

AEON CO. (M) BHD.

(Company No. 198401014370 (126926-H))

(Incorporated in Malaysia)

Unaudited results of the Company for the third quarter ended 30 September 2020.

Condensed statement of profit or loss

For the nine months ended 30 September 2020

	3 months ended 30 September		9 months ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	989,623	1,062,416	3,134,815	3,368,778
Total operating expenses	(915,851)	(1,007,026)	(2,958,495)	(3,146,116)
Other operating income	1,714	3,057	4,566	6,218
Profit from operations	<u>75,486</u>	<u>58,447</u>	<u>180,886</u>	<u>228,880</u>
Interest expense				
- Lease interest	(29,842)	(34,075)	(87,940)	(91,200)
- Interest charges	(7,723)	(10,393)	(24,920)	(28,796)
	<u>(37,565)</u>	<u>(44,468)</u>	<u>(112,860)</u>	<u>(119,996)</u>
Interest income	152	261	538	995
Share of results of associates	(2,325)	(274)	(6,618)	(284)
Profit before tax	<u>35,748</u>	<u>13,966</u>	<u>61,946</u>	<u>109,595</u>
Tax expense	(19,391)	(6,642)	(47,678)	(50,182)
Profit for the period	<u><u>16,357</u></u>	<u><u>7,324</u></u>	<u><u>14,268</u></u>	<u><u>59,413</u></u>
Basic earnings per ordinary share (sen) (Note B11)	1.17	0.52	1.02	4.23

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 third quarter ended 30 September 2020.

Condensed statement of other comprehensive income

For the nine months ended 30 September 2020

	3 months ended		9 months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period	16,357	7,324	14,268	59,413
Other comprehensive income:				
Gain / (Loss) on fair value of other investments	4,041	(10,310)	(17,461)	(3,344)
Comprehensive income / (loss) for the period	<u>20,398</u>	<u>(2,986)</u>	<u>(3,193)</u>	<u>56,069</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 September 2020

	30 September 2020 RM'000	31 December 2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,443,838	3,647,203
Right of use assets	1,647,800	1,772,427
Intangible assets	10,555	11,980
Investment in associates	4,316	10,934
Other investments	48,205	65,666
Other assets	18,391	19,024
Deferred tax assets	120,210	120,059
	5,293,315	5,647,293
Current assets		
Inventories	607,087	754,072
Contract assets	11,124	19,728
Receivables, deposits and prepayments	104,906	49,699
Cash and cash equivalents	33,094	66,982
	756,211	890,481
TOTAL ASSETS	6,049,526	6,537,774
EQUITY AND LIABILITIES		
Share capital	702,000	702,000
Reserves	934,317	993,670
TOTAL EQUITY	1,636,317	1,695,670
LIABILITIES		
Non-current liabilities		
Borrowings	51,270	205,080
Lease liabilities	2,030,991	2,146,022
Other liabilities	20,774	20,774
	2,103,035	2,371,876
Current liabilities		
Borrowings	859,680	723,580
Lease liabilities	150,469	147,076
Payables and accruals	1,136,878	1,435,240
Contract liabilities	127,127	154,182
Current tax liability	36,020	10,150
	2,310,174	2,470,228
TOTAL LIABILITIES	4,413,209	4,842,104
TOTAL EQUITY AND LIABILITIES	6,049,526	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 nine months ended 30 September 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	-	(17,461)	14,268	(3,193)
Final dividend in respect of year ended 31 December 2019	-	-	(56,160)	(56,160)
At 30 September 2020	<u>702,000</u>	<u>47,175</u>	<u>887,142</u>	<u>1,636,317</u>
At 1 January 2019	702,000	70,023	875,902	1,647,925
Total comprehensive income for the period	-	(3,344)	59,413	56,069
Final dividend in respect of year ended 31 December 2018	-	-	(56,160)	(56,160)
At 30 September 2019	<u>702,000</u>	<u>66,679</u>	<u>879,155</u>	<u>1,647,834</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 nine months ended 30 September 2020

