

# AEON CO. (M) BHD.

( Company No. 126926 - H )

( Incorporated in Malaysia )

Unaudited results of the Company for the third quarter ended 30 September 2019.

## Condensed statement of profit or loss

For the nine months ended 30 September 2019

	3 months ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	1,062,416	1,064,808	3,368,778	3,243,122
Total operating expenses	(1,007,026)	(1,033,819)	(3,146,116)	(3,097,985)
Other operating income	3,057	2,694	6,218	5,818
<b>Profit from operations</b>	<u>58,447</u>	<u>33,683</u>	<u>228,880</u>	<u>150,955</u>
Interest expense				
- Lease interest	(34,075)	-	(91,200)	-
- Interest charges	(10,393)	(10,995)	(28,796)	(29,764)
	<u>(44,468)</u>	<u>(10,995)</u>	<u>(119,996)</u>	<u>(29,764)</u>
Interest income	261	385	995	1,050
Share of results of associates	(274)	314	(284)	(12,320)
Impairment loss on investment in associate	-	-	-	(8,010)
<b>Profit before tax</b>	<u>13,966</u>	<u>23,387</u>	<u>109,595</u>	<u>101,911</u>
Tax expense	(6,642)	(9,536)	(50,182)	(50,330)
<b>Profit for the period</b>	<u><u>7,324</u></u>	<u><u>13,851</u></u>	<u><u>59,413</u></u>	<u><u>51,581</u></u>
Basic earnings per ordinary share (sen) (Note B11)	0.52	0.99	4.23	3.67

The Condensed 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 2018 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 Company for the third quarter ended 30 September 2019.

## Condensed statement of other comprehensive income

For the nine months ended 30 September 2019

	3 months ended 30 September		9 months ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Profit for the period</b>	7,324	13,851	59,413	51,581
<b>Other comprehensive income:</b>				
Gain on fair value of other investments	(10,310)	7,895	(3,344)	12,260
<b>Comprehensive income for the period</b>	<u>(2,986)</u>	<u>21,746</u>	<u>56,069</u>	<u>63,841</u>

The Condensed 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 2018 and the accompanying explanatory notes attached to the interim financial statements.

# AEON CO. (M) BHD.

( Company No. 126926 - H )

( Incorporated in Malaysia )

## Condensed statement of financial position

As at 30 September 2019

	30 September 2019 RM'000	31 December 2018 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,661,460	3,699,455
Intangible assets	12,291	14,179
Right-of-use Assets	1,786,263	-
Investment in associates	10,769	11,053
Other investments	67,710	71,053
Other assets	17,939	17,954
Deferred tax assets	120,009	2,242
	5,676,441	3,815,936
<b>Current assets</b>		
Inventories	624,504	680,140
Contract Assets	13,421	18,771
Receivables, deposits and prepayments	62,037	49,705
Cash and cash equivalents	94,754	82,154
	794,716	830,770
<b>TOTAL ASSETS</b>	6,471,157	4,646,706
<b>EQUITY AND LIABILITIES</b>		
Share capital	702,000	702,000
Reserves	945,834	1,318,375
<b>TOTAL EQUITY</b>	1,647,834	2,020,375
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	241,350	350,160
Lease Liabilities	2,148,877	-
Other liabilities	17,734	17,734
	2,407,961	367,894
<b>Current liabilities</b>		
Contract Liabilities	150,264	157,981
Borrowings	886,897	645,263
Lease Liabilities	142,190	-
Payables and accruals	1,233,575	1,429,834
Current tax liability	2,436	25,359
	2,415,362	2,258,437
<b>TOTAL LIABILITIES</b>	4,823,323	2,626,331
<b>TOTAL EQUITY AND LIABILITIES</b>	6,471,157	4,646,706

The Condensed statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

# AEON CO. (M) BHD.

( Company No. 126926 - H )

( Incorporated in Malaysia )

## Condensed statement of changes in equity

For the nine months ended 30 September 2019

	<b>Non-distributable</b>		<b>Distributable</b>	
	<b>Share</b>	<b>Fair value</b>	<b>Retained</b>	<b>Total</b>
	<b>capital</b>	<b>reserve</b>	<b>earnings</b>	<b>equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2019</b>	702,000	70,023	1,248,352	2,020,375
Impact of change in accounting policy	-	-	(344,618)	(344,618)
Adjusted balance at 1 January 2019	702,000	70,023	903,734	1,675,757
Total comprehensive income for the period	-	(3,344)	59,413	56,069
Final dividend in respect of year ended 31 December 2018	-	-	(56,160)	(56,160)
Impact of change in accounting policy	-	-	(27,832)	(27,832)
<b>At 30 September 2019</b>	<u>702,000</u>	<u>66,679</u>	<u>879,155</u>	<u>1,647,834</u>
<b>At 1 January 2018</b>	702,000	61,478	1,199,390	1,962,868
Total comprehensive income for the period	-	12,260	51,581	63,841
Final dividend in respect of year ended 31 December 2017	-	-	(56,160)	(56,160)
<b>At 30 September 2018</b>	<u>702,000</u>	<u>73,738</u>	<u>1,194,811</u>	<u>1,970,549</u>

