

AEON CO. (M) BHD.

(Company No. 126926 - H)
(Incorporated in Malaysia)

Unaudited results of the Group for the second quarter ended 30 June 2017.

Condensed consolidated statement of profit or loss

For the six months ended 30 June 2017

	3 months ended		6 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Revenue	1,008,063	974,771	2,080,032	2,050,446
Total operating expenses	(955,507)	(935,254)	(1,982,794)	(1,962,613)
Other operating income	2,377	1,805	4,602	3,295
Profit from operations	<u>54,933</u>	<u>41,322</u>	<u>101,840</u>	<u>91,128</u>
Interest expense	(10,303)	(9,659)	(19,791)	(15,394)
Interest income	322	398	680	1,030
Share of results of associates	(353)	104	(341)	325
Profit before tax	<u>44,599</u>	<u>32,165</u>	<u>82,388</u>	<u>77,089</u>
Tax expense	(20,255)	(14,170)	(36,912)	(31,083)
Profit for the period	<u><u>24,344</u></u>	<u><u>17,995</u></u>	<u><u>45,476</u></u>	<u><u>46,006</u></u>
Profit attributable to:				
Owners of the Company	25,306	19,076	47,959	47,782
Non-controlling interests	(962)	(1,081)	(2,483)	(1,776)
Profit for the period	<u><u>24,344</u></u>	<u><u>17,995</u></u>	<u><u>45,476</u></u>	<u><u>46,006</u></u>
Basic earnings per ordinary share (sen) (Note B11)	1.80	1.36	3.42	3.40

The Condensed consolidated 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 2016 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

(Company No. 126926 - H)

(Incorporated in Malaysia)

Unaudited results of the Group for the second quarter ended 30 June 2017.

Condensed consolidated statement of other comprehensive income

For the six months ended 30 June 2017

	3 months ended		6 months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period	24,344	17,995	45,476	46,006
Other comprehensive income:				
Gain on fair value of available-for-sale investments	9,722	557	14,799	3,220
Comprehensive income for the period	<u>34,066</u>	<u>18,552</u>	<u>60,275</u>	<u>49,226</u>
Comprehensive income attributable to:				
Owners of the Company	35,028	19,633	62,758	51,002
Non-controlling interests	(962)	(1,081)	(2,483)	(1,776)
Comprehensive income for the period	<u>34,066</u>	<u>18,552</u>	<u>60,275</u>	<u>49,226</u>

The Condensed consolidated 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 2016 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

(Company No. 126926 - H)

(Incorporated in Malaysia)

Condensed consolidated statement of financial position

As at 30 June 2017

	30 June 2017 RM'000	31 December 2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,454,369	3,460,465
Intangible assets	18,574	20,649
Investment in associates	7,627	7,968
Available-for-sale investments	59,257	44,459
Other assets	17,461	17,151
	3,557,288	3,550,692
Current assets		
Inventories	547,904	614,733
Receivables, deposits and prepayments	67,488	67,287
Tax Recoverable	22,956	21,635
Cash and cash equivalents	86,788	96,012
Assets classified as held for sale	67,382	67,382
	792,518	867,049
TOTAL ASSETS	4,349,806	4,417,741
EQUITY AND LIABILITIES		
Share capital	702,000	702,000
Reserves	1,225,557	1,162,799
Equity attributable to owners of the Company	1,927,557	1,864,799
Non-controlling interests	11,174	13,657
TOTAL EQUITY	1,938,731	1,878,456
LIABILITIES		
Non-current liabilities		
Borrowings	240,197	325,070
Other liabilities	7,977	7,977
Deferred tax liabilities	27,889	27,990
	276,063	361,037
Current liabilities		
Borrowings	655,397	640,322
Payables and accruals	1,479,615	1,537,926
	2,135,012	2,178,248
TOTAL LIABILITIES	2,411,075	2,539,285
TOTAL EQUITY AND LIABILITIES	4,349,806	4,417,741

The Condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

(Company No. 126926 - H)

(Incorporated in Malaysia)

