

AEON CO. (M) BHD.

(Company No. 126926 - H)

(Incorporated in Malaysia)

Unaudited results for the fourth quarter ended 31 December 2017.

Condensed statement of profit or loss

For the twelve months ended 31 December 2017

	3 months ended 31 December		12 months ended 31 December	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Revenue	1,067,204	1,018,840	4,088,164	4,018,688
Total operating expenses	(989,400)	(947,361)	(3,877,103)	(3,830,586)
Other operating income	21,333	2,752	29,480	9,502
Profit from operations	<u>99,136</u>	<u>74,231</u>	<u>240,541</u>	<u>197,604</u>
Interest expense	(10,696)	(11,273)	(40,749)	(36,964)
Interest income	405	354	1,200	1,529
Share of results of associates	(6,951)	415	(7,186)	860
Profit before tax	<u>81,895</u>	<u>63,727</u>	<u>193,806</u>	<u>163,029</u>
Tax expense	(42,722)	(32,747)	(88,799)	(72,137)
Profit for the period/year	<u><u>39,173</u></u>	<u><u>30,980</u></u>	<u><u>105,007</u></u>	<u><u>90,892</u></u>
Basic earnings per ordinary share (sen) (Note B11)	2.79	2.21	7.48	6.47

In relation to Note B9, there is no consolidated financial information being prepared for current and comparative periods as the Company no longer has subsidiary as at 31 December 2017.

In relation to Note B13, year 2016 comparative has been restated as the Company adopted Amendments to MFRS 127, Equity Method in Separate Financial Statements.

Other than the above restatement, 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 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 for the fourth quarter ended 31 December 2017.

Condensed statement of other comprehensive income

For the twelve months ended 31 December 2017

	3 months ended 31 December		12 months ended 31 December	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Profit for the period/year	39,173	30,980	105,007	90,892
Other comprehensive income:				
Gain on fair value of available-for-sale investments	2,879	(124)	18,049	7,617
Comprehensive income for the period/year	<u>42,052</u>	<u>30,856</u>	<u>123,056</u>	<u>98,509</u>

In relation to Note B9, there is no consolidated financial information being prepared for current and comparative periods as the Company no longer has subsidiary as at 31 December 2017.

In relation to Note B13, year 2016 comparative has been restated as the Company adopted Amendments to MFRS 127, Equity Method in Separate Financial Statements.

Other than the above restatement, 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 2016 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 31 December 2017

	31 December 2017 RM'000	31 December 2016 RM'000 Restated	1 January 2016 RM'000 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	3,504,045	3,436,077	3,020,411
Intangible assets	17,228	19,627	17,822
Investment in a subsidiary	-	49,000	31,500
Investment in associates	30,182	7,968	7,108
Available-for-sale investments	62,508	44,459	36,842
Other assets	17,427	16,771	15,917
	3,631,390	3,573,902	3,129,600
Current assets			
Inventories	610,731	602,283	569,898
Receivables, deposits and prepayments	88,849	67,026	70,814
Tax Recoverable	-	21,635	3,908
Cash and cash equivalents	78,594	81,488	190,809
Assets classified as held for sale	-	67,382	65,508
	778,174	839,814	900,937
TOTAL ASSETS	<u>4,409,564</u>	<u>4,413,716</u>	<u>4,030,537</u>
EQUITY AND LIABILITIES			
Share capital	702,000	702,000	702,000
Reserves	1,260,867	1,179,931	1,137,582
TOTAL EQUITY	<u>1,962,867</u>	<u>1,881,931</u>	<u>1,839,582</u>
LIABILITIES			
Non-current liabilities			
Borrowings	155,323	325,070	79,167
Other liabilities	14,213	7,746	6,664
Deferred tax liabilities	11,316	27,990	21,151
	180,852	360,806	106,982
Current liabilities			
Borrowings	782,347	640,322	690,705
Payables and accruals	1,463,191	1,530,657	1,393,268
Taxation	20,307	-	-
	2,265,845	2,170,979	2,083,973
TOTAL LIABILITIES	2,446,697	2,531,785	2,190,955
TOTAL EQUITY AND LIABILITIES	<u>4,409,564</u>	<u>4,413,716</u>	<u>4,030,537</u>

In relation to Note B9, there is no consolidated financial information being prepared for current and comparative periods as the Company no longer has subsidiary as at 31 December 2017.

