



AEON CO. (M) BHD.  
(126926-H)

# Passion *for* Growth

Annual Report **2012**



# Passion *for* Growth

Like the Dandelion floral meaning of love, faithfulness and happiness, AEON adopts similar values in its commitment towards Peace, People and Community. The spread of pollen represents AEON's aim for continuous growth and expansion, enriching lifestyles of its customers across Malaysia.





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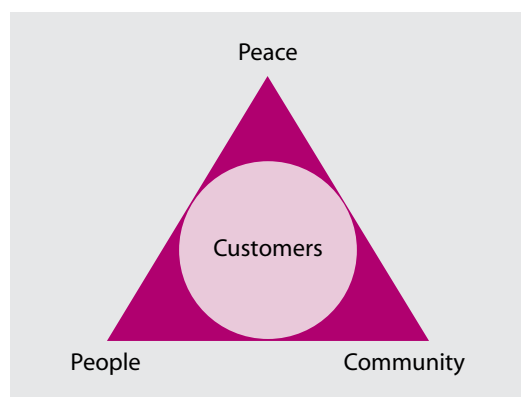
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# AN INTRODUCTION AEON GROUP

**AEON CO. (M) BHD.** is a leading retailer in Malaysia with a total revenue of RM3.26 billion for the financial year under review. The Company was incorporated on 15 September 1984. AEON CO. (M) BHD. (AEON or the Company) was set up in response to the Malaysian Government's invitation to AEON Japan to help modernise the retailing industries in Malaysia. The 'AEON' name today is well established among Malaysians as well as foreigners, 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). AEON's constant interior refurbishment of stores to project an image designed to satisfy the ever changing needs and desires of consumers is clear evidence of this. The Company's performance has been further enhanced by the management's acute understanding of target market needs and the provision of an optimal product-mix. AEON's stores are mostly situated in suburban residential areas, catering to Malaysia's vast middle income group.

The AEON Group of Companies consists of AEON Co., Ltd. and about 200 consolidated subsidiaries and affiliated companies. In addition to its core GMS plus its supermarket and convenience store operations, AEON is also active in specialty store operations and shopping centre development, operations, credit card business and services. The AEON Group of Companies is an integrated Japanese retailer and is active not only in Japan but also throughout Southeast Asia and China. 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.



## **AEON Basic Principles:**

### **Peace**

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

### **People**

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

### **Community**

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

## **OUR PRINCIPLE**

The fundamental principle of AEON is its 'Customer Centred Approach'. AEON's mission is and always will be to contribute to the customers.

AEON's most basic and abiding principles are the pursuit of peace, respect for humanity and contribution to local communities through customer-centred initiatives. Under these principles, we are determined to achieve global management standards while being the best serving retailer in the local community.

## **OUR STRATEGY**

AEON follows two strategies for continuous growth: Organic Growth and Company Tie-ups. Its core business of shopping centre operations includes GMS and Supermarkets. AEON builds complementary operations such as specialty stores, shopping centre development, services and works to create synergies among this diverse business.

## **OUR GOAL**

AEON's goal is to operate as an "international-scale retailing group", recognised for excellence not only in Japan, but also in other nations. The international recognition we are working to achieve is not one which can be measured merely in quantifiable term of size, growth and profitability. We hope to be competitive at the global level in intangible aspects such as customer satisfaction and corporate citizenship. We are dedicated to the idea of "quality management" to further enhance our capabilities.

# CORPORATE INFORMATION AND DIRECTORY

## BOARD OF DIRECTORS

- Dato' Abdullah bin Mohd Yusof (Chairman)
- Mr Nagahisa Oyama
- Ms Nur Qamarina Chew binti Abdullah
- Mr Poh Ying Loo
- Dato' Chew Kong Seng
- Datuk Ramli bin Ibrahim
- Mr Naoki Hayashi
- Mr Mitsuru Nakata
- Datuk Syed Ahmad Helmy bin Syed Ahmad  
(Appointed on 16 April 2013)
- Dato' Tunku Putra Badlishah Ibni  
Tunku Annuar  
(Appointed on 16 April 2013)
- Brig Jen (B) Dato' Mohamed Idris bin Saman  
(Retired on 28 February 2013)
- Datuk Zawawi bin Mahmuddin  
(Demised on 12 November 2012)

## SECRETARIES

- Tai Yit Chan (MA/CSA 7009143)
- Liew Irene (MA/CSA 7022609)

## REGISTERED OFFICE AND HEAD OFFICE

3<sup>rd</sup> 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 & Co. (AF0759)  
Chartered Accountants  
Level 10, KPMG Tower, 8, First Avenue  
Bandar Utama, 47800 Petaling Jaya  
Selangor Darul Ehsan  
Tel : 03-7721 3388  
Fax : 03-7721 3399

## SHARE REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : 03-2264 3883  
Fax : 03-2282 1886

## 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.

## WEBSITE

<http://www.aeonretail.com.my>

## PRINCIPAL BANKERS

- Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad  
(302316-U)
- Malayan Banking Berhad (3813-K)
- CIMB Bank Berhad (13491-P)

# CORPORATE CALENDAR

**Notice of Annual General Meeting**  
30 April 2012

**Annual General Meeting**  
24 May 2012

**Payment of Dividend**  
Book Closure – 14 June 2012  
Payment – 11 July 2012

## Quarterly Results Announcement

1st Quarter  
24 May 2012

2nd Quarter  
24 August 2012

3rd Quarter  
29 November 2012

4th Quarter  
28 February 2013

# FIVE-YEAR FINANCIAL HIGHLIGHTS

	31/12/12 RM'000	31/12/11 RM'000	31/12/10 RM'000	31/12/09 RM'000	31/12/08 RM'000
<b>FINANCIAL RESULTS</b>					
Revenue	<b>3,255,669</b>	2,984,614	2,894,482	2,747,782	2,487,615
Retailing	<b>2,822,575</b>	2,609,070	2,524,330	2,394,886	2,198,216
Property management services	<b>433,094</b>	375,544	370,152	352,896	289,399
EBITDA	<b>438,795</b>	411,919	386,467	338,382	298,346
Profit before tax	<b>299,478</b>	277,272	240,294	194,372	176,349
Profit after tax	<b>212,825</b>	195,353	165,301	133,529	120,604
Net dividend	<b>64,058</b>	51,773	42,120	31,590	31,590
<b>FINANCIAL POSITIONS</b>					
<b>ASSETS</b>					
Property, plant and equipment and Intangible assets	<b>1,700,661</b>	1,650,707	1,496,013	1,507,772	1,558,168
Investments	<b>44,276</b>	23,619	9,668	1,075	1,075
Current assets	<b>937,235</b>	763,156	727,024	532,366	532,895
Total assets	<b>2,682,172</b>	2,437,482	2,232,705	2,041,213	2,092,138
<b>EQUITY</b>					
Share capital	<b>351,000</b>	351,000	351,000	351,000	351,000
Non-distributable reserves	<b>36,865</b>	16,772 *	39,742	31,666	32,183
Retained earnings	<b>1,081,190</b>	920,138 *	735,756	601,528	499,072
Total equity attributable to owners of the Company	<b>1,469,055</b>	1,287,910	1,126,498	984,194	882,255
<b>LIABILITIES</b>					
Deferred tax liabilities	<b>20,188</b>	21,146	28,303	30,698	37,138
Current liabilities	<b>1,192,929</b>	1,128,426	1,077,904	1,026,321	1,172,745
Total equity and liabilities	<b>2,682,172</b>	2,437,482	2,232,705	2,041,213	2,092,138
<b>FINANCIAL INDICATORS</b>					
Earnings per share (sen)	<b>60.6</b>	55.7	47.0	38.0	34.4
Gross dividend per share (sen) #	<b>24.0</b>	19.0	16.0	12.0	12.0
Net assets per share (RM)	<b>4.19</b>	3.67	3.21	2.80	2.51
Return on equity (%)	<b>14.49</b>	15.17	14.67	13.57	13.67
Price earnings ratio	<b>23.30</b>	13.00	12.96	13.04	12.22
Share price as at the financial year end (RM)	<b>14.12</b>	7.24	6.09	4.96	4.20

## Notes:

- \* Comparative figure as at 31 December 2011 has been adjusted upon adoption of MFRSs.  
# Gross dividend per share is the total dividend declared for the respective financial years.

