

Notes to the interim financial statements for the period ended 30 September 2013

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 Economic Entity's audited financial statements as at and for the year ended 31 December 2012.

Economic Entity comprises the Company and its interests in associates.

2 Significant Accounting Policies

The accounting policies applied by the Economic Entity in these interim financial statements are the same as those applied by the Economic Entity in its annual financial statements as at and for the year ended 31 December 2012 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

MFRS 10	<i>Consolidation Financial Statements</i>
MFRS 12	<i>Disclosure of Interest in Other Entities</i>
MFRS 13	<i>Fair Value Measurement</i>
MFRS 119	<i>Employee Benefits (2011)</i>
MFRS 127	<i>Separate Financial Statements (2011)</i>
MFRS 128	<i>Investments in Associates and Joint Ventures (2011)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards - Government Loans</i>
Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements: Transaction Guidance</i>
Amendments to MFRS 12	<i>Disclosure of Interest in Other Entities: Transition Guidance</i>

The adoption of the above MFRSs and amendments to MFRSs did not have any significant effects on the interim financial statements upon their initial application.

3 Seasonality or Cyclicity of Interim Operations

The Company's revenue for the third quarter was higher than the second quarter mainly due to the festive seasons in the third 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.

A first and final dividend of 23% less 25% income tax and a special tax exempt dividend of 1%, amounting to RM64,057,500 in respect of the financial year ended 31 December 2012 was approved by shareholders at the Twenty-Eighth Annual General Meeting and was paid to shareholders on 11 July 2013.

8 Events Subsequent to the end of reporting period

On 2 October 2013, the Company announced that it had entered into a Sale and Purchase Agreement with AEON REIT Investment Corporation 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, the Sale and Purchase Agreement has not been completed yet.

On 21 November 2013, further to the Company's announcement on 28 December 2012 and 11 October 2013, the Company announced it had completed the acquisition of the piece of land in Bandar Shah Alam, Daerah Petaling, Negeri Selangor for the purpose of constructing and operating a shopping centre and a departmental store cum supermarket, at the purchase price of RM90.0 million.

Except for the above, there were no other material events subsequent to the end of the reporting period to be disclosed in the interim financial statements for the current financial period.

9 Related Party Transactions

During the current quarter under review and up to the date of this announcement, except as disclosed in Note A8 and B5, 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 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 and as disclosed under Note A8 was a related party transaction. AEON Co., Ltd, the holding company of the Company, is also the holding company of AEON REIT Investment Corporation.

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	30 Sep	30 Sep	30 Sep	30 Sep	30 Sep
	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,231,782	2,064,573	349,997	318,250	2,581,779	2,382,823
Segmental profit	98,826	75,083	134,721	115,359	233,547	190,442
Less: Unallocated expenses					(14,603)	(12,102)
Profit from operations					218,944	178,340
Interest expense					(1)	-
Interest income					5,432	4,468
Share of results of associates					(14)	335
Profit before tax					224,361	183,143
Tax expense					(68,841)	(55,898)
Profit for the period					155,520	127,245
Segment assets	766,696	723,965	1,820,558	1,501,551	2,587,254	2,225,516
Unallocated assets					208,975	293,180
					2,796,229	2,518,696
Segment liabilities	921,549	893,993	260,561	214,876	1,182,110	1,108,869
Unallocated liabilities					41,280	31,677
					1,223,390	1,140,546

11 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 B5 below.

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 2012.

13 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2013 are as follows:

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Property, plant and equipment		
Authorised but not contracted for	3,262,958	1,645,034
Authorised and contracted for	290,821	302,808

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 Company's total revenue increased by 5.7% to RM893.1 million compared to RM844.7 million recorded in the previous year corresponding quarter. Profit before tax of RM82.1 million registered for the Economic Entity, which comprised the Company and its interest in associates, was also 8.4% higher than the previous year corresponding quarter.

Retail business segment registered a 5.8% growth in revenue to RM776.7 million compared to the preceding year corresponding quarter mainly attributed to higher demand and overall higher number of loyalty card members' sales days.