In relation to Note B13, year 2016 comparative has been restated as the Company adopted Amendments to MFRS 127, Equity Method in Separate Financial Statements.

Other than the above restatement, 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 2016 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 twelve months ended 31 December 2017

	Non-distributable		Distributable	Total equity RM'000
	Share capital RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Restated balance at 1 January 2017	702,000	43,429	1,136,502	1,881,931
Total comprehensive income for the year	-	18,049	105,007	123,056
Final dividend in respect of year ended 31 December 2016	-	-	(42,120)	(42,120)
At 31 December 2017	702,000	61,478	1,199,389	1,962,867
Restated balance at 1 January 2016	702,000	35,812	1,101,770	1,839,582
Total comprehensive income for the year	-	7,617	90,892	98,509
Final dividend in respect of year ended 31 December 2015	-	-	(56,160)	(56,160)
Restated balance at 31 December 2016	702,000	43,429	1,136,502	1,881,931

In relation to Note B9, there is no consolidated financial information being prepared for current and comparative periods as the Company no longer has subsidiary as at 31 December 2017.

In relation to Note B13, year 2016 comparative has been restated as the Company adopted Amendments to MFRS 127, Equity Method in Separate Financial Statements.

Other than the above restatement, 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 2016 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 cash flows

For the twelve months ended 31 December 2017

	31 December 2017 RM'000	31 December 2016 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	193,806	163,029
Adjustments for:		
Non-cash items	314,540	272,345
Non-operating items	37,368	33,413
Operating profit before changes in working capital	545,714	468,787
Changes in working capital:		
Net change in current assets	(33,794)	(41,300)
Net change in current liabilities	(63,154)	138,106
Cash generated from operations	448,766	565,593
Tax paid	(63,531)	(83,025)
Net cash generated from operating activities	385,235	482,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(371,970)	(694,473)
Deposit refunded for cancellation of acquisition of land	3,485	11,849
Subscription of shares in a subsidiary	-	(17,500)
Proceeds from disposal of property, plant and equipment and intangible assets	86,029	1,923
Dividend received	2,181	2,022
Interest received	1,200	1,529
Net cash used in investing activities	(279,075)	(694,650)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from borrowings	(27,722)	195,520
Dividend paid	(42,120)	(56,160)
Interest paid	(39,212)	(36,599)
Net cash (used in)/ generated from financing activities	(109,054)	102,761
Net change in cash and cash equivalents	(2,894)	(109,321)
Cash and cash equivalents at 1 January	81,488	190,809
Cash and cash equivalents at 31 December	78,594	81,488

In relation to Note B9, there is no consolidated financial information being prepared for current and comparative periods as the Company no longer has subsidiary as at 31 December 2017.

In relation to Note B13, year 2016 comparative has been restated as the Company adopted Amendments to MFRS 127, Equity Method in Separate Financial Statements.

Other than the above restatement, 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 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

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 MFRS140	Investment Property – Transfers of Investment Property

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

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 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

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

MFRS 17	Insurance Contracts
---------	---------------------

(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
-----------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

3 Seasonality or Cyclicity of Interim Operations

The Company's revenue for the fourth quarter was higher than the third quarter mainly due to the year-end festive season and holidays in the fourth 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 financial year except disclosed below:

- (a) In relation to Note B6(a), the net book value of assets of AEON Mahkota Cheras Shopping Centre had been transferred to assets classified as held for sale. The disposal has been completed on 21 December 2017 with a sales price of RM87,800,000 and gain of disposal of RM18,519,000 being recognised in the financial statements.
- (b) In relation to Note A9 and B6(b), the shareholding structure of the Company in AEON Index Living Sdn. Bhd. ("AEON Index") revised from 70% owned subsidiary company to 49% and AEON Index will cease to be a subsidiary of the Company. The shareholding structure has been completed on 12 December 2017 with a impairment loss on investment in a subsidiary of RM19,600,000 being recognised in the financial statements.

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 year.

7 Dividends Paid

There was no dividend paid in respect of the current financial year 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 year.

9 Effects of Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial year except the following:

On 12 December 2017, the Company announced that it had entered into a Supplemental Agreement to the Joint Venture Agreement with Index Living Mall Company Limited (“ILM”) to revise the shareholding structure of AEON Index Living Sdn. Bhd. (“AEON Index”), a 70% owned subsidiary of the Company. The shareholding structure of AEON Index will be revised to ILM hold 51% and the remaining 49% by the Company. Consequent to the revision, AEON Index will cease to be a subsidiary of the Company.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained. In the Company context, AEON Index ceased to be a subsidiary of the Company and become an associate. Since there is no other subsidiary in the Company as at 31 December 2017, the Company is no longer required to prepare consolidated financial information.