# SHARE PRICE AND FINANCIAL CHARTS

## SHARE PRICE

STOCK CODE : **6599**

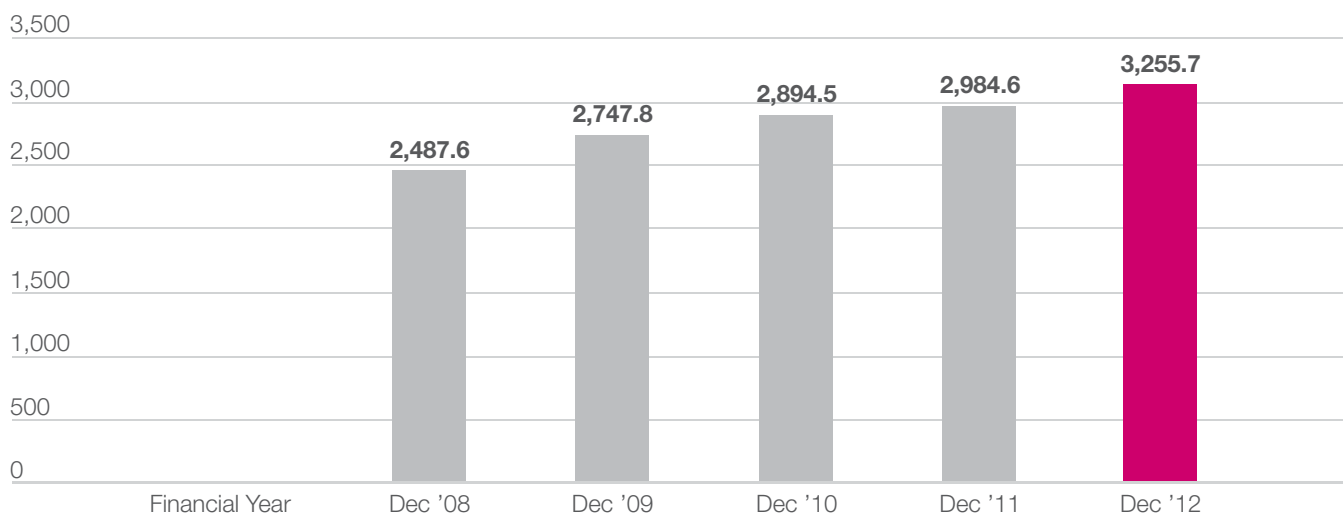
STOCK NAME : **AEON**

**2012**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High (RM)	7.49	8.84	10.00	10.00	10.20	9.80	9.71	10.50	11.10	13.18	12.54	14.12
Low (RM)	7.21	7.45	8.70	9.20	9.19	8.50	8.88	9.70	10.00	11.00	11.50	11.78
Volume ('000)	4,555	4,897	1,617	4,682	2,650	16,756	3,563	2,257	11,285	3,793	5,073	5,483

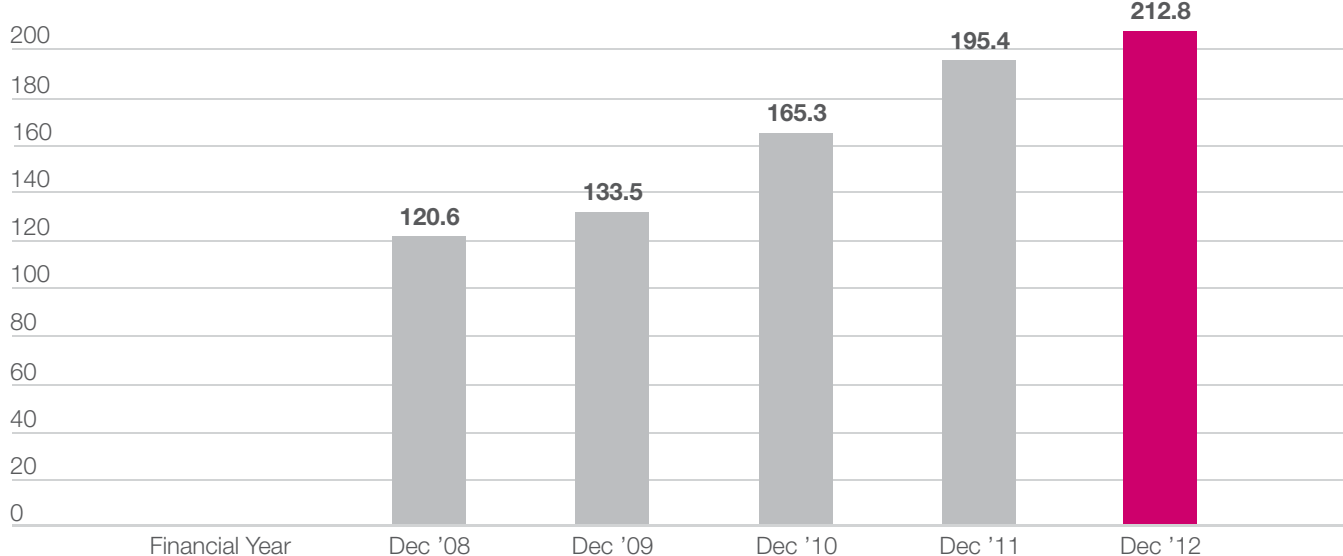
## REVENUE

RM million



## PROFIT ATTRIBUTABLE TO OWNERS

RM million



# AEON SERI MANJUNG SHOPPING CENTRE



4 December 2012

AEON Seri Manjung Shopping Centre, the Company's 21st shopping centre and also its 26th general merchandise store, opened its business to the residents of Seri Manjung and surrounding communities on 4 December 2012.

The grand opening ceremony on 8 December 2012 was officiated by Y.A.B Dato' Seri DiRaja Dr. Zambry bin Abdul Kadir, Menteri Besar of Perak Darul Ridzuan.

The shopping centre which the Company leased, has two (2) levels of shopping floors with approximate 453,561 square feet in net lettable area and 2,500 parking bays. Besides AEON general merchandise store and supermarket, there are more than 130 other retail shops providing, among others, varieties of food, fashion, family amusement and lifestyle products.





# HUMAN RESOURCE DEVELOPMENT

## HIGHLIGHTS OF THE YEAR

AEON always strives to develop and raise the level of competencies of its human capital through its recruitment programmes, trainings and career development plans. The Company seeks to benchmark itself against the best in the service industry.

AEON continuously invests in systematic and organised trainings for all levels of staff in various areas of technical, operational and management disciplines, either in-house, external or with attachments to our affiliates in Japan. Potential staff are further identified for leadership trainings to enhance their leadership and management capabilities in preparation for higher roles in future.

Among others, AEON's MTRT (Management Trainee & Retail Trainee) programme offers opportunities for fresh graduates to join retail industry and be part of AEON family. For its store and shopping centre managers, AEON Business School, an in-house training programme, was established in 2012 to further enhance their skill sets and equip them with more leadership and management skills. The Company's STEP (Service Transformation for Excellent Performance) programme, a customer service culture initiative, is also currently on-going and aims to ensure that the customer service levels on its selling floor far exceed customer expectations. The culture is enhanced constantly through repeated practices and demonstrations in meetings and staff assemblies.

In recognising the changes in labour market and to enable the Company to manage its human resources more efficiently so as to continue delivering the quality desired, the Company had in 2012 also embarked on a transformation of its human resource system and processes which are currently on-going.



## COMPLIANCE WITH THE BEST PRACTICES IN AEON CODE OF CONDUCT

AEON's Code of Conduct which have its basic principles in Peace, People and Community, are the set of values to which AEON adhere to in conducting its business and to which each and every AEON employee is trained to adhere to in carrying out their work and duties for AEON. AEON people constantly remind themselves of AEON Code of Conduct commitments through citations in meetings and staff assemblies.



# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

## AEON CONTRIBUTES TO ENVIRONMENT CONSERVATIONS

### A. PRESERVATION OF BIODIVERSITY

#### REFORESTATION AND REHABILITATION OF ORANG UTAN IN SABAH

AEON continues to monitor closely its joint project with World Wide Fund for Nature (WWF) Malaysia on creating a better shelter for the estimated 500 Orang Utans living in North Ulu Segama, Sabah, through reforestation and rehabilitation of their habitat. Through the project which started in 2011, AEON will contribute RM500,000 over the span of 5 years to plant 30,000 trees over 80 hectares of land in this area.



#### FIREFLY BREEDING PROJECT AT KUALA SELANGOR

In 2012, AEON entered into a Memorandum of Understanding with the Selangor State Government and Forest Research Institute of Malaysia for a three-year tree planting programme at Kampung Kuantan, Kuala Selangor to encourage firefly breeding. On 11 February 2012, under the programme's first phase, 600 saplings were planted. A total of 400 volunteers including AEON staff, members of the Majlis Perbandaran Kuala Selangor, students from Open University Malaysia and local residents took part in the event.

In conjunction with the Firefly Breeding Project, AEON further took initiatives to educate the public and visitors via information boards at the Kampung Kuantan visitors' jetty, about the firefly colony, their habitat and the importance of their preservation.



#### AEON HOMETOWN FOREST PROGRAMME

##### TREE PLANTING CEREMONY AT AEON SERI MANJUNG SHOPPING CENTRE

On 3 November 2012, more than 800 participants planted over 3,000 saplings in a tree planting ceremony held for the opening of AEON Seri Manjung Shopping Centre. The ceremony was graced by State Secretary of Perak Darul Ridzuan, Y.B. Dato' Abdul Puhat bin Mat Nayan.



# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY



## JOINT TREE PLANTING ACTIVITIES

In April 2012, AEON organised tree planting activities for the local and international student participants of the Sri Aman International Environmental Youth Leadership Summit at Paya Indah Wetland, Selangor. A total of 580 participants took part including 80 delegates from ASEAN countries. And in another tree planting activity on the same month, with support from Landskap Malaysia, AEON staff together with students of Open University Malaysia participated in a mangrove tree planting activity at Port Dickson, Negeri Sembilan. A total of 1,100 saplings were planted.

## AEON MANGROVE TREE PLANTING PROJECT IN JAKARTA, INDONESIA

On 15 July 2012, a total of 2,000 volunteers including 1,300 participants from Japan came together to plant 25,200 mangrove trees at Pantai Indah Kapuk, Jakarta. In 2011, AEON Environmental Foundation Japan has committed to a three-year mangrove tree planting programme at this area as part of its commitment towards environmental conservation and protection.



## B. EFFICIENT USE OF RESOURCES

### BRING YOUR OWN SHOPPING BAG CAMPAIGN

In efforts to reduce plastic bag usage, AEON worked together with KPDNKK Perak to introduce new AEON reusable bags at its shopping centres of AEON Kinta City and AEON Ipoh Station 18 in Perak Darul Ridzuan. This is to further promote and encourage customers to use less plastic bags but instead to start using environmental friendly reusable bags.

# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

## AEON YOUNG RECYCLER PROGRAMME

To further promote recycling awareness among the young, in 2012, 5 primary schools were selected whereby AEON together with its business partners organise recycling campaign talks, environmental related fun activities and donated recycling bins to the schools to encourage awareness and inculcate recycling habits among the young students. AEON intends to make this an annual affair.



## C. REALISATION OF LOW CARBON SOCIETY

### PROMOTE ENVIRONMENTAL INITIATIVE WITH AEON GREEN CORNER


AEON Green Corner in our shopping centres was one of the initiatives implemented during the year to promote and highlight awareness for the need of environmental conservation and protection.



AEON Ipoh Station 18 Shopping Centre



AEON Seri Manjung Shopping Centre



### NEW ATTRACTIVE RECYCLING BINS AT AEON SHOPPING CENTRES

To further attract and encourage customers to live green and preserve the environment, attractive new recycling bins are currently being progressively introduced into AEON shopping centres to draw customers' attentions and to encourage them to do their part for recycling.



# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

## ENERGY SAVING INITIATIVES

Energy saving through use of initiatives such as energy efficient LED lights and auto sensors in the Company's operating areas such as showcase chillers, customer walkways, escalators, restrooms and parking areas were also carried out in 2012.



## AEON CONTRIBUTES TO COMMUNITY – AEON CARES

### AEON NATIONWIDE COASTAL CLEAN-UP PROJECT

In conjunction with Earth Day on 21 April 2012, AEON again organised its “Pantai Ku Indah” coastal clean-up project, this time at Pantai Bersih in Pulau Pinang, Pantai Pasir Panjang in Perak, Pantai Saujana Port Dickson in Negeri Sembilan, Pantai Puteri in Melaka, Pantai Pontian in Johor and in Selangor at Pantai Kelanang, Pantai Morib and Pantai Bagan Lalang. A total of 970 people comprising volunteers and staff were involved and they collected in total over 2,295 kg of discarded waste along the beaches.



### COMMUNITY SERVICES AT ZOO NEGARA

On 30 June 2012, approximately 50 AEON people participated in a “Gotong Royong” cleaning up project at the National Zoo, volunteering, among others, cleaning up the animal cages, sweeping the surroundings and feeding the animals.

# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

## COMMUNITY SERVICES IN NEIGHBOURHOOD

On 26 May 2012, AEON people were involved in a “Gotong Royong” project with the residents of Taman Rakyat, Klang to help clean and spruce up the surroundings of the housing estate. Such community services allow AEON people to foster closer relationship with the surrounding community in which it operates.



## AEON CONTRIBUTES TO COMMUNITY – AEON CARES

### LANTERN PARADE

For Mid Autumn Festival, “AEON Lantern Parade 2012” was celebrated at AEON Ipoh Station 18 Shopping Centre on 20 September 2012. The ceremony was graced by Y.B. Dato’ Dr. Mah Hang Soon, Perak State Executive Council Member. Fun activities were organised including lantern making competition, lion and dragon dance performances.



### PRE-RAMADHAN BLOOD DONATION CAMPAIGN

Since 2006, AEON had organised on annual basis, blood donation campaigns at its shopping centres and had managed to collect more than 30,000 units of blood bags to-date. In 2012, without exception, together with Persatuan Bekas Pelajar MRSM Malaysia (Ansara) and the National Blood Centre, AEON again organised a two-day blood donation campaign in July at all AEON shopping centres. A total of 4,427 units of blood bags were successfully collected.



# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY



## JOHOR FLOOD AID RELIEF

On 19 December 2012, AEON people rally to the aid of flood victims at Kampung Sepang Loi, Batu Anam, Segamat by participating in the massive cleaning of the affected residents' houses and public places besides providing food donations.

## AEON CONTRIBUTES TO COMMUNITY – AEON CARES

### AWARENESS AND EDUCATION

#### AEON MALAYSIA CHEERS CLUB

On 31 May 2012, in conjunction with World Environment Day, AEON launched its AEON Malaysia Cheers Club whose aim is to introduce and instil a spirit of love for nature during a child's early stage of development so that they will learn and care about the environment. Through the club, the children will also be able to develop their interactive skills through teamwork activities.

The event at Paya Indah Wetlands, which included a school holiday camp from 30 May to 1 June for 300 AEON Malaysia Cheers Club young members, was launched by Y.B. Dato' Sri Peter Chin Fah Kui, Minister of Energy, Green Technology and Water, who also witnessed a signing ceremony between AEON and Green Tech Corporation who will serve as a platform for AEON Malaysia Cheers Club's Green Kid Programme. The members participated in various activities during the school holiday camp including tree planting, wildlife encounters, night walks and exercises whereby the young members were educated on the importance of environmental preservation. Currently AEON Malaysia Cheers Club has 1,672 members.



