

**Notes to the interim financial statements for the period ended 31 December 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 fourth quarter is higher than the third quarter mainly due to the year end festive seasons in the fourth quarter.

**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, saved as disclosed in the Note B2.

**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 respect of 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:

|                                  | <b>Retailing</b>        | <b>Property</b>            | <b>Total</b>            |
|----------------------------------|-------------------------|----------------------------|-------------------------|
|                                  | <b>12 months ended</b>  | <b>Management Services</b> | <b>12 months ended</b>  |
|                                  | <b>31 December 2011</b> | <b>12 months ended</b>     | <b>31 December 2011</b> |
|                                  | <b>RM'000</b>           | <b>31 December 2011</b>    | <b>31 December 2011</b> |
|                                  |                         | <b>RM'000</b>              | <b>RM'000</b>           |
| Revenue                          | 2,609,070               | 375,544                    | 2,984,614               |
| Segmental profit                 | 163,835                 | 125,996                    | 289,831                 |
| Less: Unallocated expenses       |                         |                            | (18,056)                |
| Profit from operations           |                         |                            | 271,775                 |
| Interest expense                 |                         |                            | (2)                     |
| Interest income                  |                         |                            | 5,342                   |
| Share of results of an associate |                         |                            | 157                     |
| Profit before tax                |                         |                            | 277,272                 |
| Tax expense                      |                         |                            | (81,919)                |
| Profit for the year              |                         |                            | 195,353                 |

## 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 21 December 2011, the Company announced that it had entered into a Sale and Purchase Agreement with Genting Property Sdn. Bhd. for the acquisition of two pieces of freehold land measuring approximately 7.373 hectare in Mukim Kulai, Daerah Kulaijaya, Negeri Johor for the purpose of constructing a shopping centre with car parks and departmental stores cum supermarket, at the purchase price of RM22.2 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

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 below:

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. The Sale and Purchase Agreement was completed on 27 December 2011.

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.

## 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 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 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.

## 13 Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2011 are as follows:

|                                   | <b>31 December 2011</b> | <b>31 December 2010</b> |
|-----------------------------------|-------------------------|-------------------------|
|                                   | <b>RM'000</b>           | <b>RM'000</b>           |
| Property, plant and equipment     |                         |                         |
| Authorised but not contracted for | 858,189                 | 387,318                 |
| Authorised and contracted for     | 203,605                 | 232,647                 |

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

### **1 Review of Performance**

For the current quarter under review, the Company's revenue increased by 8.9% to RM827.3 million from RM759.7 million reported in the previous year corresponding quarter. During the same period, the Company posted a higher profit before taxation of RM99.0 million as compared to RM65.5 million in the previous year corresponding quarter. For the financial year ended 31 December 2011, the Company's revenue was marginally higher at RM2.98 billion as compared with RM2.89 billion recorded in preceding financial year.

The overall favourable results in the year from the retailing business were mainly attributed to better performance from existing stores and higher number of discount days and loyalty members' sales days as well as opening of a new store in year end. On its property management services business, the overall better performance was a result of increased net lettable area, higher occupancy and rental rates achieved during the year.

The results of the Economic Entity comprise the performance of the Company and its share of results in an associate of RM0.16 million. Profit before taxation for the year ended 31 December 2011 registered a 15.4% increase at RM277.3 million compared with RM240.3 million registered in the previous financial year. The results for the year included gain on disposal from its amusement business of RM12.7 million and impairment loss of RM14.1 million arising from one of its store and shopping centre's property, plant and equipment as well as the net proceeds it received from insurance claim of RM11.3 million.

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

The profit before taxation of RM99.0 million for the quarter was higher than the preceding quarter of RM68.9 million mainly due to the higher revenue and margin generated in the current quarter. The results for the quarter included gain on disposal from its amusement business of RM12.7 million and impairment loss of RM14.1 million arising from one of its store and shopping centre's property, plant and equipment.

### **3 Current Year Prospects**

The present trend of domestic consumption is expected to continue though there are concerns over uncertainties on the global economy. Likewise, the Company with its established presence, brand name and customer service expects its retailing business to perform well despite the economic challenges ahead.

The Company is also confident that its property management services will continue to perform well with the current high occupancy rate, additional contribution from full year operation of its new shopping center opened in 2011 and additional space from its new shopping centers which will open in 2012.

### **4 Tax expense**

Tax expense comprises:

|                      | <b>3 months ended<br/>31 December 2011<br/>RM'000</b> | <b>12 months ended<br/>31 December 2011<br/>RM'000</b> |
|----------------------|---|--|
| Current tax expense  | 34,798  | 89,076   |
| Deferred tax expense | (7,004)   | (7,157)  |
|                      | <u>27,794</u>   | <u>81,919</u>  |

The Company'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**

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

### **6 Borrowings and Debt Securities**

As at 31 December 2011, the Company did not have any borrowings and debt securities.