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2017

	← Attributable to owners of the Company →				Non-controlling interests RM'000	Total equity RM'000
	Non-distributable Share capital RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000		
At 1 January 2017	702,000	43,429	1,119,370	1,864,799	13,657	1,878,456
Total comprehensive income for the period	-	14,799	47,959	62,758	(2,483)	60,275
At 30 June 2017	<u>702,000</u>	<u>58,228</u>	<u>1,167,329</u>	<u>1,927,557</u>	<u>11,174</u>	<u>1,938,731</u>
At 1 January 2016	702,000	35,812	1,095,787	1,833,599	10,935	1,844,534
Total comprehensive income for the period	-	3,220	47,782	51,002	(1,776)	49,226
Issuance of shares to non- controlling interests	-	-	-	-	7,500	7,500
At 30 June 2016	<u>702,000</u>	<u>39,032</u>	<u>1,143,569</u>	<u>1,884,601</u>	<u>16,659</u>	<u>1,901,260</u>

The Condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

(Company No. 126926 - H)

(Incorporated in Malaysia)

Condensed consolidated statement of cash flows

For the six months ended 30 June 2017

	30 June 2017 RM'000	30 June 2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	82,388	77,089
Adjustments for:		
Non-cash items	148,513	124,553
Non-operating items	18,917	14,203
Operating profit before changes in working capital	<u>249,818</u>	<u>215,845</u>
Changes in working capital:		
Net change in current assets	63,045	(72,930)
Net change in current liabilities	(58,511)	113,778
Cash generated from operations	<u>254,352</u>	<u>256,693</u>
Tax paid	<u>(38,333)</u>	<u>(40,525)</u>
Net cash generated from operating activities	<u>216,019</u>	<u>216,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(140,142)	(408,354)
Deposit refunded for cancellation of acquisition of land	3,485	-
Proceeds from disposal of property, plant and equipment and intangible assets	130	340
Dividend received	193	161
Interest received	680	1,030
Net cash used in investing activities	<u>(135,654)</u>	<u>(406,823)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares to non-controlling interests	-	7,500
Net proceeds from borrowings	(69,798)	94,795
Interest paid	(19,791)	(15,394)
Net cash generated from financing activities	<u>(89,589)</u>	<u>86,901</u>
Net change in cash and cash equivalents	(9,224)	(103,754)
Cash and cash equivalents at 1 January	<u>96,012</u>	<u>213,857</u>
Cash and cash equivalents at 30 June	<u>86,788</u>	<u>110,103</u>

The Condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the interim financial statements for the period ended 30 June 2017

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 2016.

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 for the year ended 31 December 2016 except for the adoption of the following Amendments to Standards during the current financial period:

Amendments to MFRS 12	Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 107	Statement of Cash Flows – Disclosure Initiative
Amendments to MFRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

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 January 2018:

MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS15	Revenue from Contracts with Customers
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share-Based Payment Transactions
Amendments to MFRS 4	Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
Amendments to MFRS 140	Investment Property – Transfers of Investment Property

(ii) Financial year beginning on or after 1 January 2019:

MFRS 16	Leases
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(iii) 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
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3 Seasonality or Cyclicalities of Interim Operations

The Group's revenue for the second quarter was slightly lower than the first quarter mainly due to the festive season in the first quarter.

4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

In relation to Note B6, the net book value of assets of AEON Mahkota Cheras Shopping Centre had been transferred to assets classified as held for sale as its sale is highly probable.

Other than the 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.

7 Dividends Paid

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

An ordinary dividend of 3.0 sen per share amounting to RM42,120,000 in respect of the financial year ended 31 December 2016 was approved by shareholders at the Thirty-Second Annual General Meeting and was paid to shareholders on 13 July 2017.

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 Group

There were no changes in the composition of the Group during the current financial period.

10 Operating Segments

The operating segments analysis is as follows:

	Retailing		Property Management Services		Total	
	6 months ended		6 months ended		6 months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,752,528	1,756,910	327,504	293,536	2,080,032	2,050,446
Segmental profit	6,614	2,521	109,916	103,937	116,530	106,458
Less: Unallocated expenses					(14,690)	(15,330)
Profit from operations					101,840	91,128
Interest expense					(19,791)	(15,394)
Interest income					680	1,030
Share of results of associates					(341)	325
Profit before tax					82,388	77,089
Tax expense					(36,912)	(31,083)
Profit for the period					45,476	46,006
Segment assets	1,184,736	1,273,419	3,099,272	2,959,988	4,284,008	4,233,407
Unallocated assets					65,798	74,058
					4,349,806	4,307,465
Segment liabilities	1,100,071	1,159,226	379,774	361,262	1,479,845	1,520,488
Unallocated liabilities					931,230	885,717
					2,411,075	2,406,205

Total revenue registered by the retail business segment for the financial year-to-date at RM1.75 billion was marginally lower by 0.2% compared to RM1.76 billion recorded in the preceding year corresponding period mainly due to current weak consumer sentiments and cautious spending. The segmental profit of RM6.6 million was higher as compared to RM2.5 million recorded in the preceding year corresponding period mainly due to higher margin as a result of marketing, pricing strategies and also cost efficiency efforts.

