

# AEON CO. (M) BHD.

( Company No. 126926 - H )

( Incorporated in Malaysia )

Unaudited results of the Group for the first quarter ended 31 March 2014.

## Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2014

	3 months ended		3 months ended	
	31 March		31 March	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Revenue	945,506	869,266	945,506	869,266
Total operating expenses	(881,207)	(798,154)	(881,207)	(798,154)
Other operating income	1,174	786	1,174	786
<b>Profit from operations</b>	<u>65,473</u>	<u>71,898</u>	<u>65,473</u>	<u>71,898</u>
Interest expense	(2)	(1)	(2)	(1)
Interest income	1,521	2,771	1,521	2,771
Share of results of associates	(247)	151	(247)	151
<b>Profit before taxation</b>	<u>66,745</u>	<u>74,819</u>	<u>66,745</u>	<u>74,819</u>
Tax expense	(19,870)	(23,707)	(19,870)	(23,707)
<b>Profit for the period</b>	<u>46,875</u>	<u>51,112</u>	<u>46,875</u>	<u>51,112</u>
<b>Other Comprehensive Income:</b>				
(Loss)/Gain on fair value of available-for-sale investment	(62)	2,415	(62)	2,415
<b>Total Comprehensive Income for the period</b>	<u><u>46,813</u></u>	<u><u>53,527</u></u>	<u><u>46,813</u></u>	<u><u>53,527</u></u>
Basic earnings per ordinary share (sen)	13.35	14.56	13.35	14.56

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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( Incorporated in Malaysia )

## Condensed Consolidated Statements of Financial Position

As at 31 March 2014

	31 March 2014 RM'000	31 December 2013 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,099,980	2,048,373
Intangible assets	10,879	12,311
Investment in associates	6,139	6,387
Available-for-sale investments	45,511	45,573
	2,162,509	2,112,644
<b>Current assets</b>		
Inventories	409,365	460,725
Receivables, deposits and prepayments	124,651	128,884
Cash and cash equivalents	182,502	313,560
Assets classified as held for sale	5,007	5,007
	721,525	908,176
<b>TOTAL ASSETS</b>	<b>2,884,034</b>	<b>3,020,820</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders</b>		
Share capital	351,000	351,000
Reserves	1,339,450	1,292,637
	1,690,450	1,643,637
Non-controlling interest	1,350	-
<b>TOTAL EQUITY</b>	<b>1,691,800</b>	<b>1,643,637</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	24,524	24,574
	24,524	24,574
<b>Current liabilities</b>		
Payables and accruals	1,157,303	1,335,462
Taxation	10,407	17,147
	1,167,710	1,352,609
<b>TOTAL LIABILITIES</b>	<b>1,192,234</b>	<b>1,377,183</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,884,034</b>	<b>3,020,820</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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## Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2014

	<b>Non-distributable Share capital RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Distributable Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2014</b>	351,000	44,543	1,248,094	1,643,637
Total comprehensive income for the period	-	(62)	46,875	46,813
<b>At 31 March 2014</b>	<u>351,000</u>	<u>44,481</u>	<u>1,294,969</u>	<u>1,690,450</u>
<b>At 1 January 2013</b>	351,000	36,865	1,081,190	1,469,055
Total comprehensive income for the period	-	2,415	51,112	53,527
<b>At 31 March 2013</b>	<u>351,000</u>	<u>39,280</u>	<u>1,132,302</u>	<u>1,522,582</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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## Condensed Consolidated Statement of Cash Flows

For the three months ended 31 March 2014

	31 March 2014	31 March 2013
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	66,745	74,819
Adjustments for:		
Non-cash items	42,572	38,181
Non-operating items	(1,519)	(2,770)
Operating profit before changes in working capital	<u>107,798</u>	<u>110,230</u>
Changes in working capital:		
Net change in current assets	66,868	(2,481)
Net change in current liabilities	(178,159)	(55,921)
Cash (used in)/generated from operations	<u>(3,493)</u>	<u>51,828</u>
Tax paid	<u>(26,660)</u>	<u>(21,420)</u>
<b>Net cash (used in)/generated from operating activities</b>	<u><u>(30,153)</u></u>	<u><u>30,408</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(92,512)	(79,632)
Deposit paid as part of purchase consideration for acquisition of land	(11,275)	(9,806)
Proceeds from disposal of property, plant and equipment and intangible assets	13	32
Proceeds from disposal of available-for-sale investment	-	65
Interest received	1,521	2,771
<b>Net cash used in investing activities</b>	<u><u>(102,253)</u></u>	<u><u>(86,570)</u></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(2)	(1)
Proceeds from non-controlling interest	1,350	-
<b>Net cash generated from/(used in) financing activities</b>	<u><u>1,348</u></u>	<u><u>(1)</u></u>
<b>Net change in cash and cash equivalents</b>	(131,058)	(56,163)
<b>Cash and cash equivalents at 1 January</b>	<u>313,560</u>	<u>454,527</u>
<b>Cash and cash equivalents at 31 March</b>	<u><u>182,502</u></u>	<u><u>398,364</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

**Notes to the interim financial statements for the period ended 31 March 2014**

**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 of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements as at and for the year ended 31 December 2013.