## 7 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 for the following:

The Company's Legal Proceedings and D'Aseania's Defence and Counterclaim which were filed on 14 June 2011 and 13 July 2011 respectively, have yet to be heard by the court and in the meantime, under the Company's Legal Proceeding ("main suit"), the Company has initiated a legal proceeding in the High Court of Malaya, Kuala Lumpur for a Summary Judgement under Order 14 of the Rules of the High Court 1980 against D'Aseania on 24 August 2011 ("O14 application") for an order allowing the Company, among others to terminate the Agreement to Lease dated 17 February 2006 and for the Company to return vacant possession of AEON Seberang Prai City Shopping Centre to D'Aseania accordingly. The decision of the main suit and O14 application has yet to be made by the court.

Meanwhile, D'Aseania has initiated a Distress Proceeding in the High Court of Malaya, Pulau Pinang under Section 5 and 7 of the Distress Act 1951 on 27 December 2011 (Distress application) for the recovery of the alleged outstanding rentals for the month of September, October and November 2011 in the total sum of RM1,117,282.10. The Company has filed a Reply and Application to Strike Out the Distress Proceeding on 19 January 2012 on the grounds, among others that the rental payments have been made in a timely manner. The court has yet to give its decision on these matters.

At the same time, the Company has also obtained an order to include a second Defendant, namely Aseania Development Sdn. Bhd. in the main suit and the O14 application on 15 February 2012.

The Company's solicitors are of the view that the D'Aseania's Defence and Counterclaim and the Distress Proceeding do not have any merits and therefore they are not expected to have material financial impact to the Company as of the date of this announcement.

## 8 Dividend

- (a) (i) A first and final dividend of 17% less 25% income tax and a special tax exempt dividend of 2% have been recommended for the financial year ended 31 December 2011
  - (ii) total amount per share – 14.75 sen (net)
  - (iii) total net dividend payable amounted to RM51,772,500
  - (iv) date payable to be determined later; and
  - (v) in respect of deposited securities, the date of entitlement to dividend will be determined later.
- (b) For the year ended 31 December 2010, a first and final dividend of 16% less tax of 25% amounting to RM 42.12 million was paid on 20 July 2011.
- (c) The first and final dividend and the special tax exempt dividend recommended for year ended 31 December 2011 will be subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on the day which shall be announced later.

## 9 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.

|  | <b>3 months ended<br/>31 December 2011</b> | <b>12 months ended<br/>31 December 2011</b> |
|--|--|---|
| Profit attributable to ordinary shareholders for the period (RM'000) | 71,160                                     | 195,353                                     |
| Number of ordinary shares outstanding ('000)                         | 351,000                                    | 351,000                                     |
| Basic earnings per ordinary share (sen)                              | <u>20.27</u>                               | <u>55.66</u>                                |

Diluted earnings per share is not applicable for the Company.

## 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 December 2011 is analysed as follows:

|   | <b>31 December 2011</b><br><b>RM'000</b> | <b>31 December 2010</b><br><b>RM'000</b> |
|---|--|--|
| Total retained earnings of the Company:             |  |  |
| - realised  | 909,315                                  | 765,663                                  |
| - unrealised  | (19,966)                                 | (29,907)                                 |
| Total share of retained earnings from an associate: |  |  |
| - realised  | 157                                      | -  |
| Total retained earnings of the Economic Entity      | <u>889,506</u>                           | <u>735,756</u>                           |

## 12 Note to the Statement of Comprehensive Income

|  | <b>3 months ended</b><br><b>31 December 2011</b><br><b>RM'000</b> | <b>12 months ended</b><br><b>31 December 2011</b><br><b>RM'000</b> |
|--|---|--|
| Profit from operations for the period / year is arrived at after charging: |   |  |
| Depreciation and amortisation  | 34,539  | 139,987  |
| Impairment loss:   |   |  |
| - Property, plant and equipment  | 14,130  | 14,130   |
| - Trade receivables  | 371   | 371  |
| Property, plant and equipment written off                                  | 628   | 2,716  |
| Loss on foreign exchange   | 44  | 166  |
| And after crediting:   |   |  |
| Gain on disposal of amusement business                                     | 12,742  | 12,742   |
| Net proceeds from insurance claims   | 354   | 11,267   |
| Dividend income  | 341   | 631  |
| Gain on disposal of property, plant and equipment                          | 202   | 303  |

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