The Company has applied MFRS 16, *Leases* using modified retrospective approach and measured the right-of-use asset as if MFRS 16 had always been applied with no restatement of comparative information.

The Condensed statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

# AEON CO. (M) BHD.

( Company No. 126926 - H )  
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## Condensed statement of cash flows

For the nine months ended 30 September 2019

	30 September 2019 RM'000	30 September 2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	109,595	101,911
Adjustments for:		
Non-cash items		
- Right-of-use asset amortisation	121,816	-
- Others	240,261	245,721
	362,077	245,721
Non-operating items		
- Lease interest	91,200	-
- Others	26,494	27,644
	117,694	27,644
Operating profit before changes in working capital	589,366	375,276
Changes in working capital:		
Net change in current assets	48,669	2,534
Net change in current liabilities	(203,975)	(22,983)
Cash generated from operations	434,060	354,827
Tax paid	(73,255)	(63,571)
<b>Net cash generated from operating activities</b>	<b>360,805</b>	<b>291,256</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(200,030)	(391,709)
Dividend received	1,306	1,070
Interest received	995	1,050
<b>Net cash used in investing activities</b>	<b>(197,729)</b>	<b>(389,589)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease liabilities	(198,343)	-
Net borrowings	132,823	171,290
Interest paid	(28,796)	(29,764)
Dividend paid	(56,160)	(56,160)
<b>Net cash used in financing activities</b>	<b>(150,476)</b>	<b>85,366</b>
<b>Net change in cash and cash equivalents</b>	<b>12,600</b>	<b>(12,967)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>82,154</b>	<b>78,594</b>
<b>Cash and cash equivalents at 30 September</b>	<b>94,754</b>	<b>65,627</b>

The Company has applied MFRS 16, *Leases* using modified retrospective approach and measured the right-of-use asset as if MFRS 16 had always been applied with no restatement of comparative information.

The Condensed statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**Notes to the interim financial statements for the year ended 30 September 2019**

**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 2018.

**2 Significant Accounting Policies**

The accounting policies applied by the Company in these interim financial statements are consistent with those applied by the Company in its annual financial statements for the year ended 31 December 2018 except for the adoption of the following Amendments to Standards during the current financial period:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 9	Financial Instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

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 2020:

Amendments to MFRS 3	Business Combinations – Definition of a Business
Amendments to MFRS 101	Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

(ii) Financial year beginning on or after 1 January 2021:

MFRS 17	Insurance Contracts
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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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The initial application of the accounting standards, amendments and interpretations that are effective from 1 January 2019 do not have any material financial impacts to the current and prior financial year of the Company except as mentioned below:

**(i) MFRS 16, Leases**

MFRS 16, Leases which is effective from 1 January 2019 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Company has adopted the standard using modified retrospective approach, under which the cumulative effect of initial recognition is recognised in retained earnings. The Company measured the right-of-use asset as if MFRS 16 had always been applied with no restatement of comparative information. The following table shows the impact of changes to the statements of financial position of the Company resulting from the adoption of MFRS 16, Leases as at 1 January 2019:

	As at 31 December 2018 RM'000	Initial recognition RM'000	As at 1 January 2019 RM'000
<b>Non-current assets</b>			
Right-of-use assets	-	1,811,501	1,811,501
Deferred tax assets	2,242	117,616	119,858
	<hr/>		<hr/>
<b>Non-current liabilities</b>			
Lease liabilities	-	(2,159,771)	(2,159,771)
	<hr/>		<hr/>
<b>Current liabilities</b>			
Lease liabilities	-	(141,796)	(141,796)
	<hr/>		<hr/>
<b>Equity</b>			
Distributable retained earnings	(1,248,352)	372,450	(875,902)
	<hr/>		<hr/>

No significant impact is expected for leases in which the Company is a lessor.

**(ii) Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)**

Amendments to MFRS 123 clarifies that if any specific borrowing becomes outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally and the borrowing cost incurred are eligible for capitalisation to other qualifying assets..

