

AEON CO. (M) BHD.
(Company No. 126926-H)

MINUTES OF THE THIRTY-SECOND ANNUAL GENERAL MEETING OF THE COMPANY 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.

PRESENT:-

DIRECTORS

Dato' Abdullah bin Mohd Yusof (In the Chair) - Also a Shareholder and proxy for shareholders set out in the Attendance Summary attached
Mr Shinobu Washizawa - Managing Director
Mr Poh Ying Loo - Also a Shareholder
Datuk Syed Ahmad Helmy bin Syed Ahmad
Dato' Tunku Putra Badlishah Ibni Tunku Annuar
En Abdul Rahim bin Abdul Hamid
Mr Charles Tseng @ Charles Tseng Chia Chun
Mr Kenji Horii
Mr Hiroyuki Kotera
Datuk Iskandar bin Sarudin

CORPORATE REPRESENTATIVE

Badan Pengawas Pemegang Saham Minoriti Berhad - Puan Nor Khalidah binti Mohd Khalil

IN ATTENDANCE

Ms Tai Yit Chan - Company Secretary

BY INVITATION

As Per Attendance List

The list of shareholders and proxies who attended the Meeting is set out in the Attendance Lists attached and shall form an integral part of this Minutes.

1. CHAIRMAN

The Chairman, Dato' Abdullah bin Mohd Yusof, extended a warm welcome to the shareholders, proxies and guests present at the Company's Thirty-Second Annual General Meeting ("32nd AGM"). The Chairman introduced the Board of Directors and the Company Secretary to the shareholders.

2. QUORUM

The Secretary confirmed that a quorum was present. With the requisite quorum being present, the Meeting was called to order at 10.00 a.m..

3. NOTICE

With the consent of the members present, the Notice convening the Meeting having been circulated for the prescribed period was taken as read.

4. SUMMARY OF PROXIES RECEIVED

As part of good governance, the Chairman informed that the Company had received in total 541 proxy forms and corporate representative form for a total of 1,097,489,887 ordinary shares, representing 78.17% of the issued and paid-up share capital of the Company.

Out of those, there were 48 shareholders who have appointed the Chairman of the Meeting as proxy to vote on their behalf and the shares so represented are 290,204,744, representing 20.67% of the issued and paid-up share capital of the Company.

The Chairman encouraged the members and/or proxies present to participate at the Annual General Meeting. The Chairman had also demanded for a poll to be taken on all the resolutions pursuant to the Company's Articles of Association in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia.

The Chairman further informed that the polling process would be conducted after the deliberation of all items on the Agenda.

The Chairman also informed that the Company has appointed Asia Securities Sendirian Berhad as the independent scrutineers to facilitate the poll process.

5. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Chairman informed that the Audited Financial Statements for the financial year ended 31 December 2016 tabled were meant for discussion only as provision Section 340 of the Companies Act, 2016 does not require approval of shareholders.

At the invitation of the Chairman, the Managing Director of the Company, Ms Shinobu Washizawa, gave a review on the results of the Company for the financial year ended 31 December 2016. He briefed that the retail industry in Malaysia remains challenging and the consumer sentiment remained soft. With the rising cost of living and the depreciation in Ringgit, consumers remain cautious in their discretionary spending. The Company's results for the year 2016 had been modest. The Group had achieved revenue of RM4.039 billion for the year, which was 5.3% higher as compared to previous year.

The increase in revenue was contributed by the opening of new stores and mall. The Company has been trying to maintain its market share by having promotions and discount. The Company had also carried out refurbishments and renovations of the stores. The opening of new stores and malls which were investments for the future had resulted in higher depreciation for the year.

The Group borrowings had increased to RM965 million due to the opening of new malls and the refurbishment of existing malls. However, the financial position of the Group remains healthy. The Company acknowledged that 2017 would continue to be impacted by the challenging environment. However, the Company remains committed to introduce new lifestyle and shopping behaviour to consumers in Malaysia. The Company is planning to open a new mall in Kempas in 2017 and in Kuching by 2018.

Mr Poh Ying Loo ("Mr Poh"), the Executive Director, Corporate Management then presented the financial performance, operations of the Group for the financial year ended 31 December 2016 and strategies going forward.

