

AEON CO. (M) BHD.

(Company No. 198401014370 (126926-H))

(Incorporated in Malaysia)

Unaudited results of the Company for the first quarter ended 31 March 2021.

Condensed statement of profit or loss

For the three months ended 31 March 2021

	3 months ended 31 March		3 months ended 31 March	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	1,013,499	1,190,869	1,013,499	1,190,869
Total operating expenses	(945,012)	(1,128,267)	(945,012)	(1,128,267)
Other operating income	4,204	1,445	4,204	1,445
Profit from operations	<u>72,691</u>	<u>64,047</u>	<u>72,691</u>	<u>64,047</u>
Interest expense				
- Lease interest	(26,627)	(29,065)	(26,627)	(29,065)
- Interest charges	(5,472)	(8,456)	(5,472)	(8,456)
	<u>(32,099)</u>	<u>(37,521)</u>	<u>(32,099)</u>	<u>(37,521)</u>
Interest income	136	244	136	244
Share of results of associates	1,103	(1,402)	1,103	(1,402)
Profit before tax	<u>41,831</u>	<u>25,368</u>	<u>41,831</u>	<u>25,368</u>
Tax expense	(19,798)	(17,895)	(19,798)	(17,895)
Profit for the period	<u><u>22,033</u></u>	<u><u>7,473</u></u>	<u><u>22,033</u></u>	<u><u>7,473</u></u>
Basic earnings per ordinary share (sen) (Note B11)	1.57	0.53	1.57	0.53

The Condensed statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

(Company No. 198401014370 (126926-H))

(Incorporated in Malaysia)

Unaudited results of the Company for the first quarter ended 31 March 2021.

Condensed statement of other comprehensive income

For the three months ended 31 March 2021

	3 months ended		3 months ended	
	31 March		31 March	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit for the period	22,033	7,473	22,033	7,473
Other comprehensive income:				
Gain / (Loss) on fair value of other investments	836	(26,656)	836	(26,656)
Comprehensive income for the period	<u>22,869</u>	<u>(19,183)</u>	<u>22,869</u>	<u>(19,183)</u>

The Condensed statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed statement of financial position

As at 31 March 2021

	31 March 2021 RM'000	31 December 2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,293,696	3,366,955
Intangible assets	8,837	9,638
Right-of-use Assets	1,647,459	1,689,636
Investment in associates	3,223	2,120
Other investments	56,564	55,728
Other assets	18,480	18,424
Deferred tax assets	147,121	147,071
	5,175,380	5,289,572
Current assets		
Inventories	594,131	623,644
Contract Assets	8,200	9,764
Receivables, deposits and prepayments	131,371	99,026
Cash and cash equivalents	23,811	71,385
	757,513	803,819
TOTAL ASSETS	5,932,893	6,093,391
EQUITY AND LIABILITIES		
Share capital	702,000	702,000
Reserves	991,864	968,995
TOTAL EQUITY	1,693,864	1,670,995
LIABILITIES		
Non-current liabilities		
Lease Liabilities	2,030,197	2,072,147
Other liabilities	21,534	21,534
	2,051,731	2,093,681
Current liabilities		
Contract Liabilities	114,671	126,146
Borrowings	679,810	933,580
Lease Liabilities	160,594	158,192
Payables and accruals	1,194,642	1,075,553
Current tax liability	37,581	35,244
	2,187,298	2,328,715
TOTAL LIABILITIES	4,239,029	4,422,396
TOTAL EQUITY AND LIABILITIES	5,932,893	6,093,391

The Condensed statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

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Condensed statement of changes in equity

For the three months ended 31 March 2021

	Non-distributable		Distributable	Total
	Share capital	Fair value reserve	Retained earnings	equity
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	702,000	54,698	914,297	1,670,995
Total comprehensive income for the period	-	836	22,033	22,869
At 31 March 2021	<u>702,000</u>	<u>55,534</u>	<u>936,330</u>	<u>1,693,864</u>
At 1 January 2020	702,000	64,636	929,034	1,695,670
Total comprehensive income for the period	-	(26,656)	7,473	(19,183)
At 31 March 2020	<u>702,000</u>	<u>37,980</u>	<u>936,507</u>	<u>1,676,487</u>

The Condensed statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed statement of cash flows

