

Notes to the interim financial statements for the period ended 31 December 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 A11. 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 fourth quarter was higher than the third quarter mainly due to the festive seasons in the fourth 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 Quarter 2.

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

On 2 June 2014, 351,000,000 ordinary shares of RM1.00 were issued by the Company 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 Significant Event

On 26 December 2014, the Company announced that it had entered into a Sale and Purchase Agreement with Ireka Engineering & Construction Sdn. Bhd. for the acquisition of a piece of freehold land measuring approximately 20.88 acres in Pekan Senawang, Daerah Seremban, Negeri Sembilan for the purpose of constructing and operating a shopping centre with car parks and departmental stores cum supermarket, at the purchase price of RM53.7 million, of which 1% earnest deposit 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.

10 Operating Segments

The operating segments analysis is as follows:

| | Retailing | | Property Management Services | | Total | |
|--------------------------------|-----------------|-----------|------------------------------|-----------|-----------------|-----------|
| | 12 months ended | | 12 months ended | | 12 months ended | |
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 3,193,194 | 3,041,717 | 512,283 | 472,701 | 3,705,477 | 3,514,418 |
| Segmental profit | 117,769 | 170,380 | 218,020 | 175,104 | 335,789 | 345,484 |
| Less: Unallocated expenses | | | | | (33,650) | (19,459) |
| Profit from operations | | | | | 302,139 | 326,025 |
| Interest expense | | | | | (3,889) | (20) |
| Interest income | | | | | 2,653 | 6,058 |
| Share of results of associates | | | | | 424 | (235) |
| Profit before tax | | | | | 301,327 | 331,828 |
| Tax expense | | | | | (89,450) | (100,866) |
| Profit for the period | | | | | 211,877 | 230,962 |
| Segment assets | 1,066,512 | 999,894 | 2,244,904 | 1,897,835 | 3,311,416 | 2,897,729 |
| Unallocated assets | | | | | 48,588 | 123,091 |
| | | | | | 3,360,004 | 3,020,820 |
| Segment liabilities | 1,078,897 | 1,062,373 | 338,543 | 273,089 | 1,417,440 | 1,335,462 |
| Unallocated liabilities | | | | | 159,191 | 41,721 |
| | | | | | 1,576,631 | 1,377,183 |

11 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 31 December 2014, AEON Index has a total paid-up share capital of RM45,000,000 comprising 45,000,000 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 RM31.5 million. Upon the adoption of *MRFS 10 : Consolidated Financial Statements*, AEON Index is now a subsidiary of the Company.

12 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.

13 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.

14 Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2014 are as follows:

| | 31 Dec 2014 | 31 Dec 2013 |
|-----------------------------------|--------------------|--------------------|
| | RM'000 | RM'000 |
| Property, plant and equipment | | |
| Authorised but not contracted for | 3,297,279 | 3,191,563 |
| Authorised and contracted for | 679,537 | 253,140 |

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

1 Review of Performance

Current quarter vs corresponding quarter

The Group's revenue for the quarter increased by 4.2% from RM932.6 million to RM971.7 million. The opening of new general merchandise stores and shopping centres have contributed to the growth of revenue. However the Group's profit before tax eased by 6.8% from RM107.5 million to RM100.2 million mainly due to initial costs associated with opening of new stores.

Retail business segment registered revenue of RM838.2 million, which was at 3.5% growth as compared to last year corresponding quarter. The higher revenue was mainly due to contributions from its new stores opening.

Revenue from its property management services segment registered 8.7% growth, or RM133.5 million in the quarter under review mainly due to contributions from the new shopping centres.

Current financial year vs corresponding year

The Group recorded a revenue of RM3.71 billion for the financial year ended 31 December 2014 was 5.4% higher than the previous financial year. However, the profit before tax was 9.2% lower from RM331.8 million to RM301.3 million year-on-year. For the year under review, the Group had opened 3 new general merchandise stores which resulted in higher initial costs associated with new store openings as compared to only one new store opened in the previous financial year. The overall Group performance were also affected by the impact of higher operation costs and softer retail market which necessitate higher marketing costs to generate sales.