The Chairman informed that the Company had received questions from the Minority Shareholder Watchdog Group ("MSWG") seeking clarification/information on several issues raised pertaining to operations, financial performance, online shopping platform, non-audit fees paid and benefits payable to the Non-Executive Directors.

Mr Poh had replied to the questions raised from MSWG, details as set out in "Appendix A" attached herein.

Having addressed the questions from MSWG relating to Corporate Governance received, the Chairman opened to the floor for questions on the Audited Financial Statements for the financial year ended 31 December 2016. In summary, the issues raised by the members/proxies were responded by the Board as follows:

- Whether the Company business would improve in 2017 and the sources of the Company's funds to which the Board responded that the Company is optimistic about the Company's performance in 2017 and the funds needed for expansion would be generated from both internal funds and borrowings.
- Reason for the drop in share price and the lower dividend to which the response was that the bonus issue and the share split is necessary corporate exercise and the dividend is actually 12% prior to the bonus and share split, which is reflective of the Company's performance.
- The high pricing of the Company's products and the ability to attract customers to which the Board responded that even though the price may be higher than some competitors, the quality is different from its competitors, which is important to attract customers.
- The positioning of the Company and the measures the Company had taken to differentiate the Company from their competitors, especially for the Daiso stores to which the Board responded that the Company is starting to develop new merchandise while importing new products from Japan and providing value in the merchandise.
- Relevancy of the General Merchandise Store concept which has been practiced by the Company, the measure to tackle lower profit and the profitability of Quill City store to which the response was the Company is looking at new merchandise assortments to be aligned to industry changes and the performance of the Quill city store was below expectation as the mall needs some time to catch up with the shoppers traffic.
- Competitiveness of AEON online shopping platform and AEON Index Living Mall to which the Board responded that the Company's e-commerce business model is not only a platform but also selling merchandise and other exclusive items and for AEON Index Living to leverage on AEON Malaysia's resources such as having joint promotions in order to compete with IKEA.
- Whether there is any capital expenditure spend on technology to which the Board responded that the total IT capital expenditure is close to RM100 million over the years.
- Ways to increase the customer traffic into the mall to which the Board responded that the Company would have more attractive tenants mix and more interactive activities by engaging and collaborating with the tenants.

After addressing the questions received, the Chairman declared that the Audited Financial Statements of the Company for the financial year ended 31 December 2016 be deemed tabled and received.

Thereafter, the Chairman went through each of the motions set out in the Notice of the Meeting.

6. POLL PROCEDURE

After going through all the motions set out in the Notice of the Meeting, the representative from the Company's Share Registrar briefed the floor on the polling procedures and directed the shareholders and proxies to put their votes via Tricor e-vote application. The shareholders and proxies present were then given time to cast their votes.

The Chairman informed that the outcome of the poll would be announced after a short break as it would take some time for the scrutineers to tabulate the results of the poll. The Meeting was then adjourned at 11.40 a.m. for the votes to be counted and to enable the scrutineers to present their report to the Chairman.

POLL RESULTS

The Meeting resumed at 12.00 p.m. and after obtaining the report from the scrutineers, the scrutineer announced the results of the poll as follows:-

Ordinary Resolution 1	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
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	1,145,626,477	99.9996	4,200	0.0004

It was RESOLVED:-

That the payment of a Final Dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2016 be and is hereby approved.

Ordinary Resolution 2	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To approve the aggregate Directors' fees of the Company and its subsidiary of RM1.025 million for the financial year ended 31 December 2016.	1,145,625,477	99.9995	5,200	0.0005

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It was RESOLVED:-

That the payment of Directors' Fees for the financial year ended 31 December 2016 of RM1.025 million be and is hereby approved.

Ordinary Resolution 3	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
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	1,145,629,477	99.9999	1,200	0.0001

It was RESOLVED:-

That the benefits payable to the Directors and its subsidiary of up to RM150,000 from 1 January 2017 until the conclusion of the next Annual General Meeting of the Company be and is hereby approved

Ordinary Resolution 4	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Dato' Abdullah bin Mohd Yusof, who is retiring pursuant to Article 74 of the Company's Articles of Association	777,589,977	85.2107	134,960,200	14.7893

As the Chairman are deemed interested in the resolution, he invited En Abdul Rahim bin Abdul Hamid to take over the Chair during the deliberation of this resolution.

