

Notes to the interim financial statements for the period ended 30 September 2014

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 as at and for the year ended 31 December 2013.

2 Significant Accounting Policies

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its annual financial statements as at and for the year ended 31 December 2013 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below:

MFRS 10 : Consolidated Financial Statements (“MFRS 10”)

Subsidiary is an entity, included structured entity, controlled by the Group. The financial statement of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10 in the current financial year upon the subscription of 70 per cent of the issued and paid-up share capital of AEON Index Living Sdn. Bhd. on 28 February 2014 as disclosed in Note A10. No reinstatement of the financials results of the Group is required as the Company has previously prepared its accounts as an Economic Entity by adoption of *MFRS 128 : Investment in Associates and Joint Ventures*.

3 Seasonality or Cyclicity of Interim Operations

The Group’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

On 25 June 2014, the Group announced that the disposal of 18.18% undivided share of the land and building of AEON Taman Universiti Shopping Centre (“J-REIT Share”) to AEON REIT Investment Corporation (“J-REIT”) and the transfer of the J-REIT Share to the Company as trustee for J-REIT have been completed. The disposals proceed of RM20.0 million was received by the Group and a gain of disposal of RM14.2 million was recognised in the previous quarter.

Saved as disclosed above, 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 saved as disclosed below:

(a) Bonus Issue

As previously announced by the Company, 351,000,000 ordinary shares of RM1.00 were issued by the Company on 2 June 2014 by way of capitalisation of RM351,000,000 from the Company’s Retained Earnings under bonus shares issuance approved by the shareholders of the Company.

(b) Share Split

The Company had also completed the subdivision of one ordinary share of RM1.00 each held after bonus issue into two ordinary shares of RM0.50 each on 2 June 2014.

Following the completion of Bonus Issue and Share Split, the Company’s issued and paid-up share capital was increased from RM351,000,000 to RM702,000,000 comprising 1,404,000,000 ordinary shares of RM0.50 each.

7 Dividends Paid

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

A first and final single tier dividend of 22% amounting to RM77,220,000 in respect of the financial year ended 31 December 2013 was approved by shareholders at the Twenty-Ninth Annual General Meeting and was paid to shareholders on 11 June 2014.

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 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
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,354,965	2,231,782	378,853	349,997	2,733,818	2,581,779
Segmental profit	57,310	98,826	163,172	134,721	220,482	233,547
Less: Unallocated expenses					(20,342)	(14,603)
Profit from operations					200,140	218,944
Interest expense					(1,152)	(1)
Interest income					2,080	5,432
Share of results of associates					108	(14)
Profit before tax					201,176	224,361
Tax expense					(63,773)	(68,841)
Profit for the period					137,403	155,520
Segment assets	946,322	766,696	2,145,845	1,820,558	3,092,167	2,587,254
Unallocated assets					60,075	208,975
					3,152,242	2,796,229
Segment liabilities	976,295	921,549	296,639	260,561	1,272,934	1,182,110
Unallocated liabilities					165,338	41,280
					1,438,272	1,223,390

10 Effects of Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period saved as disclosed below:

On 28 February 2014, further to the Company's announcement made on 20 September 2013, the Company announced that the joint venture company, AEON Index Living Sdn. Bhd. ("AEON Index") has been incorporated. AEON Index has an authorised share capital of RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each and with an initial issued and paid-up share capital of RM4,500,000 comprising 4,500,000 ordinary shares of RM1.00 each. As at 30 September 2014, AEON Index had further increased its paid-up share capital to RM24,750,000 comprising 24,750,000 ordinary shares of RM1.00 each.

Pursuant to the Joint Venture Agreement, the Company had subscribed for the 70 per cent of AEON Index's issued and paid-up share capital for a cash consideration of RM17.325 million. Upon the adoption of *MRFS 10 : Consolidated Financial Statements*, AEON Index is now a subsidiary of the Company.

11 Related Party Transactions

During the current quarter under review and up to the date of this announcement, except as disclosed in Note B5(b), the Group 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 15 May 2014.

The sale transaction of 18.18% undivided share of the Group's land and building of AEON Taman Universiti Shopping Centre to AEON REIT Investment Corporation as announced on 2 October 2013 and completed on 25 June 2014, was a related party transaction. AEON Co., Ltd., the holding company of the Group, is also the holding company of AEON REIT Investment Corporation.

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 2013.

13 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2014 are as follows:

	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Property, plant and equipment		
Authorised but not contracted for	3,187,104	3,191,563
Authorised and contracted for	842,600	253,140

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

1 Review of Performance

Quarter results

For the current quarter ended 30 September 2014, the Group recorded a total revenue of RM930.6 million, an increase of 4.2% from RM893.2 million in the preceding year corresponding quarter. Profit before tax of RM62.3 million was lower as compared to RM82.1 million registered in the previous year corresponding quarter. The Group's results for the quarter was affected by the impact of the softer retail market, initial costs of new store openings and higher operating costs especially utilities.