Property management services segment continued to perform well in the quarter, with 5.4% increase in revenue to RM116.5 million over the previous year corresponding quarter mainly due to higher rental income achieved and contributions from its new shopping centre.

Financial Year-to-date results

The Company registered revenue of RM2.58 billion for the 9 months ended 30 September 2013 was 8.3% higher than the previous year corresponding period. Profit before tax of RM224.4 million was 22.5% higher than the previous year corresponding period mainly due to the increased in revenue.

Total revenue registered by the retail business segment for the financial year-to-date increased by 8.1% to RM2.23 billion compared to RM2.06 billion recorded in the preceding year corresponding period. The better performance was mainly attributed by the contributions from its new stores and overall higher number of loyalty card members' sales days.

Revenue from its property management services segment for financial year-to-date had recorded a growth of 10.0%, at RM350.0 million over the previous year corresponding period. The overall better performance was as a result of contributions from its new shopping centres and higher rental rates from tenants revamp.

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

The profit before tax of RM82.1 million for the quarter was higher than the preceding quarter of RM67.4 million mainly due to the higher revenue generated in the current quarter.

3 Current Year Prospects

The Malaysian economy is expected to continue its growth supported by sustainable domestic demand and an improving external environment. The Company with its established presence and competitive strengths remains positive that it will continue its growth in both its retailing and property management services business in the current financial year.

4 Tax expense

Tax expense comprises:

	3 months ended		9 months ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Current tax expense	25,032	22,262	70,350	58,092
Deferred tax expense	(51)	2,116	(1,509)	(2,194)
	<u>24,981</u>	<u>24,378</u>	<u>68,841</u>	<u>55,898</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

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

On 20 September 2013, the Company announced that it had entered into a Joint Venture Agreement with Index Living Mall Company Limited (ILM), a company incorporated in Thailand to jointly incorporate and register a private limited company in Malaysia in the name of "AEON Index Living Sdn. Bhd." to engage in a business as furniture retailer. The authorised share capital consists of 50,000,000 ordinary shares of RM1.00 each and the paid up capital shall be 45,000,000 ordinary shares of RM1.00 each. The Company will subscribe for 70 per cent of AEON Index Living Sdn. Bhd.'s shares for a cash consideration of RM31.5 million, and ILM will subscribe for the remaining 30 per cent of AEON Index Living Sdn. Bhd.'s shares for a cash consideration of RM13.5 million. As at the date of this announcement, the Joint Venture Agreement has not been completed yet.

6 Borrowings and Debt Securities

As at 30 September 2013, the Company did not have any borrowings and debt securities.

7 Changes in Material Litigation

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

8 Dividend

No dividend was proposed or declared for the current financial period ended 30 September 2013.

9 Earnings Per Share

	3 months ended		9 months ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
Profit attributable to the owners for the period (RM'000)	57,117	51,366	155,520	127,245
Weighted average number of ordinary shares in issue ('000)	351,000	351,000	351,000	351,000
Basic earnings per ordinary share (sen)	16.27	14.63	44.31	36.25

Diluted earnings per share is not applicable for the Economic Entity.

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 30 September 2013 is analysed as follows:

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Total retained earnings of the Company:		
- realised	1,160,498	1,067,845
- unrealised	11,448	12,624
Total share of retained earnings from associates:		
- realised	706	721
Total retained earnings of the Economic Entity	1,172,652	1,081,190

12 Notes to the Statement of Comprehensive Income

	3 months ended		9 months ended	
	30 Sep	30 Sep	30 Sep	30 Sep
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit from operations for the period is arrived at after charging:				
Depreciation and amortisation	39,498	38,212	116,283	108,823
Impairment loss / (gain):				
- trade receivables	8	135	(123)	337
Property, plant and equipment written off	540	457	630	706
And after crediting:				
Dividend income	604	433	718	433
Gain / (loss) on foreign exchange	(72)	9	141	(17)
Gain on disposal of property, plant and equipment	323	134	435	136

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