It was RESOLVED:-

That Dato' Abdullah bin Mohd Yusof be and is hereby re-elected as Director of the Company

Ordinary Resolution 5	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Mr Shinobu Washizawa, who is retiring pursuant to Article 74 of the Company's Articles of Association.	1,144,825,777	100.0000	0	0.0000

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It was RESOLVED:-

That Mr Shinobu Washizawa be and is hereby re-elected as Director of the Company.

Ordinary Resolution 6	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Mr Poh Ying Loo, who is retiring pursuant to Article 74 of the Company's Articles of Association	1,144,825,777	100.0000	0	0.0000

It was RESOLVED:-

That Mr Poh Ying Loo be and is hereby re-elected as Director of the Company.

Ordinary Resolution 7	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Datuk Syed Ahmad Helmy bin Syed Ahmad, who is retiring pursuant to Article 74 of the Company's Articles of Association	1,144,825,777	100.0000	0	0.0000

It was RESOLVED:-

That Datuk Syed Ahmad Helmy bin Syed Ahmad be and is hereby re-elected as Director of the Company.

Ordinary Resolution 8	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Dato' Tunku Putra Badlishah Ibni Tunku Annuar, who is retiring pursuant to Article 74 of the Company's Articles of Association	1,144,825,777	100.0000	0	0.0000

It was RESOLVED:-

That Dato' Tunku Putra Badlishah Ibni Tunku Annuar be and is hereby re-elected as Director of the Company.

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Ordinary Resolution 9	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Encik Abdul Rahim bin Abdul Hamid, who is retiring pursuant to Article 74 of the Company's Articles of Association	1,141,839,387	99.7391	2,986,390	0.2609

It was RESOLVED:-

That En Abdul Rahim bin Abdul Hamid be and is hereby re-elected as Director of the Company.

Ordinary Resolution 10	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Mr Charles Tseng @ Charles Tseng Chia Chun, who is retiring pursuant to Article 74 of the Company's Articles of Association	1,141,842,087	99.7394	2,983,690	0.2606

It was RESOLVED:-

That Mr Charles Tseng @ Charles Tseng Chia Chun be and is hereby re-elected as Director of the Company.

Ordinary Resolution 11	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Mr Kenji Horii, who is retiring pursuant to Article 74 of the Company's Articles of Association	1,144,728,577	99.9915	97,200	0.0085

It was RESOLVED:-

That Mr Kenji Horii be and is hereby re-elected as Director of the Company.

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Ordinary Resolution 12	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Mr Hiroyuki Kotera, who is retiring pursuant to Article 80 of the Company's Articles of Association	1,144,825,777	100.0000	0	0.0000

It was RESOLVED:-

That Mr Hiroyuki Kotera be and is hereby re-elected as Director of the Company.

Ordinary Resolution 13	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To re-elect the Director, Datuk Iskandar bin Sarudin, who is retiring pursuant to Article 80 of the Company's Articles of Association	1,143,886,177	99.9179	939,600	0.0821

It was RESOLVED:-

That Datuk Iskandar bin Sarudin be and is hereby re-elected as Director of the Company.

Ordinary Resolution 14	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
To appoint Messrs KPMG Desa Megat PLT as Auditors of the Company and to authorize the Directors to fix their remuneration	1,126,553,733	98.3348	19,076,944	1.6652

It was RESOLVED:-

That the retiring Auditors, Messrs KPMG Desa Megat PLT. having signified their consent to act, be hereby re-appointed as Auditors at a fee to be fixed by the Directors.

Ordinary Resolution 15	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	380,992,533	89.1470	46,383,144	10.8530

As the Chairman is a shareholder of the Company and is deemed interested in the resolution, he invited En Abdul Rahim bin Abdul Hamid to take over the Chair during the deliberation of this resolution.

It was RESOLVED:-

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 Company's 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;
- (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 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

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- (iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the 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.

En Abdul Rahim bin Abdul Hamid then handed the Chair back to Dato' Abdullah bin Mohd Yusof.

Special Resolution	Votes in favour		Votes against	
	No. of shares	%	No. of shares	%
Proposed Amendments to the Articles of Association of the Company	1,145,630,677	100.0000	0	0.0000

It was RESOLVED:-

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.

7. CONCLUSION

There being no other business to be transacted, the Meeting concluded at 12.39 p.m. with a vote of thanks to the Chair.

