

AEON CO. (M) BHD.

(Company No. 198401014370 (126926-H))

(Incorporated in Malaysia)

Unaudited results of the Company for the second quarter ended 30 June 2020.

Condensed statement of profit or loss

For the six months ended 30 June 2020

	3 months ended 30 June		6 months ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	954,323	1,099,486	2,145,192	2,306,362
Total operating expenses	(914,377)	(1,022,837)	(2,042,644)	(2,139,090)
Other operating income	1,407	1,607	2,852	3,161
Profit from operations	<u>41,353</u>	<u>78,256</u>	<u>105,400</u>	<u>170,433</u>
Interest expense				
- Lease interest	(29,033)	(28,642)	(58,098)	(57,125)
- Interest charges	(8,741)	(9,897)	(17,197)	(18,403)
	<u>(37,774)</u>	<u>(38,539)</u>	<u>(75,295)</u>	<u>(75,528)</u>
Interest income	142	320	386	734
Share of results of associates	(2,891)	(97)	(4,293)	(10)
Profit before tax	<u>830</u>	<u>39,940</u>	<u>26,198</u>	<u>95,629</u>
Tax expense	(10,392)	(20,486)	(28,287)	(43,539)
(Loss) / Profit for the period	<u>(9,562)</u>	<u>19,454</u>	<u>(2,089)</u>	<u>52,090</u>
Basic (loss) / earnings per ordinary share (sen) (Note B11)	(0.68)	1.39	(0.15)	3.71

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 2019 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 second quarter ended 30 June 2020.

Condensed statement of other comprehensive income

For the six months ended 30 June 2020

	3 months ended		6 months ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(Loss) / Profit for the period	(9,562)	19,454	(2,089)	52,090
Other comprehensive income:				
Gain / (Loss) on fair value of other investments	5,154	-	(21,502)	6,966
Comprehensive (loss) / income for the period	<u>(4,408)</u>	<u>19,454</u>	<u>(23,591)</u>	<u>59,056</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed statement of financial position

As at 30 June 2020

	30 June 2020 RM'000	31 December 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,519,354	3,647,203
Right of use assets	1,688,246	1,772,427
Intangible assets	12,099	11,980
Investment in associates	6,641	10,934
Other investments	44,164	65,666
Other assets	18,634	19,024
Deferred tax assets	120,160	120,059
	5,409,298	5,647,293
Current assets		
Inventories	613,682	754,072
Contract assets	6,589	19,728
Receivables, deposits and prepayments	124,899	49,699
Cash and cash equivalents	55,159	66,982
	800,329	890,481
TOTAL ASSETS	6,209,627	6,537,774
EQUITY AND LIABILITIES		
Share capital	702,000	702,000
Reserves	970,079	993,670
TOTAL EQUITY	1,672,079	1,695,670
LIABILITIES		
Non-current liabilities		
Borrowings	102,540	205,080
Lease liabilities	2,068,591	2,146,022
Other liabilities	20,774	20,774
	2,191,905	2,371,876
Current liabilities		
Borrowings	973,750	723,580
Lease liabilities	148,893	147,076
Payables and accruals	1,077,590	1,435,240
Contract liabilities	128,831	154,182
Current tax liability	16,579	10,150
	2,345,643	2,470,228
TOTAL LIABILITIES	4,537,548	4,842,104
TOTAL EQUITY AND LIABILITIES	6,209,627	6,537,774

The Condensed statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed statement of changes in equity

For the six months ended 30 June 2020

	Non-distributable		Distributable	Total
	Share capital	Fair value reserve	Retained earnings	equity
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	702,000	64,636	929,034	1,695,670
Total comprehensive loss for the period	-	(21,502)	(2,089)	(23,591)
At 30 June 2020	<u>702,000</u>	<u>43,134</u>	<u>926,945</u>	<u>1,672,079</u>
At 1 January 2019	702,000	70,023	875,902	1,647,925
Total comprehensive income for the period	-	6,966	52,090	59,056
At 30 June 2019	<u>702,000</u>	<u>76,989</u>	<u>927,992</u>	<u>1,706,981</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed statement of cash flows

