56,160	70,200	77,220	64,058
<b>Financial Positions</b>					
<b>Assets</b>					
Property, plant and equipment and Intangible assets	3,481,114	3,050,485	2,618,557	2,060,684	1,700,661
Investments	52,427	43,950	43,963	51,960	44,276
Other non-current assets	17,151	16,208	15,781	12,000	10,055
Current assets	867,049	931,660	681,703	896,176	927,180
<b>Total assets</b>	<b>4,417,741</b>	<b>4,042,303</b>	<b>3,360,004</b>	<b>3,020,820</b>	<b>2,682,172</b>
<b>Equity</b>					
Share capital	702,000	702,000	702,000	351,000	351,000
Non-distributable reserves	43,429	35,812	36,122	44,543	36,865
Retained earnings	1,119,370	1,095,787	1,032,580	1,248,094	1,081,190
Total equity attributable to owners of the Company	1,864,799	1,833,599	1,770,702	1,643,637	1,469,055
<b>Non-controlling interests</b>	<b>13,657</b>	<b>10,935</b>	<b>12,671</b>	<b>–</b>	<b>–</b>
<b>Liabilities</b>					
Borrowings	965,392	769,872	136,400	–	–
Deferred tax liabilities	27,990	21,151	19,299	24,574	20,188
Other liabilities	1,545,903	1,406,746	1,420,932	1,352,609	1,192,929
<b>Total equity and liabilities</b>	<b>4,417,741</b>	<b>4,042,303</b>	<b>3,360,004</b>	<b>3,020,820</b>	<b>2,682,172</b>
<b>Financial Indicators</b>					
Earnings per share (sen)*	5.68	9.50	15.15	65.80	60.63
Net dividend per share (sen)	3.00	4.00	5.00	22.00	18.25
Net assets per share (RM)*	1.33	1.31	1.26	4.68	4.19
Net Debt/Equity (%)	46.28	30.14	3.35	–	–
Return on equity (%)	4.28	7.28	12.01	14.05	14.49
Price earnings ratio	45.25	28.73	20.79	21.28	23.30
Share price as at December (RM)	2.57	2.73	3.15	14.00	14.12

### Notes:

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

## SHARE PRICE AND FINANCIAL CHARTS

### SHARE PRICE

2016

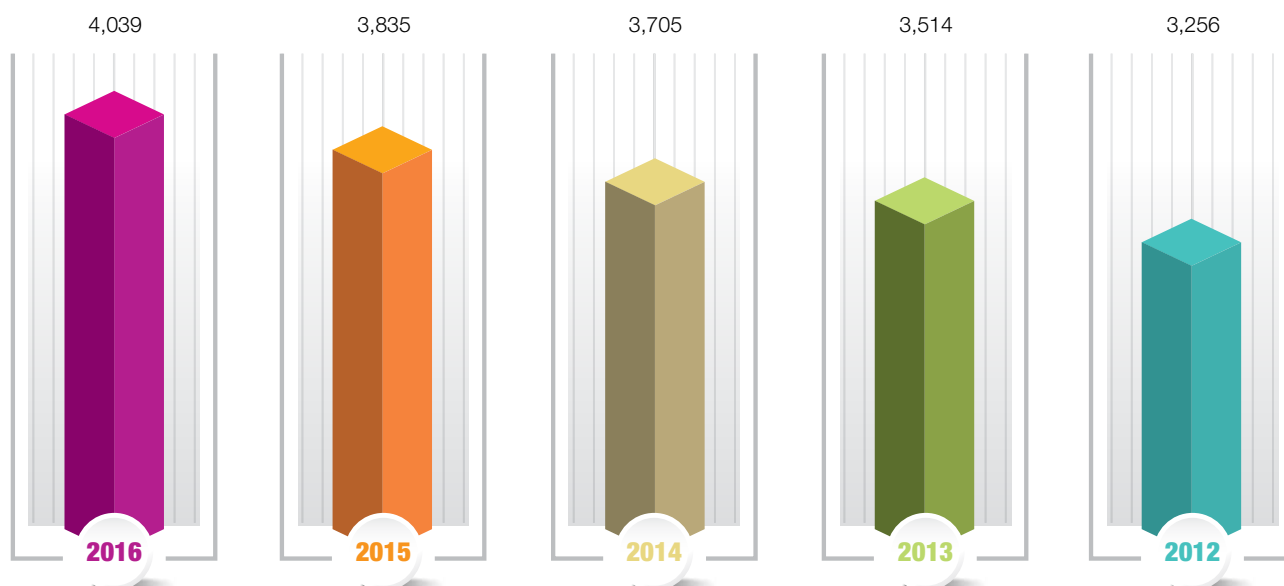
STOCK CODE: 6599

STOCK NAME: AEON

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
High (RM)	2.74	2.60	2.84	2.98	2.88	2.80	2.75	3.00	3.00	2.91	2.86	2.69
Low (RM)	2.50	2.47	2.54	2.75	2.72	2.52	2.52	2.68	2.70	2.78	2.56	2.54
Volume ('000)	15,940	5,646	19,131	13,350	17,058	8,161	4,986	9,190	8,504	8,145	10,312	1,276

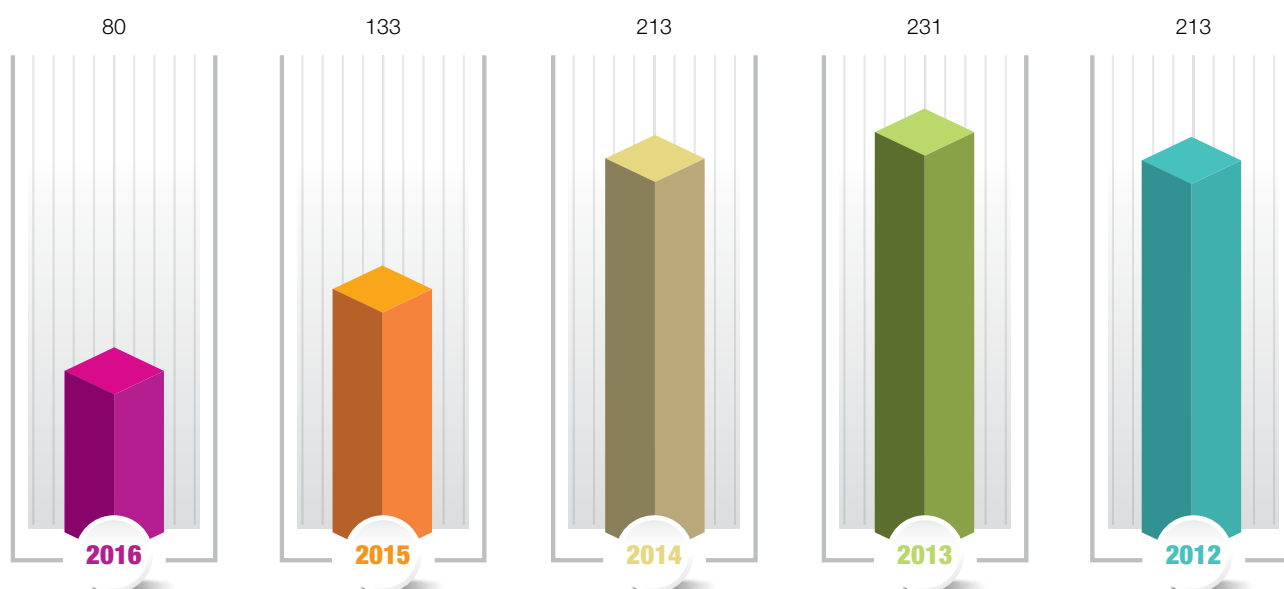
### REVENUE

RM million



### PROFIT ATTRIBUTABLE TO OWNERS

RM million



## AWARD AND ACHIEVEMENT

**AEON is committed to achieve sustainable society with stakeholders, based on our basic principles of “Pursuing Peace, Respecting Humanity and Contributing to Local Communities, Centred on Customers.”**

On 9 DECEMBER 2016, AEON received a prestigious recognition for its AEON Hometown Forest Programme, as Best Volunteer Initiative for Private Sector at the Malaysia Award event. It was a recognition to the tree planting projects efforts that AEON had carried out which involved volunteers from local community such as school children, government officials, universities students and staff. Each AEON Hometown Forest Programme project involved about 800 to 1,000 volunteers, depending on the size of the planting site. Since the inception of the program in year 1991, AEON has planted more than 500,000 trees in Malaysia with the volunteers. The Volunteer Malaysia Awards, a Prime Minister's Award event was organized by the iM4U (a youth volunteer organization under Prime Minister's office).



### AEON HOMETOWN FOREST PROGRAMME

AEON Hometown Forest Programme was created as a tradition for every new mall opening, starting on as early as 1991. Even after 25 years, this tradition is still being carried on and most recently 14,000 trees (40 species) were planted at the AEON Mall Kota Bharu opening in May 2016 with 600 participants which included school children, local residents, members of the respective municipal councils, the local fire and police department, university students and AEON's business partners. AEON Mall Shah Alam opening in March 2016 also saw 13,022 trees from 40 different species planted by 800 participants.



## CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

On behalf of the Board Of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of AEON CO. (M) BHD. ( AEON or Group ) for the year ended 31 December 2016.

Dato' Abdullah bin Mohd Yusof  
Chairman

### FINANCIAL AND PERFORMANCE REVIEW

The year 2016 continued to be a difficult and challenging year for the retail industry due to poor consumer sentiment as a result of rising cost of living which affected all categories of retailing business.

Against such backdrop, while AEON's revenue growth remains commendable, the profit from operation was affected by higher operating and financing cost.

Thus, for the year ended 31 December 2016, the Group recorded revenue of RM4.039 billion which is 5.3% higher than previous financial year of RM3.835 billion. The profit before tax for the financial year of RM 147.1 million was, however, lower than the previous financial year profit before tax of RM210.8 million. Likewise, the profit after tax of RM75.0 million for the year under review is lower than the previous financial year profit after tax of RM131.7 million. The lower profits were mainly attributed to the higher operating cost, initial cost associated with opening of new stores and malls, and higher interest expense.

Revenue registered by the retail business segment for the year under review was RM3.439 billion which was 4.6% higher than the previous year of RM3.289 billion, mainly contributed by newly opened stores.

Revenue from the Group's property management services at RM599.5 million recorded a growth of 9.8% over the previous financial year of RM545.8 million, again mainly due to contribution from new shopping malls.

AEON's borrowings had increased during the year under review to RM965.4 million as the Group continues with its strategic plan of refurbishing its existing

malls and stores during the year and completed construction of its new malls. Nevertheless, AEON's statement of financial position remains healthy with a comfortable net debt to equity ratio of 46.3% which is further supported by the sukuk financing programme which the Group had established. As at 31 December 2016, the Group's shareholders' fund remains strong at RM1.865 billion which provides a net asset value per share of RM1.33 (2015: RM1.31) . Earnings per share however had dropped to 5.68 sen per share (2015 : 9.50 sen) for the year under review due to the lower profit.

Further analysis of the performance for the businesses is provided under the new section of Management Discussion and Analysis for 2016.

Presently and in the immediate future, the economic and business environment remains very challenging for the retail industry with the soft consumer sentiment and spending, the continually rising cost of doing business and heightening competition. The Group continues to strategize opening of new malls and stores, as part of the Group's efforts to remain competitive and sustainable. In addition the Group had put in place innovative marketing concepts and offer varied attractive assortment of merchandise especially for its new stores, malls and newly refurbished stores. Together with the appropriate pricing, marketing strategies and operational efficiency measures, the Group expects its performance to further improve in the coming year.

### DIVIDEND

The Board of Directors is pleased to recommend for your approval at the forthcoming Annual General Meeting, a first and final single tier dividend of 3.0

sen per ordinary share in respect of the financial year ended 31 December 2016.

### ACKNOWLEDGEMENTS

During the year under review, AEON bade farewell to two of its directors, namely Miss Nur Qamarina Chew Binti Abdullah, the Managing Director and Mr Mitsuru Nakata, the Non Independent Non-Executive Director. On behalf of the Board, I would like to take this opportunity to thank Miss Nur Qamarina Chew Binti Abdullah for her valuable contribution during her long service in the Group. To both of them, we would like to record our gratitude for their contribution in driving and strengthening the position of AEON as a leading retailer in Malaysia.

On behalf of the Board, I would also like to congratulate and welcome Mr Shinobu Washizawa who has a long and varied experience in retail as the new Managing Director of the Group. I would also like to welcome our new independent director Datuk Iskandar Bin Sarudin who I strongly believe with his varied experiences in the public sector will further contribute to the success of AEON.

On behalf of the Board, I would also like to thank our valued customers, shareholders, business partners, financiers, government authorities and statutory bodies for their continuous support and confidence in the Group during the year under review. Finally, I would like to thank my fellow directors for their valuable advice and guidance, and our management and employees for their commitment, loyalty, hardwork and dedication.

Dato' Abdullah bin Mohd Yusof  
Chairman



## BOARD OF DIRECTORS' PROFILES



Dato' Abdullah bin Mohd Yusof

### **Dato' Abdullah bin Mohd Yusof**

Independent Non-Executive Chairman  
Malaysian, Male, 78

**Dato' Abdullah bin Mohd Yusof** was appointed as the Non-Independent Non-Executive Chairman of AEON CO. (M) BHD. on 26 October 1984 and redesignated as Independent Non-Executive Chairman on 26 May 2011. Dato' Abdullah holds a Bachelor of Law (Honours) from University of Singapore, which he obtained in 1968. He has more than forty five (45) years of experience as an Advocate & Solicitor. Dato' Abdullah started his career with Skrine & Co., as a Legal Assistant in 1968 before starting his own partnership under the name of Tunku Zuhri Manan & Abdullah, Advocates & Solicitors in 1969 and subsequently renamed the law firm to Abdullah & Zainuddin, Advocates and Solicitors. Dato' Abdullah sits on the Board of Directors of MMC Corporation Berhad, Zelan Berhad and AEON Credit Service (M) Berhad, all of which are companies listed on Bursa Malaysia Securities Berhad.

Dato' Abdullah is a member of the Nomination Committee and Chairman of the Remuneration Committee of the Board.

Dato' Abdullah has attended all the four (4) Board Meetings held in the financial year.

### **Shinobu Washizawa**

Managing Director  
Japanese, Male, 61

**Mr Shinobu Washizawa** was appointed as the Non-Independent Non-Executive Vice Chairman of AEON CO. (M) BHD. on 22 April 2015 and appointed as Managing Director on 25 October 2016. Mr Washizawa holds a Bachelor Degree in The Department of Commercial Science from Hiroshima Shudo University, Japan. He joined AEON Co., Ltd in July 1980 as Foodline Manager. In 1985, he was seconded to AEON CO. (M) BHD. as Foodline Manager until 1990, he returned to Japan as General Manager, Operations at Shinshu JUSCO Co., Ltd. He was the Store Manager of Jusco Yamato in July 1999. In April 2001, he was seconded to AEON Stores (Hong Kong) Co., Ltd. as the Director and General Manager of Merchandising. In May 2003, Mr Washizawa was the Store Manager of Fujinomiya store and then in March 2005, he was the Store Manager of Daiichi store. In July 2007, Mr Washizawa was promoted as the General Manager of Shikoku region in AEON Co., Ltd. He was the Project Leader of Next Generation GMS policy in July 2010 and subsequently in March 2011, he was seconded to Cambodia as the Project Leader in charge of the overall planning, opening and operations of a new AEON store in Cambodia. He was appointed as the Managing Director of AEON Cambodia Co., Ltd in August 2012. Mr Washizawa is also the Managing Director of AEON Asia Sdn. Bhd.

Mr Washizawa has attended all the four (4) Board Meetings held in the financial year.



Shinobu Washizawa



## BOARD OF DIRECTORS' PROFILES



Poh Ying Loo

**Poh Ying Loo**

Executive Director  
Malaysian, Male, 55

**Mr Poh Ying Loo** was appointed as the Executive Director of AEON CO. (M) BHD. on 26 May 2011. Mr Poh is a Fellow member of the Chartered Institute of Management Accountants and a member of Malaysian Institute of Accountants. He was the Audit Semi-Senior of Ong Boon Bah & Co from 1986 to 1988 and joined Dreamland Holdings Berhad as an Accounts Executive in February 1988. He joined CPC/AJI (M) Sdn Bhd as Assistant Accountant and was the Senior Accountant in June 1996. Mr Poh joined AEON CO. (M) BHD. on July 1996 as the Finance Manager and then promoted as the Financial Controller in 2002. He was the Senior General Manager in charge of Business Support in January 2008 and the Senior General Manager in charge of Corporate Finance and Investor Relations in February 2010. Mr Poh is currently in charge of the Corporate Management Division.

Mr Poh has attended all the four (4) Board Meetings held in the financial year.

**Hiroyuki Kotera**

Executive Director  
Japanese, Male, 49

**Mr Hiroyuki Kotera** was appointed as the Executive Director of AEON CO. (M) BHD. on 25 August 2016. Mr Kotera holds a Bachelor Degree in Economics from Ritsumeikan University in Kyoto, Japan. Mr Kotera joined AEON Co., Ltd in 1991 as Group Leader. He was the Group Leader of AEON Kansai store and AEON Utsumomiya store. In 1994, he was transferred to AEON Mito store as Division Leader. From 1997 to 2003, he was the Line Manager of AEON Kita Ibaraki store, AEON Hitachi Oomiya store, AEON Takanekido store and AEON Sapporo Motomachi store. From 2003 to 2013, he was the Store Manager of AEON Handa store, AEON Minami Matsumoto store, AEON Shimizu store and AEON Funabashi store. In 2013, he was promoted as Regional General Manager of Nishi Kanagawa region. In 2015, he was transferred to AEON CO. (M) BHD. as Senior General Manager in charge of retail business. Mr Kotera is currently in charge of Business Operations Division.

Mr Kotera has attended two (2) Board Meetings during his term of office in the financial year.



Hiroyuki Kotera

## BOARD OF DIRECTORS' PROFILES



Datuk Syed Ahmad Helmy  
bin Syed Ahmad

### **Datuk Syed Ahmad Helmy bin Syed Ahmad**

Independent Non-Executive Director  
Malaysian, Male, 70

**Datuk Syed Ahmad Helmy bin Syed Ahmad** was appointed as the Independent Non-Executive Director of AEON CO. (M) BHD. on 16 April 2013. Datuk Syed Ahmad Helmy holds a Bachelor of Laws (LL.B) Honours from University of Singapore, which he obtained in 1971. He has forty (40) years of experience as legal practitioner and judicial officer in Malaysia and Singapore. Datuk Syed Ahmad Helmy started his legal career in 1972 before starting his own partnership under the name of Yahya Helmy & Co in 1985 and subsequently renamed the law firm to S.A. Helmy & Partners. He was then appointed as High Court Judge for High Court of Malaya – Johor Bahru, High Court Judge for High Court of Malaya – Shah Alam and Court of Appeal Judge for Court of Appeal, Putrajaya in year 2000, 2007 and 2009 respectively. He retired as a Judge in December 2012 and appointed as the Chairman of Advocates & Solicitors Disciplinary Board. Currently Datuk Syed Ahmad Helmy sits on the Board of Directors of Export-Import Bank of Malaysia Berhad.

Datuk Syed Ahmad Helmy is a member of the Nomination Committee and Remuneration Committee of the Board.

Datuk Syed Ahmad Helmy has attended all the four (4) Board Meetings held in the financial year.

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

Independent Non-Executive Director  
Malaysian, Male, 52

**Dato' Tunku Putra Badlishah Ibni Tunku Annuar** was appointed as the Independent Non-Executive Director of AEON CO. (M) BHD. on 16 April 2013. Dato' Tunku holds a Bachelor of Science (Hons) in Business Administration. He started his career as Account Manager in J.Walter Thompson Advertising in 1987 and subsequently joined DMIB Berhad as Senior Executive and thereafter was promoted as Marketing Manager. From January 1992 to December 1995, he worked in Sandestin Resort, Florida, United States of America as Manager of Marketing and Development. He joined Kumpulan Sime Darby Berhad Group (KSDB) in January 1996 and had held various senior positions within the KSDB, amongst them act as Senior Manager in Sales & Marketing of Sime Darby Land Sdn. Bhd. (January 1996 to July 2000), General Manager – Sales & Marketing of Auto Bavaria (August 2000 to March 2004), Managing Director of Auto Bavaria (February 2004 to March 2005), Director of Operations of Sime UEP Properties Berhad (April 2005 to December 2005) and Director-Group Property of Sime Darby Berhad – Group Property (January 2006 to October 2007). Dato' Tunku was appointed as the Executive Vice President in Property Development & Strategic Investments, Property Division of Sime Darby Property Berhad from November 2007 to July 2008 and as Managing Director and Member of the Board of Sime Darby Healthcare Sdn Bhd and Sime Darby Property Berhad from August 2008 to July 2011, prior to venturing into his current business practices. Currently, he is the Managing Director of Putra Ventures Sdn Bhd.

Dato' Tunku has attended all the four (4) Board Meetings held in the financial year.



Dato' Tunku Putra Badlishah  
Ibni Tunku Annuar

## BOARD OF DIRECTORS' PROFILES



Abdul Rahim bin Abdul Hamid

**Abdul Rahim bin Abdul Hamid**

Independent Non-Executive Director  
Malaysian, Male, 66

**En Abdul Rahim bin Abdul Hamid** was appointed as the Independent Non-Executive Director and Audit and Risk Management Chairman of AEON CO. (M) BHD. on 16 August 2013. En Abdul Rahim is a Fellow of the Association of Chartered Certified Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Malaysian Institute of Accountants. He started his career in Coopers & Lybrand (previously known as Cooper Brothers & Co.) in 1971. He rose in the firm to eventually become its Chief Executive in 1993. When the firm merged with Price Waterhouse in 1998 to form PricewaterhouseCoopers, he served as its Deputy Executive Chairman until he retired in June 2004. During the span of more than 3 decades in the firm, he was involved in audit, management consultancy and insolvency practice covering multiple industries including retail and manufacturing, construction, plantation, entertainment and banking in both public and private sectors. He was also appointed to the Council of the Malaysian Institute of Accountants ("MIA") and was elected by the Council to hold office as President. In the education sector, he is an Adjunct Professor of Accountancy at Universiti Malaysia Terengganu; a member of the Senate at Open University Malaysia; a member of Advisory Panel at Universiti Kebangsaan Malaysia and Universiti Putra Malaysia and Industry Adviser at Universiti Tunku Abdul Rahman. He served as President of the MIA (2005 to 2007 and 2009 to 2011) and as President of the ASEAN Federation of Accountants from 2010 to 2011. En Abdul Rahim sits on the Board of Directors of MIDF Amanah Asset Management Berhad, Malaysia Debt Ventures Berhad, Petra Energy Berhad, Malaysian Venture Capital Management Berhad, Asian Finance Bank Berhad, Encorp Berhad and GFM Services Berhad.

En Abdul Rahim is also a member of the Remuneration Committee of the Board.

En Abdul Rahim has attended all the four (4) Board Meetings held in the financial year.

**Charles Tseng @ Charles Tseng Chia Chun**

Independent Non-Executive Director  
Malaysian, Male, 66

**Mr Charles Tseng** was appointed as the Independent Non-Executive Director and Audit and Risk Management Member of AEON CO. (M) BHD. on 16 August 2013. Mr Charles Tseng holds a Master of Business Administration from The Wharton School, University of Pennsylvania, United States of America and First Class Honors' Degree in Engineering from the University of Melbourne in Australia. He began his career with the Ford Motor Company as a manufacturing engineer in Australia and subsequently held other manufacturing and marketing positions with Ford in Asia including marketing director, Malaysia. He was with Cold Storage, a leading food and retail company in Southeast Asia, where he was appointed Group General Manager in Malaysia. He was with another global search firm, where he was senior partner for East Asia and a member of its board of directors practice group. Presently, Mr Charles Tseng is President, Asia Pacific for Korn Ferry International. Based in Shanghai, he oversees 17 offices in a region encompassing Greater China, India, ASEAN, Australasia, Japan and Korea. He is also a member of the Firm's Global Operating Committee. He was voted by Business Week in 2008 as one of the 50 most influential search consultants in the world. He is the Chairman of the Wharton Executive Board for Asia and a fellow member of the Singapore Institute of Directors. He also serves on the Advisory Board of the Centre for Strategic Leadership at the National University of Singapore Business School.

Mr Charles Tseng is also the Chairman of the Nomination Committee of the Board.

Mr Charles Tseng has attended all the four (4) Board Meetings held in the financial year.

Charles Tseng @  
Charles Tseng Chia Chun



## BOARD OF DIRECTORS' PROFILES



Kenji Horii

**Kenji Horii**

Non-Independent Non-Executive Director  
Japanese, Male, 62

**Mr Kenji Horii** was appointed as the Non-Independent Non-Executive Director of AEON CO. (M) BHD. on 21 May 2015. Mr Horii holds a Bachelor Degree in Law from Ritsumeikan University, Japan. He joined AEON Co., Ltd in March 1978 and was assigned to various departments in Foodline. He was the Store Manager of Kyohoku store in Mie Prefecture in March 1985 and the Development Manager of Foodline, Merchandising Department in March 1996. He was the Senior General Manager of Foodline – Delica division in March 2003. In March 2006, he was the Senior General Manager of Merchandising, TopValu Merchandising Department. In March 2007, he was promoted as the Director of AEON TopValu Co., Ltd. Mr Horii was appointed as the Senior Executive Director of AEON Global Merchandising Co., Ltd. In March 2013, he was the Managing Director of AEON TopValu (Thailand) Co., Ltd.

Mr Horii is a member of the Nomination Committee and Remuneration Committee of the Board.

Mr Horii has attended all the four (4) Board Meetings held in the financial year.

**Datuk Iskandar bin Sarudin**

Independent Non-Executive Director  
Malaysian, Male, 62

**Datuk Iskandar bin Sarudin** was appointed as the Independent Non-Executive Director and Audit and Risk Management Member of AEON CO. (M) BHD. on 27 February 2017.

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

Datuk Iskandar has attended one (1) Board Meeting during his term of office.



Datuk Iskandar bin Sarudin

**Note:** Save as disclosed in this annual report, all the Directors mentioned in pages 7 to 11 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, except for traffic summons, if any.

## SENIOR MANAGEMENT



**SHINOBU WASHIZAWA**  
Managing Director

His profile is disclosed in the Directors' Profiles on page 7 of this Annual Report.



**POH YING LOO**  
Executive Director  
Corporate Management

His profile is disclosed in the Directors' Profiles on page 8 of this Annual Report.



**HIROYUKI KOTERA**  
Executive Director  
Business Operation

His profile is disclosed in the Directors' Profiles on page 8 of this Annual Report.



**YASUTOSHI YOKOCHI**  
General Manager  
Corporate Planning

Mr Yokochi, aged 43, holds a Master of Business Administration (Finance). Joined AEON Co., Ltd., Japan in 2001 and has 16 years working experience in Retail Operation and Finance in Japan including posting to United States of America. Joined AEON CO. (M) BHD. in 2016 and assumed his current position in 2017.



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

En Ahmad Fazli, aged 50, holds a Bachelor Degree in Economics & Business Economics. Joined AEON CO. (M) BHD. in 1992. He has 25 years experience in Administration, Mall Operations, Facilities, Safety, Security, Housekeeping, Construction and Risk Management. He was appointed as General Manager – Shopping Center Operations in 2014 and assumed his current position in 2017.



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

Ms Audrey, aged 47. She started her retail career with AEON CO.(M) BHD in 1989 and has more than 28 years of experience in Store Operation, Merchandising, Marketing and Human Resource. She was appointed as General Manager- Marketing in 2008 and assumed her current position in 2016.



**ETSUKO ETO**  
General Manager  
General Affairs

Ms Eto, aged 50, holds a Bachelor Degree in Management and Information Science. Joined retail industry Japan in 1989 and joined AEON CO. (M) BHD in 2012. She has more than 28 years of experience in retail industry including human resource, operations and administration. She was appointed as General Manager – Human Resource in 2014 and appointed to her current position in 2017.



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

Ms Joanne Liew, aged 51, holds a Bachelor Degree in Economics. Joined AEON CO.(M) BHD. in 1991. She has more than 25 years of experience in Shopping Centre Operation and leasing including leasing support experience in Vietnam. Appointed to current position in 2014.



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

Mr Hiramatsu, aged 62, holds a Bachelor Degree in Industrial and System Engineering. Joined AEON Co., Ltd Japan in 2004. He has extensive years of experience in IT and was appointed as General Manager - IT, Japan in 2011. He joined AEON CO.(M) BHD. in 2012 and assumed his current position.



**NG CHIN CHOY**  
General Manager  
Merchandising

Ms Ng, aged 54, started her career with AEON CO.(M) BHD. in 1985. She has more than 30 years of experience in Merchandising and Operations including support to merchandising operations in Vietnam and Cambodia. Assumed her current position in 2016.



**VINCENT NG WEI CHYUN**  
General Manager  
Legal

Dr Vincent Ng, aged 51, holds a Bachelor and Master Laws degree and obtained his Doctor of Business Administration (DBA) in 2016. He has more than 16 years of legal experience in retail industry. He joined AEON CO.(M) BHD. in 2000 and assumed his current position in 2011.



**YOSHIHIRO KAYA**  
General Manager  
Asset & Property Management

Mr Kaya, aged 62, holds a Bachelor Degree in Business Administration. He joined AEON Group Japan in 1979. He has more than 37 years of working experience in retail operations, mall operations and development. Joined AEON CO. (M) BHD. in 2009 and appointed as General Manager – Shopping Center Development, Property Management and Construction in 2011. He assumed his current position in 2017.