#### TASMANIA BIODIVERSITY TOUR

In August 2012, two of AEON Malaysia Cheers Club's members had been selected to participate in a 8 days 7 nights Tasmania Biodiversity Tour together with 15 other members from AEON Cheers Club of Japan.



# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

## SUPPORTING GOVERNMENT'S INITIATIVES

### PROGRAM TRANSFORMASI KEDAI RUNCIT (TUKAR)

TUKAR project is an Entry Point Project (EPP) under the Economic Transformation Programme that aims to modernise traditional 'mom and pop' grocery stores and increase levels of competitiveness in their localities. Together with Ministry of Domestic Trade, Co-Operatives and Consumerism (MDTCC), AEON had in 2012 supported the programme and transformed ten (10) units of such shops in Kedah and Perak. The transformation not only help to increase the shops' sales by enhancing their competitiveness and efficiency through improved processes and tools, but it also creates new jobs in the sector.



## TASTE OF MALAYSIA

The AEON Taste of Malaysia (TOM) fair was held from 31 August till 2 September 2012 for the second time in Japan in collaboration with MDTCC and AEON Group of Japan. The programme was officiated by Y.Bhg Dato' Saripuddin Bin Kassim, Secretary General of MDTCC and the event was held at five (5) AEON Stores, namely AEON Lake Town Mall, AEON Urawa Misuno, AEON Makuhari, AEON Tsudanuma and AEON Shinagawa.

The TOM which was initiated since 2003 by MDTCC, is to assist Malaysian's local small medium entrepreneurs (SME) to have a greater shelf presence in the super market and hyper market industry outside of Malaysia besides giving them the opportunities and exposure to innovate new ways of expanding their business overseas. Through AEON Group of Japan's network, SME entrepreneurs with the support of MDTCC will be able to have a platform to showcase Malaysian food products to Japan.

A total of 74 items comprising local food products, Malaysian craft and souvenirs were promoted during the fair.





# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

## MALAYSIAN AEON FOUNDATION

**'With All Our Hearts'** Malaysian AEON Foundation (MAF) is the charity arm of which AEON CO. (M) BHD. and AEON Credit Service (M) Berhad (ACS) play major roles to run all the major 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 10 years and benefits many Malaysian in needs especially children. AEON is the first and the only retailer which has its own charity foundation in Malaysia.



## 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 Malaysian 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 from today's social ills.
- To give the children of Malaysia the opportunity to discover their self-worth and develop themselves to their fullest potential so that they may live fuller and more meaningful lives in the future.



## CHARITY DRIVES

Throughout 2012, MAF has worked together with Sangla Foods Sdn. Bhd., Mamee Double-Decker Berhad and Nestle (Malaysia) Berhad to offer selected food, goodies bags and health care to customers and communities, in which a fraction of the sales made were channeled into MAF.

One of the major annual fund raising activity by the Foundation is the Charity Gala Dinner. For 2012, it was hosted at KL Convention Centre on 12 July with the theme – 'A Blend of Culture'. Gracing the event was Yang Amat Berbahagia Puan Sri Noorainee binti Abdul Rahman, wife of Yang Amat Berhormat Timbalan Perdana Menteri. The net proceeds from the sales of tickets were channeled to MAF.

## BASIC EDUCATION SUPPORT ("BEST" PROGRAMME)

Basic Education Support Programme (BEST) was also initiated by MAF during the year under review. 3 selected schools in Kuching, Sarawak benefited from this pilot project which was kicked off in December 2012. The activities carried out include construction of a new library, purchase of furniture and equipment for Sekolah Kebangsaan Serabak Bau, setting up of a new audio and visual room, a canteen, cementing works for classrooms and purchasing of new school furnitures for Sekolah Kebangsaan Pedaun Bawah, and building of a new library, canteen, multi-purpose hall and purchasing some new book shelves for Sekolah Kebangsaan Tembawang. A total sum of RM450,000 was allocated for this project in an effort to provide a conducive learning environment for the school children in these rural areas.



# SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

## COMMUNITY ACTIVITIES – HOLIDAY EVENTS

On 21 April 2012, 50 children from 2 orphanage homes were given an opportunity to enjoy the Musical Play of the Malay famous cartoon characters, “Upin & Ipin” at the Istana Budaya, Kuala Lumpur, providing the children with exposure to the musical theater whilst enjoying watching the life and adventures of the eponymous twin brothers in a fictional Malaysian Kampung.

During the school holidays on 30 May 2012, MAF brought 65 children from various orphanages for an educational trip to Mamee factory in Ayer Keroh, Melaka. The children also enjoyed a boat ride along the Melaka River and had fun activities at Molly Fantasy, AEON Bandaraya Melaka Shopping Centre.

On 18 December 2012, 230 children and single mothers from various homes participated in a one-day holiday excursion with MAF to “Fun In The Woods” Carnival at Forest Research Institute Malaysia (FRIM), Kepong. The children were treated with exciting activities such as telematch games, magic shows, face painting and sand arts. These children were also presented with prizes and new school bags.



## FESTIVITIES CELEBRATIONS

Festive seasons are a time to reflect, a time to give and a special time to be close to our families and friends. Bringing cheers to the needy especially during months of festivities, is also one of the missions of the Foundation. During the Chinese New Year festival, RM12,000 worth of daily necessities, angpows and lokam were donated to an orphanage home in Johor Bahru and an elderly home in Ampang.

In August 2012, MAF celebrated Hari Raya by bringing 140 underprivileged children from various homes in Johor Bahru for a shopping trip at AEON Terbrau City Store to choose their baju raya worth RM200 each, followed by a Buka Puasa dinner at Mutiara Hotel, Johor Bahru, together with hamper gifts and duit raya.

In conjunction with Deepavali Celebration 2012, 130 children from various homes and 20 families with single mothers were brought to AEON Bukit Raja Store to choose their own Deepavali items worth RM200 each and further given purple packets and hampers to bring them more joy on Deepavali occasion.



## A STARRY SMILE

During the Christmas Charity Drive, orphans from 35 orphanages homes, were invited to write their wishes on Star Cards. AEON customers were then invited to fulfil the Star Card wishes which were later presented to the children on Christmas eve. All Star Card wishes were fulfilled by AEON customers together with MAF and hampers were also presented to the orphanages. A total of 1,135 starry cards were received and fulfilled to the orphans.





# 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 Company) for the year ended 31 December 2012 (the Year). ”*

## FINANCIAL REVIEW

The Company achieved a new revenue record of RM3.256 billion for the Year which is 9.1% higher than the RM2.985 billion for the previous financial year. Correspondingly, AEON registered a strong profit before tax of RM299.5 million and profit after tax of RM212.8 million representing 8.0% and 8.9% growth respectively over the previous year's performance.

The Year's results were most commendable if we take into consideration that the results for the preceding year had included both the RM12.7 million gain on disposal of its amusement business and the RM11.3 million net proceeds from insurance claim though they were offset by an impairment loss of RM14.1 million in one of the Company's store and shopping centre's property, plant and equipment.

AEON's financial position as at 31 December 2012 remains healthy without any borrowings and with shareholders' funds totaling RM1.469 billion which provides a net asset value per share of RM4.19 (2011 : RM3.67). Earnings per share also improved to 60.6 sen per share (2011 : 55.7 sen).

## REVIEW OF PERFORMANCE

In 2012, despite the weak global economy, Malaysia continued to perform well and recorded a GDP growth of 5.6% for the year, driven mainly by the strong domestic demand.

The strong domestic demand spurred AEON to register strong results in its businesses of retailing and property management services. For the Year, retail sales contributed RM2.823 billion and the property management services contributed RM433.1 million, which respectively represented growth of 8.2% and 15.3% against their previous year's results.