Retail business segment registered a 3.3% growth in revenue to RM802.6 million as compared to the preceding year corresponding quarter mainly attributed to the contributions from new stores.

Property management services segment continued to perform well in the quarter, with 9.9% increase in revenue to RM128 million over the previous year corresponding quarter mainly due to higher rental income achieved and contributions from the new shopping centres.

Financial Year-to-date results

The Group's revenue of RM2.73 billion for the 9 months ended 30 September 2014 was 5.9% higher than the previous year corresponding period. However, profit before tax of RM201.2 million was 10.3% lower than the previous year corresponding period. Besides the 30th anniversary promotional costs, higher utilities costs and the initial costs associated with new store openings, the Group's results was also affected by the impact of the softer retail market as a result of higher cost of living and which necessitate higher marketing costs to generate sales.

Total revenue registered by the retail business segment for the financial year-to-date increased by 5.5% to RM2.35 billion compared to RM2.23 billion recorded in the preceding year corresponding period. The higher revenue was mainly due to contributions from new stores and better performance from existing stores. The decline in operating profit was mainly due to changes in retail sales mix, 30th anniversary promotional expenses, higher utilities costs as well as initial costs associated with new stores openings.

Revenue from its property management services segment for financial year-to-date had recorded a growth of 8.24%, at RM378.9 million over the previous year corresponding period primarily due to contributions from its new shopping centres, higher rental and sales commissions from tenants revamp in some of the existing shopping centres. The operating profit for the segment included RM14.2 million being the gain on disposal of 18.18% undivided share of the land and building of AEON Taman Universiti Shopping Centre.

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

The profit before tax of RM62.3 million for the quarter was lower than the preceding quarter of RM72.2 million mainly due to the recognition of gain on disposal of 18.18% of the undivided share of the land and building of AEON Taman Universiti Shopping Centre of RM14.2 million in the preceding quarter.

3 Current Year Prospects

With the subdued consumer sentiment as a result of higher cost of living and also generally higher costs of doing business, the Group expects its performance for the year to be challenging. However the Group remains positive that its performance will remain resilient for 2014.

4 Tax expense

Tax expense comprises:

	3 months ended		9 months ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
Current tax expense	18,742	25,032	61,655	70,350
Deferred tax expense	(51)	(51)	2,118	(1,509)
	<u>18,691</u>	<u>24,981</u>	<u>63,773</u>	<u>68,841</u>

The Group'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

Save as disclosed below, there is no other corporate proposals that has been announced by the Group as at the date of this report:

- (a) On 2 June 2014, the Company has completed the bonus issue of new shares on the basis of one bonus share for every one existing share held and the subdivision of every one existing and bonus issue share of RM1.00 each into two ordinary shares of RM0.50 each.
- (b) On 25 June 2014, further to the Company's announcement on 2 October 2013, the Company announced that the Sale and Purchase Agreement with J-REIT for the disposal of 18.18% undivided share of the land and building of AEON Taman Universiti Shopping Centre was completed.

6 Borrowings and Debt Securities

The Group's borrowings as at 30 September 2014 are as follows:

	30 Sep 2014	31 Dec 2013
	RM'000	RM'000
Current		
Unsecured revolving credit	<u>134,900</u>	<u>-</u>

The borrowings are denominated in Ringgit Malaysia.

7 Changes in Material Litigation

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

8 Dividend

No dividend was proposed or declared for the current financial period ended 30 September 2014.

9 Qualification of Audit Report of the Preceding Annual Financial Statements

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

10 Earnings Per Share

	3 months ended		9 months ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
Profit attributable to the owners for the period (RM'000)	43,664	57,117	137,495	155,520
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)	3.11	4.07	9.79	11.08

* The previous year's earnings per share have been restated to reflect the bonus issue and share split which were completed on 2 June 2014.

Diluted earnings per share is not applicable for the Group.

11 Disclosure of Realised and Unrealised Profit or Losses

The retained earnings as at 30 September 2014 is analysed as follows:

	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Total retained earnings of the Company and its subsidiary:		
- realised	950,829	1,240,258
- unrealised	6,060	7,464
Total share of retained earnings of associates:		
- realised	480	372
Total retained earnings of the Group	957,369	1,248,094

12 Notes to the Statement of Comprehensive Income

	3 months ended		9 months ended	
	30 Sep 2014 RM'000	30 Sep 2013 RM'000	30 Sep 2014 RM'000	30 Sep 2013 RM'000
Profit from operations for the period is arrived at after charging:				
Depreciation and amortisation	46,924	39,498	133,076	116,283
Impairment loss:				
- trade receivables	-	8	45	(123)
Loss on foreign exchange	-	72	16	-
Property, plant and equipment written off	157	540	409	630
And after crediting:				
Dividend income	743	604	743	718
Gain on foreign exchange	43	-	43	141
Gain on disposal of property, plant and equipment	302	323	728	435
Gain on disposal of assets classified as held for sale	-	-	14,243	-
Reversal of impairment loss:				
- trade receivables	(1)	-	(1)	-

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