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

Ms Yvonne Ting, aged 48, is a member of the Malaysian Institute of Accountants (MIA) and The Association of Chartered Certified Accountants (ACCA). She has more than 22 years of experience in auditing and retail industry. She started as an Accountant before assuming her current position in 2015.

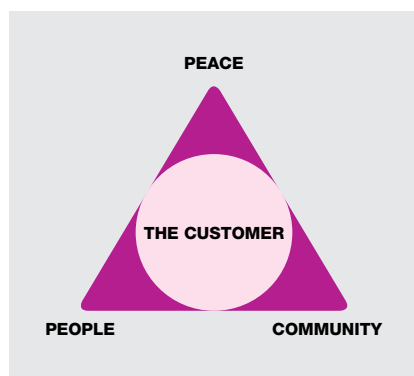
**Note:** Save as disclosed in this annual report, all senior management mentioned in this page have no conflict of interest with AEON CO. (M) BHD. or any family relationship with any Director and/or major shareholder or any convictions for offences within the past 5 years, except for traffic summons, if any.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF BUSINESS AND OPERATIONS

**AEON CO. (M) BHD.** is a leading retailer in Malaysia with a total revenue of RM4.039 billion for the financial year under review. The Company was incorporated on 15 September 1984. AEON CO. (M) BHD. (AEON or the Group) was first set up in response to the Malaysian Government's invitation to AEON Japan to help modernise the retailing industry in Malaysia. The 'AEON' name today is well established among Malaysians especially due to its association with the international AEON Group of Companies. AEON has established itself as a leading chain of General Merchandise Stores (GMS), supermarkets and malls. 2016 marked the Group's thirty second (32<sup>nd</sup>) year of operations in Malaysia.

### AEON BASIC PRINCIPLES

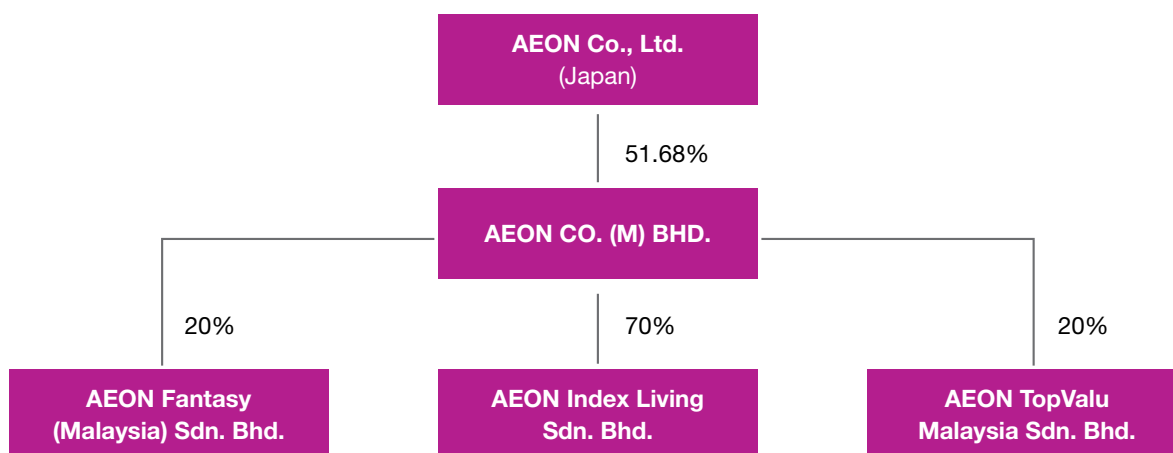


Pursuing peace, respecting humanity and contributing to local communities, always with the customer's point of view as its core.

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

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

### CORPORATE STRUCTURE



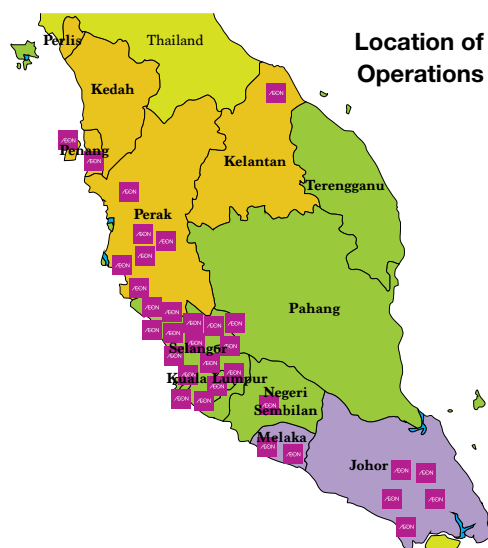
AEON CO. (M) BHD.'s holding company during the financial year is AEON CO., Ltd., a company incorporated in Japan and holds 51.68% equity interest in the Company.

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



## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATIONS



AEON is principally engaged in the operations of a chain of departmental stores and supermarkets selling a broad range of merchandise from clothing, food, household products, other merchandise and property management services of malls. The Group's only subsidiary is involved in furniture retailing with a presence of three (3) outlets. The subsidiary's business is a joint venture with the Index Living Mall Group of Thailand, a leading furniture manufacturer and retailer operating under the renowned trademark of Index Living Mall.

AEON's business model on its premises basically involves the operations of the retailing business as an anchor departmental store cum supermarket, and is complemented by the shopping mall operations. In some instances, the Group operates its departmental store cum supermarket as an anchor tenant in third parties' malls. As at 31 December 2016, the Group operates a total of thirty three (33) departmental stores cum supermarkets and the Group also manages and operates a total of twenty six (26) shopping malls. At present, the stores and malls are diversely spread out geographically in the Peninsular Malaysia.

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

Year	2012	2013	2014	2015	2016
Existing malls (beginning of the year)	19	21	22	23	24
Opened during the year	2	1	2	1	2
Closed during the year	-	-	(1)	-	-
<b>Number of malls as at year end</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>26</b>
- Number of malls fully owned (Including land)	11	12	13	13	14
- Number of malls fully leased (Including land)	8	8	8	9	9
- Number of malls where land is leased (only building is owned)	2	2	2	2	3

In addition to the stores and malls, the Group also operates smaller scale businesses with its MaxValu standalone supermarket business, its Wellness pharmaceutical business, Daiso flat price shops and individual private label shops. The MaxValu supermarket, on an average scale range of 1,600 to 3,000 square meters each, targets to provide convenient shopping to the residents in the vicinity where the outlet is located. At present, there are three (3) MaxValu outlets.



As for its pharmaceutical business and flat price shops, as at the end of the financial year under review, AEON operates a total of forty eight (48) outlets of Wellness pharmacy shops and twenty nine (29) Daiso outlets. The Group also operates a total of eight (8) private house label shops in its malls, among others, the brand name of Ti:zed, Orange Sorbet and Jeans Studio.

## MANAGEMENT DISCUSSION AND ANALYSIS



### CUSTOMER PROFILE AND VALUE PROPOSITION

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

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

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

### ANALYSIS OF FINANCIAL RESULTS



The year 2016 had continued to be a difficult and challenging year for the retail industry as poor consumer sentiment due to the rising cost of living affected all categories of retailing businesses.

Against such backdrops, while AEON's revenue growth remains commendable, the profit for the year was affected by higher operation and financing costs.

Thus, for the year ended 31 December 2016, the Group recorded revenue of RM4.039 billion which is 5.3% higher than

the previous financial year of RM3.835 billion. The profit before tax for the financial year of RM 147.1 million was, however, lower than the previous financial year profit before tax of RM210.8 million. Likewise, the profit after tax of RM75.0 million for the year under review is lower than the previous financial year profit after tax of RM131.7 million. The lower profits were mainly attributed to the higher operation costs, initial costs associated with new stores and mall openings, operational disruptions during refurbishment for some of its stores and the higher interest expenses.

As at 31 December 2016, the Group's shareholders' fund remains strong at RM1.865 billion which provides a net asset value per share of RM1.33 (2015: RM1.31). Earnings per share however had dropped to 5.68 sen per share (2015: 9.50 sen) for the year under review due to the lower profit.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENTAL PERFORMANCE

Table 2: Breakdown of segmental revenue

Segmental revenue	2012		2013		2014		2015		2016	
	RM mil	%	RM mil	%	RM mil	%	RM mil	%	RM mil	%
Retailing	2,822.58	87	3,041.72	87	3,193.20	86	3,288.83	86	3,439.13	85
Property Management Services	433.09	13	472.70	13	512.28	14	545.81	14	599.52	15
<b>Total</b>	<b>3,255.67</b>	<b>100</b>	<b>3,514.42</b>	<b>100</b>	<b>3,705.48</b>	<b>100</b>	<b>3,834.64</b>	<b>100</b>	<b>4,038.65</b>	<b>100</b>

## RETAILING FINANCIAL RESULTS

Revenue registered by the retail business segment for the year under review was RM3.439 billion which was 4.6% higher than the previous year of RM3.289 billion, mainly attributed to the contributions from its new stores.

Despite the higher retailing revenue registered, retailing business segment overall has been showing declining profits due to the current soft market environment, competition, rising cost of doing business, refurbishments of stores during the year and initial costs associated with new store openings.

The gross margin increased was restricted despite increase in operation costs mainly because of consumers cautious spending on discretionary items in departmental stores and the regulatory control on margins in compliance with the mechanism of the anti-profiteering act. Merchandise pricing and margin were further compressed in the competitive market as retailers resort to extensive promotions and regular price discounting in an effort to remain competitive.

The rising cost of doing business was mainly due to higher depreciation charge which resulted from the Group's investments in malls, higher rental expenses and higher promotional and advertising expenses incurred under the current competitive retail market.

The operating profit of retailing for the year under review was also affected by the initial losses from stores that were opened in the last two years including that of its subsidiary. In addition, operating profit was further affected by impairment loss on its underperforming stores and refurbishment of certain selected stores during the year.

## PROPERTY MANAGEMENT SERVICES FINANCIAL RESULTS

Revenue from the Group's property management services at RM599.5 million recorded a growth of 9.8% over the previous financial year of RM545.8 million, mainly due to contributions from its new shopping malls that were opened during the year and also mall that was opened in previous year and operated for a full year in the year under review. On same scale basis, property management services income was marginally lower for the year under review reflecting the current tough market and industry environment. Nevertheless, AEON was able to maintain an average occupancy rate of 90% for the year under review.

Property management services continued to provide steady income for the Group. It remains the pillar for the Group's operating profit despite facing similar challenges of weak consumer sentiment and rising cost of doing business including higher depreciation charge and higher rental expenses.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ASSET, LIQUIDITY AND CAPITAL RESOURCES

The Group's property, plant and equipment net book value as at the end of December 2016 increased by RM428.4 million mainly due to the capital expenditure incurred on its new malls and stores in AEON Mall Shah Alam and AEON Mall Kota Bharu, as well as renovation costs incurred on its malls and stores in Kinta City, Tebrau City and Mid Valley. In addition, the amount includes capital work in progress in respect of its new malls that will be opened in the near future.

The Group recorded consistent operating cashflows over the past 5 years in line with its revenue growth from its core activities. Despite a softer retail market and increasing cost of doing business, the earnings before interest, tax, depreciation and amortisation (EBITDA) remains resilient with an EBITDA of RM449.6 million for the year under review, a marginal increase over the previous year amount of RM444.2 million.

The Group had tapped on external borrowings in the last two years for its expansion programme and thus, the Group's borrowings had increased during the year under review to RM965.4 million as the Group continues with its strategic plan of refurbishing its existing malls and stores during the year and complete construction of its new malls. Nevertheless, AEON's statement of financial position remains healthy with a comfortable net debt to equity ratio of 46.3% which is further supported by the sukuk financing programme which the Group had established.

### REVIEW OF OPERATIONS

While AEON's solid brand name which was further backed by customer loyalty and the Group's ability to deliver quality customer shopping experience at its malls and stores, the current weak consumer sentiment and spending due to higher cost of living has increased the pressure on both its core businesses of retailing and property management services. This was further exacerbated by the intensifying competition in the retail industry as evidenced by the aggressive pricing and promotions in the industry. Furthermore, continuing increase in retail space and the rising cost of doing business affected retailers' performance.

#### RETAILING BUSINESS

Economic environment uncertainties, weakening of Ringgit and continuous subsidy rationalisation which had resulted in higher cost of living continue to affect consumer sentiment as they become more cautious in spending. Spending became more skewed towards basic necessities and commodities while spending on discretionary items were held back as reflected in the composition of AEON's retailing revenue results for the year under review.

Thus, for AEON's retailing results, food and grocery shopping categories remained resilient under the current economic conditions whereas departmental store categories experienced a slowdown in purchase especially for bigger ticket items and discretionary merchandise in departmental store.

The overall higher growth from the retailing revenue was mainly contributed by new stores of AEON Shah Alam and AEON Kota Bharu, both of which opened in the first half of 2016 and the store in Klebang, Ipoh which opened in previous year and operated for a full year in the year under review. On the same store basis, even though the Group recorded an overall lower performance by 1.8%, there is mix in individual store performance, characterised by the local operating conditions, competition, and age of the stores as well as refurbishments during the year to cater for the changing consumer demands.

On 22 March 2016, AEON was honoured to have DYMM Sultan of Selangor, Sultan Sharafuddin Idris Shah Al-Haj, officiated the opening of AEON Mall Shah Alam, the Group's 25th mall and 31st general merchandise store in Malaysia.

AEON Mall Shah Alam prides itself in its aesthetical features inspired by the iconic landmark of the community, the Sultan Salahuddin Abdul Aziz Mosque. Fulfilling its Do Mall promise, the 1.5 million square feet "Cultural Destination Mall" offers an exciting mix of 160 tenants, which includes international retailers, the second AEON Index Living Mall outlet in the country and the mall's gourmet area, which features a wide range of dining options including delicatessen and bakery.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 28 May 2016, the Group extended its AEON shopping experience to the people of the East Coast and particularly of Kota Bharu, Kelantan with the opening of its first mall in the region. The Deputy Chief Minister of Kelantan Yang Berhormat Dato' Mohd Amar Bin Abdullah officiated the opening of the mall which seek to enhance the region with its exciting mix of retail, dining and experiential shopping options. This was also the Group's 26th mall and 32nd general merchandise store in Malaysia.

AEON Mall Kota Bharu caters to families in search of a new weekend pastime and a shopping destination in this region. Located a mere five-minute drive away from Kota Bharu town, the new mall stands in a built-up area of over 1.3 million square feet. It features more than 130 tenants, which include AEON Supermarket and Departmental Store, AEON Index Living Mall's third store in Malaysia, local and international fashion brands as well as food outlets that cater to every taste-bud. AEON Mall Kota Bharu offers 2,400 parking bays, surau with full facilities, baby room for mother's convenience and public library for the convenience of customers.



On 9 September 2016, the shopping experience in Ipoh kicked up a notch with the opening of AEON Ipoh Falim, a first new concept store geared towards trendy younger shoppers in Ipoh that are keen for a hip and up-to-date shopping experience.

AEON Ipoh Falim is AEON's sixth store in Perak and its first concept store without a supermarket. The all-inclusive lifestyle destination store redefine shopping experience with a contemporary mix of Japanese fashion, stylish home decor and lifestyle concepts that includes a wide range of merchandise from TOPVALU, AEON's global flagship private brand.

The Group's newer stores in Bukit Mertajam and Quill City Mall enjoyed 8.2% and 9.0% growth respectively. AEON Taiping store enjoyed growth of 17.8% as they enjoyed increased market share.

During the year under review, the Group carried out renovation and refurbishment on its AEON Mall Kinta City while AEON Mall Tebrau City expansion was completed by the end of third quarter in the year under review. The Group had also carried out major refurbishment to its key store in Mid Valley, Kuala Lumpur. Thus, AEON store's operation in Kinta City was affected by the refurbishment which resulted in 14.2% lower in revenue performance. AEON Mid Valley store which was closed in phases registered 17.5% lower than its previous year's revenue performance. AEON store in Tebrau City, despite renovation in the mall, still enjoyed strong customer support with a growth of 6.3% for the year under review.

For the Group's other existing stores, AEON stores in Bukit Indah, Metro Prima, Kulaijaya, Bukit Tinggi, Permas Jaya, Cheras Selatan and Queensbay enjoyed growth ranging from 2.3% to 7.2% in the year under review as they continued to enjoy growing customer base. Revenue performance of AEON stores in Bandaraya Melaka, Bandar Puchong, Seri Manjung, Ayer Keroh Melaka and Taman Equine were however marginally lower ranging from 0.3% to 2.4% as the overall weaker consumer sentiment, competition and surrounding infrastructure development affected them. Similarly for the same reasons, stores' performance in Taman Universiti, Taman Maluri, Rawang, Bandar Utama, Wangsa Maju, Bandar Sunway, AU2, Ipoh Station 18, Bandar Baru Klang and Seremban 2 also registered lower performance ranging from 3.3% to 11.8% against their previous year's performance.

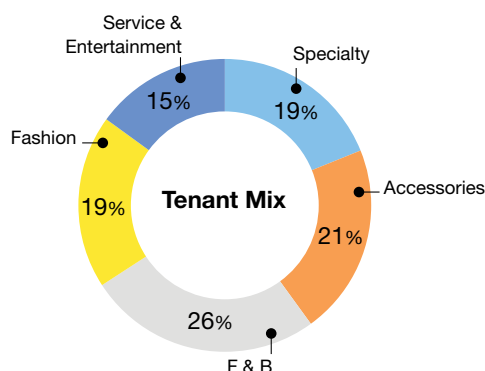
## MANAGEMENT DISCUSSION AND ANALYSIS

For the MaxValu supermarket operation, during the year under review, the Group closed down its underperforming outlets in Damansara Damai and Ampang Petronas before opening a middle to higher end outlet named MaxValu Prime supermarket in the new Sunway Velocity shopping mall. At present, the Group operates a total of three (3) MaxValu outlets. MaxValu supermarkets registered a combined revenue of RM50.9 million for the year under review.



AEON's other retail business categories of pharmacies under AEON Wellness and Daiso flat price lifestyle household products shops, continued to expand with opening of new outlets during the year under review. Their revenue of RM101.9 million and RM70.8 million respectively remained marginal in contributions to the total revenue.

Most retailers have begun developing their online channels. AEON is no different and have launched its own online channel shoppu.com.my which currently offers attractive merchandise not commonly available at AEON stores. AEON's e commerce journey is still in its infancy stage. While revenue is growing, its contribution for the year under review remained marginal. The Group is currently working towards building up the business with an aim towards omni channel level in the near future.



### PROPERTY MANAGEMENT SERVICES

The Group's property management services business remains very challenging in the year under review due to cautious consumer spending, competition and rising cost of doing business.

As the consumer sentiment and spending weakens over the last two years, the industry had seen tenant business owners consolidating their businesses by closing down underperforming outlets, holding back and being selective over new shop openings and trying to manage operation costs by seeking lower rental or rebates.

Mall rental rates in general moderated in recent years as increased retail space resulted in competitive rental rates and efforts by mall owners to maintain and sustain occupancy rates in their malls.

The Group in facing these challenges, had leveraged on its own competitive strengths to sustain occupancy rates and income in its malls without compromising on its mall objective of being the preferred shopping destination for shoppers.

The Group's average tenant mix concentration for the year under review, as shown in the table, are basically well managed and balanced, with something for everybody in the family.

During the year under review, the Group carried out refurbishment at its AEON Mall Kinta City to create new tenant mix and an exciting new food court. AEON Mall Tebrau City's expansion and renovation was also completed during the year.

In addition, for its other malls, the Group had also employed strategies to maintain its business competitiveness by searching for new category of tenants, rezoning the layout of its existing malls to bring in fresh tenant mix, working jointly together with its tenants on upgrade and promotion activities, and offering competitive package rates including variable element to its tenants. Revenue from the property management services segment was further boosted by the contributions from AEON Mall Shah Alam and AEON Mall Kota Bharu that opened during the year, and AEON Mall Klebang which was opened in previous year and operated for a full year in the year under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS AND OUTLOOK



economic driver in the last few years. Inflation is expected to be averagely higher subject to key uncertainties such as global oil prices and Ringgit exchange rate movements.

Such outlook and concerns has resulted in lower consumer spending which is also affecting retailing industry in 2017 and likely in the immediate foreseeable future. In particular, retailing in discretionary merchandise face even tougher times. Nevertheless, slower consumption spending is mitigated by the current stable employment market and continued wage growth. On its part, the government in tackling the rising cost of living is putting in efforts to lessen the burden of the people and boost consumer confidence in the face of the internal and external economic challenges.

The Group acknowledges that its financial performance in 2017 will continue to be impacted by such challenges and will continue to push forward its strategy to reform its businesses towards improving revenue and profitability.

The Group while leveraging on its established presence and competitive strengths as a key player in Malaysia's retailing landscape, will continue to employ appropriate marketing and pricing strategies, merchandise assortment reformation, maintaining quality customer service and with operational efficiency efforts to ensure that its core businesses remain resilient and sustainable. Focus will be on managing operational strategies and efficiency at its stores and malls to boost revenue and realised cost efficiency.

On its property management services, which is facing challenging times to sustain occupancy rate in the face of the softer retail market and competition, the Group recognized that it has to maintain leadership position for its property management services business especially in areas where it operates so as to continue being the preferred shopping destination for shoppers within its targeted catchment market.

AEON's objective is more than just providing a shopping space. In line with its Do Mall campaign, which was launched last year, AEON aims to boost its customer's experience by focusing on thematic pillars of offering the best in food, fashion, community activities, shopping experiences and entertainment to its shoppers.

A great shopping experience in AEON mall that ensure return visits by customer remains a key strategy for AEON especially with the rising threat from new malls, new specialty retailers and online shopping. Thus at AEON, we emphasized not only on ensuring our general merchandise stores will draw in the shopper traffic, efforts are constantly being made to ensure that AEON provides a destination mall that consist tenant mix of both merchandise selling and provision of interactive activities with shoppers.

In 2016, the Group had, in line with changes in competitive environment and changing consumer behaviour, embarked on development of new malls and stores that are more interactive and engage more with customers, providing them with new shopping experience and discoveries such as evidenced in its newly opened AEON Mall Shah Alam and AEON Mall Kota Bharu. The same strategy will be adopted for its up and coming mall in Kempas, Johor Bahru, which is scheduled to open by third quarter of 2017.

The Group will also continue to refurbish and upgrade its selected stores and shopping malls. Thus in 2017, existing store in Queensbay will be refurbished. The Group is also currently embarking on a major revamp of its AEON Taman Maluri Shopping Centre. The shopping centre, firmly entrenched as a Cheras landmark, is being given its second upgrade since opening twenty eight (28) years ago. The upgrade is timely not only in the face of competition but also to provide a new refreshing level of shopping experience for its customers with expanded space, a better retail mix and merchandise assortments. The renovation and building expansion works, which had commenced in early February 2017, will be carried out in stages and is expected to be fully completed by end 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

Besides the refurbishments and upgrades, the Group will also continue its expansions, albeit selectively, in the new business categories of pharmacy and flat price shops. Its subsidiary, AEON Index Living Mall had opened one new store recently in AEON Mall Tebrau City.

The Group's strategy is to maintain a good balance between pursuing growth and stability under the current challenging environment. Thus, the Group had reorganised and consolidate its development portfolio, exercising restraint and thus review its development plans projected in earlier mid-term plan. The Group had during the year announced that it had aborted or will not proceed with its earlier projected projects in Sungai Petani, Senawang and most recently in Batu Pahat. In addition, the Group had also choose to terminate a tenancy agreement for a yet to be build mall in the face of the current challenging environment. The Group is also currently in negotiation for the disposal of one of its shopping centre which is no longer strategic to its requirement. At the same time, the Group is scheduled to open AEON Mall Kempas, Johor Bahru by the third quarter of this year and its first mall in Kuching, East Malaysia by the first quarter of 2018.

The Group's financial profile remains healthy despite higher borrowings and the Group's established sukuk financing programme will position the Group with alternative financing for its business expansion and working capital needs.

The Group's businesses is generally exposed to the economy, business and retail market risks such as economic cycles, consumer sentiment, changes in consumer behaviour, rising cost of living, competition, regulatory changes, compliance and approvals, financing, new stores and new markets, unforeseen incidents as well as other changes in business and operating conditions. These risks may affect the Group's business and operation including revenue and profitability performance.

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

## DIVIDEND

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

Dividend table	2012	2013	2014	2015	2016
Net dividend	64,058	77,220	70,200	56,160	42,120
Net dividend per share (sen)	18.25	22.00	5.00	4.00	3.00
Payout ratio (%)	30.1%	33.4%	33.0%	42.1%	52.8%

Note : 2012 and 2013 are before bonus issue and share split which were completed in June 2014.

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

## MALAYSIAN AEON FOUNDATION



**‘With All Our Hearts’** Malaysian AEON Foundation (MAF) is the charity arm of which AEON CO. (M) BHD., AEON Credit Service (M) Berhad, AEON Big (M) Sdn. Bhd. and its business partners play major roles in running all of its main charity events and community services, in making contributions and fund-raising activities. The Foundation, which started up as a charity fund, has been operating for over 10 years and benefits many Malaysian in need especially children. AEON is the first retailer that has its own charity foundation in Malaysia. To date, the Foundation has contributed over **RM9 million** for worthy causes in line with its mission.

### OUR MISSION

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



## MALAYSIAN AEON FOUNDATION

**FESTIVE CELEBRATIONS****CHINESE NEW YEAR –  
SPREAD OUR LOVE**

In 2016, MAF's 'Spread Our Love' Chinese New Year was celebrated together with 210 children in Ipoh, which include those from Pertubuhan Pengurusan Rumah Anak-Anak Yatim dan Miskin Anning, The Salvation Army, Pertubuhan Kebajikan Harapan Baru, Persatuan Kebajikan Mesra Megah Ria, Pusat Kebajikan Care Haven, SMK Dindings and SMK Methodist Ipoh.

The children were given shopping sprees at the nearest AEON malls, a luncheon at AEON Mall Klebang Ipoh, entertainments from "God of Prosperity" and lion dance performance as well as ang pow distributed by the Foundation committees.

**SINAR KASIH RAMADHAN**

Foundation brought 120 orphans and 40 single parents to AEON Mall Shah Alam from Pangsapuri Program Perumahan Rakyat (PPR), Kampung Baru Hicom, Shah Alam to celebrate the festive season. They were excited with new clothes and shoes shopping and a delicious, entertaining 'Berbuka Puasa' buffet. In addition to Duit Raya being distributed to each participant, groceries items and a fruit basket, with compliments from Euro-Atlantic Sdn. Bhd., were given to the single parents as well.

**DEEPAVALI CELEBRATION - LIGHTS OF LOVE**

In 2016, Foundation organized a "Gotong-Royong" at two homes from Pertubuhan Kebajikan Yesuvin Mahligai (Yesuvin), Semenyih. Cleaning and refurbishments were done together with a group of volunteers. Each child received an ang pow, a new set of school uniform and school shoes while an amount of RM10,000 was donated to Yesuvin as assistance to the homes' daily expenditure.





## MALAYSIAN AEON FOUNDATION

## JOY OF CHRISTMAS

For this festive season, Foundation went south and brought 80 children and a group of single mothers from Pusat Kebajikan Kalvari Johor (PKK) to AEON Mall Tebrau City, Johor Bharu.

During the event, each participant received various goodies and children also enjoyed their play times either at Fanpekka theme park or Molly Fantasy amusement centre, both operated by AEON Fantasy.



## FUND-RAISING ACTIVITIES

## CHARITY GALA DINNER 2016 – 'LIVIN' THE DREAM'

Together with 1,300 AEON business partners and group of companies, the Foundation's Charity Gala Dinner 2016 themed "Livin' the Dream" raised a total of RM1.7 million in donations. The funds raised will assist to improve lives of underprivileged, especially children, in their education and medical aid. During the night, Foundation also donated RM20,000 each to three children's homes, Yayasan Sunbeams Home, Rumah Kanak-Kanak Tengku Budriah and Persatuan Kebajikan Shammah.



## CHARITY GOLF 2016

This year marks the second golf tournament for charity organized by MAF at Palm Garden Golf Club, IOI Resort City, Putrajaya. The event received great support from over 100 golfers, comprising of AEON business partners and associates. RM82,000 was successfully raised from the event and on the same day, donations were presented to Pertubuhan Kebajikan Asnaf Al Barakh Malaysia, Pusat Penjagaan Kanak-Kanak Terencat Akal Kasih Sayang and Pertubuhan Kebajikan Warga Emas & Anak Yatim Nazareth.





## MALAYSIAN AEON FOUNDATION

FUND-RAISING CAMPAIGN  
WITH BUSINESS PARTNERS

MAF collaborated with business partners from Euro Atlantic Sdn Bhd, VOIR Group Holdings, Sangla Foods Sdn. Bhd., Tian An Trading Sdn Bhd and KMT Trading Sdn. Bhd. to raise funds, whereby a portion of their products sales was channelled to MAF for charities.



## DONATIONS TO INDIVIDUAL AND ORGANISATIONS

MAF has also actively contributed to schools, welfare organizations, individuals and orphanage homes for education and medical assistance, with the aim to improve daily lives of those in need.



## BASIC EDUCATION SUPPORT PROJECT (BEST)

After Sarawak, Perak and Kelantan, in 2016 MAF focused on contributions to schools in Selangor. These contributions included RM146,000 donated to SK (Asli) Bukit Cheding, RM70,000 to SK Teluk Ru, RM76,000 to SK Jenis Tamil Pulau Carey and RM107,000 to SK Kuala Pajam.

