

Notes to the interim financial statements for the period ended 30 June 2011

A EXPLANATORY NOTES PURSUANT TO FRS 134

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2010, and inclusive of the revised Financial Reporting Standards (FRSs), IC Interpretations and Amendments that are effective for financial period beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 3, FRS 127, Amendments to FRS 2, IC Interpretation 4, 12, 16, 17 and 18 are not applicable to the Company.

Investment in associate is measured at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs. Associate is entity, including unincorporated entity, in which the Company has significant influence, but not control, over the financial and operating policies.

Associate is accounted for in the Economic Entity's financial statements using the equity method unless it is classified as held for sale (or included in a disposal Economic Entity that is classified as held for sale). The financial statements of the Economic Entity include the Company's share of the profit or loss of the equity accounted associate, after adjustments, if any, to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Economic Entity comprises Company and its interests in associate.

2 Seasonality or Cyclicity of Interim Operations

The Company's revenue for the second quarter was slightly lower than the first quarter mainly due to the festive seasons in the first quarter and also due to the temporary closure of one of its stores for upgrade since February 2011.

3 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.

4 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.

5 Debt and Equity Securities

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

6 Dividends Paid

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

A first and final dividend of 16% less income tax of 25%, amounting to RM42.12 million in respect of the financial year ended 31 December 2010 was approved by shareholders at the Twenty-Sixth Annual General Meeting and was paid to shareholders on 20 July 2011.

7 Operating Segments

The operating segments analysis is as follows:

	Retailing	Property	Total
	6 months ended	Management Services	6 months ended
	30 June 2011	6 months ended	6 months ended
	RM'000	30 June 2011	30 June 2011
		RM'000	RM'000
Revenue	1,226,445	180,804	1,407,249
Segmental profit	52,023	63,531	115,554
Less: Unallocated expenses			(8,691)
Profit from operations			106,863
Interest income			2,650
Share of results of an associate			(55)
Profit before taxation			109,458
Tax expense			(34,033)
Profit for the period			75,425

8 Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without any amendment from the previous audited financial statements.

On 3 June 2011, the Company announced that it had entered into a Sale and Purchase Agreement with Asia Plywood Company Sdn. Bhd. for the acquisition of a piece of freehold land measuring approximately 20.168 acres in Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah for the purpose of constructing thereon a shopping centre and departmental store cum supermarket, at the purchase price of RM36.0 million, of which 10% has been paid during the financial period under review. As at the date of this announcement, the Sale and Purchase Agreement has not been completed yet.

9 Events Subsequent to Balance Sheet Date

On 5 August 2011, the Company announced that it had entered into a Sale and Purchase Agreement with DNP Land Sdn. Bhd. to acquire two pieces of freehold land measuring in total area of approximately 19.179 acres in Mukim 15, Daerah Seberang Perai Tengah for the purpose of constructing thereon a shopping centre and departmental store cum supermarket, at the purchase price of RM50.1 million, of which 10% has been paid upon execution of the Sale and Purchase Agreement. As at the date of this announcement, the Sale and Purchase Agreement has not been completed yet.

Saved as disclosed above and under Note B10, Material Litigation below, there were no other material events subsequent to the balance sheet date to be disclosed in the financial statements for the current financial period.

10 Effects of Changes in the Composition of the Economic Entity

There were no changes in the composition of the Economic Entity during the current financial period, other than as disclosed under Note B7 below.

11 Related Party Transactions

During the current quarter under review and up to the date of this announcement, except as disclosed below, 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 which had been mandated by the shareholders during the annual general meeting held on 26 May 2011.

The sale transaction of the Company's existing amusement business namely Smart Wonder World to AEON Fantasy (Malaysia) Sdn. Bhd. as announced on 25 February 2011 and as disclosed under Note B7 was a related party transaction. AEON Co., Ltd, the holding company of the Company, is also the holding company of AEON Fantasy Co., Ltd.. AEON Fantasy Co., Ltd in turn, is the holding company of AEON Fantasy (Malaysia) Sdn. Bhd..

12 Assets Held For Sale

In relation to Note B7, the net book value of assets under Smart Wonder World amusement business had been reclassified to as assets held for sale as its sale is highly probable.

13 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last audited financial statements of the Company for the financial year ended 31 December 2010.

14. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 June 2011 are as follows:

	30 June 2011	31 December 2010
	RM'000	RM'000
Property, plant and equipment		
Authorised but not contracted for	984,829	387,318
Authorised and contracted for	188,600	232,647

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

1 Review of Performance of the Company

For the quarter under review, the Company's revenue at RM686.6 million was marginally lower by 1.3% compared to RM695.7 million recorded for the preceding year corresponding quarter mainly due to the temporary closure of one of its stores for upgrade since February 2011. The affected store has commenced operations again in August 2011.

The Company's profit before tax was lower for the quarter under review as compared to previous year corresponding quarter mainly due to lower revenue from retailing business as a result of the temporary closure of one of its store for upgrading, and the cessation of the affected store's related property management services income. However, profit before tax for the first half ended 30 June 2011 was higher than the preceding year corresponding period mainly due to net proceeds received from insurance claim in first quarter of the current financial year.