Amendments to MFRS 123 will have impact to the financial statements of the Company for the year ending 31 December 2019 as it applies the amendments only to borrowing costs incurred on or after the date it first apply the amendments which is 1 January 2019.

Since adoption of amendments to MFRS 123, the Company capitalized of interest amounted to RM4.7 million for the current financial period to date.

**3 Seasonality or Cyclicity of Interim Operations**

The Company's revenue for the third quarter was lower than the second quarter mainly due to the festive season in the second 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 current financial period to date.

**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 financial period to date.

**6 Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period to date.

**7 Dividends Paid**

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

An ordinary dividend of 4.0 sen per share amounting to RM56,160,000 in respect of the financial year ended 31 December 2018 was approved by shareholders at the Thirty-Fourth Annual General Meeting and was paid to shareholders on 11 July 2019.

**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 to date.

**9 Effects of Changes in the Composition of the Company**

There were no changes in the composition of the Company during the current financial period to date.

## 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 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,844,699	2,732,729	524,079	510,393	3,368,778	3,243,122
Segmental profit	55,484	16,608	207,472	155,685	262,956	172,293
Less: Unallocated expenses					(34,076)	(21,338)
Profit from operations					228,880	150,955
Interest expense						
- Lease interest					(91,200)	-
- Interest charges					(28,796)	(29,764)
Interest income					995	1,050
Share of results of associates						
- Other Companies					(284)	1,421
- Index					-	(13,741)
Impairment loss on investment in an associate - Index					-	(8,010)
Profit before tax					109,595	101,911
Tax expense					(50,182)	(50,330)
Profit for the year					59,413	51,581
Segment assets	1,610,159	1,273,483	4,688,786	3,267,698	6,298,945	4,541,181
Unallocated assets					172,212	11,130
					6,471,157	4,552,311
Segment liabilities	1,425,066	1,058,397	2,249,841	381,810	3,674,907	1,440,207
Unallocated liabilities					1,148,416	1,141,555
					4,823,323	2,581,762

Total revenue registered by the retail business segment for the financial year-to-date at RM2.84 billion was higher by 4.0% compared to RM2.73 billion recorded in the preceding year corresponding period mainly due to contributions from newly renovated stores and newly opened stores in April 2018 and January 2019 as well as newly opened specialty stores in this reporting period. The higher growth was however mitigated by additional stores renovation in this period and downsizing of a store at end of previous year.

Revenue from its property management services segment for financial year-to-date, at RM524.1 million recorded a growth of 2.7%, over the preceding year corresponding period of RM510.4 million. The increase was mainly due to contributions from new shopping malls which were opened in April 2018 and January 2019.

Besides the MFRS 16 impact, the retailing segmental profit of RM55.5 million was higher as compared to RM16.6 million segmental profit recorded in the preceding year corresponding period mainly due to higher revenue and better margin especially in the first quarter of the year.

After adjusting for the adoption of MFRS 16 impact excluding lease interest component, retailing segmental profit remains high at RM44.0 million (as shown in the table below) as compared to the preceding year corresponding period of RM16.6 million.

Segmental profit from property management services of RM207.5 million was higher as compared to RM155.7 million recorded in the preceding year corresponding period due to MFRS 16 impact. However, after adjusting for MFRS 16 impact excluding lease interest component, segmental profit recorded at RM142.6 million (as shown in the table below) is lower than preceding year corresponding period at RM155.7 million mainly due to higher operating expenses growth especially rental and utilities as compared to income growth.

The segmental assets and liabilities included impact from adoption of MFRS 16.

	Retailing		Property Management Services		Total	
	9 months ended		9 months ended		9 months ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segmental profit	55,484	16,608	207,472	155,685	262,956	172,293
MFRS 16 Impact:						
- Rental	(37,191)	-	(160,640)	-	(197,831)	-
- Right-of-use asset amortisation	25,666	-	95,797	-	121,463	-
Segmental profit exclude MFRS 16 adjustments	43,959	16,608	142,629	155,685	186,588	172,293

#### 11 Related Party Transactions

During the current quarter under review and up to the date of this announcement, 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 of the total aggregate amount which had been mandated by the shareholders during the Annual General Meeting held on 30 May 2019.