For the six months ended 30 June 2020

	30 June 2020 RM'000	30 June 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	26,198	95,629
Adjustments for:		
Non-cash items		
- Depreciation of right of use assets	82,031	82,436
- Others	169,598	158,256
	251,629	240,692
Non-operating items		
- Lease interest	58,098	57,125
- Others	16,812	17,668
	74,910	74,793
Operating profit before changes in working capital	352,737	411,114
Changes in working capital:		
Net change in current assets	78,718	23,130
Net change in current liabilities	(383,001)	(139,408)
Cash generated from operations	48,454	294,836
Tax paid	(21,958)	(38,341)
Net cash generated from operating activities	26,496	256,495
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(37,770)	(129,937)
Proceeds from disposal of property, plant and equipment	10	-
Interest received	386	734
Net cash used in investing activities	(37,374)	(129,203)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(131,378)	(132,189)
Net borrowings	147,630	(2,890)
Interest paid	(17,197)	(18,403)
Net cash used in financing activities	(945)	(153,482)
Net change in cash and cash equivalents	(11,823)	(26,190)
Cash and cash equivalents at 1 January	66,982	82,154
Cash and cash equivalents at 30 June	55,159	55,964

The Condensed statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the interim financial statements for the year ended 30 June 2020

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 for the year ended 31 December 2019.

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 2019 except for the adoption of the following Amendments to Standards during the current financial period:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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 June 2020:

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

(ii) Financial year beginning on or after 1 January 2021:

- MFRS 17, *Insurance Contracts*

(iii) 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 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- 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)*

(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, except for early adoption of Amendments to MFRS 16 from the annual period beginning on 1 January 2020.

3 Seasonality or Cyclicity of Interim Operations

The Company's revenue for the second quarter was lower than the preceding quarter by 19.9% mainly due to adverse impact from MCO. However, it was mitigated by higher sales generated from of supermarket and Hari Raya festive season.

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.

An ordinary dividend of 4 sen per share amounting to RM56,160,000 in respect of the financial year ended 31 December 2019 was approved by shareholders at the Thirty-Fifth Annual General Meeting and was paid to shareholders on 30 July 2020.

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	
	6 months ended		6 months ended		6 months ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,832,569	1,956,122	312,623	350,240	2,145,192	2,306,362
Segmental profit	22,940	53,338	109,703	138,260	132,643	191,598
Less: Unallocated expenses					(27,243)	(21,165)
Profit from operations					105,400	170,433
Interest expense						
- Lease interest					(58,098)	(57,125)
- Interest charges					(17,197)	(18,403)
Interest income					386	734
Share of results of associates					(4,293)	(10)
Profit before tax					26,198	95,629
Tax expense					(28,287)	(43,539)
(Loss)/Profit for the year					(2,089)	52,090
Segment assets	1,535,278	1,670,594	4,525,945	4,619,496	6,061,223	6,290,090
Unallocated assets					148,404	121,412
					6,209,627	6,411,502
Segment liabilities	1,253,597	1,472,992	2,173,212	2,162,773	3,426,809	3,635,765
Unallocated liabilities					1,110,739	1,040,924
					4,537,548	4,676,689

Total revenue registered by the retail business segment for the financial year-to-date at RM1.83 billion was lower by 6.3% compared to RM1.96 billion recorded in the previous year corresponding period mainly due to lower revenue from general merchandise (“GMS”) and specialty stores as a result of MCO whereby GMS were not allowed to operate from 18 March 2020 as it was being considered as non-essential services. Subsequently, retail business segment had fully resumed its operations from 12 May 2020 after the Government eased the MCO restrictions. The segmental profit recorded at RM22.94 million which was lower as compared to RM53.34 million recorded in the previous year corresponding period mainly due to lower revenue generated from GMS.

Revenue from its property management services segment for the financial year-to-date at RM312.62 million was lower by 10.7% over the previous year corresponding period of RM350.24 million. The shortfall in revenue was mainly due to the lower sales commission receivable from tenants and temporary space rental especially during the MCO period where non-essential services tenants were not allowed to operate. The segmental profit of RM109.70 million was lower as compared to RM138.26 million recorded in the previous year corresponding period mainly due to the same reasons as mentioned above.

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 2019.

13 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 June 2020 are as follows:

	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Property, plant and equipment		
Contracted but not provided for and not payable	8,191	11,546

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

1 Review of Performance

Quarter results

	Current Year Quarter 30 Jun 2020 RM'000	Preceding Year Corresponding Quarter 30 Jun 2019 RM'000	Changes %
Revenue	954,323	1,099,486	(13.2%)
Profit from operations	41,353	78,256	(47.2%)
Profit before tax	830	39,940	(97.9%)

For the quarter under review, the Company registered a total revenue of RM954.32 million, which was lower by 13.2% as compared with RM1.10 billion recorded in the preceding year corresponding quarter.

Retail business revenue registered RM810.70 million, which was lower by 12.3% compared to the preceding year corresponding quarter of RM924.47 million mainly due to lower revenue from general merchandise (“GMS”) and specialty stores as a result of MCO whereby GMS were not allowed to operate from 18 March 2020 as it was being considered as non-essential services. Subsequently, retail business segment had fully resumed its operations from 12 May 2020 after the Government eased the MCO restrictions.