For the three months ended 31 March 2021

	31 March 2021 RM'000	31 March 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	41,831	25,368
Adjustments for:		
Non-cash items		
- Right-of-use asset depreciation	42,177	41,141
- Others	77,342	84,718
	119,519	125,859
Non-operating items		
- Lease interest	26,627	29,065
- Others	5,336	8,213
	31,963	37,278
Operating profit before changes in working capital	193,313	188,505
Changes in working capital:		
Net change in current assets	(1,325)	35,266
Net change in current liabilities	107,615	(242,915)
Cash generated from operations	299,603	(19,144)
Tax paid	(17,511)	(21,958)
Net cash generated from operating activities	282,092	(41,102)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(4,385)	(29,090)
Interest received	136	244
Net cash used in investing activities	(4,249)	(28,846)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(66,175)	(65,834)
Net borrowings	(253,770)	102,230
Interest paid	(5,472)	(8,456)
Net cash used in financing activities	(325,417)	27,940
Net change in cash and cash equivalents	(47,574)	(42,008)
Cash and cash equivalents at 1 January	71,385	66,982
Cash and cash equivalents at 31 March	23,811	24,974

The Condensed statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the interim financial statements for the year ended 31 March 2021

A EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with *MFRS 134: Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended 31 December 2020.

2 Significant Accounting Policies

The accounting policies applied by the Company in these interim financial statements are consistent with those applied by the Company in its annual financial statements for the year ended 31 December 2020 except for the adoption of the following Amendments to Standards during the current financial period:

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

Malaysian Accounting Standards Board had issued the following amendments and new standards which are effective for the following financial years:

(i) Financial year beginning on or after 1 April 2021:

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

(ii) Financial year beginning on or after 1 January 2022:

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

(iii) Financial year beginning on or after 1 January 2023:

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

(iv) Effective date yet to be confirmed:

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

The Company plans to apply the abovementioned accounting standards, interpretation and amendments in the respective financial years when the above accounting standards, interpretation and amendments become effective where applicable.

3 Seasonality or Cyclicity of Interim Operations

The Company's revenue for the first quarter was higher than the preceding quarter by 10.6% due to festive season in the current quarter, however, it was being mitigated by the impact of the re-introduction of Movement Control Orders since mid of January 2021.

4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the current financial period, other than explained in Section B, Note 1.

5 Changes in Estimates

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current financial period.

6 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period.

7 Dividends Paid

There was no dividend paid in respect of the current financial period to date.

8 Events Subsequent to the end of reporting period

There were no material events subsequent to the balance sheet date to be disclosed in the financial statements for the current financial period.

9 Effects of Changes in the Composition of the Company

There were no changes in the composition of the Company during the current financial period.

10 Operating Segments

The operating segments analysis is as follows:

	Retailing		Property Management Services		Total	
	3 months ended		3 months ended		3 months ended	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	879,007	1,021,868	134,492	169,001	1,013,499	1,190,869
Segmental profit	50,583	20,219	40,404	55,677	90,987	75,896
Less: Unallocated expenses					(18,296)	(11,849)
Profit from operations					72,691	64,047
Interest expense						
- Lease interest					(26,627)	(29,065)
- Interest charges					(5,472)	(8,456)
Interest income					136	244
Share of results of associates					1,103	(1,402)
Profit before tax					41,831	25,368
Tax expense					(19,798)	(17,895)
Profit for the year					22,033	7,473
Segment assets	1,440,458	1,655,787	4,334,039	4,552,952	5,774,497	6,208,739
Unallocated assets					158,396	128,386
					5,932,893	6,337,125
Segment liabilities	1,365,609	1,400,734	2,134,497	2,202,103	3,500,106	3,602,837
Unallocated liabilities					738,923	1,057,801
					4,239,029	4,660,638

Year-to-date retail business segment posted a lower revenue of RM879.0 million, 14.0% lower compared to previous corresponding quarter of RM1.022 billion due to decline in revenue especially from foodline and softline categories. The significant decreased as compared to the previous year corresponding period is mainly impacted from the festive sales as a result of re-introduced MCO 2.0 by government since 13 January 2021 followed by various restriction order thereafter.

Consumer spending pattern for this Chinese New Year festive has been shifted significantly as the consumer practice cautionary spending, as interstate travel ban was still enforced during the festive season and gathering with family and friends were under tight scrutiny. Hence, the demand of gifts exchange and fashion appetite has been reduced significantly. However, the Company continue the cost control initiatives which has been practiced since 2nd quarter of 2020. This has enhanced cost efficiencies and delivered significant cost reduction.

The retail segmental profit recorded at RM50.6 million is 150.2% higher compared to RM20.2 million recorded in the previous corresponding quarter mainly due to drastic countermeasures and cost savings initiatives despite the decrease in revenue.