The financial assistance given support various refurbishments in each school such as the construction of a multipurpose futsal and sepak takraw court, the restoration of a faulty electrical system, the upgrading of libraries and computer rooms as well as the purchase of equipment and furniture for a room dedicated to special needs children. The project was completed by February 2017.

## SK (Asli) Bukit Cheding, Banting



Before



After

## SK Kuala Pajam, Beranang



Before



After

## SKJ (T) Pulau Carey, Klang



Before



After

## SK Teluk Ru, Sabak Bernam



Before



After

## SUSTAINABILITY STATEMENT

This is AEON CO. (M) BHD. (AEON)'s first Sustainability Statement, and it follows the amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

### SCOPE

This Statement follows the scope of AEON's Annual Report 2016 and includes only the operations of AEON. The Statement covers the reporting period from 1 January 2016 to 31 December 2016. This Statement includes information on issues material to us, as well as on impacts of our business to the society and environment.

### SUSTAINABILITY AT AEON

AEON is committed to achieving a sustainable society as stated in our principle of "Pursuing Peace, Respecting Humanity and Contributing to Local Communities, Centred on Customers."

AEON Code of Conduct (COC) Commitment are:

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

Please refer to the Statement of Corporate Governance of our Annual Report 2016 on page 43 for more details on AEON Code of Conduct.

We have recently started tracking our performance in key areas of sustainability and are working towards improving our strategic focus and management of sustainability issues. We will be focusing on topics such as waste management and reducing our carbon footprint. We will continue to support conservation programmes and initiatives that raise awareness on environmental issues.

AEON's contributions to local community sets it apart from other retailers. We are the first retailer in Malaysia to have our own charity foundation. With All Our Hearts' Malaysian AEON Foundation (MAF) runs programmes and initiatives that benefit the community, especially children.

### GOVERNANCE

As set out in the Board Charter, the Board of Directors (Board) is responsible for reviewing and adopting the overall corporate strategy, plans and directions for the Group, including those related to sustainability.

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

Sustainability reporting at AEON is coordinated by the Finance and Accounting Division in collaboration with Human Resource Department, Corporate Communication and Corporate Social Responsibility Department, Customer Service Department, Administration Department, Quality Management Department and Facility Management Department and overseen by the Executive Director of Corporate Management.

## SUSTAINABILITY STATEMENT

### ETHICS AND POLICIES

Information on AEON's corporate governance, including policies and frameworks can be found in the Statement of Corporate Governance.

Among others, policies, processes and practices relevant to sustainability at AEON:

- AEON Code of Conduct (AEON COC)
- AEON Food Safety Policy
- AEON Halal Policy
- Bersih, Selamat dan Sihat (BeSS) Certification for food courts
- Bisphenol A (BPA) Free Merchandise At Baby Department Policy
- Code of Conduct Hotline (Whistle-Blowing Hotline)
- Employee Handbook
- Hazard Analysis And Critical Control Points (HACCP) certification / ISO 22000 Food Safety Management System certification
- Malaysian Halal Standard MS 1500:2009
- Malaysian Organic Scheme Certification (SOM) and other organic certifications for organic produce and vegetables
- Purchasing Code of Ethics

AEON also demonstrates its commitment to a sustainable society and environment through its focus on:

- Preservation of biodiversity
- Efficient use of resources
- Realisation of low-carbon society
- Stakeholder engagement
- Awareness and education

### STAKEHOLDER ENGAGEMENT

AEON Basic Principles and the AEON COC Commitment guide us in how we deal with customers, local community, business partners, shareholders and employees. As set out in the Board Charter, the Board is responsible for promoting effective communication with shareholders and relevant stakeholders. We are committed to providing the stakeholders and regulators with comprehensive, accurate and timely disclosure of information related to the Company. We strive to maintain a good relationship with shareholders and other stakeholders.

Stakeholder Group	Engagement Platform
Employees	<ul style="list-style-type: none"> <li>• AEON Code of Conduct</li> <li>• Employee engagement sessions</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• AEON Careline</li> <li>• Customer Voice Form</li> <li>• Customer service counters</li> <li>• Social media</li> </ul>
Government & Regulators	<ul style="list-style-type: none"> <li>• Meetings, roundtables, forums, events and briefings</li> </ul>
Investors and shareholders	<ul style="list-style-type: none"> <li>• Quarterly reports, annual report, press conferences, press release, Investor Relations roadshows, website, Annual General Meeting</li> </ul>
Local Community & Civil Society	<ul style="list-style-type: none"> <li>• Community programmes and engagement sessions</li> <li>• MAF activities</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Meetings, capacity building sessions, business alliance meetings, site visits</li> <li>• Purchasing Code of Ethics</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Meetings engagement sessions, press releases, press conferences, articles</li> </ul>
Industry	<ul style="list-style-type: none"> <li>• Meetings, roundtables, forums and briefings, trade associations, events</li> </ul>

## SUSTAINABILITY STATEMENT

### MATERIALITY

To understand what sustainability issues are material to us, we assessed the industry benchmarks and the operations of AEON Co., Ltd. in Japan. Material issues were then internally determined and identified based on importance to the organisation and stakeholders. The topics are classified under the three pillars of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and Bursa Malaysia Sustainability Reporting Guide: Economic, Environmental and Social (EES).

ECONOMIC	ENVIRONMENT	SOCIAL - WORKPLACE
Quality of Our Products Supply Chain Management Supporting Small & Medium Enterprises (SMEs) Customer Relationship	Carbon Footprint and Electricity Waste Management	Talent Management and Career Progression Diversity and Equal Opportunity Labour Relations Health and Safety Employee Engagement
		SOCIAL - COMMUNITY
		Protecting Biodiversity Fundraising and Charity Awareness and Education

### ECONOMIC

Our mission is to support our customers' daily lives. This is reflected not only in our products and services, but also in our aspiration to be able to respond to the changes in our operational environment and consumer behaviour. We need to be agile in our response to issues such as the digital shift, online shopping and the changing needs of our customers.

One of the cornerstones of our business model is our ability to provide safe and reliable products and services to the Malaysian market. Product-oriented focus and strengthening sustainable procurement are an important part of that process.

### QUALITY OF OUR PRODUCTS

#### Quality Assurance

The AEON Food Safety Policy helps us to ensure the highest degree of protection for consumers' health. It is in line with the laws of Malaysia, in particular the Food Act 1983. Our retail outlets and processing centre have Food Safety Management Systems (FSMS) in place and have been certified with Hazard Analysis And Critical Control Points (HACCP) and ISO 22000.



AEON's Halal Policy assures that the food and beverages at outlets including AEON Bakery, Delicatessen, Sushi, Mister Donut, Coco Café and Food Court Delicacies comply with the Malaysian Halal Standard MS 1500:2009.

The AEON food safety team is responsible for alerting customers in case any product quality issues are detected in our food products. They are guided by procedures to inform customers and to place a product alert or recall notice if necessary.

*Best Employee for Hygiene Management – 2016 Awards Commendation ceremony in Japan*



## SUSTAINABILITY STATEMENT

### Bersih, Selamat dan Sihat (BeSS)

BeSS is a government label given to food operators as a recognition of safe and healthy food. To maintain the label, the operator needs to fulfill four main criteria:

- Maintain clean premises
- Provide safe food
- Provide healthy food, and
- Prepare food in appropriate portions according to individual needs

This recognition involves two components, food safety and quality as well as nutritional composition. To obtain this certification, operators must comply with the conditions laid down for both components. 12 AEON food courts have been awarded with the BeSS label.

### Labelling

We want to make sure consumers have access to information about our products and can make informed decisions. Our products are labelled with information that is easy to understand and simple to use. The labels include nutrition information on products displayed, among others, at AEON Bakery, AEON Delica and AEON Sushi.



### Organic Certification

All organic products on display at AEON have been certified organic by relevant certification bodies. The organic produce and vegetables sold in our grocery stores are certified with Malaysian Organic Scheme Certification (SOM). SOM is a certification programme of the Department of Agriculture. The SOM Standard is based on Malaysian Standard MS 1529: 2001 – Production, Processing, Labelling and Marketing of Plant Based Organically Produced Foods.

Our imported organic products are certified with international organic standards such as NASAA Certified Organic (Australia), Australian DEMETER Bio-Dynamic Certified Organic, Organic Thailand and BioGro Certified Organic (New Zealand).

### SUPPLY CHAIN MANAGEMENT

AEON's key goal as one of the biggest retailers in the country is to offer more variety, fresher selection and greater value to the customers. We also strive to offer higher quality products sourced from ethical suppliers, both locally and internationally. We value business partners with an emphasis on safety and assurance. AEON complies with all regulations regarding labour issues, environmental conservation and quality management. We also require our business partners to observe these standards. We perform food safety assessments on the products of our suppliers to ensure product quality.

### Purchasing Code of Ethics

All our merchandisers are bound by the AEON's Purchasing Code of Ethics. This code regulates the relationship between our employees and suppliers, making sure all businesses are conducted ethically. It states our zero tolerance for corruption and no gifts policy. Suppliers who are found to have collaborated with or induced our merchandisers directly or indirectly against the terms and conditions of the Code, shall have their supplying service or agreement terminated immediately for a period that AEON deems fit.

## SUSTAINABILITY STATEMENT

In the event that any AEON employees, regardless of whether they are a merchandiser or assistant merchandiser, are in breach of the Purchasing Code of Ethics, suppliers are required to report immediately. Suppliers who choose not to do so shall be deemed as non-compliant with the Code.

In line with AEON Basic Principles of contributing to local communities, we support local businesses with our procurement.

Year	2014	2015	2016
Total number of local suppliers (active)	1,300	1,400	1,400
Amount spent on local procurement (RM' billion)	3.67	3.78	3.96

### Promoting Sustainable Procurement

Our natural resources face many threats today, from destruction and over exploitation of ecosystems to abnormal weather conditions caused by climate change which affects agricultural produce. AEON's supply chain is wide and we are conscious that products manufactured and sold by AEON are reliant on raw materials procured from producers and locations around the globe.

### Free of Bisphenol-A (BPA)

In line with our Bisphenol-A (BPA) Free Merchandise At Baby Department Policy, all of our baby merchandise are BPA free. BPA is a chemical that is widely used in plastics and has been scientifically proven to be harmful to consumers. We comply with the Malaysian regulations that do not allow selling of baby feeding accessories that contain BPA.

### SUPPORTING SMALL AND MEDIUM ENTERPRISES (SMEs)

In line with our pledge to support local communities, we implement several initiatives to empower local small and medium enterprises.

Since 2009, AEON has been working in partnership with government agencies to help SMEs gain marketing experience and promote local products to AEON customers while creating more economic opportunities locally. Amongst others, we collaborate with Ministry of Domestic Trade, Consumerism and Cooperative (MDTCC), Ministry of Agriculture and Agro-Based Industry (MOA) and Ministry of International Trade and Industry (MiTi).

Other than providing shelf space and kiosks for their businesses, AEON also organises regular showcases for new entrepreneurs as a platform to support local businesses. In 2016, shelves with local products in our outlets were given a facelift to improve brand awareness. Entrepreneurs were also provided with trainings to improve the marketability of their products. Through these initiatives, local entrepreneurs were able to increase their sales and brand awareness through AEON.



Shelves with local SME products got a makeover to increase their visibility at stores.

## SUSTAINABILITY STATEMENT

### Sustainable Supplier Development Programme (SSDP)

SSDP is our capacity building programme for small or less established businesses. Through this programme, we help them to develop effective food safety management systems and eventually develop Food Safety Assurance Programmes (FSAP). The objective of SSDP in Malaysia is to increase safe and sustainable sourcing for us and strengthen business linkages from farm to shelf. SSDP was launched in 2013 as a pilot project collaboration between United Nations Industrial Development Organisation (UNIDO) and AEON. Since 2015 the steering committee has been led by the Ministry of Health (MOH) with representatives from Ministry of Education (MOE), Ministry of Domestic Trade, Cooperatives and Consumerism (MDTCC), SME Corporation Malaysia and retailers.

As part of the programme, retailers and suppliers engage graduates and students as interns to develop the FSAP in their facilities. In 2016, AEON assisted 5 SMEs by mentoring the SMEs and sponsoring interns to assist on the implementation of the food safety management system. In 2017, we plan to train new companies through this programme.



### AEON Business Partner Alliance (ABPA)

We show our appreciation to AEON's business partners through our ABPA event that started as a business lunch and has become an annual event with approximately 200 of our top business partners. This event plays a vital role in our engagement with business partners and best practices sharing opportunities. In 2015, we introduced the ABPA Awards for AEON Retail Business Partners and AEON Mall Business Partners. These awards were presented to the business partners with excellent performances with AEON during the year.

## CUSTOMER RELATIONSHIP

### Customer Satisfaction

AEON measures customer satisfaction through various channels such as the AEON Careline, in-house Customer Voice Form, social media and monthly evaluation visits by mystery shoppers.

We have been tracking customer voices closely since 2013. While the proportion of voices concerning our employees and service provided by them has decreased over the years, about a fifth of all voices still refer to our service quality. Action plans already in the pipeline include administrative support by AEON Careline through the newly developed Customer Voice System and an online customer voice channel. Morning briefings by managers include exercises and reaffirmation of importance of courtesy. We also always honour any pricing discrepancies at our stores by applying the lowest price rule.

## SUSTAINABILITY STATEMENT

We respect innovative business partners who help the company achieves its objective of “Customer Satisfaction”

Customer Voice Channel	
AEON Careline	<ul style="list-style-type: none"> <li>• Telephone</li> <li>• Email</li> <li>• Letter</li> </ul>
In-House	<ul style="list-style-type: none"> <li>• Suggestion box (Customer Voice Form)</li> <li>• Walk-in</li> <li>• Telephone</li> </ul>
Mystery Shopper	<ul style="list-style-type: none"> <li>• Monthly visits (once a month per store)</li> </ul>
Social Media	<ul style="list-style-type: none"> <li>• Facebook</li> <li>• Website</li> </ul>

### Customer Voices Review

Year	2013	2014	2015	2016
Enquiries	55,003	57,319	52,890	50,847
Complaints	8,233	10,114	8,168	8,083
Suggestions	487	648	315	145
Compliments	468	600	293	109
<b>Total</b>	<b>64,191</b>	<b>68,681</b>	<b>61,666</b>	<b>59,184</b>

### Privacy and Data Security

AEON respects and values the privacy of individuals and their personal data and strives to protect it in accordance to the Personal Data Protection Act 2010. Business associates and customers are informed on how their personal data is processed by and/or on behalf of AEON.

## ENVIRONMENT

Scientists largely agreed that climate change and associated volatility in weather patterns will impact our planet dramatically. Businesses therefore must take an active role not only in reducing their own operational carbon emissions but also supporting their suppliers and customers to improve resources and carbon efficiency.

AEON is taking various steps to reduce carbon footprint within its stores' walls and throughout its supply chain. We have started our journey towards improving our environmental management and shall continuously improve our tracking mechanisms. We support initiatives to create environmental awareness, educate younger generations on the importance of environment protection. We are currently working towards achieving the ISO 14001 Environmental Management Systems and are committed to disclose further our efforts in the coming years.



## SUSTAINABILITY STATEMENT

### CARBON FOOTPRINT AND ELECTRICITY

A significant percentage of retailers' carbon footprint originates in the stores. Heating, lighting, air conditioning, ventilation, cooking and refrigeration are the main sources of energy consumption of a retail outlet, which are also significant contributors to greenhouse gas emissions.

In Malaysia we have been tracking and managing our carbon dioxide (CO<sub>2</sub>) emissions in our daily operations. We will continue to support well planned environmental programmes. In addition, we are also exploring to reduce CO<sub>2</sub> emissions in our products and logistics areas.

Ongoing energy efficiency initiatives:

Initiatives	Description
Managing air conditioning's temperature	<ul style="list-style-type: none"> <li>Temperature at malls, stores and offices is fixed at 25 degree Celsius.</li> <li>Increase 1 degree Celsius in temperature of a shopping mall will result in electricity saving of 600 kWh daily.</li> <li>Estimated RM171,761 or 337,448 kWh monthly saving by 2017.</li> </ul>
Escalators at AEON Mall Metro Prima	<ul style="list-style-type: none"> <li>Escalators were replaced with new energy-efficient 2-speed inverter motors.</li> <li>Usage of inverter motors is estimated to save 19,404 kWh of electricity that is equivalent to RM10,000 monthly saving from 18 escalators.</li> </ul>
LED lighting installation at headquarter (HQ), stores and malls	<ul style="list-style-type: none"> <li>Conventional lights at HQ, stores and malls were gradually replaced with LED lights that reduce the electricity consumption by over 50%.</li> <li>Aim to finalise the installation in malls by October 2017.</li> <li>Upon completion in malls, a 60% kWh saving in monthly electricity consumption is expected.</li> </ul>
Electric inverters installation	<ul style="list-style-type: none"> <li>Installation in malls started since 2010 to control and stabilise voltage, as well as to reduce energy losses.</li> </ul>
Installation of soft starters	<ul style="list-style-type: none"> <li>Soft starters at malls improve energy efficiency and reduce maximum demand.</li> <li>This improves power factor and reduces 40% for the first high current usage.</li> <li>Estimated annual saving by 687,623 kWh that is equivalent to about RM350,000.</li> </ul>

### WASTE MANAGEMENT

As an enterprise that operates 26 malls, 33 stores and 3 MaxValu supermarkets in Malaysia, waste is a material sustainability issue for us. As awareness on waste reduction and recycling is rising in Malaysia, we have implemented new initiatives as our response to public's expectation.

#### Packaging

Household waste is mainly due to packaging and containers. It is therefore crucial for the retail industry to play its parts on cutting down the wastes produced by consumers at homes. AEON is working to decrease the reliant on packaging, containers and plastic shopping bags while encourage the usage of thinner, eco-friendly trays.

## SUSTAINABILITY STATEMENT

### Recycling with Customers

A weekly “No Plastic Bag Day” was observed in all our stores in 2016. In line with the State of Selangor’s ban on free plastic bags in retail store from the beginning of 2017, shoppers in Selangor are offered with single use plastic bags from stores at a minimum charge of 20 sen each that will be contributed to AEON Green Fund (refer to [www.aeonretail.com.my/corporate/responsibility/environment/initiatives/csr\\_greenproject06.php](http://www.aeonretail.com.my/corporate/responsibility/environment/initiatives/csr_greenproject06.php)). In addition to Selangor’s ruling on plastic bags, Kuala Lumpur, Putrajaya and Labuan also ban the usage of polystyrene food containers.



#### No plastic bags on Saturdays

Since 2011 we have not provided free plastic bags on Saturdays to encourage customers to bring their own shopping bags.



#### Bring Your Own Shopping Bag

We encourage customers to reduce the use of plastic bags.

AEON promotes, supports and creates 3Rs (Reduce, Reuse and Recycle) awareness. Recycle bins are placed at strategic areas in AEON malls, reusable shopping bags are actively promoted and information on recycling is displayed in malls.

Year	2014	2015	2016	Total
Number of plastic bags AEON purchased ('000 pcs)	54,822	74,037	77,276	206,135
Retail revenue (RM'000)	3,193,194	3,288,832	3,439,131	9,921,157
Number of plastic bags AEON purchased per retail revenue	0.017	0.023	0.022	0.021

### SOCIAL – WORKPLACE

We believe that the only way to achieve customer satisfaction is by establishing a workplace that fosters close interpersonal relationships and offers employees a fulfilling career. Creating a meaningful workplace is the responsibility of each of us.

AEON people are the most important assets we have. We respect human rights and resist discrimination. Our employees are objectively evaluated based on their performance and compensated fairly. Our commitment to our employees is reflected in our low employee turnover rate.

## SUSTAINABILITY STATEMENT

### TALENT MANAGEMENT AND CAREER PROGRESSION

As part of human resource strategies, AEON seeks and grooms local talents to support its business needs. AEON aims to recruit the right talents, instill them with the best knowledge and assign them to the right positions. AEON is committed to providing employment to the members of the communities it operates in.

AEON believes in lifelong learning and strives to develop the competencies of its employees through recruitment programmes, training and career development plans. We benchmark ourselves against the best in the service industry.

#### Training and Education

We consistently invest in systematic trainings for our employees. These trainings are either conducted in-house, by external consultants or through attachments to our affiliates in Japan. High calibre employees are identified for leadership training while long serving employees will be equipped with technical, operational and management training by AEON leaders.

Our talent management programmes in 2016 include:

- Management Trainee Programme (108 fresh degree graduates)
- Retail Trainee Programme (41 fresh diploma graduates)
- Japan Trainee Programme (8 employees)
- Internship programme (84 interns)



We collaborate with local educational institutes and government departments to hire graduates. In 2016, some activities we carried out were as follows:

- 47 graduates from Institut Kemahiran Belia Negara (IKBN) were hired through our collaboration with the Ministry Of Youth and Sports to be trained in bakery, electrical and beauty lines
- Under a Memorandum of Understanding (MoU) with Universiti Malaysia Sabah, we offered 21 graduates their internship placements in food safety and management as trainee
- Our Facility Management Team undertook skill enhancement training with TNB Integrated Learning Solution (ILSAS) and 3 chargemen attended certified courses
- 28 unemployed graduates were recruited through the first intake of the Skim Latihan 1Malaysia (SL1M)
- Through a collaboration with Ministry of Higher Education's polytechnic division, we offered 19 students an attachment on Work Based Learning Programme as trainee
- 6 students from University of Malaya were offered scholarship.

## SUSTAINABILITY STATEMENT



**2016**

TRAINED

**1,626 EMPLOYEES**  
AND SPENT **RM5.1 MIL**

AEON remains committed to the development of its people in its quest to be the best retailer in the country. Our employees are equipped to become knowledgeable brand ambassadors with competent skill. In 2016, we spent over RM5.1 million on employee training.

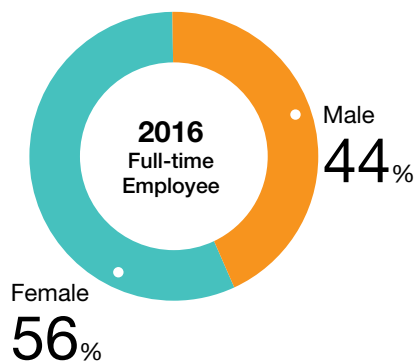
Through our collaboration with Open University of Malaysia, employees are encouraged to pursue their studies under the Executive Diploma in Retailing and Business Management that is tailored to our needs. There were 121 registrants in 2016.

AEON Business School established in year 2012, is an in-house training programme for store and shopping mall managers. In 2016, 1,626 employees participated in this programme with aim to further enhance their leadership and management skills.

YEAR	2016
Spending on employee training (RM'million)	5.1
Percentage of employees receiving training (%)	92.0

## DIVERSITY AND EQUAL OPPORTUNITY

In line with our Basic Principles, AEON values each individual regardless of their background. AEON has emphasised creating frameworks for diversity management and believes in the idea of building a workplace that draws on the strengths of diverse human resources. Diversity in every aspect of a retail company also ensures that decisions made reflect the interests of the diverse customers. AEON respects human rights and resists discrimination.



In 2013, AEON Japan targeted to become an ideal company for women and defined goals of increasing the rate of female managers in the Group companies to 30% by 2016 and to 50% by 2020. To achieve these goals, the Diversity Promotion Office was established under the immediate control of Group CEO. In Malaysia, 56% of our full-time employees and 58% of management are women.

In Malaysia, the Board has adopted a policy on diversity that takes into consideration a range of different skills, age, gender, ethnicity, backgrounds and experiences represented amongst its management and employees.



## SUSTAINABILITY STATEMENT

AEON has made a conscious effort to employ people with disabilities. In 2016, there were 87 employees with disabilities at various departments in our stores. This is in line with the Guidelines on Foreign Participation in the Distributive Trade Services Malaysia by the Ministry of Domestic Trade, Co-operatives and Consumerism. The Guidelines states that in all distributive trade companies with foreign equity, at least 1% of the total workforce should be persons with disabilities.

As part of our efforts to be the employer of choice, AEON has a childcare centre, Taman Asuhan Kanak-Kanak ASAH (TAKA), which is opened daily from 7.30am to 11.30pm. This centre helps employees in Bandar Puchong Jaya solving their problem in finding an affordable childcare for their children aged between 2 months and 12 years.

### LABOUR RELATIONS

AEON upholds labour standards across our operations. We comply with labour laws of Malaysia as well as the regulation concerning national minimum wage. We ensure workplace security, prospects for personal development and focus on non-discrimination. We believe in freedom to express workplace concerns. At AEON, the Code of Conduct Hotline (Whistle-Blowing Hotline) is in place for employees to raise their concerns regarding illegal or unethical conduct or malpractice. We also have a grievance mechanism to manage work related matters, through the Hotline and welfare meetings at various branches.

We outsource our foreign workers hiring to contractors who are expected to comply with all rules and regulations set by the Immigration Department inclusive of obtaining necessary approvals and work permits. We only hire employees (including part-time workers) who are 17 years of age and above.

### HEALTH AND SAFETY

Our first basic principle is dedicated to peace and that means we emphasise health, safety and peace of mind in our daily tasks. Hazards associated with a retail environment may be of low risk, but accidents do occur. AEON complies with all Malaysian laws regarding health and safety and has procedures in place to identify, assess and control hazards at workplace. We conduct regular fire drills and safety training to our employees. We have also fitted selected stores with safer dual-speed escalators.

Year	2016
Total safety training cost (RM'000)	139
Total Occupational Safety and Health training cost (RM'000)	48
Total fire safety training hours	692
Total Occupational Safety and Health safety training hours	136
Lost time injury rate	0.8

### EMPLOYEE ENGAGEMENT

AEON has been built by the people of AEON. The future of AEON will also be defined by our people. Our Code of Conduct guides our ways on defining and building a new AEON culture. Effective employee engagement is vital to maintaining high level of customer service and maximising revenue. By making employees feel valued and striving to build genuine relationships with them, we can reduce employee turnover and create loyalty amongst employees.

The AEON Culture is represented by an outlook that is "AEON like". It is shared by our customers, the community, our business partners, our shareholders and the people of AEON. It begins by sincerely and faithfully doing "Everything we do, we do for our customers". As we hold to this course, we create a culture for AEON. Trust born of this effort is manifested in the AEON brand and goodwill.

All feedback from employees, collected during employee welfare meetings and dialogue sessions for new stores, is compiled and analysed. Welfare meetings are conducted every two months by each business location. To improve communication between top management and employees, we conduct periodical get-togethers, such as sports activities, festive gatherings and appreciation events.

## SUSTAINABILITY STATEMENT

### SOCIAL – COMMUNITY

AEON's goal is to promote healthy, interactive and peaceful activities in the communities where our stores are located. We strive to be socially aware and act responsibly for the benefit of the communities. We conduct activities that encourage environmental conservation, provide educational opportunities, support social causes and promote healthy living. Activities take various forms ranging from philanthropic initiatives and in-kind donations to employee volunteerism.

Malaysian AEON Foundation (MAF) runs most of the major charitable events and community programmes of AEON Malaysia. MAF was established in 2001 to reach out especially to underprivileged children in Malaysia. AEON 1% Club Foundation and AEON Environmental Foundation, both from Japan also conduct community and environmental programmes in Malaysia.

### PROTECTING BIODIVERSITY



AEON is committed to protect the environment and ecosystems in the world that we live in. AEON's most visible sustainability efforts are tree planting events, which were shown in the Malaysia Japan Friendship Forest in Paya Indah Wetland, Selangor and AEON Forest Tree Diversity Planting Programme in Bidor, Perak.

In 2016, AEON conducted maintenance work on 400 trees in Paya Indah Wetland and 8,000 trees in Bidor. Scope of maintenance work comprised of circle and chemical weeding, watering, application of fertilisers, pruning and removal of climbers that are attached to the trees.

Our activities of biodiversity preservation are monitored by our corporate social responsibility department with assistance from Forest Research Institute Malaysia (FRIM), as part of our Memorandum of Understanding with them. Our previous joint projects include reforestation and rehabilitation of Orang Utans in Lahad Datu, Sabah, firefly breeding project along Selangor River in Kuala Selangor, reforestation of Paya Indah wetland and AEON Hometown Forest programme in Malaysia.

#### Orang Utan Rehabilitation Project

This five-year project with World Wide Fund for Nature (WWF) Malaysia aims to plant trees in Lahad Datu, Sabah to create a better habitat for Orang Utans. It is estimated that there are 500 Orang Utans that live in this area. According to WWF, the number is increasing.



Year	2016
Size of reforested area (hectares)	6.41
Amount contributed (RM'000)	500

In 2016, we conducted a site visit to observe the growth of the trees planted. In the near future, we will work with our project partners on tracking of the number of Orang Utans.

## SUSTAINABILITY STATEMENT

### Firefly Breeding Project

Since 2011, AEON has been planting trees in Kuala Selangor to preserve and restore the habitat of fireflies. This project is a joint effort with Selangor State Government and FRIM. Activities in 2016 include a site visit to observe the growth of trees.



Year	2016
Size of reforested area (hectares)	2.5
Amount contributed (RM'000)	390

### AEON Hometown Forest Programme

AEON Hometown Forest Programme has become a company tradition. Since 1991, whenever there is a new AEON outlet opens, trees are planted in the compound and surrounding community, together with the local stakeholders. To date, there are over half a million trees planted in Malaysia.



In 2016, with the opening of AEON Mall Shah Alam in Seksyen 13, we planted 13,048 trees and shrubs with 800 participants from the local community, local authorities, business partners, school children and AEON Malaysia Cheers Club members from the area. Similarly, 13,000 trees were planted by 600 volunteers in conjunction with the opening of AEON Mall Kota Bharu, Kelantan. A total of RM240,000 was spent on this programme in 2016.

