

AEON CO. (M) BHD.

(Company No. 126926 - H)

(Incorporated in Malaysia)

Unaudited results of the Group for the second quarter ended 30 June 2014.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	3 months ended		6 months ended	
	30 June		30 June	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Revenue	857,719	819,345	1,803,225	1,688,611
Total operating expenses	(801,679)	(754,535)	(1,682,886)	(1,552,689)
Other operating income	15,650	1,171	16,824	1,957
Profit from operations	<u>71,690</u>	<u>65,981</u>	<u>137,163</u>	<u>137,879</u>
Interest expense	(152)	-	(154)	(1)
Interest income	316	1,410	1,837	4,181
Share of results of associates	296	53	49	204
Profit before taxation	<u>72,150</u>	<u>67,444</u>	<u>138,895</u>	<u>142,263</u>
Tax expense	(25,212)	(20,153)	(45,082)	(43,860)
Profit for the period	<u>46,938</u>	<u>47,291</u>	<u>93,813</u>	<u>98,403</u>
Other Comprehensive Income:				
Gain on fair value of available-for-sale investment	3,963	13,003	3,901	15,418
Total Comprehensive Income for the period	<u><u>50,901</u></u>	<u><u>60,294</u></u>	<u><u>97,714</u></u>	<u><u>113,821</u></u>
Profit attributable to:				
Equity holders of the company	46,956	47,291	93,831	98,403
Non-controlling interest	(18)	-	(18)	-
	<u>46,938</u>	<u>47,291</u>	<u>93,813</u>	<u>98,403</u>
Total comprehensive income to attributable to:				
Equity holders of the company	50,919	60,294	97,732	113,821
Non-controlling interest	(18)	-	(18)	-
	<u>50,901</u>	<u>60,294</u>	<u>97,714</u>	<u>113,821</u>
Basic earnings per ordinary share (sen) (Note B10)	3.34	3.37	6.68	7.01

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

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(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position

As at 30 June 2014

	30 June 2014 RM'000	31 December 2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,304,150	2,048,373
Intangible assets	7,484	12,311
Investment in associates	6,435	6,387
Available-for-sale investments	49,474	45,573
	2,367,543	2,112,644
Current assets		
Inventories	479,706	460,725
Receivables, deposits and prepayments	96,769	128,884
Cash and cash equivalents	110,950	313,560
Assets classified as held for sale	-	5,007
	687,425	908,176
TOTAL ASSETS	3,054,968	3,020,820
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	702,000	351,000
Reserves	962,149	1,292,637
	1,664,149	1,643,637
Non-controlling interest	1,332	-
TOTAL EQUITY	1,665,481	1,643,637
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	26,743	24,574
	26,743	24,574
Current liabilities		
Payables and accruals	1,353,542	1,335,462
Taxation	9,202	17,147
	1,362,744	1,352,609
TOTAL LIABILITIES	1,389,487	1,377,183
TOTAL EQUITY AND LIABILITIES	3,054,968	3,020,820

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

AEON CO. (M) BHD.

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	← Attributable to equity holders of the Company →					
	Non-distributable Share capital RM'000	Fair value reserve RM'000	Distributable Retained earnings RM'000	Total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
At 1 January 2014	351,000	44,543	1,248,094	1,643,637	-	1,643,637
Total comprehensive income for the period	-	3,901	93,831	97,732	(18)	97,714
Issuance of shares to non- controlling interest	-	-	-	-	1,350	1,350
Bonus Issue	351,000	-	(351,000)	-	-	-
Final dividend in respect of year ended 31 December 2013 (Note 7)	-	-	(77,220)	(77,220)	-	(77,220)
At 30 June 2014	702,000	48,444	913,705	1,664,149	1,332	1,665,481
At 1 January 2013	351,000	36,865	1,081,190	1,469,055	-	1,469,055
Total comprehensive income for the period	-	15,418	98,403	113,821	-	113,821
Final dividend in respect of year ended 31 December 2012	-	-	(64,058)	(64,058)	-	(64,058)
At 30 June 2013	351,000	52,283	1,115,535	1,518,818	-	1,518,818