Upon the loss of control of a subsidiary, the Company had adopted equity accounting for its interest in associates in the Company level. This is in compliance with the provisions contained in Amendments to MFRS 127 Equity Method in Separate Financial Statements. The adoption of equity accounting for its interest in associates in the Company level is retrospective adjusted in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 Restated
Revenue	3,423,794	3,417,676	664,370	601,012	4,088,164	4,018,688
Segmental profit	39,274	14,680	239,845	209,112	279,119	223,792
Less: Unallocated expenses					(38,578)	(26,188)
Profit from operations					240,541	197,604
Interest expense					(40,749)	(36,964)
Interest income					1,200	1,529
Share of results of associates					(7,186)	860
Profit before tax					193,806	163,029
Tax expense					(88,799)	(72,137)
Profit for the year					105,007	90,892

	Retailing		Property Management Services		Total	
	12 months ended		12 months ended		12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 Restated
Segment assets	1,287,717	1,563,718	3,104,140	2,799,542	4,391,857	4,363,260
Unallocated assets					17,707	50,456
					4,409,564	4,413,716
Segment liabilities	1,096,972	1,128,523	366,219	402,134	1,463,191	1,530,657
Unallocated liabilities					983,506	1,001,128
					2,446,697	2,531,785

Total revenue registered by the retail business segment for the financial year-to-date at RM3.424 billion was marginally higher by 0.2% compared to RM3.418 billion recorded in the preceding year mainly due to opening of new store. The segmental profit of RM39.3 million was higher as compared to RM14.7 million segmental profit recorded in the preceding year mainly due to higher profit margin as a result of pricing strategies and merchandise assortment recorded in current year to date.

Revenue from its property management services segment for financial year-to-date, at RM664.4 million recorded a growth of 10.5%, over the previous year corresponding year of RM601.0 million, mainly due to contributions from new shopping mall. The segmental profit of RM239.8 million was higher as compared to RM209.1 million recorded in the preceding year mainly due to the opening of new mall in September 2017.

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 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 31 December 2017 are as follows:

	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Property, plant and equipment		
Authorised but not contracted for	790,729	916,591
Authorised and contracted for	356,978	540,814

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

1 Review of Performance

Quarter results

	Current Year Quarter 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter 31 Dec 2016 RM'000 Restated	Changes (%)
Revenue	1,067,204	1,018,840	4.8%
Profit from Operations	99,136	74,231	33.5%
Profit Before Tax	81,895	63,727	28.5%
Profit After Tax	39,173	30,980	26.4%

For the quarter under review, the Company registered a total revenue of RM1.07 billion, which was higher by 4.8% as compared with RM1.02 billion recorded in the preceding year corresponding quarter. The profit before tax of RM81.9 million was higher by RM18.2 million or 28.5% as compared to the previous year corresponding quarter due to higher margin and better operation expenses control.

	Current Year Quarter 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter 31 Dec 2016 RM'000 Restated	Changes %
Profit Before Tax	81,895	63,727	28.5%
Gain on Disposal of Shopping Mall	(18,519)	-	
Impairment Loss on Investment in a Subsidiary	19,600	-	
Profit Before Tax excluding One-off Items	82,976	63,727	30.2%

The results for the quarter also included the impairment loss on investment in a subsidiary which amounted to RM19.6 million though this was off-set with the gain of RM18.5 million on disposal of a shopping mall. Excluding the one-off items, profit before tax grew by RM19.2 million or 30.2%.

Retail business revenue registered RM892.9 million, which was higher by 3.8% as compared to the preceding year corresponding quarter of RM860.2 million mainly due to new store which was opened in September 2017 and also contributions from newly renovated stores.

Revenue from the property management services segment recorded a growth of 9.9% at RM174.4 million over the previous year corresponding quarter of RM158.7 million mainly due to contributions from its shopping mall that was opened in September 2017 and also contributions from shopping malls that were renovated and expanded in previous year.