	30 September 2020 RM'000	30 September 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	61,946	109,595
Adjustments for:		
Non-cash items		
- Depreciation of right of use assets	122,207	121,816
- Others	253,885	240,261
	376,092	362,077
Non-operating items		
- Lease interest	87,940	91,200
- Others	23,732	26,494
	111,672	117,694
Operating profit before changes in working capital	549,710	589,366
Changes in working capital:		
Net change in current assets	101,015	48,669
Net change in current liabilities	(325,417)	(203,975)
Cash generated from operations	325,308	434,060
Tax paid	(21,958)	(73,255)
Net cash generated from operating activities	303,350	360,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(42,672)	(200,030)
Proceeds from disposal of property, plant and equipment	10	-
Dividend received	650	1,306
Interest received	538	995
Net cash used in investing activities	(41,474)	(197,729)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(196,974)	(198,343)
Net borrowings	(17,710)	132,823
Interest paid	(24,920)	(28,796)
Dividend paid	(56,160)	(56,160)
Net cash used in financing activities	(295,764)	(150,476)
Net change in cash and cash equivalents	(33,888)	12,600
Cash and cash equivalents at 1 January	66,982	82,154
Cash and cash equivalents at 30 September	33,094	94,754

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 September 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:

- 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*

(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 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) 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*

(v) 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 third quarter was higher than the preceding quarter by 3.7% due to positive consumer sentiment after the relaxation of Recovery Movement Control Order (RMCO) during the quarter under review.

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	
	9 months ended		9 months ended		9 months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,668,798	2,844,699	466,017	524,079	3,134,815	3,368,778
Segmental profit	54,205	55,484	181,584	207,472	235,789	262,956
Less: Unallocated expenses					(54,903)	(34,076)
Profit from operations					180,886	228,880
Interest expense						
- Lease interest					(87,940)	(91,200)
- Interest charges					(24,920)	(28,796)
Interest income					538	995
Share of results of associates					(6,618)	(284)
Profit before tax					61,946	109,595
Tax expense					(47,678)	(50,182)
Profit for the year					14,268	59,413
Segment assets	1,483,724	1,610,159	4,429,755	4,688,786	5,913,479	6,298,945
Unallocated assets					136,047	172,212
					6,049,526	6,471,157
Segment liabilities	1,319,715	1,425,066	2,125,751	2,249,841	3,445,466	3,674,907
Unallocated liabilities					967,743	1,148,416
					4,413,209	4,823,323

Total revenue registered by the retail business segment for the financial year-to-date at RM2.67 billion was lower by 6.2% compared to RM2.84 billion recorded in the previous year corresponding period mainly due to lower revenue from general merchandise (“GMS”) and specialty stores which were exacerbated by the implementation of MCO whereby GMS were not allowed to operate from 18 March 2020 as it was being considered as non-essential services and subsequently resumed its operations from 12 May 2020 after the Government eased the MCO restrictions. The segmental profit recorded at RM54.21 million which was lower as compared to RM55.48 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 RM466.02 million was lower by 11.1% over the previous year corresponding period of RM524.08 million. The shortfall in revenue was mainly due to rental waivers and rebates to tenants, lower of rental income and sales commission receivable as a result of lower occupancy rate amidst the uncertainties arising from the pandemic and economic recover post-MCO. The segmental profit of RM181.58 million was lower as compared to RM207.47 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 September 2020 are as follows:

	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Property, plant and equipment		
Contracted but not provided for and not payable	6,595	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 Sep 2020 RM'000	Preceding Year Corresponding Quarter 30 Sep 2019 RM'000	Changes %
Revenue	989,623	1,062,416	(6.9%)
Profit from operations	75,486	58,447	29.2%
Profit before tax	35,748	13,966	156.0%

For the quarter under review, the Company registered a total revenue of RM989.62 million, which was lower by 6.9% as compared with RM1.06 billion recorded in the preceding year corresponding quarter.

Retail business revenue registered RM836.23 million, which was lower by 5.9% compared to the preceding year corresponding quarter of RM888.58 million due to shifts in consumer sentiments and cautionary consumer spending as the impact from Covid-19 Pandemic.

Revenue from its property management services segment at RM153.39 million, which was lower by 11.8% over the preceding year corresponding quarter of RM173.84 million mainly due to rental waivers and rebates to tenants, lower of rental income and sales commission receivable as a result of lower occupancy rate amidst the uncertainties arising from the pandemic and economic recover post-MCO.

The Company registered a higher profit before tax for the quarter of RM35.75 million compared to previous year corresponding quarter of RM13.97 million due to improvement in merchandise gross margin, change in marketing mechanics as well as agility to adapt to the current cost structure.

Financial Year-to-date results

	Current Year To-date 30 Sep 2020 RM'000	Preceding Year Corresponding Period 30 Sep 2019 RM'000	Changes %
Revenue	3,134,815	3,368,778	(7.0%)
Profit from operations	180,886	228,880	(21.0%)
Profit before tax	61,946	109,595	(43.5%)

For the period ended 30 September 2020, the Company posted a revenue of RM3.13 billion, which represented a decrease of 7.0% as compared with the previous year corresponding period of RM3.37 billion mainly resulted from MCO whereby non-essential services were not allowed to operate from 18 March 2020 until 12 May 2020 coupled with the soft recovery of consumer sentiments and cautionary consumer spending as the impact from Covid-19 Pandemic. This has significantly impacted the revenue from general merchandise (“GMS”), specialty stores and revenue generated from property management services segment.