On its retail operations, the overall better performance was mainly contributed by new stores which opened during the year and AEON Bandar Utama store and AEON Rawang store which operated for a full fiscal year in 2012. Existing stores also performed well to register a commendable same stores growth of 1.6%. The Company opened the AEON Ipoh Station 18 store and AEON Seri Manjung store in March and December 2012 respectively to bring new lifestyles and shopping experience to the community in Ipoh, Seri Manjung and its surrounding areas.

AEON's property management services revenue at RM433.1 million represented an impressive growth of 15.3% over the previous year's performance. The performance for the Year included same shopping centres income growth of 3.6% reflecting the higher occupancy rates, net lettable area and rental rates achieved during the Year. The Company's property management services revenue also included the results from its new shopping centres which we are confident will contribute greatly to the Company's results in years to come.

# CHAIRMAN'S STATEMENT

## CORPORATE SOCIAL RESPONSIBILITY

AEON continues to remain focus on its basic principles of pursuing peace, respecting humanity and contributing to local communities, centred on customers.

In pursuance of these principles, during the Year, AEON continued with its corporate social responsibilities activities which included, among others, tree plantings for its new AEON Ipoh Station 18 Shopping Centre and AEON Seri Manjung Shopping Centre, reforestation of mangrove swamps, beach cleaning projects, Orang Utan and firefly rehabilitation projects and various Gotong Royong projects with the surrounding communities in which it operates.



AEON continued to promote actively on the efficiency use of resources through its recycling programmes, reduction in use of plastic bags, use of reusable bags and other similar activities and campaigns to further educate and create strong awareness among the customers and communities.

To further instill young children with a love for nature and environment, during the year under review, the Company also through its AEON Malaysia Cheers Club, which it set up in the year, organise nature trips and holiday camps for its young members.

## PROSPECTS AND OUTLOOK

The Malaysian economy, anchored by the continued resilience of domestic demand, is expected to remain strong. Domestic consumption is expected to remain the key driver of growth in 2013, supported by the Government's ongoing economic transformation programmes, stable employment environment and continuous investment by the private sector.

Retail industry in Malaysia remains very competitive as more entrepreneurs are aware of the healthy prospects and the rising demand for better shopping experiences.

AEON remains positive on its prospects and will continue to leverage on its competitive strengths and grow its business, both organically and through new store expansions. The Company will continue to provide refreshing shopping experience to its customers through refurbishment of some of its existing stores and shopping centres, and enhance the standards of customer service which it is known for across the country.

AEON remains committed to its long-term plan to open new stores in strategic locations. The Company is on schedule to open a three-level community shopping centre in Kulai, Johor Darul Takzim by end of 2013. This is part of conscious and on-going efforts by the Company to maintain and enhance its dominant position in Malaysia.



## DIVIDEND

The Board of Directors is pleased to recommend for your approval a first and final dividend of 23% less 25% income tax and a special tax exempt dividend of 1% for the year ended 31 December 2012 at the forthcoming Annual General Meeting.



# CHAIRMAN'S STATEMENT

## ACKNOWLEDGEMENT

We are saddened by the death of our colleague, the late Datuk Zawawi bin Mahmuddin who passed away on 12 November 2012. We wish to extend our heartfelt condolences to his family. We will miss his invaluable contributions.

Brig Jen (B) Dato' Mohamed Idris bin Saman retired effective 28 February 2013. The Company's senior independent director, Dato' Chew Kong Seng and Datuk Ramli bin Ibrahim are both retiring at this forthcoming Annual General Meeting and have indicated they are not seeking re-election. We would like to record our appreciation and gratitude for their enormous contributions to the success of the Company.

I would also like to welcome our recently appointed directors Datuk Syed Ahmad Helmy bin Syed Ahmad and Dato' Tunku Putra Badlishah Ibni Tunku Annuar who with their expertise and wealth of experience will be able to provide guidance and leadership which will add further strength to the Board.

On behalf of the Board, I wish to thank the management and staff for their loyalty, dedication and unfailing commitments in taking AEON through another year of excellent performance. Finally, I also would like to express my gratitude to our valued customers, business associates, bankers, government authorities, our valued shareholders and my fellow directors for their continuous support and confidence in AEON.



**Dato' Abdullah bin Mohd Yusof**

**Chairman**

# DIRECTORS' PROFILE

## DATO' ABDULLAH BIN MOHD YUSOF

*Independent Non-Executive Chairman*

*Malaysian 74*



**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 bin Mohd Yusof holds a Bachelor of Law (Honours) from University of Singapore, which he obtained in 1968. Dato' Abdullah bin Mohd Yusof has more than forty (40) years of experience as an Advocate & Solicitor. Dato' Abdullah bin Mohd Yusof 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 bin Mohd Yusof sits on the Board of Directors of MMC Corporation Berhad, Zelan Berhad, Tradewinds Corporation Berhad and AEON Credit Service (M) Berhad, all of which are companies listed on Bursa Malaysia Securities Berhad. Dato' Abdullah bin Mohd Yusof also sits on the Board of Directors of THR Hotel (Selangor) Bhd and several private limited companies. Dato' Abdullah bin Mohd Yusof is a member of the Nomination Committee and Remuneration Committee of the Board. Dato' Abdullah bin Mohd Yusof has attended all the four (4) Board Meetings held in the financial year. Dato' Abdullah bin Mohd Yusof holds 526,000 ordinary shares directly and 1,067,800 ordinary shares indirectly in the Company.

## MR NAGAHISA OYAMA

*Japanese 58*

*Non-Independent Non-Executive Vice Chairman*

**Mr Nagahisa Oyama** was appointed as the Managing Director of AEON CO. (M) BHD. on 22 June 2005 and redesignated as Non-Independent Non-Executive Vice Chairman on 26 May 2011. Mr Nagahisa Oyama was appointed as Chairman of the Nomination Committee and Remuneration Committee of the Board on 26 May 2011. Mr Nagahisa Oyama is now Vice President, CEO, ASEAN Business of AEON Co., Ltd. Mr Nagahisa Oyama holds a Bachelor's Degree in Business Management from Kinki University, Japan, which he obtained in 1977. Mr Nagahisa Oyama joined AEON Co., Ltd. in 1977 as a Management Trainee and was promoted to be Softline Merchandiser in 1980. Mr Nagahisa Oyama was seconded to Siam JUSCO, Thailand to set up the GMS Merchandising Division. Following his appointment at Siam JUSCO, Thailand from 1989 to 1991, Mr Nagahisa Oyama was promoted to General Manager of Tonami Regional Shopping Centre in 1991. Mr Nagahisa Oyama was next appointed as the General Manager of Kaga Regional Shopping Centre in 1996 and next transferred to Kochi Regional Shopping Centre in 2000. In 2002, Mr Nagahisa Oyama served as General Manager of Higashi Mikawa and Shizuoka Prefecture, Japan, where Mr Nagahisa Oyama was in charge of the overall planning, opening and operations of three (3) new Regional Shopping Centres and the operations of seven (7) existing Regional Shopping Centres in the Shizuoka Prefecture. Mr Nagahisa Oyama was appointed as the Managing Director of AEON Big (M) Sdn Bhd on 31 October 2012. Mr Nagahisa Oyama has attended all the four (4) Board Meetings held in the financial year. He holds 20,000 ordinary shares directly in the Company.