Revenue from its property management services segment for financial year-to-date, at RM327.5 million recorded a growth of 11.6%, over the previous year corresponding period of RM293.5 million, mainly due to contributions from its new shopping malls that were opened in March and May last year. The segmental profit of RM109.9 million was higher as compared to RM103.9 million recorded in the preceding year corresponding period mainly due to the opening of these new malls.

11 Related Party Transactions

During the current quarter under review and up to the date of this announcement, 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 of the total aggregate amount which had been mandated by the shareholders during the Annual General Meeting held on 25 May 2017.

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 2016.

13 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 June 2017 are as follows:

	30 June 2017 RM'000	31 Dec 2016 RM'000
Property, plant and equipment		
Authorised but not contracted for	834,048	920,241
Authorised and contracted for	474,028	544,121

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

1 Review of Performance

Quarter results

	Current Year Quarter 30 June 2017 RM'000	Preceding Year Corresponding Quarter 30 June 2016 RM'000	Changes (%)
Revenue	1,008,063	974,771	3.4%
Profit from Operations	54,933	41,322	33.1%
Profit Before Tax	44,599	32,165	38.7%
Profit After Tax	24,344	17,995	35.3%
Profit Attributable to Ordinary Equity Holders	25,306	19,076	32.7%

For the quarter under review, the Group registered a total revenue of RM1.01 billion, which was higher by 3.4% as compared with RM974.8 million recorded in the preceding year corresponding quarter. The profit before tax of RM44.6 million was higher as compared to RM32.2 million registered in the previous year corresponding quarter.

Retail business revenue registered RM843.7 million, which was higher by 2.3% as compared to the preceding year corresponding quarter of RM824.4 million mainly due to higher revenue generated in the current year quarter as a result of marketing, pricing strategies and earlier festive season in this quarter.

Revenue from its property management services segment recorded a growth of 9.3% at RM164.4 million over the previous year corresponding quarter of RM150.4 million mainly due to contributions from its new shopping malls that were opened in March and May last year respectively.

Financial Year-to-date results

	Current Year To-date 30 June 2017 RM'000	Preceding Year Corresponding Period 30 June 2017 RM'000	Changes (%)
Revenue	2,080,032	2,050,446	1.4%
Profit from Operations	101,840	91,128	11.8%
Profit Before Tax	82,388	77,089	6.9%
Profit After Tax	45,476	46,006	(1.2%)
Profit Attributable to Ordinary Equity Holders	47,959	47,782	0.4%

For the first half ended 30 June 2017, the Group posted a total revenue of RM2.08 billion, which represented an increase of 1.4% as compared with the previous year corresponding period of RM2.05 billion mainly due to contributions from its new stores and shopping malls that opened in March and May last year respectively. The profit before tax for the financial year-to-date of RM82.4 million was 6.9% higher than the previous year corresponding period-to-date of RM77.1 million due to higher revenue and margin as a result of marketing, pricing strategies and earlier festive season in the current year second quarter.

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

	Current Quarter 30 June 2017 RM'000	Immediate Preceding Quarter 31 Mar 2017 RM'000	Changes (%)
Revenue	1,008,063	1,071,970	(6.0%)
Profit from Operations	54,933	46,907	17.1%
Profit Before Tax	44,599	37,789	18.0%
Profit After Tax	24,344	21,133	15.2%
Profit Attributable to Ordinary Equity Holders	25,306	22,654	11.7%

For the quarter under review, the Group registered a total revenue of RM1.01 billion, which was slightly lower by 6.0% from RM1.07 billion recorded in the immediate preceding quarter mainly due to stronger festive season sales in preceding quarter. The profit before tax of RM44.6 million for the quarter was higher than the preceding quarter of RM37.8 million mainly due to higher margin and non-operating expenses in the preceding quarter.