AEON's Hometown Forest Programme was selected as 2016 Best Volunteer Initiative for Private Sector in Malaysia Volunteers Award, a Prime Minister's Award event organised by iM4U.

Year	2014	2015	2016
Number of trees planted	30,758	13,000	26,048

We also celebrated World Environment Day at AEON Taman Maluri Shopping Centre by distributing 500 plants to customers.

### FUNDRAISING AND CHARITY

Mission of MAF is to raise funds and provide opportunities for younger generations to live to their fullest potential. Its beneficiaries are all Malaysians, particularly children, irrespective of their race or religion.

MAF provides financial aid to those who are in need of an education, a proper living environment or medical assistance. To date, MAF has raised and donated more than RM9 million for various charitable organisations, homes and underprivileged children.

## SUSTAINABILITY STATEMENT

MAF raises funds from the public through coin boxes at AEON malls, retail stores and affiliates. Funds are also collected through channels such as charity gala dinner, charity golf events and promotional campaigns with business partners. We focus specifically on children who are not accessible to quality education and/or not affordable for medical attention. In 2016, we raised RM1.7 million, an increase from approximately RM1.6 million in 2015. We also channelled contributions of RM20,000 each to three children's homes and organised a number of festive events with the local communities. Information about our activities is disseminated through our website, newsletters and social media. For further details, please refer to pages 22 to 25 of this annual report.

Through the Basic Education Support Project (BEST) we provide financial assistance for refurbishing underserved schools and creating conducive learning environment for the students. In 2016, we supported four schools with RM399,000 contribution. Since its establishment in 2012, this project has contributed about RM1.3 million to 14 schools in Sarawak, Perak, Kelantan and Selangor.



#### CHARITY GALA DINNER

AS TO DATE  
RAISED RM1.7 MIL

An annual charity gala event was held by MAF that brings together AEON and its business partners to raise funds for charity, specifically for children who are unable to access quality education and/or unable to afford medical attention.

Year	2015	2016
Number of beneficiaries	3 children's homes	3 children's homes
Amount donated (RM)	20,000 to each home	20,000 to each home



#### SOCIAL EVENTS

BENEFITED  
120 ORPHANS &  
40 SINGLE PARENTS

In 2016 we organised a number of festive events with the communities and underprivileged children, such as Deepavali – Lights of Love, Joy of Christmas and Spread Our Love Chinese New Year.

Through Sinar Kasih Ramadhan, we played host to a shopping spree for groups of underprivileged children and single parents at AEON shopping malls.

Year	2014	2015	2016
Number of beneficiaries	120 families	80 children and 28 single parents	120 orphans and 40 single parents



#### BEST

AS TO DATE BENEFITED  
14 SCHOOLS  
AND CONTRIBUTED  
RM1.3 MIL

BEST provides financial assistance for refurbishing dilapidated schools and creating conducive learning environment for the students. Since its establishment in 2012, this project has contributed about RM1.3 million to 14 schools in Sarawak, Perak, Kelantan and Selangor.

Year	2016
Number of beneficiaries	4 schools
Amount contributed (RM)	399,000



#### COMMUNITY ENGAGEMENT

AEON CARES PROGRAMME

AEON also conducted annually other community engagement initiatives such as the Pre Ramadhan Blood Donation campaign and the Bubur Lambuk cooking and distribution for 80 people, as part of its community services.



## SUSTAINABILITY STATEMENT

### AWARENESS AND EDUCATION

As a major retail company with outlets across the country, we reach a significant proportion of the population. We believe it is our responsibility to raise awareness on social and environmental issues in the communities.

#### AEON Malaysia Cheers Club

AEON Malaysia Cheers Club is a children's club with a mission to provide environmental information and fun, hands-on educational experiences for children aged 6 to 14. Activities conducted encourage children to participate in environmental issues and help them to develop their thinking and community living skills.



Organiser	Programme Description
AEON Malaysia Cheers Club (AMCC)	<ul style="list-style-type: none"> <li>Recruitment drive</li> <li>AEON &amp; ME Day</li> <li>EcoLantern-making competition</li> <li>EcoGreen Contest – winners were awarded an educational trip to Yakushima Island, Japan</li> <li>AEON Hometown Forest Programme</li> </ul>

#### AEON 1% Club Foundation

AEON 1% Club Foundation is a global corporate social responsibility programme of AEON. Its mission is to contribute to the fields of education, food and environment. Concurrently, it promotes international friendships and goodwill in Asia. In 2016, the Foundation supported the Asia Youth Leaders programme in Malaysia.

#### Asia Youth Leaders



## SUSTAINABILITY STATEMENT

Launched in 2010, Asia Youth Leaders is a youth exchange programme organised by AEON 1% Club Foundation with an environmental focus. In 2016, 15 participants from Malaysia attended a conference in Thailand to discuss waste water management and network with students from other countries.

Year	2015	2016
Number of participants	10 university students 6 high school students	10 university students 5 high school students

### AEON Environmental Foundation

AEON Environmental Foundation, founded in 1990, provides support to groups actively developing projects to protect the global environment. Foundation has planted trees around the world and promoted a variety of joint environmental protection initiatives such as the development of human resources in the fields of environment and conservation of biodiversity.



AEON Japan's two foundations support community programmes across Asia, including Malaysia.

## STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (the “Board”) of AEON CO. (M) BHD. (the “Company” or AEON) recognises the importance of corporate governance and is committed in ensuring the sustainability of the Group’s (AEON CO (M) BHD and its subsidiary) business and operations through the implementation of the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”).

This statement outlines the key aspects on how the Company has applied all the Principles under the MCCG 2012 during financial year 2016 and any non-observation of the Recommendations of MCCG 2012, including the reasons thereof, has been included in this Statement.

### Principle 1 – Establish clear roles and responsibilities of the Board and Management

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

#### Board Charter

All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities. The Board has adopted a Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board, having regard to the principles of good corporate governance and requirements of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“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. Key matters reserved for the Board includes the approval of corporate strategic plans and capital budgets, material acquisitions and disposals of undertakings and properties, quarterly and annual financial statements for announcement, monitoring of operating performance and review of the Financial Authority Approving Limits.

As set out in the Board Charter, the Board is responsible for:

- reviewing and adopting the overall corporate strategy, plans and directions for the Group including its sustainability;
- overseeing and evaluating the conduct of business of the Group;
- identifying principal risks and ensuring implementation of a proper risk management system to manage such risks;
- monitoring and reviewing management processes aimed at ensuring the integrity and other reporting with the guidance of Audit and Risk Management Committee;
- promoting effective communication with shareholders and relevant stakeholders;
- approving major capital expenditure, acquisitions, disposals and capital management;
- reviewing the adequacy and the integrity of the management information and internal control systems of the Group; and
- performing such other functions as are prescribed by law or are assigned to the Board.

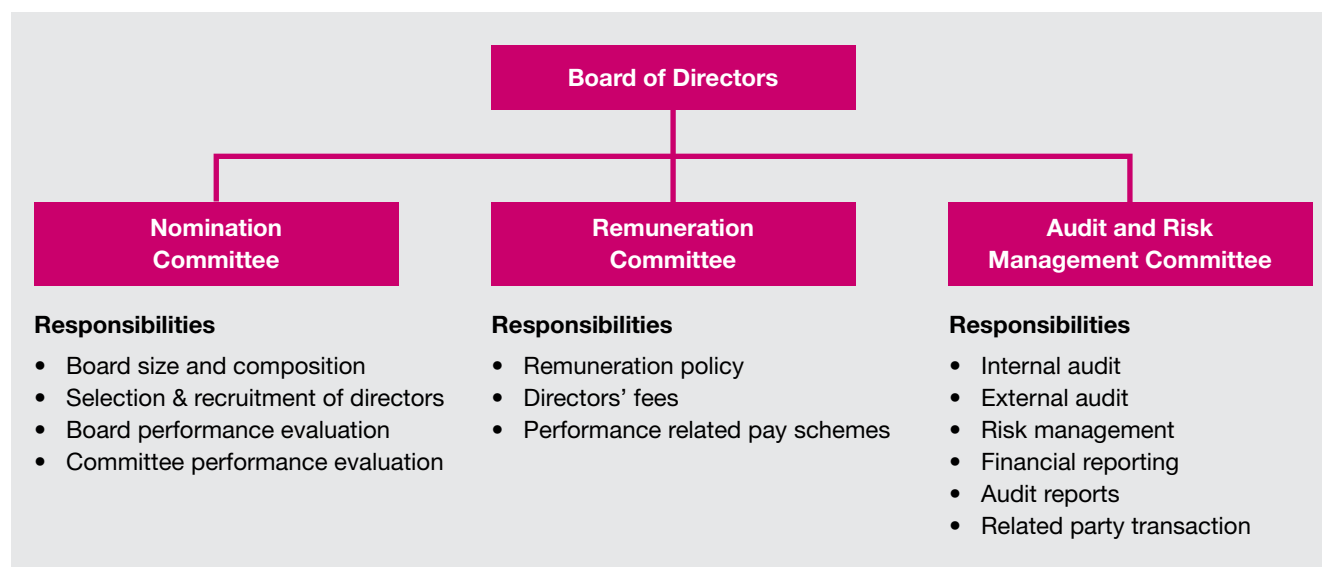
The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board’s responsibilities.

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 advice:

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

## STATEMENT OF CORPORATE GOVERNANCE

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



Each Committee operates in accordance with the written terms of reference approved by the Board. The Board reviews the terms of reference of the committees from time to time. The terms of office and performance of the Audit and Risk Management Committee is review on annual basis by the Nomination Committee. The Board appoints the members and the Chairman of each committee.

The Board has established the Board Reserved matters. For day-to-day operations, the Board has delegated authority and power to some level of Management including the Managing Director and Executive Directors. The Managing Director and Executive Directors each command their own respective functions to ensure the smooth running of the Company's operations. The Managing Director and Executive Directors are responsible for the implementation of board policies approved by the Board and are required to report and discuss at Board meetings all material issues currently or potentially affecting the Group and its directions, projects and regulatory development.

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

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

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

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

### Conflict of interest policy

Confidential information concerning the Company's activities is governed by the conflict of interest policy stated in the employee handbook. Disciplinary action shall be taken against the employee in the event of any violation of the regulations Act.



## STATEMENT OF CORPORATE GOVERNANCE

### Sustainability Policy

The Company has established a Sustainability Policy. The Company is committed and mindful to operate in a sustainable manner in order to generate economic value to its stakeholders and add value to society. Details of the Company's sustainability activities in 2016 are disclosed on pages 26 to 42 of this Annual Report.

### Supply and Access to Information

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

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

- Members of Senior Management attend Board and Committee meetings by invitation to report areas of the business within their responsibility including financial, operational, corporate, regulatory, business development, audit matters and information technology updates, for the Board's informal decision making and effective discharge of the Board's responsibilities.
- The Board and Committee papers are prepared and are issued to the Directors or Committee Members at least seven (7) days before the Board and Committee meetings to enable the Board or Committee Members receive the information in a timely manner.
- The Audit and Risk Management Committee Chairman meets with the Management, Internal Auditors and External Auditors regularly to review the reports regarding internal control system and financial reporting.

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

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

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

### Principle 2 - Strengthen Composition of the Board

During the financial year under review, the Board currently has nine (9) Directors, comprising the Chairman (Independent Non-Executive), four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Executive Directors. The Company fulfills Paragraphs 15.02(1) of the MMLR of Bursa Securities which stipulate that at least two (2) Directors or one third (1/3) of the Board, whichever is the higher, are Independent Directors.

## STATEMENT OF CORPORATE GOVERNANCE

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

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

### Nomination Committee – Selection and Assessment of Directors

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

Name	Designation
Charles Tseng @ Charles Tseng Chia Chun (Re-designated from Member to Chairman on 25/10/2016)	Chairman (Independent Non-Executive Director)
Kenji Horii (Appointed on 25/10/2016)	Member (Non-Independent Non-Executive Director)
Dato' Abdullah bin Mohd Yusof	Member (Independent Non-Executive Director)
Datuk Syed Ahmad Helmy bin Syed Ahmad	Member (Independent Non-Executive Director)
Shinobu Washizawa (Resigned on 25/10/2016)	Chairman (Non-Independent Non-Executive Director)

Mr. Shinobu Washizawa was appointed as Managing Director of the Company on 25 October 2016 and accordingly had ceased as the Chairman of the Nomination Committee. At the same time, Mr. Charles Tseng @ Charles Tseng Chia Chun, an Independent Non-Executive Director of the Company has been re-designated from Member to Chairman of Nomination Committee and Mr Kenji Horii, the Non-Independent Non- Executive Director was appointed as Member of Nomination Committee.

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board size composition. In discharging its responsibilities, the Nomination Committee has developed certain criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the Nomination Committee considers the following factors, the detail was set up in the Terms of Reference of the Nomination Committee which is available for reference at the Company's website, [www.aeonretail.com.my](http://www.aeonretail.com.my).

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

This responsibility includes making recommendations on the desirable competencies, experience and attributes of the Board members and strategies to address Board diversity.

## STATEMENT OF CORPORATE GOVERNANCE

The Board may appoint an individual to be a Director by having selection process for new appointees as recommended by the Nomination Committee to the Board. The appointed individual will stand for election at the next Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company. The Committee will seek nomination of suitable candidates from the Directors, Management and shareholders of the Company for their assessment before recommending to the Board criteria set.

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

The Board has adopted a formal policy on diversity of the Company by taking into consideration a range of different skills, age, gender, ethnicity, backgrounds and experiences represented amongst its Directors, officers and staff as the Board is aware that it is important in ensuring robust decision-making processes with a diversified viewpoints and the effective governance of the Company. The Diversity Policy can be found at [www.aeonretail.com.my](http://www.aeonretail.com.my).

Based on the following summary of the employment gender diversity, the Nomination Committee is of the view that there is balanced gender diversity across all the levels of employees in the Company during the year under review:

CATEGORY OF EMPLOYEES	Female		Male		Total
General Staff	2,980	(53%)	2,614	(47%)	5,594
Supervisory	1,549	(61%)	1,009	(39%)	2,558
Managerial	284	(58%)	206	(42%)	490
<b>Total No. of Employees</b>	<b>4,813</b>	<b>(56%)</b>	<b>3,829</b>	<b>(44%)</b>	<b>8,642</b>

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

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

The Nomination Committee meets at least once in a year with additional meetings to be convened, if necessary. During the financial year under review, the Nomination Committee had held three (3) meetings to review and assess the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors, the contribution of each individual Director (including the Managing Director and Executive Director who assumed the roles of Chief Executive Officer and Chief Financial Officer respectively); effectiveness of the Board as a whole and the Board Committees; and the changes to the Board's composition.

The Nomination Committee had recommended Mr. Hiroyuki Kotera as Executive Director of the Company for the Board's approval to replace Mr Mitsuru Nakata, who resigned as Director of the Company on 25 August 2016 after having taken into consideration several factors, including the experience and qualification of Mr Hiroyuki Kotera as Director of the Company.

On 25 October 2016, the Nomination Committee had accepted the resignation of Ms Nur Qamarina Chew binti Abdullah as Managing Director of the Company and recommended Mr Shinobu Washizawa to be appointed as new Managing Director of the Company to the Board for approval in view of his wide and vast experience in the retail industry. Subsequent to the appointment of Mr Shinobu Washizawa as Managing Director of the Company, he ceased as Chairman of Nomination Committee and Remuneration Committee. The NC has assessed and recommended Mr Charles Tseng @ Charles Tseng Chai Chun and Dato' Abdullah bin Mohd Yusof, both Independent Non-Executive Directors to be re-designated from Member to Chairman of Nomination Committee and Remuneration Committee respectively in view of their independence and experience.

## STATEMENT OF CORPORATE GOVERNANCE

At the same time, the Nomination Committee also recommended Mr Kenji Horii to be appointed as a member of Nomination Committee and Remuneration Committee to the Board for approval.

### Directors' Training

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

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

The Directors have attended individually or collectively the various training programmes and briefings, amongst others, the followings:

- Goods and Services Tax Updates
- Enterprise Risk Management
- Nominating Committee Programme
- Amendments to Listing Requirements of Bursa Malaysia
- The Malaysian Code on Corporate Governance 2012
- Tax Budgeting and Accounting Standards
- Malaysian Financial Reporting Standards Updates
- Sustainability Practices
- Companies Act 2016
- Cyber Security

The Company Secretaries highlighted the relevant guidelines on statutory and regulatory requirements from time to time to the Board. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

### Remuneration Committee – Directors' Remuneration

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

The Remuneration Committee consists of the following members:

Name	Designation
Dato' Abdullah bin Mohd Yusof (Re-designated from Member to Chairman on 25/10/2016)	Chairman (Independent Non-Executive Director)
Kenji Horii (appointed on 25/10/2016)	Member (Non-Independent Non-Executive Director)
Datuk Syed Ahmad Helmy bin Syed Ahmad	Member (Independent Non-Executive Director)
Abdul Rahim bin Abdul Hamid	Member (Independent Non-Executive Director)
Shinobu Washizawa (Resigned on 25/10/2016)	Chairman (Non-Independent Non-Executive Director)



## STATEMENT OF CORPORATE GOVERNANCE

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

The determination of the remuneration packages is a matter for the Board as a whole. The Executive Directors concerned play no part in deciding their own remuneration but may attend the Remuneration Committee meetings at the invitation of the Chairman of the Remuneration Committee if their presence is required.

During the year under review, the Remuneration Committee reviewed and recommended the remuneration of the Managing Director and Executive Director of the Company for Board's approval pursuant to the Terms of Reference of Remuneration Committee. The Non-Executive Directors' fees have also been reviewed and recommended by the Remuneration Committee to the Board for the Board to seek shareholders' approval at the Company's forthcoming AGM pursuant to the Constitution of the Company.

The breakdown of the remuneration of the Directors during the financial year under review is as follows:

- Aggregate remuneration of the Directors categorised into appropriate components:

	Group		Company	
	Executive Directors RM'000	Non-Executive Directors RM'000	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	–	1,025	–	1,025
Salaries	1,554	–	1,554	–
Benefits-in-kind	41	22	41	22
<b>Total</b>	<b>1,595</b>	<b>1,047</b>	<b>1,595</b>	<b>1,047</b>

- The number of Directors of the Company in each remuneration band is as follows:

Range of Remuneration	Number of Directors		Total
	Executive	Non-Executive	
Less than RM100,000	–	2	2
RM100,001 – RM150,000	–	3	3
RM200,001 – RM250,000	1	–	1
RM250,001 – RM300,000	–	1	1
RM300,001 – RM350,000	–	1	1
RM450,001 – RM500,000	1	–	1
RM750,000 – RM800,000	1	–	1
<b>Total</b>	<b>3</b>	<b>7</b>	<b>10</b>

## STATEMENT OF CORPORATE GOVERNANCE

### Principle 3 - Reinforce Independence of the Board

The Board is mindful on the importance of independence and objectivity in its decision making process which is in line with MCGG 2012.

The roles of the Chairman and the Managing Director are distinct and separate to engender accountability and facilitate clear division of responsibilities for ensuring there is a balance of power and authority in the Company. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board whilst the Managing Director is responsible for day-to-day management of the business with powers, discretions and delegations authorised from time to time by the Board. The detail of the responsibilities of the Managing Director is clearly set out in the Board Charter.

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

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

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

Dato' Abdullah bin Mohd Yusof is the Independent Non-Executive Chairman of the Board who provides strong leadership and is responsible for ensuring the adequacy and effectiveness of the Board's governance process.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors based on criteria set out in the MMLR of Bursa Securities.

The Board is aware of the recommended tenure of an Independent Director who should not exceed a cumulative term of nine (9) years as recommended by MCGG 2012 and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years tenure. Furthermore, the Board must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent after the respective Independent Director has served a cumulative term of nine (9) years.

The Board further wishes to highlight that in accordance with the Company's Articles of Association, all the Directors are subject to retirement at the AGM every year.

### Principle 4 - Foster commitment of Directors

The Board endeavours to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company as most of the Directors had attended all the Board Meetings under the financial year review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board. All Board meetings are furnished with proper agenda with due notice issued and board papers and reports are prepared by the Management to provide updates on financial, operational, legal and circulated prior to the meetings to all Directors with sufficient time to review them for effective discussions and decision making during the meetings.

## STATEMENT OF CORPORATE GOVERNANCE

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

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

No	Name	Number of Board meetings attended/held during the Director's term in office
1.	Dato' Abdullah bin Mohd Yusof (Independent Non-Executive Chairman)	4/4
2.	Shinobu Washizawa (Appointed as Managing Director on 25 October 2016)	4/4
3.	Poh Ying Loo (Executive Director)	4/4
4.	Datuk Syed Ahmad Helmy bin Syed Ahmad (Independent Non-Executive Director)	4/4
5.	Dato' Tunku Putra Badlishah Ibni Tunku Annuar (Independent Non-Executive Director)	4/4
6.	Abdul Rahim bin Abdul Hamid (Independent Non-Executive Director)	4/4
7.	Charles Tseng @ Charles Tseng Chia Chun (Independent Non-Executive Director)	4/4
8.	Kenji Horii (Non-Independent Non-Executive Director)	4/4
9.	Hiroyuki Kotera (Appointed as Executive Director on 25 August 2016)	2/2
10.	Mitsuru Nakata (Resigned as Non-Independent Non-Executive Director on 25 August 2016)	2/3*
11.	Nur Qamarina Chew binti Abdullah (Resigned as Managing Director on 25 October 2016)	2/3*

\* is a member of the meeting during their tenure

The Board, via Nomination Committee reviewed annually the time commitment of the Directors and ensures that they are able to carry out their own responsibilities and contributions to the Board. 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 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

In order to enable Directors to sustain active participation in board deliberations, the Directors have access to continuing education programmes or trainings. The Directors have devoted sufficient time to update their knowledge and enhance their skills by attending trainings, details as set out in page 48 of this Statement.

Furthermore, the Directors from time to time visited existing stores and/or new sites to familiarise and have a thorough understanding of the Group's operations.

## STATEMENT OF CORPORATE GOVERNANCE

### Principle 5 - Uphold integrity in financial reporting by the Company

The Board upholds the integrity in financial reporting. The Audit and Risk Management Committee (“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 and compliance systems and practices, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The ARMC is also responsible in ensuring that the financial statements of the Company and the Group comply with the applicable financial reporting standards in Malaysia.

The ARMC comprises three members of whom majority are Independent and all are Non-Executive Directors, with En. Abdul Rahim bin Abdul Hamid as the ARMC Chairman. The composition of the ARMC, including its roles and responsibilities, number of meetings and attendance of ARMC, summary of ARMC activities and Internal Auditors’s activities during the financial year under review are set out on pages 54 to 56 under Audit and Risk Management Committee Report of this Annual Report.

The Company has an in-house internal audit function within the Group, where the Head of Internal Audit, who reports directly to the ARMC, undertook an independent assessment on the internal control and report the RRPT mandate on a quarterly basis and assured the ARMC that no material issue or major deficiency had been noted which would pose high risk to the overall system of internal control under review.

In the financial year under review, the ARMC held two (2) meetings with the Internal Auditors without the presence of the Management to allow the Internal Auditors to raise any issues arising from the internal audit activities or any other matters, which the Internal Auditors wished to discuss to ensure the effectiveness of the Internal Audit function.

The ARMC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings without presence of the Management and Executive Directors, which demonstrated their independence, objectivity and professionalism. The activities relating to the external auditors are provided in the ARMC Report of this Annual Report.

The ARMC was satisfied with the performance of External Auditors based on the quality of services and sufficiency of resources they provided to the Group. In view of the satisfaction on the service provided, the Board had approved the ARMC’s recommendation for the shareholders’ approval to be sought at the 32nd AGM on the reappointment of KPMG Desa Megat PLT as the External Auditors of the Group for the Financial Year 2017.

The Board recognised the value of an effective ARMC in ensuring the Company and the Group’s financial statements are reliable source of financial information by establishing the procedures, via the ARMC, in assessing the suitability and independence of the External Auditors. The External Auditors have confirmed in writing that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

### Principle 6 - Recognise and Manage Risks

The Board has ultimate responsibility for reviewing the Group’s risks, approving the risk management framework policy and overseeing the Group’s strategic risk management and internal control framework.

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

The ARMC met with External Auditors twice a year without the presence of the Management during the financial year to allow discussion of any issues arising from the audit exercise or any other matters, which the External Auditors wished to raise.

The Board has established an independent internal audit function previously that reports directly to the ARMC. The scope of work covered by the internal audit function during the financial year under review, including its observations and recommendations, is provided in the ARMC Report set out on pages 57 to 58 of this Annual Report.



## STATEMENT OF CORPORATE GOVERNANCE

### Principle 7 – Ensure timely and high quality disclosure

The Board has formalised a corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders not only to comply with the disclosure requirements as stipulated in the MMLR, but also setting out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders in compliance with the MMLR of Bursa Securities.

The Board has established a dedicated section for corporate information on the Company's website ([www.aeonretail.com.my](http://www.aeonretail.com.my)) where information on the Company's announcements, financial information, share prices and the Company's annual report may be accessed.

### Principle 8 – Strengthen relationship between the Company and shareholders

It has always been the Group's practice to maintain good relationship with its shareholders. Major corporate developments and events in the Group have always been duly and promptly announced to all shareholders, in line with Bursa Securities's objectives of ensuring transparency and good corporate governance practices.

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

Besides highlighting retail business promotional activities, the Company's website ([www.aeonretail.com.my](http://www.aeonretail.com.my)) also contains all announcements made to Bursa Securities as well as the contact details of designated persons to address any queries.

During the AGM, there was a presentation on the Group's performance and major activities which were carried out by the Group during the financial year under review. During the meeting, shareholders have the opportunities to enquire and comment on the Group's performance and operations.

The Notice of AGM is 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. Shareholders are invited to ask questions both about the resolutions being proposed before putting them to vote as well as matters relating to the Group's operations in general.

During the last AGM, the Executive Director also provided shareholders with a brief review on the Group's financial performance and operations. The Chairman also shared with shareholders at the meeting, responses to questions submitted in advance by the Minority Shareholder Watchdog Group.

All the resolutions set out in the Notice of the Thirty First AGM were put to vote by show of hands and duly passed. The shareholders were informed of their right to demand for a poll. The outcome of the AGM was announced to Bursa Securities on the same meeting day.

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2016.

### COMPOSITION

The Audit and Risk Management Committee comprises the following members:

Name	Designation
Abdul Rahim bin Abdul Hamid	Chairman (Independent Non-Executive Director)
Charles Tseng @ Charles Tseng Chia Chun	Member (Independent Non-Executive Director)
Mitsuru Nakata	Member (Non-Independent Non-Executive Director) (Resigned on 25 August 2016)
Datuk Syed Ahmad Helmy bin Syed Ahmad	Member (Independent Non-Executive Director) (Appointed on 24 November 2016 and resigned on 27 February 2017)
Datuk Iskandar bin Sarudin	Member (Independent Non-Executive Director) (Appointed on 27 February 2017)

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

During the financial year under review, there were no changes to the terms of reference of the Audit and Risk Management Committee.

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

### MEETINGS

During the financial year under review, the Audit and Risk Management Committee convened four (4) meetings. The attendance records of the members of the Audit and Risk Management Committee are as follows:

Name	Number of meetings attended/held during the member's term in office
Abdul Rahim bin Abdul Hamid – Chairman	4/4
Charles Tseng @ Charles Tseng Chia Chun	4/4
Mitsuru Nakata (Resigned on 25 August 2016)	3/3
Datuk Syed Ahmad Helmy bin Syed Ahmad (Appointed on 24 November 2016)	N/A

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### MEETINGS (continued)

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

The Company Secretary was present in all the meetings. The representatives of the External Auditors, Messrs KPMG Desa Megat PLT have attended two (2) meetings for the financial year ended 31 December 2016. The Head of Finance, the Head of Internal Audit, the Head of Legal and the Senior Finance Managers attended the meetings as and when invited. The Audit and Risk Management Committee meetings were also attended by other Board members and Senior Management members as and when deemed necessary.

### SUMMARY OF THE AUDIT AND RISK MANAGEMENT COMMITTEE'S ACTIVITIES DURING THE YEAR UNDER REVIEW

During the year under review, the Audit and Risk Management Committee carried out its duties in accordance with its terms of reference. Below are the summary of work performed in discharging its functions and duties:

#### Financial Results

Reviewed the unaudited quarterly financial results and audited financial statements for the financial year before submission to the Board for consideration and approval.

#### External Audit

- a. Reviewed the External Auditors' scope of work and audit plan for the year.
- b. Reviewed and discussed the External Auditors' audit report of the Financial Statements and key audit matters.
- c. Reviewed External Auditors' terms of reference of their appointment and independence and their audit and non-audit fees.
- d. Evaluated the effectiveness of the external auditors and made recommendations to the Board on their re-appointment, subject to the approval of AEON's shareholders at the general meeting.
- e. In the financial year under review, the Audit and Risk Management Committee held two (2) meetings with the External Auditors on 22 February 2016 and 22 November 2016 without the presence of the management, to allow the External Auditors to discuss any issues arising from the audit exercise or any other matters, which the External Auditors wished to raise.

#### Internal Audit

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

#### Related Party Transactions

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

## AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

### Risk Management and Control

Reviewed the risks identified by Risk Management Working Committee to ascertain the adequacy of actions taken to address and mitigate the risks.