Total revenue registered by the retail business segment for the financial year increased by 5.0% from RM3.04 billion to RM3.19 billion year-on-year mainly driven by new stores openings and organic growth from some of existing stores. The decline in operating profit was mainly due to weaker 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 had recorded a growth of 8.4%, at RM512.3 million over the previous financial year primarily due to contributions from its new shopping centres as well as higher rental 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 RM100.2 million for the quarter was higher than the preceding quarter of RM62.3 million mainly due to higher revenue and margin generated in the current quarter.

3 Current Year Prospects

In the light of the adverse market conditions and weakening of Ringgit that impact Malaysia economy and the coming into force of the Goods and Services Tax which have further dampened consumer sentiment, the Group expects its performance for the financial year 2015 to be challenging. However the Board is cautiously optimistic that with its established presence, pricing, marketing strategies and competitive strengths, both its retailing and property management services businesses will remain satisfactory.

4 Tax expense

Tax expense comprises:

| | 3 months ended | | 12 months ended | |
|----------------------|----------------|---------------|-----------------|----------------|
| | 31 Dec 2014 | 31 Dec 2013 | 31 Dec 2014 | 31 Dec 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense | 33,070 | 26,130 | 94,725 | 96,480 |
| Deferred tax expense | (7,393) | 5,895 | (5,275) | 4,386 |
| | <u>25,677</u> | <u>32,025</u> | <u>89,450</u> | <u>100,866</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 proposal 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, 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 had been completed.

6 Borrowings and Debt Securities

The Group's borrowings as at 31 December 2014 are as follows:

| | 31 Dec 2014 | 31 Dec 2013 |
|------------------------------|----------------|-------------|
| | RM'000 | RM'000 |
| Current | | |
| Revolving credit - unsecured | <u>136,400</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

- (a) (i) A first and final single tier dividend of 5.00 sen per share have been recommended for the financial year ended 31 December 2014;
(ii) total net dividend payable amounted to RM70,200,000;
(iii) date payable to be determined later; and
(iv) in respect of deposited securities, the date of entitlement to dividend will be determined later.
- (b) For the year ended 31 December 2013, a first and final single tier dividend of 22% amounting to RM77,220,000 was paid on 11 June 2014.
- (c) The single tier dividend recommended for year ended 31 December 2014 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 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 | | 12 months ended | |
|--|----------------|----------------|-----------------|----------------|
| | 31 Dec 2014 | 31 Dec 2013 | 31 Dec 2014 | 31 Dec 2013 |
| Profit attributable to the owners for the period (RM'000) | 75,211 | 75,442 | 212,706 | 230,962 |
| 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) | 5.36 | 5.37 | 15.15 | 16.45 |

* 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 31 December 2014 is analysed as follows:

| | 31 Dec 2014 RM'000 | 31 Dec 2013 RM'000 |
|--|-----------------------|-----------------------|
| Total retained earnings of the Company and its subsidiary: | | |
| - realised | 1,012,420 | 1,240,258 |
| - unrealised | 19,364 | 7,464 |
| Total share of retained earnings of associates: | | |
| - realised | 796 | 372 |
| Total retained earnings of the Group | 1,032,580 | 1,248,094 |

12 Notes to the Statement of Comprehensive Income

| | 3 months ended | | 12 months ended | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Dec 2014 RM'000 | 31 Dec 2013 RM'000 | 31 Dec 2014 RM'000 | 31 Dec 2013 RM'000 |
| Profit from operations for the period is arrived at after charging: | | | | |
| Depreciation and amortisation | 50,435 | 41,958 | 183,511 | 158,241 |
| Impairment loss: | | | | |
| - sundry receivables | 43 | - | 43 | - |
| - property, plant and equipment | - | 1,452 | - | 1,452 |
| Property, plant and equipment written off | 401 | 89 | 810 | 719 |
| And after crediting: | | | | |
| Dividend income | 848 | 577 | 1,591 | 1,295 |
| Gain on foreign exchange | 8 | 38 | 35 | 179 |
| Gain on disposal of property, plant and equipment | 1 | 227 | 736 | 662 |
| Gain on disposal of assets classified as held for sale | - | - | 14,243 | - |
| Gain on disposal of available-for-sale investment | - | - | - | 20 |
| Reversal of impairment loss: | | | | |
| - trade receivables | 61 | 186 | 16 | 309 |

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