*Note: Save as disclosed in this annual report, all the Directors mentioned in pages 20 to 24 have no conflict of interest with AEON CO. (M) BHD. or any family relationship with any Director and / or major shareholder nor have they are convictions for offences within the past 10 years, except for traffic summons, if any.*

## DIRECTORS' PROFILE

### **MS NUR QAMARINA CHEW BINTI ABDULLAH**

*Managing Director*

*Malaysian 52*



**Ms Nur Qamarina Chew binti Abdullah** was appointed as the Executive Director of AEON CO. (M) BHD., on 25 February 2011 and redesignated as Managing Director on 26 May 2011. Ms Nur Qamarina Chew binti Abdullah holds a Master Degree in Business Administration (Entrepreneurship). Ms Nur Qamarina Chew binti Abdullah joined AEON CO. (M) BHD. in 1985 and was a Merchandising Manager from 1990 to 1993 and Store Manager of JUSCO Bandar Utama in 1998 and then JUSCO Mid Valley in 1999. Ms Nur Qamarina Chew binti Abdullah was promoted to Senior Manager in 2001 and then General Manager in 2002 to head the Store Operations Division. In 2006, Ms Nur Qamarina Chew binti Abdullah was transferred to be General Manager in-charge of the New Business Development Division and in 2008, promoted to Senior General Manager to head the Neighborhood Shopping Centre Business Division. Ms Nur Qamarina Chew binti Abdullah was the Senior General Manager of the Merchandising Division in 2009 and in 2010 as Senior General Manager of the Store Operations Division. Ms Nur Qamarina Chew binti Abdullah has attended all the four (4) Board Meetings held in the financial year and does not hold any shares in the Company.

### **MR POH YING LOO**

*Malaysian 51*

*Executive Director*

**Mr Poh Ying Loo** was appointed as the Executive Director of AEON CO. (M) BHD. on 26 May 2011. Mr Poh Ying Loo is a Fellow member of the Chartered Institute of Management Accountants and a member of Malaysian Institute of Accountants. Mr Poh Ying Loo 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. Mr Poh Ying Loo joined CPC/AJI (M) Sdn Bhd as Assistant Accountant and was the Senior Accountant in June 1996. Mr Poh Ying Loo joined AEON CO. (M) BHD. on July 1996 as the Finance Manager and then promoted as the Financial Controller in 2002. Mr Poh Ying Loo 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 Ying Loo is currently in charge of the Corporate Finance, Investor Relations, Administration, IT & SCM Division. Mr Poh Ying Loo has attended all the four (4) Board Meetings held in the financial year and holds 20,000 ordinary shares directly and 24,000 ordinary shares indirectly in the Company.



# DIRECTORS' PROFILE

## DATO' CHEW KONG SENG

Malaysian 75

Independent Non-Executive Director

**Dato' Chew Kong Seng** was appointed as the Independent Non-Executive Director of AEON CO. (M) BHD. on 23 July 2001. Dato' Chew Kong Seng is a Fellow of Institute of Chartered Accountants in England and Wales, a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Dato' Chew Kong Seng was a tax officer in the Inland Revenue Department in the United Kingdom and then joined Stoy Hayward & Co. in the United Kingdom from 1964 to 1970. Dato' Chew Kong Seng returned to Malaysia and joined Turquand Young & Co. (now known as Ernst & Young) and was subsequently transferred to Sarawak office as Manager in-charge and later as Partner in-charge. Dato' Chew Kong Seng was appointed as the Managing Partner of Ernst & Young from 1990 to 1996. Currently, Dato' Chew Kong Seng is a Director and Audit Committee Chairman of PBA Holdings Berhad and Bank of America Malaysia Berhad, as well as a Director and a member of the Audit Committee of GuocoLand (Malaysia) Berhad and Encorp Berhad. Dato' Chew Kong Seng is also a Director of GW Plastic Holdings Berhad and a private limited company. Dato' Chew Kong Seng is the Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee of the Board. Dato' Chew Kong Seng has attended all the four (4) Board Meetings held in the financial year. Dato' Chew Kong Seng does not hold any shares in the Company. Dato' Chew Kong Seng has opted not to seek for re-election as Director and will be retiring upon the conclusion of the Twenty-Eighth Annual General meeting on 22 May 2013.



## DATUK RAMLI BIN IBRAHIM

Independent Non-Executive Director

Malaysian 72

**Datuk Ramli bin Ibrahim** was appointed as the Non-Executive Director of AEON CO. (M) BHD. on 20 August 1996 and redesignated as Independent Non-Executive Director on 26 May 2011. Datuk Ramli bin Ibrahim is a Member of the Malaysian Institute of Accountants and a Fellow of the Australian Institute of Chartered Accountants. Datuk Ramli bin Ibrahim was attached to KPMG Peat Marwick (now known as KPMG) in Australia, United Kingdom and Malaysia from 1959 to 1995. Datuk Ramli bin Ibrahim was appointed as a Partner of KPMG Malaysia in 1971. In 1989, Datuk Ramli bin Ibrahim was made the first bumiputera Senior Partner of KPMG Malaysia. Datuk Ramli bin Ibrahim also served on the Boards of KPMG International and KPMG Asia Pacific from 1990 to 1995. Datuk Ramli bin Ibrahim retired from KPMG Malaysia in 1995. From December 1995 to December 2000, Datuk Ramli bin Ibrahim served as the Executive Chairman of Kuala Lumpur Options & Financial Futures Exchange Berhad. Currently, Datuk Ramli bin Ibrahim sits on the Board of Directors of BCT Technology Berhad and AEON Credit Service (M) Berhad. Datuk Ramli bin Ibrahim also sits on the Board of Directors of several other unlisted public and private limited companies including Measat Global Berhad, HSBC Bank Malaysia Berhad and Yayasan Tuan Syed Sirajuddin. Datuk Ramli bin Ibrahim is also a member of the Audit and Risk Management Committee and Remuneration Committee of the Board. Datuk Ramli bin Ibrahim has attended all the four (4) Board Meetings held in the financial year. He holds 560,000 ordinary shares indirectly in the Company. Datuk Ramli bin Ibrahim has opted not to seek for re-election as Director and will be retiring upon the conclusion of the Twenty-Eighth Annual General meeting on 22 May 2013.





# DIRECTORS' PROFILE

## MR NAOKI HAYASHI

Japanese 65

Non-Independent Non-Executive Director

**Mr Naoki Hayashi** was appointed as the Non-Executive Director of AEON CO. (M) BHD. on 13 August 2009. Mr Naoki Hayashi holds a Bachelor Degree in Economics from Keio University, Japan. Mr Naoki Hayashi joined AEON Co., Ltd. in March 1970 and promoted to General Manager, Executive Secretary Office in March 1987. In September 1990, Mr Naoki Hayashi assumed the post of General Manager, General Affair Division and subsequently transferred to be the General Manager in charge of Kanto Regional Operations. Mr Naoki Hayashi was promoted as Director of AEON Co., Ltd. in May 1996 and then in February 1997 as Director for Kanto Regional Company. Mr Naoki Hayashi was promoted as Executive Vice President in May 1998 and subsequently in May 2004 as Senior Executive Vice President and then as Executive Vice President in charge of SC Development Business and Chairman of AEON Co., Ltd.'s subsidiary Diamond City Co., Ltd. in May 2006. In May 2007, Mr Naoki Hayashi was assigned as Director of AEON Mall Co., Ltd. and in May 2008 as Director and Executive Vice President for the Office of the President, AEON Co., Ltd.. Mr Naoki Hayashi is now a Director, Vice President, Office of the President, Chief Environmental Affairs Office of AEON Co., Ltd.. Mr Naoki Hayashi has attended all the four (4) Board Meetings held in the financial year and does not hold any shares in the Company.



## MR MITSURU NAKATA

Non-Independent Non-Executive Director

Japanese 52



**Mr Mitsuru Nakata** was appointed as the Executive Director of AEON CO. (M) BHD. on 26 May 2011 and redesignated as Non-Independent Non-Executive Director on 28 February 2013. Mr Mitsuru Nakata holds a Bachelor Degree in Business Management of Ritsumeikan University. Mr Mitsuru Nakata joined AEON Co. Ltd. in March 1985 as a Section Leader of Ikoma store in Nara prefecture and then Group Leader of Yamato Kohriyama store in April 1986. In April 1987, Mr Mitsuru Nakata was the Division Leader of Kongou store in Osaka prefecture and in April 1991, as the Store Manager of Takami store. Mr Mitsuru Nakata was the Food Line Manager of Katabiranotuji store in Kyoto prefecture in April 1993 and the Store Manager of Nagayoshi store in April 1996. In April 1998, Mr Mitsuru Nakata was the Store Manager of Fujiidera store in Osaka Prefecture and then in April 2001, the Store Manager of Shinnabari store in Mie Prefecture. Mr Mitsuru Nakata was the Store Manager of Hamamatsu Shitoro in Shizuoka prefecture in September 2003. Mr Mitsuru Nakata was seconded to AEON CO. (M) BHD. in October 2006 and was the General Manager in charge of Merchandising Division. Mr Mitsuru Nakata was the Senior Executive General Manager, GMS Business Division in 2009. Mr Mitsuru Nakata was appointed as the Executive Director of AEON Big (M) Sdn Bhd on 31 October 2012. Mr Mitsuru Nakata has attended all the four (4) Board Meetings held in the financial year and holds 7,000 ordinary shares directly in the Company.