### 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 Group.

### Others

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

### Internal Audit Function

Audit activities are carried out by the Internal Audit department led by the Head of Internal Audit who reports directly to the Audit and Risk Management Committee. The Audit and Risk Management Committee determines the adequacy of the scope, functions, competency and resources of the Internal Audit department and ensures that it has the necessary authority to carry out its work.

In 2016, the internal auditors attended various external training programmes, aimed at maintaining and enhancing the desired competency levels. The Internal audit department provides independent and reasonable assurance and improve the operations of AEON. Its scope encompasses the examination and evaluation of the adequacy, integrity and effectiveness of AEON's overall system of internal control, risk management and governance. It also assisted the Board of Directors and Management on compliance matters required by the Malaysia Code on Corporate Governance 2012 and carried out investigative assignment. In order to maintain its independence and objectivity, the Internal Audit department has no operational responsibility and authority over the activities it audits.

Reviews are carried out based on the approved Audit Plan for 2016, which was developed using a risk-based approach and in line with AEON's direction. Review of Japanese Sarbanes Oxley (J-SOX) Compliance was incorporated into the Audit Plan as part of AEON Group requirement. The Audit Plan was assessed on a quarterly basis in alignment with the business and risk environment.

Internal Audit function also encompasses the review of related party transactions and reports to ascertain that the review procedures established to monitor the related party transactions have complied with the Main Market Listing Requirements of Bursa Securities.

For each audit, a systematic methodology is adopted, which primarily includes performing risk assessment, developing audit planning memorandum, conducting audit, convening exit meeting and finalising audit report. The audit reports detail out the objectives, scope of audit work, findings, management responses and conclusion in an objective manner and are distributed to the responsible parties.

All audit findings were highlighted to relevant Management team members responsible for ensuring that corrective actions on reported weaknesses are taken within the required timeframe. Summary of the audit reports were issued to the ARMC, quarterly incorporating findings and Management's remediation actions.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### BOARD'S RESPONSIBILITIES

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

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

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

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

The Board has received assurance from the Managing Director and the Executive Director/Chief Financial Officer that the Group'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 Group during the financial year under review and up to the date of this Statement.

### INTERNAL AUDIT FUNCTION

The Audit and Risk Management Committee, assisted by the in-house Internal Audit Department, provides the Board with the assurance it requires on the adequacy and effectiveness of the system of internal controls. In the year under review, the total cost incurred for the Internal Audit Function was RM929,000. The Internal Audit Department independently reviews the risk identification procedures and control processes implemented by the Management, conducts audits that encompass reviewing critical areas that the Company faces, and reports to the Audit and Risk Management Committee on a quarterly basis.

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

### RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Board is responsible for managing the key business risks of the Group and implementing appropriate internal control system to manage those risks. The Board reviewed the adequacy and effectiveness of the system of internal controls as it operated during the year under review.

The following are the key elements of the Group's risk management and system of internal controls:

- The management structure of the Group formally defines lines of responsibility and delegation of authority for all aspect of the Group's affairs. Senior management and business unit's managers submit and present their operational performance reviews as well as business plans and strategic measures in monthly Divisional Head Meetings and Store and Shopping Centre Managers Meetings;
- The Board approves the annual budget and reviews key business indicators and monitors the achievements of the Group's performance on a quarterly basis;
- The authorisation limits and approvals authority threshold of the Group encompasses internal control procedures. These procedures are subject to review by the Management to incorporate changing business risks and operational efficiency;

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS (continued)

The following are the key elements of the Group's risk management and system of internal controls: (continued)

- The Audit and Risk Management Committee is responsible for reviewing the statutory annual financial statements and the quarterly announcements and recommends to the Board for approval prior to submission to Bursa Malaysia Securities Berhad;
- The Internal Audit Department periodically audits the effectiveness and evaluates the proper functioning of the internal control system to ascertain compliance with the control procedures and policies of the Group. The Head of Internal Audit reports to Audit and Risk Management Committee 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 Group ;
- The Risk Management Working Committee has been established to review the risk management process with the business operating units which include risk identification, assessment, mitigation and monitoring; and
- The Head of Internal Audit has been appointed to provide an independent assessment of the adequacy of the risk management process. Periodically, he reports to the Audit and Risk Management Committee on the effectiveness of the risk management.

All the above-mentioned processes have been in place and provide reasonable assurance on the effectiveness of the risk management and internal control systems.

### CONCLUSION

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

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

## 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 Group involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year (not being contracts entered into in the ordinary course of business) except as disclosed below and in Notes 29 to the financial statements under "Related Parties" on pages 114 to 116 of this Annual Report.

### AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2016, the amount of audit and non-audit fees paid by the Group and the Company to the External Auditors and its affiliates are as follows:

	Group RM'000	Company RM'000
Audit services rendered	280	240
Non-audit services rendered	295	249
<b>Total</b>	<b>575</b>	<b>489</b>

The amount of non-audit fees paid and payable to External Auditors and its affiliates during the financial year ended 31 December 2016 comprised of advisory, review and tax services.

### UTILISATION OF PROCEEDS

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

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

At the Thirty-First Annual General Meeting ("AGM") held on Thursday, 19 May 2016, the Company obtained a shareholders' mandate to allow the Group 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 2016 is set out on pages 115 to 116 of the Annual Report.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Board of Directors is responsible for ensuring that the annual audited financial statements of the Group and 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 Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the year then ended.

The Board is also responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, the requirements of the Companies Act, 1965, the Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory bodies.

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



# FINANCIAL STATEMENTS

for the year ended 31 December 2016

# DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

## 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, whilst the principal activity of the subsidiary is as stated in Note 5 to the financial statements. 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.

## SUBSIDIARY

The details of the Company's subsidiary are disclosed in Note 5 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	79,743	90,932
Non-controlling interests	(4,778)	–
	74,965	90,932

## RESERVES AND PROVISIONS

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

## DIVIDEND

Since the end of the previous financial year, the Company paid a final dividend of 4.00 sen per ordinary share totalling RM56,160,000 in respect of the financial year ended 31 December 2015 as reported in the Directors' Report of that year on 14 July 2016.

A final dividend recommended by the Directors in respect of the financial year ended 31 December 2016 is 3.00 sen per ordinary share totalling RM42,120,000 subject to the approval of the members at the forthcoming Annual General Meeting of the Company.

**DIRECTORS' REPORT**

for the year ended 31 December 2016

**DIRECTORS OF THE COMPANY**

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

Dato' Abdullah bin Mohd Yusof	
Shinobu Washizawa	
Poh Ying Loo	
Kenji Horii	
Datuk Syed Ahmad Helmy bin Syed Ahmad	
Dato' Tunku Putra Badlishah Ibni Tunku Annuar	
Abdul Rahim bin Abdul Hamid	
Charles Tseng @ Charles Tseng Chia Chun	
Hiroyuki Kotera	(Appointed on 25 August 2016)
Datuk Iskandar bin Sarudin	(Appointed on 27 February 2017)
Nur Qamarina Chew binti Abdullah	(Resigned on 25 October 2016)
Mitsuru Nakata	(Resigned on 25 August 2016)

**DIRECTORS' INTERESTS IN SHARES**

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

	At 1.1.2016	Number of ordinary shares		At 31.12.2016
		Bought	Sold	
<b>Shareholdings in which Directors have direct interests</b>				
Interest of Dato' Abdullah bin Mohd Yusof in:				
AEON CO. (M) BHD.	2,070,000	–	–	2,070,000
AEON Credit Service (M) Berhad	60,180	–	–	60,180
Interest of Poh Ying Loo in:				
AEON CO. (M) BHD.	124,000	–	–	124,000
AEON Credit Service (M) Berhad	1,200	–	–	1,200
<b>Shareholdings in which Directors have deemed interests</b>				
Interest of Dato' Abdullah bin Mohd Yusof in:				
AEON CO. (M) BHD.	2,855,000	–	(445,000)	2,410,000
AEON Credit Service (M) Berhad	51,000	–	–	51,000
Interest of Poh Ying Loo in:				
AEON CO. (M) BHD.	96,000	–	–	96,000

None of the other Directors holding office at 31 December 2016 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' REPORT

for the year ended 31 December 2016

### DIRECTORS' BENEFITS

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

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

### ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, 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 insurance effected for the Directors and Officers of the Company is RM31,810.

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and 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 Group and 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 Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 Group and of the Company misleading.



## DIRECTORS' REPORT

for the year ended 31 December 2016

### OTHER STATUTORY INFORMATION (continued)

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

- i) any charge on the assets of the Group or 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 Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 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.

### SUBSEQUENT EVENT

The significant subsequent event is disclosed in Note 31 to the financial statements.

### AUDITORS

The auditors, KPMG Desa Megat PLT (converted from a conventional partnership, KPMG Desa Megat & Co., on 27 December 2016), have indicated their willingness to accept re-appointment.

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

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

**Dato' Abdullah bin Mohd Yusof**  
Director

**Shinobu Washizawa**  
Director

Kuala Lumpur

Date: 28 March 2017

# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	Note	2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	2015 RM'000
<b>Assets</b>					
Property, plant and equipment	3	3,460,465	3,032,092	3,436,077	3,020,411
Intangible assets	4	20,649	18,393	19,627	17,822
Investment in a subsidiary	5	—	—	49,000	31,500
Investments in associates	6	7,968	7,108	9,200	9,200
Available-for-sale investments	7	44,459	36,842	44,459	36,842
Other assets	8	17,151	16,208	16,771	15,917
<b>Total non-current assets</b>		<b>3,550,692</b>	<b>3,110,643</b>	<b>3,575,134</b>	<b>3,131,692</b>
Inventories	9	614,733	577,517	602,283	569,898
Receivables, deposits and prepayments	10	67,287	70,870	67,026	70,814
Tax recoverable		21,635	3,908	21,635	3,908
Cash and cash equivalents	11	96,012	213,857	81,488	190,809
Assets classified as held for sale	12	799,667	866,152	772,432	835,429
		67,382	65,508	67,382	65,508
<b>Total current assets</b>		<b>867,049</b>	<b>931,660</b>	<b>839,814</b>	<b>900,937</b>
<b>Total assets</b>		<b>4,417,741</b>	<b>4,042,303</b>	<b>4,414,948</b>	<b>4,032,629</b>
<b>Equity</b>					
Share capital		702,000	702,000	702,000	702,000
Fair value reserve		43,429	35,812	43,429	35,812
Retained earnings		1,119,370	1,095,787	1,137,734	1,103,862
<b>Equity attributable to owners of the Company</b>	13	<b>1,864,799</b>	<b>1,833,599</b>	<b>1,883,163</b>	<b>1,841,674</b>
<b>Non-controlling interests</b>		<b>13,657</b>	<b>10,935</b>	<b>—</b>	<b>—</b>
<b>Total equity</b>		<b>1,878,456</b>	<b>1,844,534</b>	<b>1,883,163</b>	<b>1,841,674</b>
<b>Liabilities</b>					
Borrowings	14	325,070	79,167	325,070	79,167
Other liabilities	15	7,977	6,771	7,746	6,664
Deferred tax liabilities	16	27,990	21,151	27,990	21,151
<b>Total non-current liabilities</b>		<b>361,037</b>	<b>107,089</b>	<b>360,806</b>	<b>106,982</b>
Borrowings	14	640,322	690,705	640,322	690,705
Payables and accruals	17	1,537,926	1,399,975	1,530,657	1,393,268
<b>Total current liabilities</b>		<b>2,178,248</b>	<b>2,090,680</b>	<b>2,170,979</b>	<b>2,083,973</b>
<b>Total liabilities</b>		<b>2,539,285</b>	<b>2,197,769</b>	<b>2,531,785</b>	<b>2,190,955</b>
<b>Total equity and liabilities</b>		<b>4,417,741</b>	<b>4,042,303</b>	<b>4,414,948</b>	<b>4,032,629</b>

The notes on pages 72 to 127 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
<b>Continuing operations</b>					
Revenue	18	4,038,655	3,834,640	4,018,688	3,816,110
Other operating income		9,922	9,170	9,502	9,094
Changes in inventories		37,280	58,244	32,449	56,386
Net purchases		(2,488,757)	(2,395,114)	(2,467,312)	(2,381,733)
Staff costs		(287,866)	(272,817)	(280,587)	(267,862)
Depreciation of property, plant and equipment	3	(262,201)	(212,296)	(258,773)	(210,933)
Amortisation of intangible assets	4	(5,318)	(4,641)	(5,067)	(4,495)
Operating expenses		(860,469)	(790,188)	(851,296)	(782,813)
<b>Results from operating activities</b>	19	181,246	226,998	197,604	233,754
Interest expense		(36,964)	(18,452)	(36,964)	(18,452)
Interest income		1,960	1,998	1,529	1,027
Share of profit of equity -accounted associates, net of tax		860	297	–	–
<b>Profit before tax</b>		147,102	210,841	162,169	216,329
Tax expense	21	(72,137)	(79,170)	(72,137)	(79,170)
<b>Profit for the year</b>		74,965	131,671	90,032	137,159
<b>Other comprehensive income, net of tax</b>					
<b>Item that is or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale financial assets	22	7,617	(310)	7,617	(310)
<b>Total comprehensive income for the year</b>		82,582	131,361	97,649	136,849
<b>Profit attributable to:</b>					
Owners of the Company		79,743	133,407	90,032	137,159
Non-controlling interests		(4,778)	(1,736)	–	–
<b>Profit for the year</b>		74,965	131,671	90,032	137,159
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		87,360	133,097	97,649	136,849
Non-controlling interests		(4,778)	(1,736)	–	–
<b>Total comprehensive income for the year</b>		82,582	131,361	97,649	136,849
Basic earnings per ordinary share (sen)	23	5.68	9.50		

The notes on pages 72 to 127 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

<-----Attributable to owners of the Company----->							
<---Non-distributable---> Distributable							
Group	Note	Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>At 1 January 2015</b>		702,000	36,122	1,032,580	1,770,702	12,671	1,783,373
Fair value of available-for-sale financial assets		–	(310)	–	(310)	–	(310)
Profit for the year		–	–	133,407	133,407	(1,736)	131,671
<b>Total comprehensive income for the year</b>		–	(310)	133,407	133,097	(1,736)	131,361
Final dividend in respect of year ended 31 December 2014	24	–	–	(70,200)	(70,200)	–	(70,200)
<b>At 31 December 2015/ 1 January 2016</b>		702,000	35,812	1,095,787	1,833,599	10,935	1,844,534
Fair value of available-for-sale financial assets		–	7,617	–	7,617	–	7,617
Profit for the year		–	–	79,743	79,743	(4,778)	74,965
<b>Total comprehensive income for the year</b>		–	7,617	79,743	87,360	(4,778)	82,582
Final dividend in respect of year ended 31 December 2015	24	–	–	(56,160)	(56,160)	–	(56,160)
Issuance of share to non-controlling interest		–	–	–	–	7,500	7,500
<b>At 31 December 2016</b>		702,000	43,429	1,119,370	1,864,799	13,657	1,878,456
		Note 13	Note 13				

The notes on pages 72 to 127 are an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Company	Note	<-----Attributable to owners of the Company----->			
		<---Non-distributable---> Share capital RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2015</b>		702,000	36,122	1,036,903	1,775,025
Fair value of available-for-sale financial assets		–	(310)	–	(310)
Profit for the year		–	–	137,159	137,159
<b>Total comprehensive income for the year</b>		–	(310)	137,159	136,849
Final dividend in respect of year ended 31 December 2014	24	–	–	(70,200)	(70,200)
<b>At 31 December 2015/1 January 2016</b>		702,000	35,812	1,103,862	1,841,674
Fair value of available-for-sale financial assets		–	7,617	–	7,617
Profit for the year		–	–	90,032	90,032
<b>Total comprehensive income for the year</b>		–	7,617	90,032	97,649
Final dividend in respect of year ended 31 December 2015	24	–	–	(56,160)	(56,160)
<b>At 31 December 2016</b>		702,000	43,429	1,137,734	1,883,163
		Note 13	Note 13		

The notes on pages 72 to 127 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016

	Note	Group 2016 RM'000	2015 RM'000	Company 2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		147,102	210,841	162,169	216,329
Adjustments for:					
Amortisation of intangible assets	4	5,318	4,641	5,067	4,495
Depreciation of property, plant and equipment	3	262,201	212,296	258,773	210,933
Dividend income		(2,022)	(1,841)	(2,022)	(1,841)
Impairment loss on property, plant and equipment	3.1	7,587	2,003	7,587	2,003
Gain on disposal of:					
- Property, plant and equipment		(402)	(1,013)	(402)	(1,013)
- Intangible assets		(520)	–	(520)	–
Interest expense		36,964	18,452	36,964	18,452
Interest income		(1,960)	(1,998)	(1,529)	(1,027)
Property, plant and equipment written off		2,700	777	2,700	777
Share of results of associates		(860)	(297)	–	–
<b>Operating profit before changes in working capital</b>		456,108	443,861	468,787	449,108
Changes in working capital:					
Inventories		(37,216)	(58,675)	(32,385)	(56,817)
Receivables, deposits and prepayments		(9,209)	2,813	(8,915)	2,758
Payables and accruals		138,792	(6,429)	138,106	(2,106)
<b>Cash generated from operations</b>		548,475	381,570	565,593	392,943
Tax paid		(83,025)	(84,719)	(83,025)	(84,719)
<b>Net cash from operating activities</b>		465,450	296,851	482,568	308,224
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(ii)	(703,929)	(700,027)	(687,794)	(695,401)
Acquisition of intangible assets	4	(7,381)	(9,452)	(6,679)	(9,431)
Deposit paid as part of purchase consideration for acquisition of land		–	(4,850)	–	(4,850)
Deposit refunded for cancellation of acquisition of land	10.2	11,849	2,819	11,849	2,819
Subscription of shares in a subsidiary	5.1	–	–	(17,500)	–
Proceeds from disposal of:					
- Property, plant and equipment		623	3,115	623	3,115
- Intangible assets		1,300	–	1,300	–
Dividend received		2,022	1,841	2,022	1,841
Interest received		1,960	1,998	1,529	1,027
<b>Net cash used in investing activities</b>		(693,556)	(704,556)	(694,650)	(700,880)

## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2016 (continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		886,225	769,872	886,225	769,872
Proceeds from issuance of shares to non-controlling interests		7,500	–	–	–
Repayment of borrowings		(690,705)	(136,400)	(690,705)	(136,400)
Dividend paid to owners of the Company		(56,160)	(70,200)	(56,160)	(70,200)
Interest paid		(36,599)	(18,452)	(36,599)	(18,452)
<b>Net cash from financing activities</b>		<b>110,261</b>	<b>544,820</b>	<b>102,761</b>	<b>544,820</b>
Net (decrease)/increase in cash and cash equivalents		(117,845)	137,115	(109,321)	152,164
<b>Cash and cash equivalents at 1 January</b>		<b>213,857</b>	<b>76,742</b>	<b>190,809</b>	<b>38,645</b>
<b>Cash and cash equivalents at 31 December</b>	(i)	<b>96,012</b>	<b>213,857</b>	<b>81,488</b>	<b>190,809</b>

**(i) Cash and cash equivalents**

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

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash and bank balances	11	53,959	41,291	51,435	36,244
Deposits with licensed financial institutions	11	42,053	172,566	30,053	154,565
		<b>96,012</b>	<b>213,857</b>	<b>81,488</b>	<b>190,809</b>

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

In prior year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM714,067,000 and RM709,441,000 respectively. An amount of RM14,040,000 were transferred from other receivables for deposits paid for the acquisition of land.

During the financial year, included in acquisition of property, plant and equipment of the Group and of the Company is acquisition of property, plant and equipment for the store that classified as assets held for sale amounted to RM1,874,000 (2015: nil).

The notes on pages 72 to 127 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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

3<sup>rd</sup> Floor, AEON Taman Maluri Shopping Centre  
Jalan Jejaka, Taman Maluri  
Cheras  
55100 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiary (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in associates. The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

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

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

These financial statements were authorised for issue by the Board of Directors on 28 March 2017.

### 1. BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

#### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

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

- MFRS 16, *Leases*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (continued)

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

##### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 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 Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, except for amendments to MFRS 2 and amendments to MFRS 4, which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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

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

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

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

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

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

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (continued)

#### (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 2016, the Group's and the Company's current liabilities exceeded its current assets by RM1,311,199,000 (2015: RM1,159,020,000) and RM1,331,165,000 (2015: RM1,183,036,000) respectively.

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

#### (c) Functional and presentation currency

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

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

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

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

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

- Note 3 – Measurement of the recoverable amounts of cash-generating units
- Note 15 – Other liabilities
- Note 17.3 – Deferred revenue

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of consolidation

##### (i) Subsidiary

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (i) Subsidiary (continued)

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

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

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

##### (iv) Loss of control

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (v) Associates

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

Investments in associates are accounted for in the consolidated 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 consolidated financial statements include the Group'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 Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group'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 Group has obligation or has made payments on behalf of the associate.

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

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

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

##### (vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group'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 respective functional currency of the Group entities at exchange rates at the dates of the transactions.

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

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

#### (c) Financial instruments

##### (i) Initial recognition and measurement

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Group and the Company categorise financial instruments as follows:

##### *Financial assets*

##### (a) *Loans and receivables*

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

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

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

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

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

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

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

##### *Financial liabilities*

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (iii) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

##### (i) Recognition and measurement

Freehold land and construction work-in-progress are stated at cost. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

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

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

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

##### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

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

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

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

#### (e) Leased assets

##### (i) Finance leases

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Leased assets (continued)

##### (ii) Operating leases

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

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

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

#### (f) Intangible assets

##### (i) Recognition and measurement

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

##### (ii) Subsequent expenditure

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

##### (iii) Amortisation

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

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

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

- |                                   |          |
|-----------------------------------|----------|
| • Information technology software | 5 years  |
| • Franchise fees                  | 15 years |

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

#### (g) Inventories

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Cash and cash equivalents

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

#### (i) Impairment

##### (i) Financial assets

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

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

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

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

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

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

##### (ii) Other assets

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Impairment (continued)

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

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

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

Impairment losses are recognised in the profit or loss.

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

#### (j) Equity instruments

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

##### (i) Issue expenses

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

##### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (k) Employee benefits

##### Short-term employee benefits

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

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

The Group'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 Group has no further payment obligations.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Revenue

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

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

When the Group or 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 Group or the Company.

##### (ii) Property management services

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

#### (m) Dividend income

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

#### (n) Interest income

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

#### (o) Borrowing costs

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Income tax

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

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

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

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

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

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

#### (q) Earnings per ordinary share

The Group 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.

#### (r) Operating segments

An operating segment is a component of the Group 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 Group'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 Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

#### (t) Provisions

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

##### Provision for restoration cost

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

#### (u) Deferred revenue

##### (i) Customer loyalty awards

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

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

##### (ii) Customer rebates

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) Fair value measurements

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group 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 Group 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

Group	Note	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Cost/Valuation</b>											
At 1 January 2015		594,477	1,066,781	442,062	16,571	883,018	453,471	9,384	54,027	338,167	3,857,958
Additions		59,673	3,373	30,415	573	71,708	30,804	681	7,788	509,052	714,067
Disposals		-	-	(2,065)	-	(249)	(15)	(2,478)	-	-	(4,807)
Written off		-	(27)	(4,391)	(244)	(10,398)	(9,258)	(75)	(227)	-	(24,620)
Reversal of provision for restoration cost	15	-	(4,264)	-	-	-	-	-	-	-	(4,264)
Transfer in/(out)		14,040	-	21,579	45	11,860	2,386	-	433	(50,343)	-
Transfer to intangible assets	4	-	-	-	-	-	-	-	-	(3,563)	(3,563)
Transfer to assets held for sale	12	(25,188)	(37,470)	(2,996)	(337)	(19,341)	(7,228)	(93)	(257)	-	(92,910)
<b>At 31 December 2015/</b>											
1 January 2016		643,002	1,028,393	484,604	16,608	936,598	470,160	7,419	61,764	793,313	4,441,861
Additions		-	81,800	68,479	1,759	197,058	73,595	418	16,751	262,195	702,055
Disposals		-	-	-	-	(124)	(284)	(1,102)	(212)	-	(1,722)
Written off		-	(67)	(15,724)	(218)	(22,697)	(16,646)	-	(3,248)	-	(58,600)
Transfer in/(out)		-	483,642	26,890	24	223,901	13,079	-	113	(747,649)	-
Transfer to intangible assets	4	-	-	-	-	-	-	-	-	(973)	(973)
At 31 December 2016		643,002	1,593,768	564,249	18,173	1,334,736	539,904	6,735	75,168	306,886	5,082,621



## NOTES TO THE FINANCIAL STATEMENTS

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

Group	Note	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Depreciation and impairment loss</b>											
At 1 January 2015											
- Accumulated depreciation		30,742	199,684	189,975	10,073	489,662	286,539	6,514	31,681	-	1,243,870
- Accumulated impairment loss		-	-	1,172	430	2,493	1,323	-	132	-	5,550
At 31 December 2015/1 January 2016											
Depreciation for the year		30,742	199,684	190,147	10,503	492,155	287,862	6,514	31,813	-	1,249,420
Impairment loss	3.1	3,498	22,302	39,520	1,310	85,416	51,228	1,042	7,980	-	212,296
Disposals		-	-	2,003	-	-	-	-	-	-	2,003
Written off		-	-	(135)	-	(148)	(15)	(2,407)	-	-	(2,705)
Transfer to assets held for sale	12	-	(7)	(4,348)	(231)	(9,759)	(9,203)	(75)	(220)	-	(23,843)
		-	(4,309)	(1,564)	(182)	(14,071)	(6,966)	(93)	(217)	-	(27,402)
At 31 December 2015/1 January 2016											
- Accumulated depreciation		34,240	217,670	222,448	10,970	551,100	321,583	4,981	39,224	-	1,402,216
- Accumulated impairment loss		-	-	3,175	430	2,493	1,323	-	132	-	7,553
At 31 December 2016											
Depreciation for the year		34,240	217,670	225,623	11,400	553,593	322,906	4,981	39,356	-	1,409,769
Impairment loss	3.1	3,497	30,421	44,008	1,231	112,576	60,416	1,010	9,042	-	262,201
Disposals		-	-	5,624	-	-	1,963	-	-	-	7,587
Written off		-	-	-	-	(124)	(111)	(1,068)	(198)	-	(1,501)
		-	(14)	(14,903)	(204)	(21,438)	(16,121)	-	(3,220)	-	(55,900)
At 31 December 2016											
- Accumulated depreciation		37,737	248,077	251,553	11,997	642,114	365,767	4,923	44,848	-	1,607,016
- Accumulated impairment loss		-	-	8,799	430	2,493	3,286	-	132	-	15,140
		37,737	248,077	260,352	12,427	644,607	369,053	4,923	44,980	-	1,622,156

## NOTES TO THE FINANCIAL STATEMENTS

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

Group	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Carrying amounts</b>										
At 1 January 2015	563,735	867,097	251,915	6,068	390,863	165,609	2,870	22,214	338,167	2,608,538
At 31 December 2015/ 1 January 2016	608,762	810,723	258,981	5,208	383,005	147,254	2,438	22,408	793,313	3,032,092
At 31 December 2016	605,265	1,345,691	303,897	5,746	690,129	170,851	1,812	30,188	306,886	3,460,465

## NOTES TO THE FINANCIAL STATEMENTS

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

Company	Note	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Cost/Valuation</b>											
At 1 January 2015		594,477	1,066,781	438,416	16,523	881,141	450,998	9,382	53,454	338,167	3,849,339
Additions		59,673	3,159	29,737	565	71,549	30,547	681	7,764	505,766	709,441
Disposals		-	-	(2,065)	-	(249)	(15)	(2,478)	-	-	(4,807)
Written off		-	(27)	(4,391)	(244)	(10,398)	(9,258)	(75)	(227)	-	(24,620)
Reversal of provision for restoration cost	15	-	(4,264)	-	-	-	-	-	-	-	(4,264)
Transfer in/(out)		14,040	-	21,579	45	11,860	2,268	-	433	(50,225)	-
Transfer to intangible assets	4	-	-	-	-	-	-	-	-	(3,563)	(3,563)
Transfer to assets held for sale	12	(25,188)	(37,470)	(2,996)	(337)	(19,341)	(7,228)	(93)	(257)	-	(92,910)
<b>At 31 December 2015/</b>											
1 January 2016		643,002	1,028,179	480,280	16,552	934,562	467,312	7,417	61,167	790,145	4,428,616
Additions		-	81,675	63,482	1,677	194,219	68,141	418	15,566	260,742	685,920
Disposals		-	-	-	-	(124)	(284)	(1,102)	(212)	-	(1,722)
Written off		-	(67)	(15,724)	(218)	(22,697)	(16,646)	-	(3,248)	-	(58,600)
Transfer in/(out)		-	483,642	25,304	24	223,164	12,234	-	113	(744,481)	-
Transfer to intangible assets	4	-	-	-	-	-	-	-	-	(973)	(973)
At 31 December 2016		643,002	1,593,429	553,342	18,035	1,329,124	530,757	6,733	73,386	305,433	5,053,241

## NOTES TO THE FINANCIAL STATEMENTS

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

Company	Note	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Depreciation and impairment loss</b>											
At 1 January 2015											
- Accumulated depreciation		30,742	199,684	188,914	10,072	489,624	286,457	6,514	31,662	-	1,243,669
- Accumulated impairment loss		-	-	1,172	430	2,493	1,323	-	132	-	5,550
At 31 December 2015/ 1 January 2016											
- Accumulated depreciation		34,240	217,663	221,961	10,964	550,815	320,939	4,981	39,089	-	1,400,652
- Accumulated impairment loss		-	-	3,175	430	2,493	1,323	-	132	-	7,553
At 31 December 2016											
- Accumulated depreciation		37,737	248,063	250,104	11,979	641,294	363,509	4,923	44,415	-	1,602,024
- Accumulated impairment loss		-	-	8,799	430	2,493	3,286	-	132	-	15,140