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	30 June 2014	30 June 2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	138,895	142,263
Adjustments for:		
Non-cash items	71,688	76,540
Non-operating items	(1,683)	(4,294)
Operating profit before changes in working capital	<u>208,900</u>	<u>214,509</u>
Changes in working capital:		
Net change in current assets	31,029	(60,589)
Net change in current liabilities	17,730	(28,137)
Cash generated from operations	<u>257,659</u>	<u>125,783</u>
Tax paid	<u>(50,858)</u>	<u>(41,925)</u>
Net cash generated from operating activities	<u>206,801</u>	<u>83,858</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(340,307)	(174,422)
Deposit paid as part of purchase consideration for acquisition of land	(18,295)	(90,815)
Investment in associates	-	(400)
Proceeds from disposal of property, plant and equipment and intangible assets	3,378	187
Proceeds from disposal of assets classified as held for sale	20,000	-
Proceeds from disposal of available-for-sale investment	-	65
Dividend received	-	114
Interest received	1,837	4,181
Net cash used in investing activities	<u>(333,387)</u>	<u>(261,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(77,220)	-
Interest paid	(154)	(1)
Proceeds from non-controlling interest	1,350	-
Net cash used in financing activities	<u>(76,024)</u>	<u>(1)</u>
Net change in cash and cash equivalents	(202,610)	(177,233)
Cash and cash equivalents at 1 January	<u>313,560</u>	<u>454,527</u>
Cash and cash equivalents at 30 June	<u><u>110,950</u></u>	<u><u>277,294</u></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 2013 and the accompanying explanatory notes attached to the interim financial statements.

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

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 current 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

On 10 July 2014, the Group announced that it had entered into a Sale and Purchase Agreement with Genting Property Sdn. Bhd. to acquire a piece of freehold land measuring in total area of approximately 20 acres in Mukim Simpang Kanan, Daerah Batu Pahat, Negeri Johor for the purpose of constructing and operating the business of a shopping centre with car parks and departmental stores cum supermarket, at the purchase price of RM34.8 million, of which 1% earnest deposit has been paid. As at the date of this announcement, the Sale and Purchase Agreement has not been completed yet.

Saved as disclosed above, there were no other material events subsequent to the balance sheet date to be disclosed in the 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 B5, 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.

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 Jun	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,552,338	1,455,072	250,887	233,539	1,803,225	1,688,611
Segmental profit	33,984	55,433	115,731	91,589	149,715	147,022
Less: Unallocated expenses					(12,552)	(9,143)
Profit from operations					137,163	137,879
Interest expense					(154)	(1)
Interest income					1,837	4,181
Share of results of associates					49	204
Profit before tax					138,895	142,263
Tax expense					(45,082)	(43,860)
Profit for the period					93,813	98,403
Segment assets	954,188	799,404	2,049,698	1,738,842	3,003,886	2,538,246
Unallocated assets					51,082	231,545
					3,054,968	2,769,791
Segment liabilities	1,057,232	899,454	296,310	246,344	1,353,542	1,145,798
Unallocated liabilities					35,945	105,175
					1,389,487	1,250,973

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 Group's announcement made on 20 September 2013, the Group 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.

Pursuant to the Joint Venture Agreement, the Group had subscribed for the 70 per cent of AEON Index's issued and paid-up share capital for a cash consideration of RM3.15 million. Upon the adoption of *MRFS 10 : Consolidated Financial Statements*, AEON Index is now a subsidiary of the Group.

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 June 2014 are as follows:

	30 Jun 2014 RM'000	31 Dec 2013 RM'000
Property, plant and equipment		
Authorised but not contracted for	2,544,942	3,191,563
Authorised and contracted for	920,045	253,140

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

1 Review of Performance

Quarter results

The Group recorded a total revenue of RM857.7 million for current quarter, an increase of RM38.4 million or 4.7% over the preceding year corresponding quarter. Profit before tax of RM72.2 million was 7.0% higher as compared to RM67.4 million registered in the previous year corresponding quarter. The performance of the Group included gain on disposal of 18.18% undivided share of the land and building of AEON Taman Universiti Shopping Centre of RM14.2 million.