Revenue from the property management services segment for the year-to-date at RM134.5 million is lower by 20.4% compared to the previous year of RM169.0 million. The shortfall in revenue was mainly due from the continuous effect since the first implementation of MCO in March 2020 which caused subdued footfall at shopping mall and resulted a lower tenant renewal rate or early termination of tenancy agreements and lower

commission receivable. Temporary space rental income was also significantly impacted as compare to the previous year corresponding period as the events and activities for festive were being restricted at malls.

The Company also introduce tenant e-portal apps during the quarter as a significant steps to strengthen the relationships, and also serve as an efficient communication tools in connecting with the tenants.

The segmental profit from property management services reported of RM40.4 million, 27.4% lower compared to previous year of RM55.7 million mainly due to lower revenue.

11 Related Party Transactions

During the current quarter under review and up to the date of this announcement, the Company did not enter into any Related Party Transactions or Recurrent Related Party Transactions of a revenue or trading nature that had not been included or exceeded the estimated value by 10% or more of the total aggregate amount which had been mandated by the shareholders during the Annual General Meeting held on 24 June 2020.

12 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last audited financial statements for the financial year ended 31 December 2020.

13 Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2021 are as follows:

	31 Mar 2021 RM'000	31 Dec 2020 RM'000
Property, plant and equipment		
Contracted but not provided for and not payable	5,669	7,950

B ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BHD.
MAIN MARKET LISTING REQUIREMENTS

1 Review of Performance

Quarter results

	Current Year Quarter 31 Mar 2021 RM'000	Preceding Year Corresponding Quarter 31 Mar 2020 RM'000	Changes %
Revenue	1,013,499	1,190,869	(14.9%)
Profit from operations	72,691	64,047	13.5%
Profit before tax	41,831	25,368	64.9%

For the quarter under review, the Company registered a total revenue of RM1.013 billion, 14.9% lower as compared the preceding year corresponding quarter of RM1.191 billion.

Retail business revenue registered of RM879.0 million, 14.0% lower compared to the preceding year corresponding quarter of RM1.022 billion due to decline in revenue especially from foodline and softline categories. The significant decreased as compared to the previous year corresponding quarter is mainly impacted from the festive sales as a result of re-introduced MCO 2.0 by government since 13 January 2021 followed by various restriction order thereafter.

Revenue from the property management services segment at RM134.5 million, is lower by 20.4% compared to the preceding year corresponding quarter of RM169.0 million. The shortfall in revenue was mainly due from the continuous effect since the first implementation of MCO in March 2020 which caused subdued footfall at shopping mall and resulted a lower tenant renewal rate or early termination of tenancy agreements and lower commission receivable. Temporary space rental income was also significantly impacted as compare to the previous year corresponding period as the events and activities for festive were being restricted at malls.

The management continue to seek on various possibilities in improving cost efficiency in response to the current market condition. The plans that laid in previous year also had shown a fruitful result such as the implementation of share service platform for back-office, trade and non-trade procurement functions.

The Company registered a higher profit before tax for the quarter of RM41.8 million compared to previous year corresponding quarter of RM25.4 million mainly due to improvement in merchandise gross margin, changes in marketing mechanics and stringent cost control measures despite the drop in revenue.

2 Changes in the Quarterly Profit Before Tax Compared to the Results of the Preceding Quarter

	Current Quarter 31 Mar 2021 RM'000	Immediate Preceding Quarter 31 Dec 2020 RM'000	Changes %
Revenue	1,013,499	916,487	10.6%
Profit from operations	72,691	78,372	(7.2%)
Profit before tax	41,831	39,810	5.1%

The Company registered a higher revenue by 10.6% to RM1.013 billion in current quarter compared with the immediate preceding quarter due to the major festive celebration in this quarter which has contributed to the higher revenue generated despite the MCO 2.0 implemented starting from 13 January 2021.

The management continue to seek on various possibilities in improving cost efficiency in response to the current market condition. The plans that laid in previous year also had shown a fruitful result such as the implementation of share service platform for back-office, trade and non-trade procurement functions.

As a result, the profit before tax of RM41.8 million for the quarter was higher than the immediate preceding quarter by RM2.0 million.

3 Current Year Prospects

Malaysian Retailers Association (MRA) and Retail Group Malaysia (RGM) forecasted a contraction of sales for 1Q2021 of 13.4% for department stores and 14% for supermarkets, and projections of 4.1% growth for the year 2021, and consumer spending for 2021 will not back to 2019 state. Restriction on interstate travel, working from home and the continuous spike of the Covid 19 new cases will cause a slow re-bounce to the economy.