## DIRECTORS' PROFILE

### **DATUK SYED AHMAD HELMY BIN SYED AHMAD**

*Independent Non-Executive Director*

*Malaysian 66*



**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 bin Syed Ahmad holds a Bachelor of Laws (LL.B) Honours from University of Singapore, which he obtained in 1971. Datuk Syed Ahmad Helmy bin Syed Ahmad has forty (40) years of experience as legal practitioner and judicial officer in Malaysia and Singapore. Datuk Syed Ahmad Helmy bin Syed Ahmad 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. Datuk Syed Ahmad Helmy bin Syed Ahmad 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. Datuk Syed Ahmad Helmy bin Syed Ahmad retired as a Judge in December 2012 and appointed as the Chairman of Advocates & Solicitors Disciplinary Board. Datuk Syed Ahmad Helmy bin Syed Ahmad does not hold any shares in the Company.

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

*Malaysian 48*

*Independent Non-Executive Director*

**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 Putra Badlishah Ibni Tunku Annuar holds a Bachelor of Science (Hons) in Business Administration. Dato' Tunku Putra Badlishah Ibni Tunku Annuar started his career as Account Manager in J.Walter Thompson Advertising in 1987 and subsequently joined DMIB Berhad as Senior Executive and thereafter promoted as Marketing Manager. From January 1992 to December 1995, Dato' Tunku Putra Badlishah Ibni Tunku Annuar worked in Sandestin Resort, Florida, United States of America as Manager of Marketing and Development. Dato' Tunku Putra Badlishah Ibni Tunku Annuar joined Kumpulan Sime Darby Berhad Group (KSDB) in January 1996 and has 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 – October 2007). Dato' Tunku Putra Badlishah Ibni Tunku Annuar 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, Dato' Tunku Putra Badlishah Ibni Tunku Annuar is the Managing Director of Putra Ventures Sdn Bhd. Dato' Tunku Putra Badlishah Ibni Tunku Annuar was appointed as a member of Audit and Risk Management Committee of the Company on 16 April 2013 and he does not hold any shares in the Company.



# SENIOR MANAGEMENT



(Seating from left to right)

**Ms Audrey Lim Suan Imm**

General Manager of Human Resource & Merchandising

**Ms Yukiyo Komatsu**

Senior General Manager of GMS Operations

**Ms Nur Qamarina Chew binti Abdullah**

Managing Director

**Mr Poh Ying Loo**

Executive Director

**Mr Kenichi Suenami**

Senior General Manager of Shopping Centre Business

**Mr Vincent Ng Wei Chyun**

General Manager of Legal

(Standing from left to right)

**Ms Karis Lim Sook Yen**

General Manager of Merchandising, MaxValu

**Mr Ong Hock Heng**

General Manager of Operations, MaxValu

**Mr Yoshihiro Kurokawa**

MaxValu Project Leader

**Mr Kenji Hiramatsu**

General Manager of Information Technology & Supply Chain Management

**Mr Yoshihiro Kaya**

General Manager of Shopping Centre Development, Property Management and Construction

**Mr Kazuhiro Kakura**

General Manager of Electrical Business

**Mr Hiroyoshi Ekinaga**

General Manager of New Business Development

**Lt. Col (R) Yaacob bin Mahmud**

General Manager of Security, Safety & Housekeeping



# REVIEW OF OPERATIONS

***AEON's reassuring strong creditable performances in both of its core businesses of retailing and property management services in financial year 2012 indicated resiliency amidst the challenges in the external environment, having benefited from the rising domestic demand and new stores openings. The Company achieved total revenue of **RM3.256 billion** for the year under review which represented a growth of **9.1%** over its previous year's performance. Retailing business contributed **RM2.823 billion** and property management services contributed **RM433.1 million**.***

## RETAILING OPERATIONS

The retail industry in the year under review remains very competitive, more so with the challenging and uncertain global economic environment. Retailers were getting creative and resourceful in developing ingenious ways to sustain their business and market share. New malls with new formats and themes also added more variety of choices for shoppers through their innovative shopping concepts, aggressive merchandise strategies that create differentiation and prevalent pricing promotions as they strive to attract shoppers traffic to their stores and seek to retain customers' loyalty.

Under such challenging environment, AEON's retailing business continued to remain resilient and generally delivered good results. AEON continued to rely on its established brand and competitive strengths to provide the best in value, quality and variety of merchandise and services to its customers.

On 8 March 2012, the Company had successfully launched a rebranding exercise to replace the old trading name 'JUSCO' with 'AEON', in line with the AEON Group of Japan's globalisation direction and to further allow the Company to create a clear brand identity for its business in Malaysia. Together with its rebranding exercise, the Company had introduced a new tagline, "AEON Enriching Your Lifestyle" to give all AEON's customers an enriching experience every time they shop with AEON. To show its appreciation to the customers for their continuous support, a series of promotions and activities including special merchandise and pricing were carried out. The Company also took the opportunity to embark on its customer service programme (STEP) to further enhance and revamp its customer service to complete the total customer experience, thus continuously positioning the Company as a leading retailer and lifestyle destinations for all its customers.

The retail sales of RM2.823 billion represented a 8.2% growth over the previous year's performance. The better performance was as a result of a combination of performances from new stores that were opened during the year, full year contributions from stores that were opened in year 2011 as well as the overall better performance from existing stores. Same stores registered a growth of 1.6% for the year under review. AEON stores of Permas Jaya, Bukit Indah and Mahkota Cheras recorded a double-digit growth ranging from 10.4% to 13.5% due to the growing number of customers and loyalty members' base and benefits from the improvement in the surrounding infrastructure and housing developments. Stores in Melaka, Taman Universiti, Seremban 2, Bukit Tinggi, Seberang Prai City, AU2 and Bandaraya Melaka also enjoyed good performances of 5.2% to 8.2% growth against their previous year's results. Other stores of Taman Maluri, Wangsa Maju, Tebrau City, Cheras Selatan, Taman Equine and Queensbay recorded lower growth ranging from 0.02% to 2.4% against their previous year's performances.

For JUSCO Ipoh store, the lower performance of 11.1% against previous year was within expectation with the opening of AEON Ipoh Station 18 store in March 2012 besides stiff competitions nearby. AEON stores of Bandar Baru Klang, Mid Valley, Bandar Puchong, Metro Prima and Bandar Sunway recorded lower performance of between 0.3% and 4.8% due to the competitive environments.



# REVIEW OF OPERATIONS

AEON stores of Bandar Utama and Rawang which operated for a full year in 2012 further contributed to the revenue growth as their customers' base grew whereas the new AEON Seri Manjung store which opened in December 2012 contributed marginally. The MaxValu supermarkets, whose contributions are still marginal for the year under review, registered a total contribution of RM40.3 million for the year. The Company had also ventured into new retail business categories of doughnut (Mister Donut), pharmacy (AEON Wellness) and lifestyle household products (DAISO) shops which in total contributed a revenue of RM38.1 million.



## PROPERTY MANAGEMENT SERVICES

The property management services business remains a significant and integral part of the AEON's overall business. In managing the shopping centres and its tenant mix, AEON was able to provide shoppers with a one-stop conducive and convenient shopping destinations that also complements its own AEON store's retailing business within the shopping centres.