**2 Significant Accounting Policies**

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its annual financial statements as at and for the year ended 31 December 2013 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)

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

**MFRS 10 : Consolidated Financial Statements (“MFRS 10”)**

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

The Group adopted MFRS 10 in the current financial year upon the subscription of 70 per cent of the issued and paid-up share capital of AEON Index Living Sdn. Bhd. on 28 February 2014 as disclosed in Note A12. No reinstatement of the financials results of the Group is required as the Company has previously prepared its accounts as an Economic Entity by adoption of *MFRS 128 : Investment in Associates and Joint Ventures*.

### 3 Seasonality or Cyclicity of Interim Operations

The Group's revenue for the first quarter, as in the preceding quarter, was also good due to the festive season in the first quarter.

### 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 financial period.

### 5 Changes in Estimates

There were no changes in the nature and amount of estimates reported in prior interim period of prior financial years that have a material effect in the current interim 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 end of current financial period except as disclosed under Note B5 below.

### 9 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	31 Mar	31 Mar	31 Mar	31 Mar	31 Mar
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	817,913	751,222	127,593	118,044	945,506	869,266
Segmental profit	23,104	28,463	46,791	46,069	69,895	74,532
Less: Unallocated expenses					(4,422)	(2,634)
Profit from operations					65,473	71,898
Interest expense					(2)	(1)
Interest income					1,521	2,771
Share of results of associates					(247)	151
Profit before tax					66,745	74,819
Tax expense					(19,870)	(23,707)
Profit for the period					46,875	51,112
Segment assets	810,072	742,558	1,923,709	1,599,208	2,733,781	2,341,766
Unallocated assets					150,253	340,300
					2,884,034	2,682,066
Segment liabilities	895,968	897,232	261,335	220,782	1,157,303	1,118,014
Unallocated liabilities					34,931	41,470
					1,192,234	1,159,484

## 10 Related Party Transactions

During the current quarter under review and up to the date of this announcement, except as disclosed in Note A12 and B5, the Group 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 which had been mandated by the shareholders during the Annual General Meeting held on 22 May 2013.

The sale transaction of the 18.18% undivided share of land and building of the Company's AEON Taman University Shopping Centre to AEON REIT Investment Corporation as announced on 2 October 2013 was a related party transaction. AEON Co., Ltd., the holding company of the Group, is also the holding company of AEON REIT Investment Corporation. As at the date of this announcement, the sales transaction has not been completed yet.

## 11 Assets Classified as Held for Sale

In relation to Note A10, the net book value of assets of AEON Taman University Shopping Centre had been transferred to assets classified as held for sale as its sale is highly probable.

## 12 Effects of Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period saved as disclosed below:

On 28 February 2014, further to the Group's announcement made on 20 September 2013, the Group announced that the joint venture company, AEON Index Living Sdn. Bhd. ("AEON Index") has been incorporated. AEON Index has an authorised share capital of RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each and with an initial issued and paid-up share capital of RM4,500,000 comprising 4,500,000 ordinary shares of RM1.00 each.

Pursuant to the Joint Venture Agreement, the Group had subscribed for the 70 per cent of AEON Index's issued and paid-up share capital for a cash consideration of RM3.15 million. Upon the adoption of *MRFS 10 : Consolidated Financial Statements*, AEON Index is now a subsidiary of the Company.

## 13 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 2013.

## 14 Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2014 are as follows:

	<b>31 Mar 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
Authorised but not contracted for	3,444,041	3,191,563
Authorised and contracted for	282,435	253,140

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

### **1 Review of Performance**

#### **Quarter results**

For the quarter under review, the Group's total revenue increased by 8.8% to RM945.5 million compared to RM869.2 million recorded in the preceding year corresponding quarter. Profit before taxation of RM66.7 million was however 10.8% lower as compared to RM74.8 million in the previous year corresponding quarter mainly due to higher utilities and promotion expenses as well as initial costs associated with new stores opening.

Retail business segment registered revenue of RM817.9 million for the current quarter and was 8.9% higher than the previous year corresponding quarter of RM751.2 million. The higher revenue was mainly attributed by the better performance of its existing stores and contributions from its new stores openings. The operating profit was lower due to higher operating costs including the initial costs associated with new stores opening.

Revenue from its property management services segment had recorded a growth of 8.1%, at RM127.6 million over the previous year corresponding quarter of RM118.0 million. The overall better performance was as a result of contribution from its new shopping centre that was opened in November 2013, higher rental rates and benefits from tenants revamp in some of its existing shopping centres. However, operating profit was only marginally higher due to higher operating costs such as utilities expenses.