3 Current Year Prospects

The economic and business environment remains challenging with the cautious consumer sentiments as a result of higher cost of living. The Group expects its performance for the financial year 2017 to be equally challenging.

For retail business, the Group will continue to employ appropriate marketing and pricing strategies, merchandise assortment reformation, maintaining quality customer service and with operational efficiency efforts to ensure that its core businesses remain resilient and sustainable.

For property management services, which is also facing challenging times in the face of the softer retail market and competition, the Group will continue to leverage on its competitive strengths to maintain sustainable occupancy rate with well balanced tenant mix to maintain its positioning as a shopping destination.

The Group will continue to refurbish and upgrade its selected stores and shopping malls to provide a new refreshing level of shopping experience for its customers with expanded space, a better retail mix and merchandise assortments.

4 Variance of Profit Forecast/Profit Guarantee

Not applicable as the Group did not publish any profit forecast or profit guarantee.

5 Tax expense

Tax expense comprises:

	3 months ended		6 months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Current tax expense	20,305	14,220	37,012	31,183
Deferred tax expense	(50)	(50)	(100)	(100)
	20,255	14,170	36,912	31,083

The Group'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

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

On 29 June 2017, the Company announced that it had entered into a Sale and Purchase Agreement with Foremost Wealth Management Sdn. Bhd., a company incorporated in Malaysia, for the disposal of a piece of freehold land held under H.S.(D) 142740, PT No Plot 55919, Mukim of Cheras, District of Ulu Langat and State of Selangor measuring approximately 28,328 square metres together with a 2-storey retail Shopping Centre known as AEON Mahkota Cheras Shopping Centre constructed thereon at a sale consideration of RM87.8 million. Upon the completion, the proposed disposal is expected to give rise to an estimated gain of RM17 million for the financial year ended 31 December 2017. As at the date of this announcement, the Sale and Purchase Agreement has not been completed yet.

7 Borrowings and Debt Securities

The Group's borrowings as at 30 June 2017 are as follows:

	As at 2 nd quarter ended 2017		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	240,197	235,997	476,194
Revolving credit facilities	-	234,400	234,400
Islamic Medium Term Notes/Commercial papers	-	185,000	185,000
	240,197	655,397	895,594

	As at 2 nd quarter ended 2016		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	129,167	87,500	216,667
Revolving credit facilities	-	423,400	423,400
Islamic Medium Term Notes/Commercial papers	-	224,600	224,600
	129,167	735,500	864,667

- (i) The term loans are unsecured, bears interest ranging from 3.45% to 4.20% per annum and are repayable on quarterly basis up to 29 October 2021.
- (ii) The unsecured revolving credit bear interest rates ranging from 3.45% to 4.01% per annum.
- (iii) The unsecured Islamic Medium Term Note and Islamic Commercial Papers, bear interest rate ranging from 3.76% to 3.83% per annum.

8 Changes in Material Litigation

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

9 Dividend

No dividend was proposed or declared for the current financial period ended 30 June 2017

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		6 months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Profit attributable to the owners for the period (RM'000)	25,306	19,076	47,959	47,782
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)	1.80	1.36	3.42	3.40

Diluted earnings per share is not applicable for the Group.

12 Disclosure of Realised and Unrealised Profits or Losses

The retained earnings as at 30 June 2017 is analysed as follows:

	30 June 2017 RM'000	31 Dec 2016 RM'000
Total retained earnings of the Company and its subsidiary:		
- realised	1,157,748	1,109,260
- unrealised	7,969	8,156
Total share of retained earnings of associates:		
- unrealised	1,612	1,954
	1,167,329	1,119,370

13 Notes to the Statement of Comprehensive Income

	3 months ended		6 months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit from operations for the period is arrived at after charging:				
Depreciation and amortisation	72,688	66,383	146,687	124,910
Impairment loss:				
- trade receivables	534	546	1,435	603
Interest expense	10,303	9,659	19,791	15,394
Loss/(Gain) on foreign exchange	(1)	(12)	94	191
Property, plant and equipment written off	557	135	1,504	187
And after crediting:				
Gain on disposal of property, plant and equipment	-	203	6	219
Interest income	322	398	680	1,030

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