Financial Year-to-date results

	Current Year To-date 31 Dec 2017 RM'000	Preceding Year To-date 31 Dec 2016 RM'000 Restated	Changes (%)
Revenue	4,088,164	4,018,688	1.7%
Profit from Operations	240,541	197,604	21.7%
Profit Before Tax	193,806	163,029	18.9%
Profit After Tax	105,007	90,892	15.5%

For the year ended 31 December 2017, the Company recorded a total revenue of RM4.09 billion, which represented an increase of 1.7% as compared with the previous corresponding year of RM4.02 billion mainly due to contributions from its new store and shopping mall that was opened in September 2017 and full year contributions of its stores and malls that was opened or renovated in previous year. The profit before tax for the financial year of RM193.8 million was RM30.8 million or 18.9% higher than the previous financial year due to higher revenue and margin as a result of marketing and pricing strategies as well as better operation expenses control.

	Current Year To-date 31 Dec 2017 RM'000	Preceding Year To-date 31 Dec 2016 RM'000 Restated	Changes %
Profit Before Tax	193,806	163,029	18.9%
Gain on Disposal of Shopping Mall	(18,519)	-	
Impairment Loss on Investment in a Subsidiary	19,600	-	
Profit Before Tax excluding One-off Items	194,887	163,029	19.5%

The results for the year also included the impairment loss on investment in a subsidiary which amounted to RM19.6 million though this was off-set with the gain of RM18.5 million on disposal of a shopping mall. Excluding the one-off items, the profit before tax grew by 19.5%.

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

	Current Quarter 31 Dec 2017 RM'000	Immediate Preceding Quarter 30 Sep 2017 RM'000 Restated	Changes (%)
Revenue	1,067,204	956,174	11.6%
Profit from Operations	99,136	31,108	218.7%
Profit Before Tax	81,895	21,246	285.5%
Gain on Disposal of Shopping Mall	(18,519)	-	
Impairment Loss on Investment in a Subsidiary	19,600	-	
Profit After Tax	39,173	12,081	224.2%

For the quarter under review, the Company registered a total revenue of RM1.07 billion, which was higher by 11.6% from RM0.96 billion recorded in the immediate preceding quarter mainly due to festive season sales in current quarter and the contribution from its newly opened store and mall. The profit before tax of RM81.9 million for the quarter was higher than the preceding quarter of RM21.2 million mainly due to year end rebate,

better margin and though there is impairment loss on investment in a subsidiary amounting to RM19.6 million, this was off-set with the gain of RM18.5 million on disposal of a shopping mall.

3 Current Year Prospects

The domestic economy is expected to receive a boost from the several measures and incentives announced by the government in its Budget 2018 and this is expected to benefit the consumer sector. Barring unforeseen circumstances, the Company expects its performance for the financial year 2018 to be improved.

For retail business, the Company 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 will benefit. At the same time, the Company will seek to expand its supermarket business and further expand its online e-commerce presence.

For property management services, the Company expects the occupancy rate and rental pricing to remain stable and sustainable and the Company will continue to leverage on its competitive strengths to draw customer traffic to its malls so as to continuing maintain its positioning as a shopping destination.

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		12 months ended	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Current tax expense	59,245	25,757	105,473	65,298
Deferred tax expense	(16,523)	6,990	(16,674)	6,839
	42,722	32,747	88,799	72,137

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

As at the date of this report, the status of corporate proposal announced and completed is as follows:

- (a) 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 been completed.
- (b) On 12 December 2017, the Company announced that it had entered into a Supplemental Agreement to the Joint Venture Agreement with Index Living Mall Company Limited ("ILM") to revise the shareholding structure of AEON Index Living Sdn. Bhd. ("AEON Index"), a 70% owned subsidiary of the Company. The shareholding structure of AEON Index will be revised to ILM hold 51% and the remaining 49% by the Company. Consequent to the revision, AEON Index will cease to be a subsidiary of the Company. As at the date of this announcement, the shareholding structure has been completed.

7 Borrowings and Debt Securities

	As at 31 December 2017		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	155,323	229,747	385,070
Revolving credit facilities	-	317,600	317,600
Islamic Medium Term Notes/Commercial papers	-	235,000	235,000
	155,323	782,347	937,670

	As at 31 December 2016		
	Long term	Short term	Total borrowings
	RM denomination (RM'000)	RM denomination (RM'000)	RM denomination (RM'000)
Unsecured			
Term loan	325,070	242,247	567,317
Revolving credit facilities	-	213,500	213,500
Islamic Medium Term Notes/Commercial papers	-	184,575	184,575
	325,070	640,322	965,392

- (i) The term loans are unsecured, bears interest ranging from 3.92% to 4.10% 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 3.78% to 3.80% per annum.