### **2 Changes in the Quarterly Profit Before Taxation Compared to the Results of the Preceding Quarter**

The profit before taxation of RM66.7 million for the quarter was lower than the preceding quarter of RM107.5 million mainly due to the higher trading rebates received in the preceding quarter and higher operating costs in this quarter.

### **3 Current Year Prospects**

The Malaysian economy is expected to remain resilient in 2014 even though domestic consumption will be facing challenges from rising cost of living as a result of increase in prices of goods and services.

The Group, leveraging on its 30th year anniversary activities, competitive strengths and refurbishment programme, remains optimistic of an improved performance for 2014.

### **4 Tax expense**

Tax expense comprises:

	<b>3 months ended</b>	
	<b>31 Mar 2014</b>	<b>31 Mar 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax expense	19,920	23,758
Deferred tax expense	(50)	(51)
	<u>19,870</u>	<u>23,707</u>

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



## **5 Status of Corporate Proposals**

Save as disclosed below, there is no other corporate proposal that has been announced but not yet completed by the Group as at the date of this report:

- (a) On 27 February 2014, Maybank Investment Bank Berhad (“Maybank IB”), the principal adviser, had on behalf of Board of Directors announced the following proposals:
- (i) proposed bonus issue of 351,000,000 new ordinary shares of RM1.00 each in the Company (“AEON shares”) (“Bonus Shares”) to be credited as fully paid-up on the basis of one bonus share for every one existing AEON share entitlement date to be determined (“Proposed Bonus Issue”);
  - (ii) proposed share split involving the subdivision of one AEON share held on the entitlement date after the Proposed Bonus Issue into two ordinary shares of RM0.50 each in company (“Subdivided shares”) (“Proposed Share Split”); and
  - (iii) proposed amendments to the memorandum and articles of association of Company to facilitate the Proposed Bonus Issue and Proposed Share Split (“Proposed Amendments”).

(Collectively referred to as the “Proposals”)

Subsequently, on 27 March 2014, Maybank IB announced that the applications for the Proposed Bonus Issue and Proposed Share Split have been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”).

On 15 April 2014, the Maybank IB further announced that Bursa Securities has, vide its letter dated 14 April 2014, approved the listing of and quotation for up to 351,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue and the Proposed Share Split.

The approval by Bursa Securities is subject to the fulfilment of the conditions specified in the letter and the Proposals are subject to the approval by the shareholders of the Company in the Extraordinary General Meeting to be held on 15 May 2014. The Proposals are expected to be completed by the first half of 2014.

- (b) On 2 October 2013, the Company announced that it had entered into a Sale and Purchase Agreement with AEON REIT Investment Corporation, a company incorporated in Japan, for the disposal of 18.18% undivided share of a piece of land held under Geran Hakmilik No. 76558, Lot No. 49045, Mukim Pulai, Daerah Johor Bahru, Negeri Johor measuring approximately 35,070 square meters together with 18.18% undivided share of the AEON Taman Universiti Shopping Centre erected thereon at the disposal price of RM20.0 million. As at the date of this announcement, RM2.0 million has been received as part of the sales consideration and the transaction has not been completed yet.

## **6 Borrowings and Debt Securities**

As at 31 March 2014, the Group did not have any borrowings and debt securities.

## **7 Changes in Material Litigation**

There was no material litigation against the Group as at the reporting date.

## **8 Dividend**

No dividend was proposed or declared for the current financial period ended 31 March 2014.

## 9 Earnings Per Share

	3 months ended	
	31 Mar 2014	31 Mar 2013
Profit attributable to the owners for the period (RM'000)	46,875	51,112
Weighted average number of ordinary shares in issue ('000)	351,000	351,000
Basic earnings per ordinary share (sen)	13.35	14.56

Diluted earnings per share is not applicable for the Group.

## 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 Disclosure of Realised and Unrealised Profit or Losses

The retained earnings as at 31 March 2014 is analysed as follows:

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Total retained earnings of the Company:		
- realised	1,288,229	1,240,258
- unrealised	6,615	7,464
Total share of retained earnings of associates:		
- realised	125	372
Total retained earnings of the Group	1,294,969	1,248,094

## 12 Notes to the Statement of Comprehensive Income

	3 months ended	
	31 Mar 2014	31 Mar 2013
	RM'000	RM'000
Profit from operations for the period is arrived at after charging:		
Depreciation and amortisation	42,166	38,271
Property, plant and equipment written off	159	38
Loss on disposal of property, plant and equipment	-	42
Loss on foreign exchange	13	-
Impairment loss:		
- trade receivables	43	-
And after crediting:		
Gain on foreign exchange	-	119
Gain on disposal of available-for-sale investment	-	20

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