SIGNED AS A CORRECT RECORD

Signed

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CHAIRMAN

Strategy and Financials matters

1. As stated on Management Discussion and Analysis (MD&A) on page 19 of the Annual Report, we noted that Property Management Services business remains very challenging due to cautious consumer spending, competition and rising cost of doing business.

Please brief the shareholders on the measures and strategies taken to sustain tenant occupancy rate of the shopping malls?

It is a very challenging time for the mall business, especially with the addition of retail space. Under such challenging environment, the Property Management Division had taken various measures to sustain the occupancy rate of the shopping malls. For some of the tenants, the rental structure had been restructured to reflect the variable portion, instead of a fully fixed portion. Which will be flexible to tenants as rental is subject to their performance.

The Company also has collaborations and events to raise awareness such as advertisements around the malls, promoting tenants business, encouraging more tenants' participation and offering flexible rental schemes to new tenants, especially short term tenancy.

2. The MD&A also mentioned that the Group will continue to refurbish and upgrade its selected stores and shopping malls to provide a new refreshing level of shopping experience for its customers with expanded space, a better retail mix and merchandise assortments.

- (i) What is the total capital budget allocated for refurbishment and upgrading of for selected stores and shopping malls in FY2017?

The total capital budget allocated for refurbishment and upgrading of selected stores and shopping malls in FY2017 is approximately RM550 million.

- (ii) What is the strategy to mitigate the loss of revenue during the period?

Strategies which will be implemented includes improvement in merchandise assortments and operational efficiencies.

3. We noted that the Group had closed down its underperforming outlets before opening a middle to higher-end outlet named MaxValu Prime Supermarket.

(i) How was the performance of MaxValu Prime Supermarket since commencement?

MaxValu Prime Supermarket was opened in December 2016 and it performed at approximately 83% against its budgeted sales. The Company expects the performance to improve in years to come.

(ii) How many underperforming stores are there? What measures have been taken to address the performance of these stores?

The performance of each store is subject to its unique characteristics. Approximately 8 or 9 stores out of 33 stores are underperforming. There are various measures put in place to boost its performance including market survey on changes in customer behavior, refurbishments of older stores, improvements in merchandise assortments and customer service.

4. On page 21 of the Annual Report, it was stated that the Group will continue its expansions, albeit selectively in the new business categories of pharmacy and flat price shops.

(i) Could the Board share on the performance of its pharmaceutical business and flat price shops to-date?

The pharmaceutical business registered total sales of around RM100 million for the financial year 2016 with 31.3% growth and the flat price shops registered RM70 million for the financial year 2016 with 31.3% growth.

(ii) What is the estimated capital expenditure allocated for expansion in the new business categories of pharmacy and flat shops?

The estimated capital expenditure allocated is less than RM1 million each for both the pharmaceutical and flat price shops with total of approximately RM3 million to RM4 million for each business category.

(iii) How many new opening launches have planned in FY2017?

The Company had planned to open 5 to 6 outlets for each business category in 2017.

5. What are the strategies taken by the Board to promote the Group's online shopping platform (Shoppu). Please elaborate the initiatives to attract younger generation to increase the transaction traffic in Shoppu?

The Shoppu performance has been improving monthly as the Company registered monthly sales of approximately RM1.2 million per month. The Company has put in place initiatives to increase awareness for Shoppu and continue to introduce new merchandise assortments dedicated to younger generations.

6. As stated on page 59 of the Annual Report, the non-audit fees incurred by the Company to the External Auditors, Messrs. KPMG Desa Megat & Co. were more than 50% of total auditor's remuneration to audit related works.

- (i) What is the nature of these non-audit services?

It was mostly related to taxation such as corporate and personal taxation and advisory services.

- (ii) Does the Audit Committee have a process in place to evaluate outsourced services and in particular, non-audit services provided by the external auditors to the Group?

The Audit Committee has evaluated and have unrestricted access to the External Auditors.

Corporate Governance matters

1. The Group is seeking shareholders' approval under the Resolution 3 for the benefits of up to RM150,000 payable to the Non-Executive Directors of the Company for the financial year ending 31 December 2017.

Please provide the breakdown of the benefits payable to the Non-Executive Directors.

The benefit payable to Non-Executive Directors of up to RM150,000 is in respect of the period of 17 months from January 2017 until the conclusion of next Annual General Meeting which is mainly related to transports for the Directors.