The profit before tax of RM61.9 million was 43.5% lower than the previous year corresponding period of RM109.6 million mainly due to the lower of sales generated from retail and property management services segment, however, it is offset by our agility to adapt to the current cost structure.

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

	Current Quarter 30 Sep 2020 RM'000	Immediate Preceding Quarter 30 Jun 2020 RM'000	Changes %
Revenue	989,623	954,323	3.7%
Profit from operations	75,486	41,353	82.5%
Profit before tax	35,748	830	4,200.0%

The Company achieved higher revenue by 3.7% to RM989.62 million in current quarter compared with the immediate preceding quarter due to positive consumer sentiment after the relaxation of Recovery Movement Control Order (RMCO) during the quarter under review.

Profit before tax of RM35.75 million for the quarter was higher than the immediate preceding quarter of RM0.83 million. This was achieved by higher revenue generated for the current quarter and our agility to adapt to the current cost structure.

3 Current Year Prospects

COVID-19 has created massive challenges for retailers around the world. For the past few months, it had brought unprecedented uncertainty, complexity and challenges in the retail industries. With the resumption of loan servicing and rising unemployment, it dampened both the consumer sentiment and business confidence.

In view of the recent increasing number of COVID-19, the Company will continue to ensure the safety of the staffs and customers. The Company also committed to support local entrepreneurs by providing a platform, both online and through physical stores to showcase, promote and sell their products.

The existential challenges prompted the Company in re-strategize the business model, rethink the cost of doing business and strengthen the relationship with the customers. The Company will focus on digitalization investment to support business growth. The Company remains confident and optimistic about the growth opportunities in the medium to long term and committed to take proactive approach and continuously stay competitive in the market.

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		9 months ended	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Current tax expense	19,441	6,692	47,829	50,333
Deferred tax expense	(50)	(50)	(151)	(151)
	19,391	6,642	47,678	50,182

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 Sep 2020		
	Long term RM denomination (RM'000)	Short term RM denomination (RM'000)	Total borrowings RM denomination (RM'000)
Unsecured			
Term loan	51,270	190,080	241,350
Revolving credit facilities	-	199,600	199,600
Islamic Medium Term Notes/ Commercial Papers	-	470,000	470,000
	51,270	859,680	910,950

	As at 30 Sep 2019		
	Long term RM denomination (RM'000)	Short term RM denomination (RM'000)	Total borrowings RM denomination (RM'000)
Unsecured			
Term loan	241,350	157,497	398,847
Revolving credit facilities	-	429,400	429,400
Islamic Commercial Papers	-	300,000	300,000
	241,350	886,897	1,128,247

- (i) The term loans are unsecured, bears interest ranging from 2.98% to 4.39% (2019: 3.96% to 4.58%) 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% to 2.53% (2019: 3.45% to 5.14%) per annum.
- (iii) The unsecured Islamic Commercial Papers and Islamic Medium Term Note, bear interest rate of 2.43% to 3.15% (2019: 3.40%-3.90%) 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 September 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		9 months ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Profit attributable to the owners for the period (RM'000)	16,357	7,324	14,268	59,413
Weighted average number of ordinary shares in issue ('000)	1,404,000	1,404,000	1,404,000	1,404,000
Basic earnings per ordinary share (sen)	1.17	0.52	1.02	4.23

Diluted earnings per share is not applicable for the Company.

12 Notes to the Statement of Comprehensive Income

	3 months ended		9 months ended	
	30 Sep 2020 RM'000	30 Sep 2019 RM'000	30 Sep 2020 RM'000	30 Sep 2019 RM'000
Profit for the period is arrived at after charging/(crediting):				
Depreciation and amortisation	81,814	81,585	246,083	238,893
Depreciation of right of use assets	40,176	39,380	122,207	121,816
Lease rental	(1,715)	3,286	444	10,544
Interest expense				
- lease interest	29,842	34,075	87,940	91,200
- interest charges	7,723	10,393	24,920	28,796
Impairment loss:				
- trade receivables	4,634	1,072	12,335	1,793
Loss on foreign exchange	12	128	233	217
Property, plant and equipment written off	148	168	1,368	1,020
Gain on disposal of property, plant and equipment	-	-	(8)	(166)
Interest income	(152)	(261)	(538)	(995)
Dividend income	(650)	(1,306)	(650)	(1,306)

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.