#### 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 2018.

#### 13 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2019 are as follows:

	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Property, plant and equipment		
Contracted but not provided for and not payable	83,726	86,511

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

**1 Review of Performance**

**Quarter results**

	<b>Current Year Quarter 30 Sep 2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 30 Sep 2018 RM'000</b>	<b>Changes %</b>
Revenue	1,062,416	1,064,808	(0.2%)
Profit from Operations	58,447	33,683	73.5%
Profit Before Tax	13,966	23,387	(40.3%)

For the quarter under review, the Company registered a total revenue of RM1.062 billion, which was lower by 0.2% as compared with RM1.065 billion recorded in the preceding year corresponding quarter.

Retail business segment revenue registered RM888.6 million lower by 0.8% compared to RM895.7 million recorded in the preceding year corresponding quarter mainly due to temporary closure of stores for renovation in this quarter and downsizing of a store at end of previous year, though this is mitigated by the opening of new stores in the year.

Revenue from the Property Management Services segment recorded a growth of 2.8%, at RM173.8 million over the preceding year corresponding quarter of RM169.1 million. The increase was mainly due to contributions from a new shopping mall which was opened in January 2019.

The profit before tax for the quarter under review was RM13.9 million and was lower by RM9.4 million as compared to the previous year corresponding quarter mainly due to MFRS 16 impact.

However, after adjusting for the adoption of MFRS 16 and amendments to MFRS 123 impacts, profit before tax for current quarter recorded at RM20.4 million which is still a decrease of 12.6% compared to the preceding year corresponding quarter of RM23.4 million (table below). The lower profit before tax was mainly due to higher expenses especially utilities and rental as compared to revenue growth.

	<b>Current Year Quarter 30 Sep 2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 30 Sep 2018 RM'000</b>	<b>Changes %</b>
Profit Before Tax	13,966	23,387	(40.3%)
<b>Add Back/(Deduct)</b>			
<b>MFRS 16 Impact</b>			
- Lease rental	(66,154)	-	
- Right-of-use asset amortization	39,380	-	
- Lease interest	34,075	-	
<b>MFRS 123 Amendment Impact</b>	(833)	-	
Profit Before Tax after MFRS adjustments	20,434	23,387	(12.6%)

### **Financial Year-to-date results**

	<b>Current Year To-date 30 Sep 2019 RM'000</b>	<b>Preceding Year Corresponding Period 30 Sep 2018 RM'000</b>	<b>Changes (%)</b>
Revenue	3,368,778	3,243,122	3.9%
Profit from Operations	228,880	150,955	51.6%
Profit Before Tax	109,595	101,911	7.5%

For the period ended 30 September 2019, the Company posted a total revenue of RM3.37 billion, which represented an increase of 3.9% as compared with the previous year corresponding period of RM3.24 billion mainly due to contributions from newly renovated stores and newly opened specialty stores in this reporting period as well as new stores which were opened in April 2018 and January 2019. The higher growth was however mitigated by the temporary closure of stores for renovation in this period and the downsizing of a store at end of previous year.

On same scale basis, total revenue for financial year-to-date at RM2.69 billion recorded a higher growth by 1.8% compared to RM2.65 billion in the preceding year corresponding period despite the preceding year having more promotion activities during the pre and post SST implementation periods.

The profit before tax of RM109.6 million was 7.5% higher than the previous year corresponding period of RM101.9 million.

However, after adjusting for the adoption of MFRS 16 and amendments to MFRS 123's impacts and taking into account share of operating loss of its associate, Index Living Mall Malaysia Sdn. Bhd. ("Index") in preceding year corresponding period, profit before tax for current financial period to date will be RM119.6 million or a decrease of 3.3% compared to the preceding year corresponding period of RM123.7 million (table below). The lower profit before tax for the financial period to date, in addition to the lower profit recorded by associates companies, was mainly due to the lower operating profit recorded in the last two quarters as compared to the previous year corresponding period without Index losses.

	<b>Current Year To-date 30 Sep 2019 RM'000</b>	<b>Preceding Year Corresponding Period 30 Sep 2018 RM'000</b>	<b>Changes %</b>
Profit Before Tax	109,595	101,911	7.5%
<b>Add Back/(Deduct)</b>			
MFRS 16 Impact			
- Lease rental	(198,342)	-	
- Right-of-use asset amortisation	121,816	-	
- Lease interest	91,200	-	
MFRS 123 Amendment Impact	(4,700)	-	
Profit Before Tax exclude MFRS adjustments	119,569	101,911	17.3%
Share of Index's operating loss	-	21,751	
Profit Before Tax after adjustments	119,569	123,662	(3.3%)

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

For the quarter under review, the Company registered a total revenue of RM1.06 billion, which was lower by 3.4% from RM1.10 billion recorded in the immediate preceding quarter and the profit before tax of RM13.9 million for the quarter was lower than the immediate preceding quarter of RM39.9 million mainly due to higher festive season sales in immediate preceding quarter.