Retail business segment registered a 4.3% growth in revenue to RM734.4 million compared to the preceding year corresponding quarter mainly attributed by the overall better performance of its existing stores and contributions from its new stores.

Property management services segment continued to perform well in the quarter, with 6.8% increase in revenue to RM123.3 million over the previous year corresponding quarter mainly due to the contributions from its new shopping centres which commenced operations in November 2013 and June 2014 as well as higher rental rates from tenants revamp.

Financial Year-to-date results

For the first half ended 30 June 2014, the Group posted a total revenue of RM1.80 billion, which represent an increase of 6.8% as compared with the previous year corresponding period of RM1.69 billion. However, profit before tax for the financial year-to-date of RM138.9 million was 2.4% lower than the previous year corresponding period-to-date of RM142.3 million.

Total revenue registered by the retail business segment for the financial year-to-date increased by 6.7% to RM1.55 billion compared to RM1.46 billion recorded in the preceding year corresponding period. The higher revenue was mainly attributed by the contributions from its new stores, better performance of its existing stores and more extensive loyalty members' promotions. The decline in operating profit was mainly due to higher utilities and promotion expenses as well as initial costs associated with new stores opening.

Revenue from its property management services segment for financial year-to-date had recorded a growth of 7.4%, at RM250.9 million over the previous year corresponding period. The overall better performance was as a result of the contribution from its new shopping centres that were opened in November 2013 and June 2014, higher rental rates and benefits from tenants revamp in some of its existing shopping centres. The operating profit for the segment included the gain on disposal of 18.18% undivided share of the land and building of AEON Taman Universiti Shopping Centre of RM14.2 million.

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

The profit before tax of RM72.2 million for the quarter was higher than the preceding quarter of RM66.7 million as a result of 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 current quarter.

3 Current Year Prospects

Malaysia's overall economy is expected to remain steady though consumer sentiment is generally expected to remain cautious due to increase in price of goods and services. The Group will continue to leverage on its competitive strengths and remains optimistic that it will continue its growth in both its retailing and property management services business for 2014.

4 Tax expense

Tax expense comprises:

	3 months ended		6 months ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Current tax expense	22,993	21,560	42,913	45,318
Deferred tax expense	2,219	(1,407)	2,169	(1,458)
	<u>25,212</u>	<u>20,153</u>	<u>45,082</u>	<u>43,860</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 but not yet completed 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, as disclosed in Note A6.
- (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, as disclosed in Note A4.

6 Borrowings and Debt Securities

As at 30 June 2014, the Group did not have any borrowings and debt securities.

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 June 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		6 months ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
Profit attributable to the owners for the period (RM'000)	46,956	47,291	93,831	98,403
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)	<u>3.34</u>	<u>3.37</u>	<u>6.68</u>	<u>7.01</u>

* 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 June 2014 is analysed as follows:

	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Total retained earnings of the Company and its subsidiary:		
- realised	905,915	1,240,258
- unrealised	7,369	7,464
Total share of retained earnings of associates:		
- realised	421	372
Total retained earnings of the Group	<u>913,705</u>	<u>1,248,094</u>

12 Notes to the Statement of Comprehensive Income

	3 months ended		6 months ended	
	30 Jun	30 Jun	30 Jun	30 Jun
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit from operations for the period is arrived at after charging:				
Depreciation and amortisation	43,986	38,514	86,152	76,785
Impairment loss:				
- trade receivables	2	126	45	245
Loss on foreign exchange	3	-	16	-
Property, plant and equipment written off	93	51	252	89
And after crediting:				
Dividend income	-	114	-	114
Gain on foreign exchange	-	93	-	212
Gain on disposal of property, plant and equipment	427	154	426	112
Gain on disposal of assets classified as held for sale	14,243	-	14,243	-

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