AEON continued to employ successful and sustainable strategies to attract and increase shoppers' traffic to its shopping centres. This was through a provision of the right tenant mix, exciting promotional activities and joint promotional efforts with tenants together with proper maintenance and superior customer services in terms of facilities and convenience. Attractive and modern kiosks that offer varieties of merchandise and services were also introduced to attract more shoppers. Close relationship with tenants were maintained through regular dialogues and feedbacks which allowed development of synergistic strategies to increase shoppers traffic.

During the year under review, AEON's property management services registered revenue of RM433.1 million representing a healthy growth of 15.3% over the previous year's performance amidst an environment of increased competition. The strong growth for the year under review was both due to the same shopping centre income growth of 3.6% and also contribution from new shopping centres of 11.5% to the shopping centre income. Overall occupancy rate remains at 93.5% as at the end of 2012.

With the opening of AEON Ipoh Station 18 Shopping Centre and AEON Seri Manjung Shopping Centre on 29 March 2012 and 4 December 2012 respectively, AEON now manages twenty one (21) shopping centres.



## PROSPECTS AND OUTLOOK

Despite uncertainties in global economy and given the challenging external environment, domestic demand is expected to remain one of the key drivers of economic growth in 2013. Retailing sector will benefit from this and the sustainable private sector spending on the back of stable income and healthy labour market conditions.

# REVIEW OF OPERATIONS

## Retailing

In the highly competitive retail industry, AEON recognises that for long-term business sustainability, it needs to continuously evaluate and enhance its strategies and competitive strengths. AEON aims for its business to be sustainable through achievement and sustainability of customer services, merchandise assortment and a store shopping experience that exceed the customers' expectations.

The Company recognises that urban shoppers, in particular, could now enjoy wider choices of retail stores to patronise and also wider variety of merchandise to choose from. They are now seeking for total shopping experience instead of just basic shopping needs.

As such, in 2013, besides focus to strengthen its business and operations units, merchandising, human resource development, information technology upgrade, customer service and operational efficiency of selling floors, the Company will also be focusing on renovation and upgrading of its existing stores. The Company will embark on refurbishment on some of its existing stores such as Bandar Baru Klang, Bandar Puchong, Ipoh Kinta City and Wangsa Maju so as to continue offering refreshing shopping experience to its customers.

For merchandising whereby the constant challenge is to develop suitable merchandise and mix that meet the demands and tastes of consumers who are today well informed and spoilt for choice, AEON remains committed to its pursuit of continuously sourcing for the right and new merchandise to offer to its customers. This includes leveraging on AEON Group of Japan's expertise in various merchandise categories, its own private brand development efforts and developing big concept merchandise categories that comprise better brands composition mix and latest trends.

For AEON Member Loyalty Card which remains a strategic marketing tool for the Company, AEON, through innovative membership recruitment scheme and further enhancement of members' benefits through alliance with more business partners, remains focus on sustaining and at the same time growing this huge loyalty customer base as it opens up new stores.

On its general merchandise stores expansion, the Company is scheduled to open a new General Merchandise Store in Kulai, Johor Darul Takzim by end of 2013. In addition to previous announcements, the Company had also recently announced its intention to develop a new store in Shah Alam, Selangor in the near future. Plans are in the pipeline to further fuel growth with identified locations for new stores openings in which announcements will be made in due course.



## Property Management Services

While the number of shopping centres in the country have been increasing as the income and prosperity level increase, the landscape is expected to change further in the near future with the entry of new property management services players and announcement of construction of new malls that are expected to be completed in the next few years. The presence of more malls will mean there will be keener competition for shoppers and tenants. While AEON has the advantage of its General Merchandise Store being its own anchor tenant, thus enabling it to secure good shoppers' traffic and tenant mix, it remains committed to its philosophy of Customer First which demands that its malls remain well-maintained with good facilities for customer convenience, possess good tenant mix and always have attractive shopping events and activities. The ultimate objective is to provide the overall shopping experience that exceed shoppers expectation.



On its expansion plans, AEON, which had grown steadily over the years and make its presence in key strategic locations and markets nationwide, remains committed to its mid-term strategy plan to solidify its position as the market leader and make AEON accessible to more Malaysians. On 4 December 2012, the Company opened AEON Seri Manjung Shopping Centre, its 21st shopping centre in Malaysia, bringing convenience and neighborhood shopping experience to the communities in Seri Manjung and Setiawan in Perak.

The Company is also scheduled to own and operate a three-level community shopping centre with an approximate net lettable area of 457,000 square feet in Kulai, Johor Darul Takzim towards the end of 2013. During the year under review, it had also announced on its commitments for expansion in the strategic area of Shah Alam, Selangor. The Company will continue to identify new suitable locations for shopping centre development and will announced their openings in due course.



# STATEMENT ON 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 Company’s 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 2012 and any non-observation of the Recommendations of MCCG 2012, including the reasons thereof, has been included in this Statement in view of the transition to MCCG 2012.

## **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 Company’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 Company including its sustainability;
- overseeing and evaluating the conduct of business of the Company;
- 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 Company; and
- performing such other functions as are prescribed by law or are assigned to the Board.

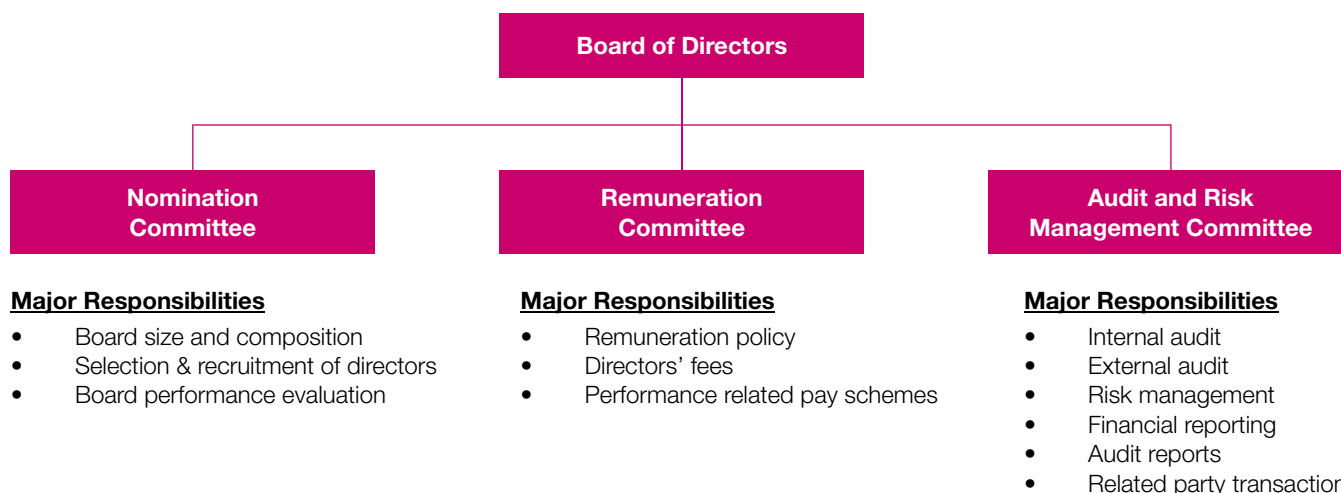
Steps will be taken to make available the salient features of the Board Charter on the Company’s website at [www.aeonretail.com.my](http://www.aeonretail.com.my).

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 ON 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 Board appoints the members and the Chairman of each committee.

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

The 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).

## Sustainability Policy

The Company has established a Sustainability Policy which is based on the three basic principles of AEON, which is to honor Peace, People and Community. With the aim to promote sustainable development, the Company focuses on key areas of environment conservation and social contribution. The Company is also actively engaging with the Company's customers, staff members, suppliers, tenants, stakeholders, Non-Governmental Organisations (NGOs) and local authorities in activities related to sustaining the environment. The Company's activities on environment, social and governance for the year under review are disclosed on pages 8 to 16 of this Annual Report.