## 3 Current Year Prospects

Malaysia's real GDP growth moderated to 4.4% year-on-year in 3Q19 as domestic demand softened, dragged by private consumption and a larger contraction in investment, which also affect the domestic economy.

For retail business, the Company will continue to refurbish its selected stores and employ appropriate marketing and pricing strategies, merchandise assortment reformation, maintaining quality customer service and operational efficiency efforts to ensure that its core businesses will remain resilient. The Company will also continue to enjoy contributions from newly opened stores and specialty outlet.

For property management services, the Company expects the occupancy rate and rental rates to remain challenging. The Company will continue to leverage on its competitive strengths to draw customer traffic to its malls so as to continue ensure its position as a shopping destination. The Company will also continue to enjoy contributions from its newly opened mall.

## 4 Variance of Profit Forecast/Profit Guarantee

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

## 5 Tax expense

Tax expense comprises:

	3 months ended		6 months ended	
	30 Sep 2019 RM'000	30 Sep 2018 RM'000	30 Sep 2019 RM'000	30 Sep 2018 RM'000
Current tax expense	6,692	9,586	50,333	50,481
Deferred tax expense	(50)	(50)	(151)	(151)
	6,642	9,536	50,182	50,330

The Company'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

There were no corporate proposals announced but not completed as at the date of this report.

## 7 Borrowings and Debt Securities

	As at 30 Sep 2019		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
<b>Unsecured</b>			
Term loan	241,350	157,497	398,847
Revolving credit facilities	-	429,400	429,400
Islamic Medium Term Notes/Commercial papers	-	300,000	300,000
	241,350	886,897	1,128,247

	As at 30 Sep 2018		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
<b>Unsecured</b>			
Term loan	97,533	160,227	257,760
Revolving credit facilities	-	551,200	551,200
Islamic Medium Term Notes/Commercial papers	-	300,000	300,000
	97,533	1,011,427	1,108,960

- (i) The term loans are unsecured, bears interest ranging from 3.96% to 4.58% (2018: 3.92% to 4.10%) per annum and are repayable on quarterly basis up to 30 November 2021.
- (ii) The unsecured revolving credit bear interest rates ranging from 3.45% to 5.14% (2018: 3.45% to 4.26%) per annum.
- (iii) The unsecured Islamic Medium Term Note and Islamic Commercial Papers, bear interest rate ranging from 3.40% to 3.90% (2018: 3.75% to 4.00%) per annum.

## 8 Changes in Material Litigation

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

## 9 Dividend

No dividend was proposed or declared for the current financial period ended 30 September 2019.

## 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		9 months ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Profit attributable to the owners for the period (RM'000)	7,324	13,851	59,413	51,581
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)	0.52	0.99	4.23	3.67

Diluted earnings per share is not applicable for the Company.

## 12 Notes to the Statement of Comprehensive Income

	3 months ended		9 months ended	
	30 Sep 2019 RM'000	30 Sep 2018 RM'000	30 Sep 2019 RM'000	30 Sep 2018 RM'000
Profit for the period is arrived at after charging:				
Depreciation and amortisation	81,585	77,109	238,893	227,800
Right-of-use asset amortisation	39,380	-	121,816	-
Lease rental	3,286	64,159	10,544	187,219
Interest expense				
- lease interest	34,075	-	91,200	-
- interest charges	10,393	10,995	28,796	29,764
Impairment loss:				
- trade receivables	1,072	1,572	1,793	2,672
Bad debts written off	-	-	-	21
Loss on foreign exchange	128	62	217	154
Property, plant and equipment written off	168	664	1,020	2,251
And after crediting:				
Gain on disposal of property, plant and equipment	-	92	166	92
Interest income	261	385	995	1,050
Dividend income	1,306	1,070	1,306	1,070

## 13 Significant changes in accounting policies

### (a) Accounting for leases

The Company adopted MFRS 16, a single, on-balance sheet lease accounting model for lessee from 1 January 2019 onwards by using modified retrospective approach. The Company measured the right-of-use asset as if MFRS 16 had always been applied with no restatement of comparative information.

### (b) Accounting for borrowing costs

The Company adopted amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle) where specific borrowing becomes outstanding after the related assets are ready for its intended use or sole, that borrowing costs becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. Amendment to MFRS 123 only applied to borrowing costs incurred on or after the date it first apply the amendments which is 1 January 2019.

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