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

The profit before taxation of RM43.1 million for the quarter was lower than the preceding quarter of RM66.4 million mainly due to the recognition of the insurance claim of RM10.9 million, net of expenses, in respect of its business interruption and damages loss arising from the fire incident in one of its shopping centres, in the preceding quarter. Additionally, higher revenue was registered for the first quarter as a result of the festive period.

3 Current Year Prospects

The present trend of domestic consumption is expected to continue though there are concerns over rising inflation and uncertainties on the global economy. However, the Company expects its performance to continue improve.

4 Tax expense

Tax expense comprises:

	3 months ended 30 June 2011 RM'000	6 months ended 30 June 2011 RM'000
Current tax expense	14,305	34,135
Deferred tax expense	(51)	(102)
	<u>14,254</u>	<u>34,033</u>

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

5 Profit/(loss) on sale of Unquoted Investment and/or Properties

There was no sale of unquoted investments and/or properties for the quarter under review and financial period to date.

6 Particulars of Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the quarter under review and financial period to date.

7 Status of Corporate Proposals

As at the date of this report, the status of corporate proposal announced but not completed is as follows:

On 25 February 2011, the Company had announced that it had entered into a Sale and Purchase Agreement with AEON Fantasy (Malaysia) Sdn. Bhd. to sell its existing amusement business named Smart Wonder World to AEON Fantasy (Malaysia) Sdn. Bhd. for a cash consideration of RM22.4 million. As at the date of this announcement, the Sale and Purchase Agreement has not been completed yet.

The Company further subscribed for 20 per cent of AEON Fantasy (Malaysia) Sdn. Bhd.'s ordinary shares for a cash consideration of RM7.4 million. As at the date of this report, the Company had subscribed for all the three tranches of the ordinary shares pursuant to the Subscription and Relationship Agreement in AEON Fantasy (Malaysia) Sdn. Bhd. for the total consideration of RM7.4 million. AEON Fantasy (Malaysia) Sdn. Bhd. is now an associate of the Company.

8 Borrowings and Debt Securities

As at 31 December 2010, the Company did not have any borrowings and debt securities.

9 Off Balance Sheet Financial Instruments

The Company does not have any financial instruments with off balance sheet risk as at the date of this announcement.

10 Material Litigation

As at the date of this announcement, the Company is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or the business of the Company, save and except that the Company has made announcements to Bursa Malaysia Securities Berhad pertaining to the followings:

On 12 July 2011, the legal proceeding, including arbitration, filed by the Company against Bandar Utama City Sdn Bhd ("BUC") in relation to the refusal of BUC to renew the lease at 1 Utama Shopping Centre has been withdrawn as both parties have resolved the same amicably by entering into a Tenancy Agreement on 23 June 2011 to enable the Company to operate its Departmental Store cum Supermarket at 1 Utama Shopping Centre pursuant to the terms and conditions therein contained.

On 14 June 2011, a legal proceeding has been initiated by the Company against D'Aseania Mall Sdn Bhd (D'Aseania") among others to accept the repudiation of the Agreement to Lease and Infrastructure Agreement both dated 17 February 2006 and to recover all outstanding sums due and owing by D'Aseania to the Company ("the Company's Legal Proceeding"). In response to the Company's Legal Proceeding, D'Aseania has filed a Defence and Counterclaim on 13 July 2011 in which D'Aseania counterclaimed among others, the alleged loss and shortfall of rentals, reimbursement of the costs and expenses for architectural works, installation of the signages, equipment and such other mechanical and engineering parts of the AEON Seberang Prai City Shopping Centre allegedly totaling RM36,078,441.11 ("D'Aseania's Defence and Counterclaim"). The required announcements on the D'Aseania's Defence and Counterclaim have also been made to Bursa Malaysia on 15 July 2011 and 20 July 2011 respectively. The Company's solicitors are of the view that D'Aseania's Defence and Counterclaim are baseless and therefore they are not expected to have material financial impact to the Company as of the date of this announcement.

11 Dividend

No dividend was proposed or declared for the current financial period ended 30 June 2011.

12 Earnings Per Share

Earnings per share for the current quarter and financial year to date are calculated based on the profit attributable to ordinary shareholders and the number of ordinary shares outstanding.

	3 months ended 30 June 2011	6 months ended 30 June 2011
Profit attributable to ordinary shareholders for the period (RM'000)	28,815	75,425
Number of ordinary shares outstanding ('000)	351,000	351,000
Basic earnings per ordinary share (sen)	<u>8.21</u>	<u>21.49</u>

Diluted earnings per share is not applicable for the Company.

13 Qualification of Audit Report of the Preceding Annual Financial Statements

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

14 Disclosure of Realised and Unrealised Profit or Losses

The retained earnings as at 30 June 2011 is analysed as follows:

	30 June 2011 RM'000	31 December 2010 RM'000
Total retained earnings of the Company:		
- realised	842,444	765,663
- unrealised	(30,949)	(29,907)
Total share of retained earnings from an associate company:		
- realised	(55)	-
Total retained earnings of the Economic Entity	<u>811,440</u>	<u>735,756</u>

AEON CO. (M) BHD.