8 Changes in Material Litigation

There was no material litigation against the Company as at the reporting date except disclosed below:

- (a) On 9 November 2017, the Company announced that it had commenced a suit against Gemilang Waras Sdn. Bhd. (496922-H) (“the Defendant”) in the High Court of Malaya in Kuala Lumpur. The suit is in relation to the renewal of lease for AEON Mall Bukit Tinggi and the Company is seeking enforcement for the following reliefs:
 - i) Injunction to prevent the Defendant or its agents or its servants or its affiliate or holding company from taking action to terminate the Lease Agreement dated 23 November 2007 pending court’s decision;
 - ii) Injunction to prevent the Defendant or its servants or its affiliate or holding company from taking any action to evict the Company and/or its tenants from AEON Mall Bukit Tinggi and/or having any dealing in relation to the demised premises pending court’s decision;
 - iii) Interlocutory injunction to maintain the status quo of the Defendant and the Company pending court’s decision;

- iv) Declaration that the lease has been renewed or specific performance to compel the Defendant to take all necessary formal steps to renew the lease and/or damages; and
 - v) Any other reliefs that the court deems fit.
- (b) Reference is made to the Company's announcement on 9 November 2017 pertaining to a suit against Gemilang Waras Sdn. Bhd. in the High Court of Malaya in Kuala Lumpur on the renewal of lease for AEON Mall Bukit Tinggi. The Company has on 7 December 2017 received a counterclaim from the defendant under the Notice of Application in the High Court of Malaya in Kuala Lumpur. The defendant is alleging that the Company's continued occupation of AEON Mall Bukit Tinggi constitutes trespass and holding over AEON Mall Bukit Tinggi after the expiration of Lease Agreement on 23 November 2017 and claiming among others as stated below:
- i) To strike off and dismiss the Company's suit;
 - ii) To order the Company to deliver the vacant possession of AEON Mall Bukit Tinggi within 14 days from the date of court order;
 - iii) To seek damages in the form of double rental from 23 November 2017 until the date of delivery of vacant possession of AEON Mall Bukit Tinggi;
 - iv) To seek any other assessment of damages that the court deems just and necessary;
 - v) To seek costs for the dismissal on the Company's suit and the counterclaim; and
 - vi) Any further orders and reliefs that the Court deems fit.

The above suit is not expected to have any material financial or operational impact on the Company for the financial year ended 31st December 2017. The Company had sought legal advice on the above matter. Any further updates or development on the above suit will be made in due course.

9 Dividend

- (a) (i) An ordinary dividend of 4.00 sen per share has been recommended for the financial year ended 31 December 2017;
- (ii) total net dividend payable amounted to RM56,160,000;
- (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 2016, an ordinary dividend of 3.0 sen per share amounting to RM42,120,000 was paid on 13 July 2017.
- (c) The ordinary dividend recommended for year ended 31 December 2017 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.

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		12 months ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Profit for the year (RM'000)	39,173	30,980	105,007	90,892
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)	2.79	2.21	7.48	6.47

Diluted earnings per share is not applicable for the Company.

12 Notes to the Statement of Comprehensive Income

	3 months ended		12 months ended	
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	31 Dec 2017 RM'000	31 Dec 2016 RM'000
Profit from operations for the period is arrived at after charging:				
Depreciation and amortisation	74,845	73,603	291,232	263,838
Impairment loss:				
- trade receivables	66	191	1,732	1,183
- property, plant and equipment	11,429	7,587	11,429	7,587
Interest expense	10,696	11,273	40,749	36,964
(Gain)/Loss on foreign exchange	(61)	(403)	95	(24)
Impairment loss on investment in a subsidiary	19,600	-	19,600	-
Property, plant and equipment written off	1,773	584	3,676	2,700
And after crediting:				
Dividend income	981	944	2,181	2,022
Gain on disposal of property, plant and equipment	58	542	64	922
Gain on disposal of shopping mall	18,519	-	18,519	-
Interest income	405	354	1,200	1,529

13 Significant changes in accounting policies

Accounting for cost of investment in associates

The Company adopted Amendments to MFRS 127, Equity Method in Separate Financial Statements. Previously the investments in associates are measured at cost less any impairment losses. However, with the adoption of Amendments to MFRS 127, Equity Method in Separate Financial Statements, the investments in associates are accounted for in the Company's statement of financial statements using equity method less any impairment losses, unless it is classified as held for sale or distribution.