Despite the challenging backdrop from the pandemic, the Company will continue to strive and stay competitive in this market by seizing every opportunity and proactively seek for continuous improvement.

4 Variance of Profit Forecast/Profit Guarantee

Not applicable as the Company did not publish any profit forecast or profit guarantee.

5 Tax expense

Tax expense comprises:

	3 months ended	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Current tax expense	19,848	17,945
Deferred tax expense	(50)	(50)
	19,798	17,895

The Company's effective tax rate is higher than the statutory tax rate as certain expenses are not deductible for tax purposes.

6 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

7 Borrowings and Debt Securities

	As at 31 Mar 2021		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	-	153,810	153,810
Revolving credit facilities	-	56,000	56,000
Islamic Medium-Term Notes/ Commercial Papers	-	470,000	470,000
	-	679,810	679,810

	As at 31 Mar 2020		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	153,810	160,080	313,890
Revolving credit facilities	-	417,000	417,000
Islamic Commercial Papers	-	300,000	300,000
	153,810	877,080	1,030,890

- (i) The term loans are unsecured, bear interest ranging from 2.97% to 4.39% (2020: 3.81% to 4.39%) per annum and are repayable on quarterly basis up to 30 November 2021.
- (ii) The unsecured revolving credit bear interest rates ranging from 2.20% (2020: 2.95% to 3.27%) per annum.
- (iii) The unsecured Islamic Commercial Papers and Islamic Medium-Term Note, bear interest rate of 2.08% to 3.15% (2020: 2.86%) per annum.

8 Changes in Material Litigation

On 2 March 2021, the Company had received a legal suit from Betanaz Properties Sdn. Bhd. (“Plaintiff”), a subsidiary of Ahmad Zaki Resources Berhad, who alleged that the Company did not comply with its obligations under the Tenancy Agreement dated 24 August 2017 to fulfill the conditions precedent under the Tenancy Agreement and had wrongfully terminated the Tenancy Agreement. The Plaintiff is seeking for, among others, the following reliefs:

(i) Rental payment payable to the Plaintiff for the tenancy period between 1 April 2020 to 17 December 2021 and for the initial term of ten (10) years of the lease amounting to a total sum of RM59,302,302.97; or

(ii) Expenditure incurred by the Plaintiff for the project, including but not limited to site clearance and earthworks, consultancy fees, financing costs and other incidental costs arising from the banking facilities and others costs amounting to RM18,936,207.76.

On 29 March 2021, the Company filed the defence against the Plaintiff. Further, the Company, as the plaintiff, filed a counterclaim against Betanaz Properties Sdn. Bhd. as the first defendant, and Ahmad Zaki Resources Berhad as the second defendant due to the non-fulfillment of the conditions precedent on the part of the defendants prior to the expiry of the respective conditional periods and the Tenancy Agreement dated 24 August 2017 and Commercial Agreement dated 24 August 2017 had been rendered void due to the expiry of the conditional period on 23 October 2020 and 23 January 2020 respectively.

Based on the advice by the Company’s legal counsel, the Directors are of the view that the abovementioned general damages sought by the Plaintiff are contradictory to the Rules of Court as the same should not have been quantified as if it were special damages. Hence, provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

9 Dividend

No dividend was proposed or declared for the current financial period ended 31 March 2021.

10 Qualification of Audit Report of the Preceding Annual Financial Statements

There was no qualification on audit report of the preceding annual financial statements.

11 Earnings Per Share

	3 months ended	
	31 Mar 2021	31 Mar 2020
Profit attributable to the owners for the period (RM'000)	22,033	7,473
Weighted average number of ordinary shares in issue ('000)	1,404,000	1,404,000
Basic earnings per ordinary share (sen)	1.57	0.53

Diluted earnings per share is not applicable for the Company.

12 Notes to the Statement of Comprehensive Income

	3 months ended	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Profit for the period is arrived at after charging/(crediting):		
Depreciation and amortisation	78,210	82,099
Depreciation of right of use assets	42,177	41,141
Lease rental	2,830	6,533
Interest expense		
- lease interest	26,627	29,065
- interest charges	5,472	8,456
Impairment loss:		
- trade receivables	7,657	938
Bad debts written off	-	-
Loss/(Gain) on foreign exchange	20	(7)
Property, plant and equipment written off	234	1,128
Interest income	136	244

13 Significant changes in accounting policies

There were no significant changes in accounting policies as at the reporting date.

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.