(Company No. 126926 - H)

(Incorporated in Malaysia)

Unaudited results of the Company for the second quarter ended 30 June 2011.

Condensed Economic Entity's Statement of Comprehensive Income

For the six months ended 30 June 2011

	3 months ended		6 months ended	
	30 June		30 June	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Revenue	686,601	695,665	1,407,249	1,425,947
Total operating expenses	(646,614)	(647,217)	(1,315,473)	(1,319,225)
Other operating income	1,930	934	15,087	1,746
Profit from operations	41,917	49,382	106,863	108,468
Interest expense	-	(28)	-	(29)
Interest income	1,207	329	2,650	639
Share of results of an associate	(55)	-	(55)	-
Profit before taxation	43,069	49,683	109,458	109,078
Tax expense	(14,254)	(15,802)	(34,033)	(34,032)
Profit for the period	28,815	33,881	75,425	75,046
Other Comprehensive Income:				
Gain / (Loss) on fair value of available-for-sale investment	2,218	(52)	2,812	(26)
Total Comprehensive Income for the period	31,033	33,829	78,237	75,020
Basic earnings per ordinary share (sen)	8.21	9.65	21.49	21.38

The Condensed Economic Entity's Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

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Condensed Economic Entity's Statement of Financial Position

As at 30 June 2011

	30 June 2011	31 December 2010
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,542,174	1,474,481
Intangible asset	21,433	21,532
Investment in associate	2,945	-
Available-for-sale investments	12,481	9,668
	1,579,033	1,505,681
Current assets		
Inventories	293,015	338,401
Trade and other receivables	88,828	57,715
Cash and cash equivalents	265,736	330,908
Assets held for sale	2,356	-
	649,935	727,024
TOTAL ASSETS	2,228,968	2,232,705
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	351,000	351,000
Reserves	853,735	775,498
TOTAL EQUITY	1,204,735	1,126,498
Non-current liabilities		
Deferred tax liabilities	28,202	28,303
	28,202	28,303
Current liabilities		
Trade and other payables	974,326	1,056,584
Current tax payable	21,705	21,320
	996,031	1,077,904
TOTAL LIABILITIES	1,024,233	1,106,207
TOTAL EQUITY AND LIABILITIES	2,228,968	2,232,705

The Condensed Economic Entity's Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Economic Entity's Statement of Changes in Equity

	← Non-distributable →			Distributable	
	Share capital	Fair value reserve	Revaluation reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
For the six months ended 30 June 2011					
At 1 January 2011	351,000	8,593	31,149	735,756	1,126,498
Total comprehensive income for the period	-	2,812	-	75,425	78,237
Transfer from revaluation reserve to retained earnings	-	-	(259)	259	-
At 30 June 2011	<u>351,000</u>	<u>11,405</u>	<u>30,890</u>	<u>811,440</u>	<u>1,204,735</u>
For the six months ended 30 June 2010					
At 1 January 2010					
As previously reported	351,000	-	31,666	601,528	984,194
Effect of adopting FRS 139	-	9,058	-	-	9,058
As restated	<u>351,000</u>	<u>9,058</u>	<u>31,666</u>	<u>601,528</u>	<u>993,252</u>
Total comprehensive income for the period	-	(26)	-	75,046	75,020
Transfer from revaluation reserve to retained earnings	-	-	(259)	259	-
Dividends paid	-	-	-	(31,590)	(31,590)
At 30 June 2010	<u>351,000</u>	<u>9,032</u>	<u>31,407</u>	<u>645,243</u>	<u>1,036,682</u>

The Condensed Economic Entity's Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

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Condensed Economic Entity's Statement of Cash Flows

For the six months ended 30 June 2011

	30 June 2011	30 June 2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	109,458	109,078
Adjustments for:		
Non-cash items	74,120	71,778
Non-operating items	(2,650)	(609)
Operating profit before changes in working capital	<u>180,928</u>	<u>180,247</u>
Changes in working capital:		
Net change in current assets	45,267	31,371
Net change in current liabilities	(82,260)	(55,809)
Cash generated from operations	<u>143,935</u>	<u>155,809</u>
Tax paid	(33,750)	(27,143)
Net cash generated from operating activities	<u>110,185</u>	<u>128,666</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,650	639
Other investments	(178,007)	(85,498)
Net cash used in investing activities	<u>(175,357)</u>	<u>(84,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-	(29)
Net cash used in financing activities	<u>-</u>	<u>(29)</u>
Net change in cash and cash equivalents	(65,172)	43,778
Cash and cash equivalents at 1 January	<u>330,908</u>	<u>137,067</u>
Cash and cash equivalents at 30 June	<u><u>265,736</u></u>	<u><u>180,845</u></u>

The Condensed Economic Entity's Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.