## NOTES TO THE FINANCIAL STATEMENTS

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

Company	Land RM'000	Buildings RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures and fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work-in- progress RM'000	Total RM'000
<b>Carrying amounts</b>										
At 1 January 2015	563,735	867,097	248,330	6,021	389,024	163,218	2,868	21,660	338,167	2,600,120
At 31 December 2015/ 1 January 2016	608,762	810,516	255,144	5,158	381,254	145,050	2,436	21,946	790,145	3,020,411
At 31 December 2016	605,265	1,345,366	294,439	5,626	685,337	163,962	1,810	28,839	305,433	3,436,077



## NOTES TO THE FINANCIAL STATEMENTS

**3. PROPERTY, PLANT AND EQUIPMENT (continued)****3.1 Impairment loss**

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

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

The impairment loss is as follows:

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Carrying amount	48,184	27,077
Recoverable amount	(40,597)	(25,074)
Impairment loss	7,587	2,003

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

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

- Cash flows were projected based on past experience, actual operating results and the 5 years business plan. Cash flows for further period were projected using a growth rate of 2% to 5%, which does not exceed the long-term average growth rate of the industry. Management believes that this forecast period was justified due to management's intention to renew and operate the stores up to the maximum lease term.
- The anticipated annual revenue growth included in the cash flow projections were between 1.31% to 38.01% based on average growth levels experienced over the years.
- A discount rate of 6.33% (2015: 7.40%) was applied in determining the recoverable amount of the stores. The discount rate was estimated based on an industry average weighted average cost of capital.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

## 3.2 Land

Included in the carrying amounts of land are:

	Group and Company	
	2016	2015
	RM'000	RM'000
Freehold land	321,235	321,235
Leasehold land with unexpired lease period of more than 50 years	284,030	287,527
	605,265	608,762

## 4. INTANGIBLE ASSETS

Group	Note	Information technology software RM'000	Franchise fees RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2015		26,371	585	26,956
Additions		9,452	–	9,452
Transfer from construction work-in-progress	3	3,563	–	3,563
At 31 December 2015/1 January 2016		39,386	585	39,971
Additions		7,381	–	7,381
Transfer from construction work-in-progress	3	973	–	973
Disposals		(1,300)	–	(1,300)
At 31 December 2016		46,440	585	47,025
<b>Accumulated amortisation</b>				
At 1 January 2015		16,804	133	16,937
Amortisation for the year		4,602	39	4,641
At 31 December 2015/1 January 2016		21,406	172	21,578
Amortisation for the year		5,279	39	5,318
Disposals		(520)	–	(520)
At 31 December 2016		26,165	211	26,376
<b>Carrying amounts</b>				
At 1 January 2015		9,567	452	10,019
At 31 December 2015/1 January 2016		17,980	413	18,393
At 31 December 2016		20,275	374	20,649

## NOTES TO THE FINANCIAL STATEMENTS

## 4. INTANGIBLE ASSETS (continued)

Company	Note	Information technology software RM'000	Franchise fees RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2015		25,651	585	26,236
Additions		9,431	–	9,431
Transfer from construction work-in-progress	3	3,563	–	3,563
At 31 December 2015/1 January 2016		38,645	585	39,230
Additions		6,679	–	6,679
Transfer from construction work-in-progress	3	973	–	973
Disposals		(1,300)	–	(1,300)
At 31 December 2016		44,997	585	45,582
<b>Accumulated amortisation</b>				
At 1 January 2015		16,780	133	16,913
Amortisation for the year		4,456	39	4,495
At 31 December 2015/1 January 2016		21,236	172	21,408
Amortisation for the year		5,028	39	5,067
Disposals		(520)	–	(520)
At 31 December 2016		25,744	211	25,955
<b>Carrying amounts</b>				
At 1 January 2015		8,871	452	9,323
At 31 December 2015/1 January 2016		17,409	413	17,822
At 31 December 2016		19,253	374	19,627

## 5. INVESTMENT IN A SUBSIDIARY

	Note	Company 2016 RM'000	Company 2015 RM'000
<b>At cost:</b>			
Unquoted shares	5.1	49,000	31,500

## NOTES TO THE FINANCIAL STATEMENTS

**5. INVESTMENT IN A SUBSIDIARY (continued)**

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2016 %	2015 %
AEON Index Living Sdn. Bhd.*	Malaysia	Furniture retailer	70	70

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

**5.1 Increase in investment in a subsidiary**

During the financial year, the Company subscribed an additional 17,500,000 of ordinary shares in AEON Index Living Sdn. Bhd. for a total consideration of RM17,500,000. There is no change in the effective ownership interest and voting interest.

**5.2 Non-controlling interests in a subsidiary**

The Group's subsidiary that has material non-controlling interests ("NCI") is as follows:

	AEON Index Living Sdn. Bhd.	
	2016 RM'000	2015 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Carrying amount of NCI	13,657	10,935
Loss allocated to NCI	(4,778)	(1,736)

**Summarised financial information before intra-group elimination****As at 31 December**

Non-current assets	25,790	12,252
Current assets	28,339	31,056
Non-current liabilities	(232)	(107)
Current liabilities	(8,372)	(6,749)
Net assets	45,525	36,452

**Year ended 31 December**

Revenue	22,399	18,530
Loss for the year	(15,927)	(5,785)

Cash flows used in operating activities	(17,119)	(11,373)
Cash flows used in investing activities	(16,405)	(3,676)
Cash flows from financing activities	25,000	–
Net decrease in cash and cash equivalents	(8,524)	(15,049)

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>At cost:</b>				
Unquoted shares	9,200	9,200	9,200	9,200
Share of post-acquisition reserves	(1,232)	(2,092)	–	–
	7,968	7,108	9,200	9,200

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Effective ownership interest	
			2016 %	2015 %
AEON Fantasy (Malaysia) Sdn. Bhd. **	Malaysia	Operating indoor amusement park business	20	20
AEON TopValu Malaysia Sdn. Bhd. **	Malaysia	Product development of AEON private brand	20	20

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

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

2016 Group	Note	AEON Fantasy (Malaysia) Sdn. Bhd. RM'000	AEON TopValu Malaysia Sdn. Bhd. RM'000	Total RM'000
<b>Summarised financial information</b>				
<b>As at 31 December</b>				
Non-current assets		84,155	248	
Current assets		27,505	40,073	
Non-current liabilities		(40,163)	–	
Current liabilities		(16,093)	(41,715)	
Net assets/(liabilities)		55,404	(1,394)	
<b>Year ended 31 December</b>				
Profit from continuing operations		4,302	3,175	
<b>Included in the total comprehensive income is:</b>				
Revenue		65,327	77,166	
<b>Group's share of net assets as at 31 December</b>		7,968	–	7,968
<b>Group's share of results for the year ended 31 December</b>	6.1	860	–	860

## NOTES TO THE FINANCIAL STATEMENTS

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

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

<b>2015 Group</b>	<b>AEON Fantasy (Malaysia) Sdn. Bhd. RM'000</b>	<b>AEON TopValu Malaysia Sdn. Bhd. RM'000</b>	<b>Total RM'000</b>
<b>Summarised financial information</b>			
<b>As at 31 December</b>			
Non-current assets	75,751	300	
Current assets	20,575	17,746	
Non-current liabilities	(12,786)	(4,721)	
Current liabilities	(31,631)	(17,582)	
Net assets/(liabilities)	51,909	(4,257)	
<b>Year ended 31 December</b>			
Profit/(Loss) from continuing operations	1,487	(3,622)	
<b>Included in the total comprehensive income is:</b>			
Revenue	49,743	51,730	
<b>Group's share of net assets as at 31 December</b>	<b>7,108</b>	<b>–</b>	<b>7,108</b>
<b>Group's share of results for the year ended 31 December</b>	<b>297</b>	<b>–</b>	<b>297</b>

**6.1 Group's share of results for the year ended 31 December 2016**

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

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

	<b>Group and Company</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>
<b>Non-current</b>		
Quoted equities in Malaysia	44,459	36,842
<b>Representing items:</b>		
At fair value:		
Market value of quoted investments	44,459	36,842



## NOTES TO THE FINANCIAL STATEMENTS

## 8. OTHER ASSETS

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

## 9. INVENTORIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Retail merchandise	328,550	296,220	316,100	288,601
Food and others	286,183	281,297	286,183	281,297
	614,733	577,517	602,283	569,898
<b>Recognised in profit or loss:</b>				
Inventories recognised as an expense	2,442,640	2,336,080	2,427,717	2,324,557
Write-down to net realisable value	8,837	790	7,146	790

The write-down is included in changes in inventories.

## 10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Trade</b>					
Trade receivables		51,720	47,658	51,477	47,579
Amount due from a related company	10.1	927	973	911	971
		52,647	48,631	52,388	48,550
<b>Non-trade</b>					
Other receivables and prepayments	10.2	13,244	21,111	13,137	21,094
Amount due from a subsidiary	10.1	–	–	105	42
Amount due from an associate	10.1	26	–	26	–
Amount due from related companies	10.1	1,370	1,128	1,370	1,128
		14,640	22,239	14,638	22,264
		67,287	70,870	67,026	70,814

## 10.1 Amounts due from a subsidiary, associate and related companies

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

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

## NOTES TO THE FINANCIAL STATEMENTS

## 10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

## 10.2 Other receivables and prepayments

Included in other receivables and prepayments are deposits of RM3,692,000 (2015: RM15,541,000) paid as part of the purchase consideration for the acquisition of land for the purpose of constructing shopping malls. During the year, there were refunds of RM11,849,000 (2015: RM2,819,000) upon cancellation of the purchase of lands due to non-fulfillment of the conditions precedent within the extended period. In prior year, there was a transfer of RM14,040,000 to additions of property, plant and equipment upon the completion of the purchase of land for the Group and the Company.

## 11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	53,959	41,291	51,435	36,244
Deposits with licensed financial institutions	42,053	172,566	30,053	154,565
	96,012	213,857	81,488	190,809

## 12. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	Group and Company	
		2016 RM'000	2015 RM'000
<b>Property, plant and equipment</b>			
<i>Carrying amount</i>			
At 1 January		65,508	–
Transfer from property, plant and equipment	3	–	65,508
Additions		1,874	–
At 31 December		67,382	65,508

One of the shopping malls is classified as assets held for sale following the commitment of the Group's management to a plan to dispose of the assets. Efforts to sell the assets have commenced and a sale is expected by 2017.

12.1 The carrying value of property, plant and equipment classified as assets held for sale is the same as its carrying value before it was reclassified to current asset. It comprises the following:

	Group and Company	
	2016 RM'000	2015 RM'000
Cost	94,784	92,910
Accumulated depreciation	(27,402)	(27,402)
	67,382	65,508

## NOTES TO THE FINANCIAL STATEMENTS

## 13. CAPITAL AND RESERVES

## Share capital

	Number of shares 2016 '000	Amount 2016 RM'000	Group and Company Number of shares 2015 '000	Amount 2015 RM'000
<b>Authorised:</b>				
Ordinary shares of RM0.50 each	2,000,000	1,000,000	2,000,000	1,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of RM0.50 each	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 available-for-sale financial assets until the investments are derecognised or impaired.

## 14. BORROWINGS

	Note	Group and Company 2016 RM'000	2015 RM'000
<b>Non-current</b>			
Bank loans	14.1	325,070	79,167
<b>Current</b>			
Bank loans	14.1	242,247	45,833
Revolving credits - unsecured	14.2	213,500	644,872
Islamic Medium Term Notes and Islamic Commercial Papers - unsecured	14.3	184,575	–
		640,322	690,705
		965,392	769,872

## NOTES TO THE FINANCIAL STATEMENTS

**14. BORROWINGS (continued)**

- 14.1 The bank loans are unsecured, bears interest ranging from 3.45% to 4.20% (2015: 4.10% to 4.20%) per annum and are repayable on quarterly basis up to 29 October 2021.
- 14.2 The unsecured revolving credits bear interest rates ranging from 3.45% to 3.55% (2015: 3.70% to 4.21%) per annum.
- 14.3 The unsecured Islamic Medium Term Notes and Islamic Commercial Papers, bear interest rates ranging from 3.83% to 4.18% per annum.

**15. OTHER LIABILITIES**

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Provision for restoration cost</b>					
At 1 January		6,771	7,769	6,664	7,769
Provision made during the year		908	3,266	784	3,159
Provision used during the year		(67)	–	(67)	–
Provision reversed during the year	3	–	(4,264)	–	(4,264)
Unwinding of discount		365	–	365	–
At 31 December		7,977	6,771	7,746	6,664

Under the provision of lease agreements, the Group and the Company have 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 5.53% (2015: 7.40%).

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

Deferred tax assets and liabilities are attributable to the following:

Group and Company	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment						
- capital allowance	2,112	1,485	(50,880)	(40,741)	(48,768)	(39,256)
- revaluation	–	–	(9,587)	(9,788)	(9,587)	(9,788)
Provisions	30,365	27,893	–	–	30,365	27,893
Net tax assets/(liabilities)	32,477	29,378	(60,467)	(50,529)	(27,990)	(21,151)

## NOTES TO THE FINANCIAL STATEMENTS

## 16. DEFERRED TAX LIABILITIES (continued)

## Movement in temporary differences during the year

Group and Company	At 1.1.2015 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2016 RM'000
Property, plant and equipment					
- capital allowance	(38,402)	(854)	(39,256)	(9,512)	(48,768)
- revaluation	(9,990)	202	(9,788)	201	(9,587)
Provisions	29,093	(1,200)	27,893	2,472	30,365
	(19,299)	(1,852)	(21,151)	(6,839)	(27,990)

## Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated in gross):

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	15,846	5,270	–	–
Unabsorbed capital allowances	4,958	1,293	–	–
Other (taxable)/deductible temporary differences	(383)	66	–	–
	20,421	6,629	–	–

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation.

Deferred tax assets of a subsidiary that was suffering loss have not been recognised in respect of these items as management considered it is not probable that sufficient future taxable profit will be available against which the benefit can be utilised.

## 17. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Trade</b>					
Trade payables	17.1	768,564	702,518	768,033	700,932
Amount due to an associate	17.2	18,960	9,679	18,960	9,679
Amount due to a subsidiary	17.2	–	–	943	–
		787,524	712,197	787,936	710,611

## NOTES TO THE FINANCIAL STATEMENTS

## 17. PAYABLES AND ACCRUALS (continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
<b>Non-trade</b>					
Other payables and accrued expenses		323,150	323,233	315,961	318,163
Deferred revenue	17.3	47,421	41,066	47,231	41,066
Progress claims by contractors		85,857	68,003	85,857	68,003
Rental and utility deposits		238,932	210,782	238,932	210,782
Amount due to holding company	17.2	17,008	30,311	17,008	30,311
Amount due to an associate	17.2	1,900	1,572	1,900	1,572
Amount due to related companies	17.2	36,134	12,811	35,832	12,760
		750,402	687,778	742,721	682,657
		1,537,926	1,399,975	1,530,657	1,393,268

## 17.1 Trade payables

Included in the Group's trade payables is a trade balance due to a corporate shareholder of a subsidiary amounting to RM402,000 (2015: RM1,586,000). The amount due to a corporate shareholder is unsecured, interest free and subject to normal trade terms.

## 17.2 Amounts due to holding company, subsidiary, associate and related companies

The trade amounts due to a subsidiary and an associate are unsecured, interest free and subject to normal trade terms.

The non-trade amounts due to holding company, associate and related companies are unsecured, interest free and repayable on demand.

## 17.3 Deferred revenue

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Customer loyalty awards	42,097	32,335	41,907	32,335
Customer rebates	5,324	8,731	5,324	8,731
	47,421	41,066	47,231	41,066

The fair value of the deferred revenue is estimated by reference to the monetary value attributable to the awarded gift redemption points, rebates and redemption profile.

While the deferred revenue is based on the best estimate of future redemption profile, there is uncertainty regarding the trend of redemption. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.



## NOTES TO THE FINANCIAL STATEMENTS

## 17. PAYABLES AND ACCRUALS (continued)

## 17.3 Deferred revenue (continued)

## Movement in deferred revenue

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Customer loyalty awards</b>				
At 1 January	32,335	29,953	32,335	29,953
Additions during the year	28,867	20,398	28,667	20,398
Utilisation during the year	(14,484)	(14,501)	(14,474)	(14,501)
Reversal during the year	(4,621)	(3,515)	(4,621)	(3,515)
At 31 December	42,097	32,335	41,907	32,335

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Customer rebates</b>				
At 1 January	8,731	8,199	8,731	8,199
Additions during the year	13,839	17,572	13,839	17,572
Utilisation during the year	(10,066)	(13,338)	(10,066)	(13,338)
Reversal during the year	(7,180)	(3,702)	(7,180)	(3,702)
At 31 December	5,324	8,731	5,324	8,731

## 18. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods and others	3,040,611	2,896,785	3,019,156	2,878,255
Net commission from concessionaire sales	398,520	392,047	398,520	392,047
Property management services	599,524	545,808	601,012	545,808
	4,038,655	3,834,640	4,018,688	3,816,110

## NOTES TO THE FINANCIAL STATEMENTS

## 19. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Operating profit is arrived at after charging:</b>				
Auditors' remuneration				
- Audit fees				
- KPMG Desa Megat PLT Malaysia	240	240	240	240
- Local affiliates of KPMG Desa Megat PLT in Malaysia	40	34	-	-
- Non-audit fees				
- KPMG Desa Megat PLT Malaysia	46	32	46	32
- Local affiliates of KPMG Desa Megat PLT in Malaysia	249	619	203	544
Amortisation of intangible assets	5,318	4,641	5,067	4,495
Depreciation of property, plant and equipment	262,201	212,296	258,773	210,933
Impairment loss:				
- Trade receivables	1,183	-	1,183	-
- Sundry receivables	-	27	-	27
- Property, plant and equipment	7,587	2,003	7,587	2,003
Loss on foreign exchange				
- Realised	-	568	-	548
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	32,405	30,808	31,888	30,515
- Wages, salaries and others	255,461	242,009	248,699	237,347
Property, plant and equipment written off	2,700	777	2,700	777
Rental expense				
- Land and buildings	225,400	199,497	224,023	198,248
- Equipment	4,014	3,085	3,504	2,918
- Fixtures and fittings	131	146	131	146
- Hostel	408	521	408	521
Royalty expenses	15,875	30,319	15,539	29,791
Write-down of inventories	8,837	790	7,146	790
<b>after crediting:</b>				
Dividend income from:				
- Quoted shares in Malaysia	2,022	1,841	2,022	1,841
Gain on disposal of:				
- Property, plant and equipment	402	1,013	402	1,013
- Intangible assets	520	-	520	-
Gain on foreign exchange				
- Realised	144	-	24	-
Property management services				
- Rental income on shopping mall operation	541,395	492,099	542,656	492,099
- Other property management services income	58,129	53,709	58,356	53,709
Reversal of impairment loss				
- Trade receivables	-	847	-	847
Royalty income	-	-	168	259

## NOTES TO THE FINANCIAL STATEMENTS

## 20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Directors:</b>				
Fees	1,025	1,070	1,025	1,070
Remuneration	1,554	1,462	1,554	1,462
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	63	67	63	67
	2,642	2,599	2,642	2,599

## 21. TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Current tax expense</b>				
- current year	56,554	75,974	56,554	75,974
- under provision in prior year	8,744	1,344	8,744	1,344
	65,298	77,318	65,298	77,318
<b>Deferred tax expense</b>				
- origination and reversal of temporary differences	9,508	(3,803)	9,508	(3,803)
- reduction of tax rate	—	(881)	—	(881)
- (over)/under provision in prior year	(2,669)	6,536	(2,669)	6,536
	6,839	1,852	6,839	1,852
<b>Tax expense</b>	<b>72,137</b>	<b>79,170</b>	<b>72,137</b>	<b>79,170</b>
<b>Reconciliation of tax expense</b>				
Profit before tax	147,102	210,841	162,169	216,329
Tax calculated using Malaysian tax rate of 24% (2015: 25%)	35,304	52,710	38,921	54,082
Non-deductible expenses	28,244	18,934	27,731	18,894
Non-taxable income	(796)	(678)	(590)	(604)
Deferred tax asset not recognised	3,310	1,350	—	—
Others	—	(201)	—	(201)
Effect of change in tax rate	—	(825)	—	(881)
	66,062	71,290	66,062	71,290
Under/(Over) provision in prior year				
- current tax expense	8,744	1,344	8,744	1,344
- deferred tax expense	(2,669)	6,536	(2,669)	6,536
<b>Tax expense</b>	<b>72,137</b>	<b>79,170</b>	<b>72,137</b>	<b>79,170</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 22. OTHER COMPREHENSIVE INCOME

	Group and Company			
	2016		2015	
	Before tax RM'000	Net of tax RM'000	Before tax RM'000	Net of tax RM'000
<b>Item that is or may be reclassified subsequently to profit or loss</b>				
Fair value of available-for-sale financial assets				
- gain/(loss) arising during the year	7,617	7,617	(310)	(310)
	7,617	7,617	(310)	(310)

## 23. EARNINGS PER ORDINARY SHARE

## Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the period.

	Group	
	2016 RM'000	2015 RM'000
Profit for the year attributable to owners of the Company	79,743	133,407
	'000	'000
Weighted average number of ordinary shares	1,404,000	1,404,000
Basic earnings per ordinary share (sen)	5.68	9.50

## Diluted earnings per ordinary share

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

## NOTES TO THE FINANCIAL STATEMENTS

**24. DIVIDEND**

Dividend recognised by the Company is as follows:

	Sen per share	Total amount RM'000	Date of payment
<b>2016</b>			
Final 31.12.2015 dividend	4.00	56,160	14 July 2016
<b>2015</b>			
Final 31.12.2014 dividend	5.00	70,200	8 July 2015

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

	Sen per share	Total amount RM'000
Final 31.12.2016 dividend	3.00	42,120

This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

**25. OPERATING SEGMENTS**

The Group has two main reportable segments as described below, which are based on the Group'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 Group.

**Reportable segments**

The two main reportable segments are:

Retailing	The operations of a chain of departmental stores and supermarkets selling a broad range of goods ranging from clothing, food, household goods and other merchandise.
Property management services	Shopping mall operation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-earning assets and related revenue, loans and borrowings and related expenses and tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

## 25. OPERATING SEGMENTS (continued)

Group	Retailing		Property management services		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Business segments</b>						
Revenue from external customers	3,439,131	3,288,832	599,524	545,808	4,038,655	3,834,640
<b>Total revenue</b>	3,439,131	3,288,832	599,524	545,808	4,038,655	3,834,640
<b>Segmental profit</b>	3,302	44,474	209,112	208,028	212,414	252,502
Less: Unallocated expenses					(31,168)	(25,504)
<b>Operating profit</b>					181,246	226,998
Interest expense					(36,964)	(18,452)
Interest income					1,960	1,998
Share of results of associates					860	297
<b>Profit before tax</b>					147,102	210,841
Tax expense					(72,137)	(79,170)
<b>Profit for the year</b>					74,965	131,671
<b>Segment assets</b>	1,554,511	1,098,618	2,799,542	2,767,212	4,354,053	3,865,830
Unallocated assets					63,688	176,473
<b>Total assets</b>					4,417,741	4,042,303
<b>Segment liabilities</b>	(1,136,024)	(1,072,849)	(402,134)	(333,897)	(1,538,158)	(1,406,746)
Unallocated liabilities					(1,001,127)	(791,023)
<b>Total liabilities</b>					(2,539,285)	(2,197,769)
Capital expenditure	240,839	75,706	470,471	596,147	711,310	671,853
Depreciation and amortisation	113,829	95,969	153,690	120,968	267,519	216,937
Impairment of property, plant and equipment	7,587	2,003	-	-	7,587	2,003
Write-down of inventories	8,837	790	-	-	8,837	790
Non-cash expenses other than depreciation and amortisation	9,158	1,606	207	161	9,365	1,767



## NOTES TO THE FINANCIAL STATEMENTS

## 25. OPERATING SEGMENTS (continued)

Company	Retailing		Property management services		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Business segments</b>						
Revenue from external customers	3,417,676	3,270,302	601,012	545,808	4,018,688	3,816,110
<b>Total revenue</b>	3,417,676	3,270,302	601,012	545,808	4,018,688	3,816,110
<b>Segmental profit</b>	14,680	49,373	209,112	208,028	223,792	257,401
Less: Unallocated expenses					(26,188)	(23,647)
<b>Operating profit</b>					197,604	233,754
Interest expense					(36,964)	(18,452)
Interest income					1,529	1,027
<b>Profit before tax</b>					162,169	216,329
Tax expense					(72,137)	(79,170)
<b>Profit for the year</b>					90,032	137,159
<b>Segment assets</b>	1,563,718	1,106,945	2,799,542	2,767,212	4,363,260	3,874,157
Unallocated assets					51,688	158,472
<b>Total assets</b>					4,414,948	4,032,629
<b>Segment liabilities</b>	(1,128,523)	(1,066,035)	(402,134)	(333,897)	(1,530,657)	(1,399,932)
Unallocated liabilities					(1,001,128)	(791,023)
<b>Total liabilities</b>					(2,531,785)	(2,190,955)
Capital expenditure	224,002	61,719	470,471	596,147	694,473	657,866
Depreciation and amortisation	110,150	94,460	153,690	120,968	263,840	215,428
Impairment of property, plant and equipment	7,587	2,003	–	–	7,587	2,003
Write-down of inventories	7,146	790	–	–	7,146	790
Non-cash expenses other than depreciation and amortisation	9,158	1,606	207	161	9,365	1,767

## NOTES TO THE FINANCIAL STATEMENTS

**25. OPERATING SEGMENTS (continued)****Geographical segment**

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

**26. CAPITAL MANAGEMENT**

The Group's and the Company's objectives when managing capital is to maintain a strong capital base and safeguard the Group's and 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 Group's and the Company's approach to capital management during the year. Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Group 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 Group and the Company have complied with this requirement.

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

Non-cancellable operating lease rental payables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	219,030	182,048	217,690	180,756
Between one and five years	584,549	462,024	578,556	460,846
More than five years	371,971	351,970	357,834	351,970
	1,175,550	996,042	1,154,080	993,572

The Group and the Company lease a number of land, buildings and premises under operating leases. The leases have initial years ranging from 3 to 25 years, with options to renew the respective leases after expiry. None of the leases includes contingent rentals.

## NOTES TO THE FINANCIAL STATEMENTS

## 28. CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Property, plant and equipment</b>				
<i>Authorised but not contracted for</i>	920,241	2,414,734	916,591	2,412,268
<i>Contracted but not provided for and not payable:</i>				
Within one year	204,390	531,902	201,083	522,671
One year or later and not later than five years	339,731	126,769	339,731	126,769

## 29. RELATED PARTIES

*Identity of related parties*

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group 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 Group and of the Company (other than key management personnel compensation as disclosed in Note 20) are as follows:

	<-----Group----->				<-----Company----->			
	Transactions value		Balance outstanding		Transactions value		Balance outstanding	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Holding company:								
Royalty expenses	(15,539)	(29,791)	(15,539)	(29,791)	(15,539)	(29,791)	(15,539)	(29,791)
Related companies:								
Sales through AEON credit card	76,892	101,285	397	526	76,692	101,138	394	524
Sales through easy payment scheme financing	6,298	6,165	529	447	6,128	6,117	517	447
Rental income	4,340	4,188	549	144	4,340	4,188	549	144
Convertible AEON Member card point income	2,377	2,142	205	171	2,377	2,142	205	171
Support services	2,455	3,810	2	1,225	2,455	3,810	2	1,225
Retail support services	82	272	35	236	82	272	35	236
Management services	170	343	2	25	170	343	2	25
Trustee fee	27	24	-	-	27	24	-	-
Credit card sales commission expenses	(1,138)	(1,470)	-	-	(1,134)	(1,468)	-	-
Supply chain and distribution centre management fee	(55,285)	(35,458)	(14,789)	(9,199)	(55,285)	(35,458)	(14,789)	(9,199)
Purchase of merchandise	(23)	(74)	-	-	(23)	(74)	-	-
Purchase of consumables	(2,624)	(597)	(623)	(276)	(1,451)	(396)	(321)	(225)

## NOTES TO THE FINANCIAL STATEMENTS

## 29. RELATED PARTIES (CONTINUED)

## Significant related party transactions (continued)

	<-----Group----->				<-----Company----->			
	Transactions value		Balance outstanding		Transactions value		Balance outstanding	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Related companies (continued):								
Facility management service	(54,840)	(13,672)	(11,919)	(68)	(54,840)	(12,684)	(11,919)	(68)
Rental expenses	(2,552)	(2,060)	-	-	(2,552)	(2,060)	-	-
Management fee	(8,461)	-	(8,461)	-	(8,461)	-	(8,461)	-
Associates:								
Purchase of merchandise	(64,561)	(40,275)	(18,138)	(9,135)	(64,561)	(40,275)	(18,138)	(9,135)
Rental income	10,542	9,492	115	113	10,542	9,485	115	113
Subsidiary:								
Purchase of merchandise	-	-	-	-	(943)	-	(943)	-
Rental Income	-	-	-	-	1,488	-	-	-
Royalty income	-	-	-	-	168	259	105	42
Corporate shareholder:								
Purchase of merchandise	(20,684)	(11,203)	(402)	(1,586)	-	-	-	-
Purchase of other merchandise	(1,956)	-	-	-	-	-	-	-

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled in cash.

## NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INSTRUMENTS

## 30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
<b>2016</b>			
<b>Financial assets</b>			
<b>Group</b>			
Available-for-sale investments	44,459	–	44,459
Receivables and deposits (excluding prepayments)	62,292	62,292	–
Cash and cash equivalents	96,012	96,012	–
	202,763	158,304	44,459
<b>Company</b>			
Available-for-sale investments	44,459	–	44,459
Receivables and deposits (excluding prepayments)	62,131	62,131	–
Cash and cash equivalents	81,488	81,488	–
	188,078	143,619	44,459
<b>Financial liabilities</b>			
<b>Group</b>			
Borrowings	(965,392)	(965,392)	–
Payables and accruals (excluding deferred revenue)	(1,490,505)	(1,490,505)	–
	(2,455,897)	(2,455,897)	–
<b>Company</b>			
Borrowings	(965,392)	(965,392)	–
Payables and accruals (excluding deferred revenue)	(1,483,426)	(1,483,426)	–
	(2,448,818)	(2,448,818)	–



## NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INSTRUMENTS (continued)

## 30.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
<b>2015</b>			
<b>Financial assets</b>			
<b>Group</b>			
Available-for-sale investments	36,842	–	36,842
Receivables and deposits (excluding prepayments)	67,448	67,448	–
Cash and cash equivalents	213,857	213,857	–
	318,147	281,305	36,842
<b>Company</b>			
Available-for-sale investments	36,842	–	36,842
Receivables and deposits (excluding prepayments)	67,392	67,392	–
Cash and cash equivalents	190,809	190,809	–
	295,043	258,201	36,842
<b>Financial liabilities</b>			
<b>Group</b>			
Borrowings	(769,872)	(769,872)	–
Payables and accruals (excluding deferred revenue)	(1,358,909)	(1,358,909)	–
	(2,128,781)	(2,128,781)	–
<b>Company</b>			
Borrowings	(769,872)	(769,872)	–
Payables and accruals (excluding deferred revenue)	(1,352,202)	(1,352,202)	–
	(2,122,074)	(2,122,074)	–

## NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INSTRUMENTS (continued)

## 30.2 Net gain/(loss) arising from financial instruments

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Net gain/(loss) on:</b>				
Available-for-sale financial assets:				
- recognised in other comprehensive income	7,617	(310)	7,617	(310)
Loans and receivables	777	2,818	346	1,847
Financial liabilities measured at amortised cost	(36,820)	(19,020)	(36,940)	(19,000)
	(28,426)	(16,512)	(28,977)	(17,463)

## 30.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

## 30.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer, tenant or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arise from its shopping mall tenants and credit card receivables.

**Receivables***Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on shopping mall tenants. The Group and the Company require all tenants to place adequate security deposits as stipulated under the tenancy agreement. In terms of its credit card receivables, which are basically from banking institutions, the Group and the Company have in place an ongoing process to monitor closely and ensure risk exposure is always minimal.

*Exposure to credit risk and credit quality*

As at the end of the reporting period, the Group and the Company do not have any major concentration of credit risk on its shopping mall tenants or credit card receivables and the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. These receivables are credit card receivables from banking institution and regular tenants that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

## NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INSTRUMENTS (continued)

## 30.4 Credit risk (continued)

*Receivables (continued)**Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>Group</b>			
<b>2016</b>			
Not past due	39,715	–	39,715
Past due 0 - 30 days	2,020	–	2,020
Past due 31 - 120 days	2,488	–	2,488
Past due more than 120 days	9,202	(1,705)	7,497
	53,425	(1,705)	51,720
<b>2015</b>			
Not past due	39,466	–	39,466
Past due 0 - 30 days	1,382	–	1,382
Past due 31 - 120 days	1,500	–	1,500
Past due more than 120 days	5,832	(522)	5,310
	48,180	(522)	47,658
<b>Company</b>			
<b>2016</b>			
Not past due	39,472	–	39,472
Past due 0 - 30 days	2,020	–	2,020
Past due 31 - 120 days	2,488	–	2,488
Past due more than 120 days	9,202	(1,705)	7,497
	53,182	(1,705)	51,477
<b>2015</b>			
Not past due	39,387	–	39,387
Past due 0 - 30 days	1,382	–	1,382
Past due 31 - 120 days	1,500	–	1,500
Past due more than 120 days	5,832	(522)	5,310
	48,101	(522)	47,579

Other receivables, rental and utility deposits are neither past due nor impaired. Therefore, these receivables are stated at their realisable values.

## NOTES TO THE FINANCIAL STATEMENTS

**30. FINANCIAL INSTRUMENTS (continued)****30.4 Credit risk (continued)*****Receivables (continued)******Impairment losses (continued)***

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

	<b>Group and Company</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	522	1,369
Impairment loss recognised	1,185	69
Impairment loss reversed	(2)	(916)
At 31 December	1,705	522

**30.5 Liquidity risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and 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 Group and the Company monitor and maintain a level of cash and cash equivalents and banking facilities that are deemed adequate by management for the Group's and the Company's operational needs and mitigate effects of fluctuations in cash flows and liquidity. The Group's and the Company's deposits are also placed with licensed financial institutions which are highly liquid.

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

It is not expected that the cash flows included in maturity analysis could occur significantly earlier, or at significantly different amounts.

## NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INSTRUMENTS (continued)

## 30.5 Liquidity risk (continued)

*Maturity analysis*

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	2 to 5 years RM'000
<b>2016</b>					
<b>Group</b>					
Revolving credits	213,500	3.45 - 3.55	213,642	213,642	–
Bank loans	567,317	3.45 - 4.20	628,017	263,409	364,608
Islamic Medium Term Notes and Islamic Commercial Papers	184,575	3.83 - 4.18	186,069	186,069	–
Payables and accruals (excluding deferred revenue)	1,490,505	–	1,490,505	1,490,505	–
	2,455,897		2,518,233	2,153,625	364,608
<b>Company</b>					
Revolving credits	213,500	3.45 - 3.55	213,642	213,642	–
Bank loans	567,317	3.45 - 4.20	628,017	263,409	364,608
Islamic Medium Term Notes and Islamic Commercial Papers	184,575	3.83 - 4.18	186,069	186,069	–
Payables and accruals (excluding deferred revenue)	1,483,426	–	1,483,426	1,483,426	–
	2,448,818		2,511,154	2,146,546	364,608
<b>2015</b>					
<b>Group</b>					
Revolving credits	644,872	3.70 - 4.21	645,646	645,646	–
Bank loan	125,000	4.10 - 4.20	132,789	50,202	82,587
Payables and accruals (excluding deferred revenue)	1,358,909	–	1,358,909	1,358,909	–
	2,128,781		2,137,344	2,054,757	82,587
<b>Company</b>					
Revolving credits	644,872	3.70 - 4.21	645,646	645,646	–
Bank loan	125,000	4.10 - 4.20	132,789	50,202	82,587
Payables and accruals (excluding deferred revenue)	1,352,202	–	1,352,202	1,352,202	–
	2,122,074		2,130,637	2,048,050	82,587

## NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INSTRUMENTS (continued)

## 30.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other prices that will affect the Group's and the Company's financial position or cash flows.

## 30.6.1 Interest rate risk

The Group's and the Company's exposure to interest rate risk relates to its short term borrowings such as overdraft and trade financing facilities. Interest-earning financial assets are mainly deposits placed with financial institutions that generate interest income.

*Risk management objectives, policies and processes for managing the risk*

The management monitors closely the prevailing interest rates at regular intervals and ensure that the Group and the Company obtain competitive rates for its banking facilities, interest earning deposits and short term borrowings.

In view of the competitive rates that are available from the prevailing banking facilities granted to the Group and 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 Group and the Company.

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Fixed rate instruments</b>				
<i>Financial asset</i>				
Deposits placed with licensed financial institutions	42,053	172,566	30,053	154,565
<i>Financial liabilities</i>				
Revolving credit	213,500	644,872	213,500	644,872
Bank loans	567,317	125,000	567,317	125,000
Islamic Medium Term Notes and Islamic Commercial Papers	184,575	—	184,575	—

## NOTES TO THE FINANCIAL STATEMENTS

### 30. FINANCIAL INSTRUMENTS (continued)

#### 30.6 Market risk (continued)

##### 30.6.1 Interest rate risk (continued)

###### *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do 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 Group and the Company do 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 Group's and the Company's investments in equity securities.

###### *Risk management objectives, policies and processes for managing the risk*

The Group's and the Company's equity investments are monitored regularly and subject to periodical review. Transaction decisions are approved by the Board.

###### *Equity price risk sensitivity analysis*

A 1% (2015: 1%) increase in the market price of the investment as at the end of the reporting period would have increased equity by RM445,000 (2015: RM368,000). A 1% (2015: 1%) decrease in market price would have had equal but opposite effect on equity.

#### 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.



## NOTES TO THE FINANCIAL STATEMENTS

## 30. FINANCIAL INSTRUMENTS (continued)

## 30.7 Fair value of financial instruments (continued)

## 30.7.1 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Group and Company</b>										
<b>2016</b>										
<b>Financial asset</b>										
Investment in quoted equities	44,459	-	-	44,459	-	-	-	-	44,459	44,459
<b>Financial liability</b>										
Bank loans	-	-	-	-	-	-	515,935	515,935	515,935	567,317
<b>2015</b>										
<b>Financial asset</b>										
Investment in quoted equities	36,842	-	-	36,842	-	-	-	-	36,842	36,842
<b>Financial liability</b>										
Bank loan	-	-	-	-	-	-	104,612	104,612	104,612	125,000

## 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 2 fair values during the financial year (2015: no transfer in either directions).

##### Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

##### Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Bank loans	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.

### 31. SUBSEQUENT EVENT

On 3 February 2017, the Company terminated a tenancy agreement dated 29 November 2013 and paid an amount of RM3,510,000 as compensation for agreed liquidated damages. The Company has also provided an amount of RM4,700,000 for write-down of property, plant and equipment subsequent to year end. Upon the termination, the Company is released and discharged from any obligations, all claims, damages, liabilities, costs and demands arising out of the agreement.

## NOTES TO THE FINANCIAL STATEMENTS

**32. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES**

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings:				
- realised	1,109,260	1,077,884	1,127,793	1,086,364
- unrealised	8,156	16,810	9,941	17,498
Total share of retained earnings of associates:				
- realised	1,954	1,093	–	–
Total retained earnings	1,119,370	1,095,787	1,137,734	1,103,862

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

## 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 66 to 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 127 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**Dato' Abdullah bin Mohd Yusof**

Director

**Shinobu Washizawa**

Director

Kuala Lumpur

Date: 28 March 2017

## STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Poh Ying Loo**, the Director primarily responsible for the financial management of AEON CO. (M) BHD., do solemnly and sincerely declare that the financial statements set out on pages 66 to 127 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Poh Ying Loo at Kuala Lumpur in the Federal Territory on 28 March 2017.

**Poh Ying Loo**

Before me:

# INDEPENDENT AUDITORS' REPORT

to the members of AEON CO. (M) BHD.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of AEON CO. (M) BHD., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 127.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and 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, 1965 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 Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws"), and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### i) Net current liabilities of the Group and the Company

*Refer to Note 1 (b) – Basis of measurement.*

#### The key audit matter

As at 31 December 2016, the Group's and the Company's current liabilities exceeded its current assets by RM1,311,199,000 and RM1,331,165,000 respectively. The ability of the Group and the Company to generate sufficient cash flows to meet its liabilities as and when they fall due is dependent upon whether the Group and the Company are able to obtain support from its bankers and continue to achieve profitable operations.

The assessment on the ability of the Group and the Company to generate sufficient cash flows to meet their current liabilities is a key audit matter as it involved consideration of future events which are uncertain and required significant judgement.

## INDEPENDENT AUDITORS' REPORT

to the members of AEON CO. (M) BHD.

### Key Audit Matters (continued)

#### i) Net current liabilities of the Group and the Company (continued)

##### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We considered the available financing facilities of the Group and Company and assessed its drawdown and repayment timing to ascertain whether funds are available for the Group and the Company to meet its obligations as and when they fall due. We have also considered any breach of loan covenants and its potential impact, if any.
- We considered the adequacy of disclosures in the financial statements in relation to the going concern basis of preparation for compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### ii) Impairment of property, plant and equipment

*Refer to Note 2 (d) - Significant accounting policy: Property, plant and equipment and Note 3 – Property, plant and equipment.*

##### The key audit matter

In light of the industry and business environment in which the Group and the Company operate in, there are significant balances of property, plant and equipment of RM3,460,465,000 and RM3,436,077,000 respectively as at 31 December 2016. There is a risk that the carrying value of these assets may be higher than the recoverable amount. The determination of whether or not an impairment charge for property, plant and equipment is necessary involved significant judgement about the future results of the business and assessment of future plans for the Group's property, plant and equipment.

##### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained the discounted future cash flow projections and evaluated the appropriateness of the key assumptions used in particular those relating to revenue growth, trading margins and the discount rate applied to the cash flows model. We assessed the key assumptions for its cash flow projections, with reference to internal and external derived sources and taking into account the Group's historical forecasting accuracy.
- We performed sensitivity analysis of the key drivers, revenue growth rates and discount rate, of the cash flow projections to ascertain the extent of change in those assumptions that either individually or collectively would be required for the assets to be further impaired. We also considered the likelihood of such movement in those key drivers.
- We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the valuation of property, plant and equipment and considered the adequacy of the Group's disclosures in respect of impairment of property, plant and equipment.

## INDEPENDENT AUDITORS' REPORT

to the members of AEON CO. (M) BHD.

### Key Audit Matters (continued)

#### iii) Inventory valuation

*Refer to Note 2 (g) - Significant accounting policy: Inventories and Note 9 – Inventories.*

##### The key audit matter

The Group and the Company held significant inventory balances as at 31 December 2016 of RM614,733,000 and RM602,283,000 respectively. Inventory is valued using weighted average cost of merchandise derived using the Retail Inventory Method. Allowance is made against inventory for estimated losses related to shrinkage and slow moving or obsolete inventory. The valuation of inventory is a key audit matter because of the judgement involved in assessing the level of allowance required.

Given the value of the inventory balance and number of locations of the stores, the existence of inventory is also an area of focus in our audit.

##### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We tested the design and effectiveness of controls over the identification of slow moving inventories and obtained an understanding of the Group's process for measuring the amount of write down required. We also engaged our IT specialist to test the design and effectiveness of controls over the weighted average cost of inventory derived using the Retail Inventory Method ("RIM").
- We tested a sample of inventories to sales subsequent to the year end and ascertained that they were sold at more than its carrying amount derived using the RIM.
- We assessed the adequacy of the allowance made by checking the accuracy of the historical data and the explanation provided by the Group.
- We attended physical inventory counts of selected location of stores and performed sample counts. Where applicable, we have rolled forward the samples selected during our physical inventory count to year end and reconciled to the quantity as at year end.

#### iv) Adequacy of deferred revenue

*Refer to Note 2 (u) - Significant accounting policy: Deferred revenue and Note 17.3 – Deferred revenue.*

##### The key audit matter

The Group and the Company recognised deferred revenue as at 31 December 2016 of RM47,421,000 and RM47,231,000 respectively in respect of customer loyalty awards and customer rebates. The Group and the Company operate a customer loyalty programme, which allows customers to accumulate points and rebates when they purchase products at the Group and the Company's stores. These points and rebates are redeemable for gift vouchers. The deferred revenue is recognised as liability in the statements of financial position and recognised as revenue when the points and rebates are redeemed, expired or are no longer expected to be redeemed. The estimation of deferred revenue at each period end requires a significant degree of judgement and the application of certain assumptions over both the timing of the recognition and the quantum of any such amounts.



## INDEPENDENT AUDITORS' REPORT

to the members of AEON CO. (M) BHD.

### Key Audit Matters (continued)

#### iv) Adequacy of deferred revenue (continued)

##### How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated and tested the operating effectiveness of IT application controls over the accuracy and timing of revenue recognition in the financial statements, including controls relating to the reliability of the system in:
  - the calculation of gift points and rebates in relation to the quantum of the customers' purchases; and
  - the accuracy of the ageing profile.
- We assessed the accuracy of deferred revenue by comparing to the historical rates of redemption of the gift points and rebates and assessed whether the Group is in compliance with relevant standards on the recognition of deferred revenue.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and 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 Group and 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 Group and 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 Group and of the Company or our knowledge obtained in the audit, on the other information that we obtained prior to the date of this auditors' report, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

### Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and 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, 1965 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITORS' REPORT

to the members of AEON CO. (M) BHD.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 Group and 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 Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## INDEPENDENT AUDITORS' REPORT

to the members of AEON CO. (M) BHD.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 5 to the financial statements, being accounts that have been included in the consolidated accounts.
- c) We are satisfied that the accounts of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTERS

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

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

**Ong Beng Seng**  
Approval Number: 2981/05/18(J)  
Chartered Accountant

Date: 28 March 2017

Petaling Jaya, Malaysia

## ANALYSIS OF SHAREHOLDINGS

as at 31 March 2017

Authorised Share Capital	:	RM1,000,000,000
Issued and Paid-up Share Capital	:	RM702,000,000
Class of Shares	:	Ordinary Share
Voting Rights	:	1 vote per Ordinary Share

Size of Shareholdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Held
1 - 99	310	4.36	4,085	0.00
100 - 1,000	1,794	25.24	1,290,525	0.09
1,001 - 10,000	3,789	53.31	16,256,522	1.16
10,001 - 100,000	1,036	14.58	29,135,960	2.07
100,001 - 70,199,999 (*)	176	2.48	535,857,108	38.17
70,200,000 and above (**)	2	0.03	821,455,800	58.51
Total	7,107	100.00	1,404,000,000	100.00

Notes \* - Less than 5% of Issued Shareholdings  
 \*\* - 5% and above of Issued Shareholdings

## SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 31 March 2017

No.	Name	Direct Interest	No. of Shares %	Indirect Interest	%
1	AEON Co., Ltd.	725,640,000	51.68	—	—
2	Aberdeen Asset Management PLC and its subsidiaries (together "The Group") on behalf of account managed by The Group	263,284,800	18.75	—	—
3	Aberdeen Asset Management Asia Limited	<sup>i</sup> 180,434,100	12.85	—	—
4	Employees Provident Fund Board	<sup>ii</sup> 113,542,200	8.09	—	—
5	Aberdeen International Fund Managers Limited	<sup>i</sup> 105,415,800	7.51	—	—
6	Aberdeen Asset Managers Limited	<sup>i</sup> 85,281,400	6.07	—	—
7	Aberdeen Asset Management Sdn Bhd	<sup>i</sup> 70,782,300	5.04	—	—

Notes: <sup>i</sup> The disclosures include holdings of mandates delegated from other subsidiaries of Aberdeen Asset Management PLC.  
<sup>ii</sup> 28,782,500 Ordinary Shares are registered in the name of Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (ABERDEEN)

## DIRECTOR'S INTEREST

as per Register of Directors' Shareholdings as at 31 March 2017

No.	Name	Direct Interest	No. of Shares %	Indirect Interest	%
1	Dato' Abdullah bin Mohd Yusof	2,070,000	0.15	2,300,000 *	0.16
2	Shinobu Washizawa	—	—	—	—
3	Nur Qamarina Chew binti Abdullah <sup>i</sup>	—	—	—	—
4	Poh Ying Loo	124,000	0.01	96,000 **	0.01
5	Kenji Horii	—	—	—	—
6	Mitsuru Nakata <sup>ii</sup>	28,000	Negligible	—	—
7	Datuk Syed Ahmad Helmy bin Syed Ahmad	—	—	—	—
8	Dato' Tunku Putra Badlishah Ibni Tunku Annuar	—	—	—	—
9	Abdul Rahim bin Abdul Hamid	—	—	—	—
10	Charles Tseng @ Charles Tseng Chia Chun	—	—	—	—
11	Hiroyuki Kotera	—	—	—	—
12	Datuk Iskandar bin Sarudin	—	—	—	—

Notes: \* Indirect interest pursuant to Section 8 of the Companies Act, 2016  
 \*\* Indirect interest pursuant to Section 59(1)(c) of the Companies Act, 2016  
<sup>i</sup> Ms Nur Qamarina Chew binti Abdullah has resigned on 25 October 2016 as Director of the Company  
<sup>ii</sup> Mr Mitsuru Nakata has resigned on 25 August 2016 as Director of the Company

## LIST OF THIRTY (30) LARGEST SHAREHOLDERS

as at 31 March 2017

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHARES HELD
1.	AEON CO., LTD.	716,040,000	51.00
2.	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS LUX FOR ABERDEEN GLOBAL	105,415,800	7.51
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	62,770,100	4.47
4.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	60,265,500	4.29
5.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND AM4N FOR ABERDEEN INSTITUTIONAL COMMINGLED FUNDS LLC	32,403,600	2.31
6.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	28,675,000	2.04
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	28,327,500	2.02
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	28,266,700	2.01
9.	HSBC NOMINEES (ASING) SDN BHD BNP PARIBAS SECS SVS PARIS FOR ABERDEEN ASIAN SMALLER COMPANIES INVESTMENT TRUST PLC	26,241,200	1.87
10.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	25,706,900	1.83
11.	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	17,279,700	1.23
12.	SYARIKAT MALURI SDN BHD	14,920,000	1.06
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	11,675,100	0.83
14.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	10,000,000	0.71
15.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (GUERNSEY)	9,842,000	0.70
16.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR NOMURA SECURITIES CO LTD (CLIENT AC)	9,600,000	0.68
17.	ROSHAYATI BINTI BASIR	9,240,000	0.66
18.	ROZILAWATI BINTI HAJI BASIR	9,240,000	0.66
19.	AMSEC NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)	7,756,400	0.55
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	6,993,100	0.50
21.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A. (2)	6,821,000	0.49
22.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR CIMB ISLAMIC DALI EQUITY THEME FUND	5,808,400	0.42
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	5,490,500	0.39
24.	HIDENORI FUTAGI	4,800,000	0.34
25.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE - SGD)	4,637,500	0.33
26.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND DRQF FOR ABERDEEN EMERGING MARKETS SMALLER COMPANY OPPORTUNITIES FUND, INC.	4,537,900	0.32
27.	AMANAHRAYA TRUSTEES BERHAD PUBLIC DIVIDEND SELECT FUND	4,413,600	0.32
28.	CARTABAN NOMINEES (ASING) SDN BHD RBC INVESTOR SERVICES BANK S.A. FOR GLOBAL EMERGING MARKETS SMALL CAP (DANSKE INV SCVS)	3,819,400	0.27
29.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR DANSKE BANK A/S (CLIENTS UCITS)	3,673,300	0.26
30.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	3,500,000	0.25
<b>Total</b>		<b>1,268,160,200</b>	<b>90.32</b>

## PARTICULARS OF PROPERTIES

as at 31 December 2016

Details of AEON's properties as at 31 December 2016 are set out below:

Location	Description/ Existing use	Land/ Built-up area (sq ft)	Date of Acquisition (A)/ Completion (C)/ Revaluation (R)	Approx. age of building (year)	Tenure (Year of expiry for leasehold)	Net book value as at 31/12/2016 (RM'000)
Lot 7041, Mukim of Bukit Baru, District of Melaka Tengah, Melaka.	Leasehold land/ Existing two-storey shopping centre Extension/Renovation with rooftop car park	436,036/ 200,316  179,989	February 1995 (R)	25  18 <sup>1</sup> / <sub>2</sub>	99 years expiring on 19/12/2089	44,854
Lot 23551, Mukim of Setapak, District and State of Wilayah Persekutuan.	Leasehold land/ Two-storey shopping centre and three-storey car park	368,516/ 666,694	February 1995 (R)	24 <sup>1</sup> / <sub>2</sub>	95 years expiring on 28/03/2085	69,615
Lot PT 21441, Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Leasehold land/ Two-storey shopping centre and two-storey car park	643,753/ 691,414	June 1994 (A)/ October 1995 (C)	21	99 years expiring on 09/05/2093	52,041
Lot 49045, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim.	Freehold land/ Two-storey shopping centre including covered car park	377,490/ 483,299	April 2002 (A)/ August 2002 (C)	14 <sup>1</sup> / <sub>2</sub>	Freehold	20,800
Lot 62232, Mukim Batu, Daerah Kuala Lumpur, Wilayah Persekutuan.	Leasehold land/ Two-storey shopping centre and three-storey car park	409,577/ 906,497	January 2004 (C)	13	99 years expiring on 25/08/2103	76,362
Lot PTD 114179, Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim.	Freehold land/ Three-storey shopping centre with basement car park Extention/Renovation	1,308,035/ 1,468,693  2,854,623	March 2004 (A)/ January 2006 (C)  October 2016 (C)	11  1 <sup>1</sup> / <sub>4</sub>	Freehold	355,320
Lot PT 41977	Leasehold land/	550,910/	April 2004 (A)/	10	99 years expiring on 12/04/2103	72,732
Lot 3144, Mukim of Cheras, District of Ulu Langat, Selangor Darul Ehsan.	Freehold land/ Two-storey shopping centre and two-storey car park	113,451/ 893,819	April 2004 (A)/ December 2006 (C)		Freehold	
Lot 5106, Mukim Ulu Kelang, Kuala Lumpur.	Leasehold land/ Two-storey shopping centre with basement car park	631,620/ 895,449	March 2007 (A)/ December 2008 (C)	8	87 years expiring on 05/04/2083	123,630

## PARTICULARS OF PROPERTIES

as at 31 December 2016

Details of AEON's properties as at 31 December 2016 are set out below: (continued)

Location	Description/ Existing use	Land/ Built-up area (sq ft)	Date of Acquisition (A)/ Completion (C)/ Revaluation (R)	Approx. age of building (year)	Tenure (Year of expiry for leasehold)	Net book value as at 31/12/2016 (RM'000)
Lot 136962, Mukim Pulai, District of Johor Bahru, Johor Darul Takzim.	Freehold land/ Three-storey shopping centre with open car park	1,645,671/ 845,634	October 2007 (A)/ December 2008 (C)	8	Freehold	225,693
PT Plot 55919, Mukim Cheras, District of Ulu Langat, Selangor Darul Ehsan.	Freehold land/ Two-storey shopping centre with rooftop car park	304,920/ 299,979	December 2008 (A)/ May 2010 (C)	6½	Freehold	58,348
PT 239099, Mukim Hulu Kinta, Daerah Kinta, Perak Darul Ridzuan.	Leasehold land/ Three-storey shopping centre with two-storey car park	755,855/ 1,287,504	June 2010 (A)/ March 2012 (C)	5	99 years expiring on 03/11/2109	119,845
Lot 106273, Mukim Kulai, Daerah Kulaijaya, Johor Darul Takzim.	Freehold land/ Two-storey shopping centre with two-storey car park	793,623/ 911,842	December 2011 (A)/ November 2013 (C)	3	Freehold	100,217
Lot 31009, Mukim 15, Daerah Seberang Perai Tengah, Pulau Pinang.	Freehold land/ Three-storey shopping centre with rooftop and open car park	784,834/ 750,235	August 2011 (A)/ June 2014 (C)	2½	Freehold	146,383
Lot 2437 Seksyen 13, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan.	Leasehold land Three-storey shopping center, entertainment hub with rooftop & basement car park	818,273 674,153	December 2012 (A) March 2016 (C)	¾	99 years expiring on 26/10/2103	268,892
PTD 181046, Mukim Tebrau, Daerah Johar Bahru, Johor Darul Takzim.	Freehold land	910,235	December 2015 (A)	–	Freehold	73,726



## AEON STORES, AEON MALLS AND MAXVALU

### CENTRAL



#### AEON TAMAN MALURI

Jalan Jejaka, Taman Maluri, Cheras,  
55100 Kuala Lumpur.  
Tel: 03-9285 5222

#### AEON TAMAN MALURI SHOPPING CENTRE

Tel: 03-9200 1004



#### AEON WANGSA MAJU

Jalan R1, Seksyen 1, Bandar Baru Wangsa Maju,  
53300 Kuala Lumpur.  
Tel: 03-4149 7666

#### ALPHA ANGLE SHOPPING CENTRE

Tel: 03-4149 5288



#### AEON MID VALLEY

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



#### AEON METRO PRIMA

No. 1, Jalan Metro Prima,  
52100 Kepong, Kuala Lumpur.  
Tel: 03-6257 2121

#### AEON MALL METRO PRIMA

Tel: 03-6259 1122



#### AEON AU2 SETIAWANGSA

No. 6, Jalan Taman Setiawangsa (Jalan 37/56),  
AU2, Taman Keramat, 54200 Kuala Lumpur.  
Tel: 03-4257 8840

#### AEON MALL AU2 SETIAWANGSA

Tel: 03-4257 2533



#### AEON @ QUILL CITY MALL

Lot LG-21, G-30, 1-30,  
2-40 and 3-63 Kompleks Beli-Belah Quill,  
No. 1018, Jalan Sultan Ismail, 50250 Kuala Lumpur.  
Tel: 03-2602 1798



#### AEON BANDAR UTAMA

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



#### AEON BANDAR BARU KLANG

Persiaran Bukit Raja 2, Bandar Baru Klang,  
41150 Klang, Selangor Darul Ehsan.  
Tel: 03-3343 9366