Revenue from its property management services segment at RM143.62 million, which was lower by 17.9% over the preceding year corresponding quarter of RM175.02 million mainly due to lower sales commission and temporary space rental receivable from tenants, especially during the MCO period, non-essential services tenants were not allowed to operate.

The Company registered a lower profit before tax for the quarter of RM0.83 million compared to previous year corresponding quarter of RM39.94 million due to decline in revenue.

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

	Current Quarter 30 Jun 2020 RM'000	Immediate Preceding Quarter 31 Mar 2020 RM'000	Changes %
Revenue	954,323	1,190,869	(19.9%)
Profit from operations	41,353	64,047	(35.4%)
Profit before tax	830	25,368	(96.7%)

The profit before tax of RM0.83 million for the quarter was lower than the immediate preceding quarter of RM25.37 million mainly due to impact from lower of revenue from GMS, lower sales commission and temporary space rental receivable from tenants due from adverse impact of MCO.

3 Current Year Prospects

The outbreak of COVID-19 pandemic has adversely affected both local and global economies including retail industry sector. The retail industry is severely impacted as some businesses remain closed or partially closed. It is also unlikely that the retail industry will experience a strong post-MCO recovery as consumers adapt to the new 'normal' where shopping, dining and entertainment will no longer be the same.

The Company remains optimistic that it will be able to weather the current challenge of COVID-19 together with its business partners, through its innovative strategy and the support of the government's economic stimulus package despite the uncertainties on the duration of the outbreak.

In an effort to accept these changes and ensure the business remain resilient and sustainable, the Company is committed towards developing innovative ways to reach consumers, re-strategize its assortment of merchandise, marketing and promotions at both online and store level, enhance quality customer services; further enhance social distancing and other measures which will be an acceptable way of life for consumers. In an effort to continuously stay competitive and remain sustainable, the Company will further speed up its digitalization initiatives and create new business opportunities.

Further to the abovementioned, the Company also committed to work with the tenants to help them recover through the challenging period by providing operational and marketing support.

The Company will restructure its business processes and organization to operate under the new business environment and enhance the culture of entrepreneurship spirit, focus on enhancing existing core business models, and leverage on the competitive edge to create new business models that cater to customer needs.

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		6 months ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Current tax expense	10,443	20,536	28,388	43,640
Deferred tax expense	(51)	(50)	(101)	(101)
	10,392	20,486	28,287	43,539

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 30 Jun 2020		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	102,540	175,080	277,620
Revolving credit facilities	-	498,670	498,670
Islamic Commercial Papers	-	300,000	300,000
	102,540	973,750	1,076,290

	As at 30 Jun 2019		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	277,620	169,913	447,533
Revolving credit facilities	-	275,000	275,000
Islamic Commercial Papers	-	270,000	270,000
	277,620	714,913	992,533

- (i) The term loans are unsecured, bears interest ranging from 3.30% to 4.39% (2019: 3.96% 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 2.45% to 3.45% (2019: 3.58% to 3.89%) per annum.
- (iii) The unsecured Islamic Commercial Papers, bear interest rate of 2.76% to 3.04% (2019: 2.86%) per annum.

8 Changes in Material Litigation

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

9 Dividend

No dividend was proposed or declared for the current financial period ended 30 June 2020.

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		6 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
(Loss)/ Profit attributable to the owners for the period (RM'000)	(9,562)	19,454	(2,089)	52,090
Weighted average number of ordinary shares in issue ('000)	1,404,000	1,404,000	1,404,000	1,404,000
Basic (loss)/ earnings per ordinary share (sen)	(0.68)	1.39	(0.15)	3.71

Diluted earnings per share is not applicable for the Company.

12 Notes to the Statement of Comprehensive Income

	3 months ended		6 months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
(Loss)/ Profit for the period is arrived at after charging/(crediting):				
Depreciation and amortisation	82,170	78,865	164,269	157,308
Depreciation of right of use assets	40,890	41,438	82,031	82,436
Lease rental	(4,373)	3,905	2,159	7,258
Interest expense				
- lease interest	29,033	28,642	58,098	57,125
- interest charges	8,741	9,897	17,197	18,403
Impairment loss:				
- trade receivables	6,763	273	7,701	721
Loss on foreign exchange	228	56	221	89
Property, plant and equipment written off	2	706	1,220	852
Gain on disposal of property, plant and equipment	(8)	-	(8)	(166)
Interest income	(142)	(320)	(386)	(734)

13 Significant changes in accounting policies

There was 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.