#### AEON MALL BUKIT RAJA

Tel: 03-3343 2166



#### AEON BANDAR PUCHONG

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



#### AEON CHERAS SELATAN

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

#### AEON MALL CHERAS SELATAN

Tel: 03-9080 3498



#### AEON TAMAN EQUINE

No. 2, Jalan Equine, Taman Equine,  
Bandar Putra Permai,  
43300 Seri Kembangan, Selangor Darul Ehsan.  
Tel: 03-8941 3700

#### AEON TAMAN EQUINE SHOPPING CENTRE

Tel: 03-8945 2700



#### AEON BANDAR SUNWAY

LG 1.111, Sunway Pyramid,  
No. 3, Jalan PJS 11/15, Bandar Sunway,  
46150 Petaling Jaya, Selangor Darul Ehsan.  
Tel: 03-5637 3720



#### AEON BUKIT TINGGI

No. 1, Persiaran Batu Nilam 1/KS 6,  
Bandar Bukit Tinggi 2,  
41200 Klang, Selangor Darul Ehsan.  
Tel: 03-3326 2330

#### AEON MALL BUKIT TINGGI

Tel: 03-3326 2370



#### AEON MAHKOTA CHERAS

Jalan Temenggung 21/9,  
Persiaran Mahkota Cheras 1, Bandar Mahkota Cheras,  
43200 Cheras, Selangor Darul Ehsan.  
Tel: 03-9080 3562

#### AEON MAHKOTA CHERAS SHOPPING CENTRE

Tel: 03-9080 3579



#### AEON RAWANG

No. 1, Persiaran Anggun, Taman Anggun,  
48000 Rawang, Selangor Darul Ehsan.  
Tel: 03-6091 0671

#### AEON MALL RAWANG ANGGUN

Tel: 03-6092 0678



#### AEON SHAH ALAM

No. 1, Jalan Akuatik 13/64, Seksyen 13,  
40100 Shah Alam, Selangor Darul Ehsan.  
Tel: 03-5523 1383

#### AEON MALL SHAH ALAM

Tel: 03-5523 6131



#### PASAR RAYA MAXVALU DESA PARKCITY

Lot No. GF22, Ground Floor,  
The Waterfront @ Desa ParkCity,  
5, Persiaran Residen, Desa ParkCity,  
52200 Kuala Lumpur.  
Tel: 03-6280 7790



#### PASAR RAYA MAXVALU @ GAMUDA WALK

GS-01, Gamuda Walk,  
No.12, Persiaran Anggerik Vanilla 31/BF,  
Kota Kemuning, Seksyen 31,  
40460 Shah Alam, Selangor Darul Ehsan.  
Tel: 03-5131 4973



#### AEON MAXVALU PRIME SUNWAY VELOCITY

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

## AEON STORES, AEON MALLS AND MAXVALU

## NORTHERN

**AEON IPOH**

No. 2, Jalan Teh Lean Swee,  
Off Jalan Sultan Azlan Shah Utara,  
31400 Ipoh, Perak Darul Ridzuan.  
Tel: 05-549 9633

**AEON MALL KINTA CITY**

Tel: 05-548 4668

**AEON IPOH STATION 18**

No. 2, Susuran Stesen 18, Station 18,  
31650 Ipoh, Perak Darul Ridzuan.  
Tel: 05-321 6748

**AEON MALL IPOH STATION 18**

Tel: 05-321 6807

**AEON SERI MANJUNG**

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

**AEON MALL SERI MANJUNG**

Tel: 05-687 0018

**AEON TAIPING**

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

**AEON MALL TAIPING**

Tel: 05-804 8711

**AEON IPOH KLEBANG**

Lot 12080, Klebang Perdana,  
31200 Chemor, Perak Darul Ridzuan.  
Tel: 05-2919 225

**AEON MALL IPOH KLEBANG**

Tel: 05-2919 221

**AEON IPOH FALIM**

No. 1, Hala Falim 1  
Taman Mas Jaya, Falim  
30200 Ipoh, Perak.  
Tel: 05 2817870

**AEON QUEENSBAY**

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

**AEON BUKIT MERTAJAM**

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

**AEON MALL BUKIT MERTAJAM**

Tel: 04-530 7625

## SOUTHERN

**AEON SEREMBAN 2**

112, Persiaran S2 B1, Seremban 2,  
70300 Seremban, Negeri Sembilan Darul Khusus.  
Tel: 06-601 5633

**AEON MALL SEREMBAN 2**

Tel: 06-601 5618

**AEON MELAKA**

Leboh Ayer Keroh, 75450 Melaka.  
Tel: 06-232 4899

**AEON MELAKA SHOPPING CENTRE**

Tel: 06-233 2988

**AEON BANDARAYA MELAKA**

No. 2, Jalan Lagenda, Taman 1-Lagenda,  
75400 Melaka.  
Tel: 06-282 9389

**AEON MALL BANDARAYA MELAKA**

Tel: 06-282 9666

**AEON TAMAN UNIVERSITI**

No. 4, Jalan Pendidikan, Taman Universiti,  
81300 Skudai, Johor Darul Takzim.  
Tel: 07-521 8000

**AEON TAMAN UNIVERSITI SHOPPING CENTRE**

Tel: 07-520 8700

**AEON PERMAS JAYA**

No. 1, Jalan Permas Utara, Bandar Baru Permas Jaya,  
81750 Johor Bahru, Johor Darul Takzim.  
Tel: 07-386 8900

**AEON PERMAS JAYA SHOPPING CENTRE**

Tel: 07-386 0600

**AEON TEBRAU CITY**

No. 1, Jalan Desa Tebrau, Taman Desa Tebrau,  
81100 Johor Bahru, Johor Darul Takzim.  
Tel: 07-351 1110

**AEON MALL TEBRAU CITY**

Tel: 07-352 2220

**AEON BUKIT INDAH**

No. 8, Jalan Indah 15/2, Bukit Indah,  
81200 Johor Bahru, Johor Darul Takzim.  
Tel: 07-236 8036

**AEON MALL BUKIT INDAH**

Tel: 07-236 8071

**AEON KULAIJAYA**

PTD 106273,  
Persiaran Indahpura Utama, Bandar Indahpura,  
81000 Kulaijaya, Johor Darul Takzim.  
Tel: 07-663 8373

**AEON MALL KULAIJAYA**

Tel: 07-663 7822

## EAST COAST

**AEON KOTA BHARU**

Lembah Sireh, 15050 Kota Bharu,  
Kelantan Darul Naim  
Tel: 09 740 5284

**AEON MALL KOTA BHARU**

Tel: 09 740 5859

## OUR MILESTONES

1984	SEPTEMBER	JAYA JUSCO STORES SDN BHD established, in response to a request from the former Prime Minister Y.A. Bhg. Tun Dr Mahathir bin Mohamad, to help modernize the retailing industry in Malaysia.	2001	FEBRUARY	Completed Rights Issue on the basis of one new Ordinary Share for every two existing Ordinary Shares held.
1985	JUNE	The first pilot store, JAYA JUSCO Dayabumi, opened.		OCTOBER	Launch of WAOH Charity Fund / JUSCO Fest / JUSCO's 17th Anniversary.
	DECEMBER	The second pilot store, JAYA JUSCO Taman Tun Dr. Ismail, opened.		NOVEMBER	22 Malaysian students and 2 former participants from the 1990 batch were invited to Japan as "Ambassadors" through the AEON "1% Club" Programme.
1989	JUNE	JAYA JUSCO Dayabumi closed.	2002	APRIL	Establishment of JUSCO-OUM Retail Centre in Alpha Angle Shopping Centre, Wangsa Maju.
	OCTOBER	The first Superstore, JAYA JUSCO Taman Maluri, opened.		JULY	JUSCO Taman Universiti (JUSCO Taman Universiti Shopping Centre) opened.
1990	JUNE	"Japan Management Training Programme" begun.			Japan Management Training Programme reactivated.
	NOVEMBER	28 Malaysian students invited to Japan as "Ambassadors" through the AEON "1% Club" Programme.	2003	JULY	WAOH Charity Bazaar.
1991	OCTOBER	JUSCO Melaka was opened and fully operated by Malaysian staff.		AUGUST	Smart Wonder World opened in JUSCO Taman Maluri.
		The AEON Group's "Hometown Forest" Programme was launched simultaneously at the inauguration of JUSCO Melaka.		OCTOBER	JUSCO Home Centre opened in 1 Utama Shopping Centre.
1992	APRIL	JUSCO Wangsa Maju (Alpha Angle Shopping Centre), the first Shopping Centre, opened.		DECEMBER	3,000 saplings were planted in the vicinity of the JUSCO Permas Jaya store as part of AEON's environmental campaign, "Planting Seeds of Growth".
1994	AUGUST	The Distribution Centre begun operations.			JUSCO Permas Jaya (JUSCO Permas Jaya Shopping Centre) opened.
	OCTOBER	Japan Trainee Programme begun.	2004	JANUARY	JUSCO Metro Prima Tree Planting Ceremony was held. 2,000 saplings were planted.
1995	JUNE	JAYA JUSCO Taman Tun Dr. Ismail closed.			JUSCO Metro Prima (JUSCO Metro Prima Shopping Centre) opened.
	AUGUST	JUSCO Bandar Utama (1 Utama Shopping Centre) opened.		JUNE	"With All Our Hearts" Charity Fund officially registered as the "With All Our Hearts" Malaysian JUSCO Foundation.
	OCTOBER	JUSCO Bandar Baru Klang (Bukit Raja Shopping Centre) opened.		AUGUST	Company authorised share capital increased from RM100 million to RM500 million.
1996	DECEMBER	JAYA JUSCO STORES BHD was listed on the Main Board of the Kuala Lumpur Stock Exchange (KLSE).		SEPTEMBER	JAYA JUSCO STORES BHD officially changed name to AEON CO. (M) BHD..
1997	AUGUST	JUSCO Ipoh (Kinta City Shopping Centre) opened.			JUSCO celebrated 20th Anniversary in Malaysia with Gala Dinner.
1998	DECEMBER	JUSCO Melaka Superstore was upgraded to a Shopping Centre.			Official launch of "With All Our Hearts" Malaysian JUSCO Foundation.
1999	DECEMBER	JUSCO Mid Valley opened.			30,000 saplings planted in the Malaysian-Japan Friendship Forest, AEON Woodland, Paya Indah Wetlands.
2000	DECEMBER	JUSCO Taman Maluri Superstore was upgraded to a Shopping Centre.		OCTOBER	Completed Bonus Issue (1:1) for 87,750,000 new Ordinary Shares.
		JUSCO Bandar Puchong opened.			

## OUR MILESTONES

2005	MARCH	AEON CO. (M) BHD. received a certificate of appreciation from the former Prime Minister Y.A. Bhg. Tun Dr Mahathir bin Mohamad for its tree planting activities.	2008	JUNE	Completed Bonus Issue (1:1) for 175,500,000 new Ordinary Shares.
	JULY	The 1st Annual WAOH Charity Gala Dinner was held.		JULY	AEON Careline was launched.
	SEPTEMBER	JUSCO Seremban 2 Shopping Centre Tree Planting Ceremony was held. 3,300 saplings were planted.		AUGUST	AEON Seberang Prai City Shopping Centre Tree Planting Ceremony held. 3,500 saplings were planted.
		JUSCO Seremban 2 (JUSCO Seremban 2 Shopping Centre) opened.			JUSCO Seberang Prai City (AEON Seberang Prai City Shopping Centre) opened.
	OCTOBER	The first Pasar Raya J-One Supermarket in Damansara Damai opened.		OCTOBER	Taman Asuhan Kanak-Kanak Asahi (TAKA) at Bandar Puchong Jaya opened.
2006	DECEMBER	AEON Tebrau City Shopping Centre Tree Planting Ceremony were held. 6,000 saplings were planted.	2009	NOVEMBER	24th Anniversary Tree Planting at AEON Woodland. 2,400 saplings were planted.
	JANUARY	JUSCO Tebrau City (AEON Tebrau City Shopping Centre) opened.		DECEMBER	AEON AU2 Setiawangsa Shopping Centre Tree Planting Ceremony held. 4,600 saplings were planted.
	APRIL	Change of financial year end from February to December.			JUSCO AU2 Setiawangsa (AEON AU2 Setiawangsa Shopping Centre) opened.
	JUNE	AEON Taman Equine Shopping Centre Tree Planting Ceremony held. 4,000 saplings were planted.			AEON Bukit Indah Shopping Centre Tree Planting Ceremony held. 3,000 saplings were planted.
	JULY	JUSCO Taman Equine (AEON Taman Equine Shopping Centre) opened.			JUSCO Bukit Indah (AEON Bukit Indah Shopping Centre) opened.
		Pasar Raya J-One Supermarket in Pearl Point opened.	2010	JUNE	Pasar Raya MaxValu Pearl Point closed.
	SEPTEMBER	Completion of Kinta City Shopping Centre sales and lease back.		OCTOBER	25th Anniversary Tree Planting Ceremony at AEON Woodland. 25,000 saplings planted.
	NOVEMBER	AEON Cheras Selatan Shopping Centre Tree Planting Ceremony held. 4,000 saplings were planted.		NOVEMBER	AEON Bandaraya Melaka Shopping Centre Tree Planting Ceremony held. 2,000 saplings were planted.
	DECEMBER	JUSCO Queensbay opened.	2011	JANUARY	"With All Our Hearts" Malaysian JUSCO Foundation changed name to Malaysian AEON Foundation.
		JUSCO Cheras Selatan (AEON Cheras Selatan Shopping Centre) opened.		FEBRUARY	JUSCO Bandaraya Melaka (AEON Bandaraya Melaka Shopping Centre) opened.
2007	JANUARY	Pasar Raya J-One change of name ceremony (From J-One to D'HATI) held at Pearl Point Shopping Mall.		MARCH	AEON Mahkota Cheras Tree Planting Ceremony held. 3,000 saplings were planted.
	JUNE	Replanting of trees at AEON Woodland.		APRIL	JUSCO Mahkota Cheras (AEON Mahkota Cheras Shopping Centre) opened.
	SEPTEMBER	Pasar Raya D'HATI Kota Kemuning opened.	2011	AUGUST	JUSCO Bandar Utama reopened.
		JUSCO Bandar Sunway opened.		DECEMBER	AEON Rawang Anggun Shopping Centre Tree Planting Ceremony held. 3,500 saplings were planted.
	OCTOBER	AEON Bukit Tinggi Shopping Centre Tree Planting Ceremony held. 5,085 saplings were planted.			JUSCO Rawang (AEON Anggun Rawang Shopping Centre) opened.
	DECEMBER	Pasar Raya MaxValu Desa ParkCity and Pasar Raya MaxValu Ampang opened.			Disposal of Smart Wonder World (SWW) amusement business completed.
		JUSCO Bukit Tinggi (AEON Bukit Tinggi Shopping Centre) opened.			



## OUR MILESTONES

2012	FEBRUARY	AEON Ipoh Station 18 Shopping Centre Tree Planting Ceremony held. 3,500 saplings were planted.	2015	OCTOBER	AEON Mall Taiping Tree Planting Ceremony held. 6,000 saplings were planted.
	MARCH	AEON unveiled the new brand name "AEON" and tagline "AEON Enriching Your Lifestyle".  J Card rebranded to AEON Member Card.  AEON Ipoh Station 18 (AEON Ipoh Station 18 Shopping Centre) opened.			AEON @ Quill City Mall opened.
	MAY	Launch of first AEON Festival in conjunction with new AEON branding.  Launch of AEON Malaysia Cheers Club.		NOVEMBER	AEON Taiping (AEON Mall Taiping) opened.  AEON Index Living Mall opened the first store at IOI City Mall Putrajaya.
	NOVEMBER	AEON Seri Manjung Shopping Centre Tree Planting Ceremony held. 3,000 saplings were planted.		DECEMBER	Pasaraya MaxValu @ Gamuda Walk Kota Kemuning opened.
	DECEMBER	AEON Seri Manjung (AEON Seri Manjung Shopping Centre) opened.		APRIL	Launch of AEON Mall rebanding.
				SEPTEMBER	AEON Mall Ipoh Klebang Tree Planting Ceremony held. 13,000 saplings were planted.
				OCTOBER	AEON Food Processing Centre opened.  AEON Ipoh Klebang (AEON Mall Ipoh Klebang) opened.
2013	SEPTEMBER	Launch of AEON Business Academy.	2016	NOVEMBER	Launch of www.shoppu.com.my
	OCTOBER	AEON Mall Kulaijaya Tree Planting Ceremony held. 9,025 saplings were planted.		JANUARY	AEON Mall Shah Alam Tree Planting Ceremony held. 13,048 saplings were planted.
	NOVEMBER	AEON Kulaijaya (AEON Mall Kulaijaya) opened.		MARCH	AEON Shah Alam (AEON Mall Shah Alam) opened.  AEON Index Living Mall opened in AEON Mall Shah Alam.
2014	MARCH	Pasar Raya MaxValu Kota Kemuning closed.			AEON Mall Kota Bharu Tree Planting Ceremony held. 13,000 saplings were planted.
	MAY	AEON Mall Bukit Mertajam Tree Planting Ceremony held. 8,461 saplings were planted.  AEON Seberang Prai City Shopping Centre closed.		APRIL	AEON Kota Bharu (AEON Mall Kota Bharu) opened.  AEON Index Living Mall opened in AEON Mall Kota Bharu.
	JUNE	Authorised share capital increased from RM500 million to RM1 billion.  Completed Bonus Issue (1:1) for 351,000,000 new Ordinary Shares and Share Split from RM1.00 per share to RM0.50 per share.  AEON Bukit Mertajam (AEON Mall Bukit Mertajam) opened.			Pasaraya MaxValu Damansara Damai closed.
		Disposal of 18.18% undivided share of the land, building and structure of AEON Taman Universiti Shopping Centre ("J-Reit" Share) completed.		SEPTEMBER	AEON Ipoh Falim opened.
				OCTOBER	Pasaraya MaxValu Ampang closed.
				DECEMBER	AEON MaxValu Prime Sunway Velocity opened.
	SEPTEMBER	"Forest Tree Diversity Planting" Programme at FRIM research station in Bidor, Perak held in conjunction with 30th Anniversary Tree Planting. 8,000 saplings planted.			

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of AEON CO. (M) BHD. will be held at Connexion Conference & Event Centre, Nexus, Grand Nexus, Level 3A, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Thursday, 25 May 2017 at 10.00 a.m. for the following purposes:

### AGENDA

#### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. *(Please refer to Note 1 of the Explanatory Notes)*
2. To declare and approve the payment of a final dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2016. *Ordinary Resolution 1*
3. To approve the aggregate Directors' fees of the Company and its subsidiary of RM1.025 million for the financial year ended 31 December 2016. *Ordinary Resolution 2*
4. To approve the benefits payable to the Directors of the Company and its subsidiary of up to RM150,000 from 1 January 2017 until the conclusion of the next Annual General Meeting of the Company. *Ordinary Resolution 3*
5. To re-elect the following Directors who are retiring under Article 74 of the Articles of Association of the Company:
 

(i) Dato' Abdullah bin Mohd Yusof	<i>Ordinary Resolution 4</i>
(ii) Mr Shinobu Washizawa	<i>Ordinary Resolution 5</i>
(iii) Mr Poh Ying Loo	<i>Ordinary Resolution 6</i>
(iv) Datuk Syed Ahmad Helmy bin Syed Ahmad	<i>Ordinary Resolution 7</i>
(v) Dato' Tunku Putra Badlishah Ibni Tunku Annuar	<i>Ordinary Resolution 8</i>
(vi) Encik Abdul Rahim bin Abdul Hamid	<i>Ordinary Resolution 9</i>
(vii) Mr Charles Tseng @ Charles Tseng Chia Chun	<i>Ordinary Resolution 10</i>
(viii) Mr Kenji Horii	<i>Ordinary Resolution 11</i>
6. To re-elect the following Directors who are retiring under Article 80 of the Articles of Association of the Company:
 

(i) Mr Hiroyuki Kotera	<i>Ordinary Resolution 12</i>
(ii) Datuk Iskandar bin Sarudin	<i>Ordinary Resolution 13</i>
7. To re-appoint KPMG Desa Megat PLT (converted from a conventional partnership, Messrs KPMG Desa Megat & Co., on 27 December 2016) as Auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 14*

#### As Special Business

To consider and, if thought fit, to pass the following resolutions:

8. **ORDINARY RESOLUTION**  
**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR THE RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

"THAT approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the related parties as stated in Section 2.3 of the Circular to Shareholders dated 28 April 2017 which are necessary for the Company's day-to-day operations subject further to the following:

- (i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) the approval is subject to annual renewal and shall only continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;
  - (b) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier; and
- iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Shareholders' Mandate in the Annual Report of the Company based on the following information:
  - (a) the type of Recurrent Transactions entered into; and
  - (b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit."

*Ordinary Resolution 15*

### 9. SPECIAL RESOLUTION PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 28 April 2017, be and are hereby approved."

*Special Resolution*

## NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT, subject to the approval of shareholders at the Thirty-Second Annual General Meeting, a final dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2016 will be paid to shareholders on 13 July 2017. The entitlement date for the said dividend shall be 15 June 2017.

A Depositor shall qualify for entitlement to the Dividend only in respect of:

- (a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 15 June 2017 in respect of transfers.
- (b) Shares bought on Bursa Malaysia Securities Berhad on cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**TAI YIT CHAN (MAICSA 7009143)**  
**TAN AI NING (MAICSA 7015852)**  
 Company Secretaries

Date: 28 April 2017



## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy and shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
6. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

### EXPLANATORY NOTE:

#### 1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340 of the Companies Act, 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

#### 2. Explanatory Note on the Special Business

##### Ordinary Resolution 15 on the Proposed Renewal of Shareholders' Mandate

The Ordinary Resolution 15 proposed, if passed, will empower the Directors from the date of the Thirty-Second Annual General Meeting, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and subject always to provision (ii) of the resolution. The details of the recurrent related party transactions are set out in the Circular to the Shareholders dated 28 April 2017, which is dispatched together with this Annual Report.

##### Special Resolution

The proposed Special Resolution, if passed, will align the Articles of Association with the new Companies Act, 2016 which came into force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. Details of which as set out in the Circular to Shareholders dated 28 April 2017.

### PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## ADMINISTRATIVE DETAILS

for the 32nd Annual General Meeting (32nd AGM)

### AEON CO. (M) BHD.

<b>Date</b>	<b>: Thursday, 25 May 2017</b>
<b>Registration</b>	<b>: From 8.00 a.m. onwards at Nexus 1</b>
<b>Commencement of meeting</b>	<b>: 10.00 a.m.</b>
<b>Venue</b>	<b>: Connexion Conference &amp; Event Centre, Nexus Grand Nexus, Level 3A, No 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur.</b>

#### REGISTRATION

- Registration will start at 8.00 a.m. at Nexus 1, Level 3A, and will close on such time as may be determined by the Chairman of the Meeting. The shareholders are requested to be punctual.
- Please produce your original Identification Card (IC) at the registration counter for verification and ensure that your IC is collected upon completion of registration.
- After the verification, you are required to write your name and sign on the attendance list, you will be given an identification wristband, food voucher and door gift upon successful registration.
- Please note that you will not be allowed to enter the meeting hall without the identification wristband. There will be no replacement in the event you lose or misplace the identification wristband and door gift.
- No person will be allowed to register on behalf of another person even with the original IC of the other person.
- If you are attending the meeting as shareholder as well as proxy, you will be registered once and will be given only one identification wristband to enter the meeting hall.
- One (1) refreshment voucher and one (1) door gift will be given for each attendee, regardless of the number of shareholders you are representing as a proxy, and whether you are attending both as proxy and shareholder.

#### PROXY

- A member of the Company is entitled to appoint more than one proxy to attend and vote at the same Meeting in his stead, provided that the member specifies the proportion of his shareholdings to be represented by each proxy.
- A shareholder and his/her appointed proxy cannot attend the Meeting at the same time. The shareholder must revoke the appointment of the proxy if he/she wishes to attend the Meeting himself/herself.
- If you wish to attend the Meeting yourself, please do not submit any Proxy Form.
- If you have submitted your Proxy Form prior to the Meeting and subsequently decided to attend the Meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.

#### PARKING

- Parking for visitors is available at the parking bays of the Connexion Conference & Event Centre. Shareholders are to exchange their entry tickets with exit tickets at the designated counter. The Company will not provide cash reimbursements for parking charges incurred by shareholders/proxies attending the AGM and who park their vehicles at the car park of other buildings.
- Shareholders are encouraged to use the Light Rail Transit (LRT) to Kerinchi LRT Station / Universiti LRT station. Nexus is within 15 – 20 minutes walking distance from both the train stations. Alternatively, take a ride on the complimentary shuttle service from Universiti LRT station or The Horizon Phase 2 pick up point. The shuttle service operates a circular route with designated drop off/pick up points in and around Bangsar South. It runs every 30 minutes and is available from 8.00am to 8.00pm.

#### VOTING PROCEDURES

- The voting at the Meeting will be conducted by poll voting in accordance with the Provision of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and an independent scrutineer will be appointed to verify the poll results.
- E-voting for all of the resolutions as set out in the Notice of Meeting will take place only upon the conclusion of the deliberations of all the businesses to be transacted at the Meeting. The registration of attendance will be closed, to facilitate commencement of Poll Voting.
- All attendees at the Meeting will be briefed and guided by the Poll Administrator before commencement of the voting process.

#### REFRESHMENT AND DOOR GIFTS

- Refreshment Voucher and Door gift will be given upon successful registration.
- Please proceed to the function room for the refreshment. Only shareholders/proxy(ies) with the refreshment voucher are allowed to enter the function room.
- The refreshment will be available from 8.00a.m. to 10.00a.m.

#### ENTITLEMENT TO ATTEND AND VOTE

- Only Members whose names appear in the Record of Depositors as at 5.00 p.m. on 18 May 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the AGM or appoint proxies to attend, speak and/or vote on his/her behalf.

#### ENQUIRES

For enquires on the administrative details of this meeting, please contact the following offices during office hours (Monday – Friday from 9.00 a.m. to 5.00 p.m.):

1. Tricor Investor & Issuing House Services Sdn Bhd  
(Mr Allen Sii / Pn. Azizah / Ms Christine Cheng)  
Telephone : +603-2783 9299  
Email : is.enquiry@my.tricorglobal.com
2. AEON CO. (M) BHD.  
Corporate Planning (Ms Carmen Fong)  
Telephone : +603-9207 2005



# PROXY FORM

## AEON CO. (M) BHD.

(Company No. 126926-H)  
(Incorporated in Malaysia)

<b>No. of Shares Held</b>	
<b>CDS Account No.</b>	

I/We, \_\_\_\_\_ (name of shareholder as per NRIC, in capital letters)  
 NRIC No./ID No./Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_ (full address)  
 being a member of AEON CO. (M) BHD., hereby appoint \_\_\_\_\_  
 (name of proxy as per NRIC, in capital letters) NRIC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_ (full address)  
 or failing him/her \_\_\_\_\_ (name of proxy as per NRIC, in capital letters)  
 NRIC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_

\_\_\_\_\_ (full address) or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Second Annual General Meeting of the Company, to be held at Connexion Conference & Event Centre, Nexus, Grand Nexus, Level 3A, No. 7, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur on Thursday, 25 May 2017 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

No.	Resolution	For	Against
	<b>ORDINARY BUSINESS</b>		
Ordinary Resolution 1	To declare and approve the payment of a final dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2016		
Ordinary Resolution 2	To approve the aggregate Directors' fees of the Company and its subsidiary of RM1.025 million for the financial year ended 31 December 2016		
Ordinary Resolution 3	To approve the benefits payable to the Directors of the Company and its subsidiary of up to RM150,000 from 1 January 2017 until the conclusion of the next Annual General Meeting of the Company		
Ordinary Resolution 4	To re-elect Dato' Abdullah bin Mohd Yusof as Director		
Ordinary Resolution 5	To re-elect Mr Shinobu Washizawa as Director		
Ordinary Resolution 6	To re-elect Mr Poh Ying Loo as Director		
Ordinary Resolution 7	To re-elect Datuk Syed Ahmad Helmy bin Syed Ahmad as Director		
Ordinary Resolution 8	To re-elect Dato' Tunku Putra Badlishah Ibni Tunku Annuar as Director		
Ordinary Resolution 9	To re-elect Encik Abdul Rahim bin Abdul Hamid as Director		
Ordinary Resolution 10	To re-elect Mr Charles Tseng @ Charles Tseng Chia Chun as Director		
Ordinary Resolution 11	To re-elect Mr Kenji Horii as Director		
Ordinary Resolution 12	To re-elect Mr Hiroyuki Kotera as Director		
Ordinary Resolution 13	To re-elect Datuk Iskandar bin Sarudin as Director		
Ordinary Resolution 14	To re-appoint KPMG Desa Megat PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	<b>SPECIAL BUSINESS</b>		
Ordinary Resolution 15	Proposed Renewal of Existing Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature		
Special Resolution	Proposed Amendments to the Articles of Association of the Company		

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

Signature of Shareholder or Common Seal \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:	
	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

### NOTES:

- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
- A member shall be entitled to appoint more than one (1) proxy and shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
- If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 18 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms as set out in the Notice of Annual General Meeting dated 28 April 2017.



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The Share Registrar:

**AEON CO. (M) BHD.** (126926-H)

c/o TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD (11324-H)

Unit 32-01, Level 32, Tower A,

Vertical Business Suite,

Avenue 3, Bangsar South,

No.8, Jalan Kerinchi 59200 Kuala Lumpur,

Malaysia.

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**AEON CO. (M) BHD.** (126926-H)

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

**TEL :** +603-9207 2005

**FAX :** +603-9207 2006/2007

**AEON CARELINE :** 1-300-80-AEON(2366)

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