The Amendments to MFRS 127 are applied retrospectively. The details and quantitative impact of the changes in accounting policies are disclosed below:

Impact on Financial statement

(i) Statement of financial position

	Impact of change in accounting policy 31.12.2016			Impact of change in accounting policy 1.1.2016		
	As per audited report RM'000	Adjustments RM'000	As restated RM'000	As per audited report RM'000	Adjustments RM'000	As restated RM'000
Assets						
Property, plant and equipment	3,436,077	-	3,436,077	3,020,411	-	3,020,411
Intangible assets	19,627	-	19,627	17,822	-	17,822
Investment in a subsidiary	49,000	-	49,000	31,500	-	31,500
Investments in associates	9,200	(1,232)	7,968	9,200	(2,092)	7,108
Available-for-sale investments	44,459	-	44,459	36,842	-	36,842
Other assets	16,771	-	16,771	15,917	-	15,917
Total non-current assets	3,575,134	(1,232)	3,573,902	3,131,692	(2,092)	3,129,600
Inventories	602,283	-	602,283	569,898	-	569,898
Receivables, deposits and prepayments	67,026	-	67,026	70,814	-	70,814
Tax recoverable	21,635	-	21,635	3,908	-	3,908
Cash and cash equivalents	81,488	-	81,488	190,809	-	190,809
	772,432	-	772,432	866,152	-	835,429
Assets classified as held for sale	67,382	-	67,382	65,508	-	65,508
Total current assets	839,814	-	839,814	900,937	-	900,937
Total assets	4,414,948	(1,232)	4,413,716	4,030,537	(2,092)	4,030,537
Equity						
Share capital	702,000	-	702,000	702,000	-	702,000
Fair value reserve	43,429	-	43,429	35,812	-	35,812
Retained earnings	1,137,734	(1,232)	1,136,502	1,103,862	(2,092)	1,101,770
Equity attributable to owners of the Company	1,883,163	(1,232)	1,881,931	1,841,674	(2,092)	1,839,582
Liabilities						
Borrowings	325,070	-	325,070	79,167	-	79,167
Other liabilities	7,746	-	7,746	6,664	-	6,664
Deferred tax liabilities	27,990	-	27,990	21,151	-	21,151
Total non-current liabilities	360,806	-	360,806	107,089	-	106,982
Borrowings	640,322	-	640,322	690,705	-	690,705
Payables and accruals	1,530,657	-	1,530,657	1,393,268	-	1,393,268
Total current liabilities	2,170,979	-	2,170,979	2,083,973	-	2,083,973
Total liabilities	2,531,785	-	2,531,785	2,190,955	-	2,190,955
Total equity and liabilities	4,414,948	(1,232)	4,413,716	4,032,629	(2,092)	4,030,537

13 Significant changes in accounting policies (continued)

(ii) Statement of profit or loss and other comprehensive income

	Impact of change in accounting policy for the year ended 31.12.2016		
	As per audited report RM'000	Adjustments RM'000	As restated RM'000
Continuing operations			
Revenue	4,018,688	-	4,018,688
Other operating income	9,502	-	9,502
Changes in inventories	32,449	-	32,449
Net purchases	(2,467,312)	-	(2,467,312)
Staff costs	(280,587)	-	(280,587)
Depreciation of property, plant and equipment	(258,773)	-	(258,773)
Amortisation of intangible assets	(5,067)	-	(5,067)
Operating expenses	(851,296)	-	(851,296)
Results from operating activities	197,604	-	197,604
Interest expense	(36,964)	-	(36,964)
Interest income	1,529	-	1,529
Share of profit of equity-accounted associates, net of tax	-	860	860
Profit before tax	162,169	860	163,029
Tax expense	(72,137)	-	(72,137)
Profit for the year	90,032	860	90,892
Other comprehensive income, net of tax			
Item that is or may be reclassified subsequently to profit or loss			
Fair value of available-for-sale financial assets	7,617	-	7,617
Total comprehensive income for the year	97,649	860	98,509

13 Significant changes in accounting policies (continued)

(iii) Statement of cash flow

	Impact of change in accounting policy for the year ended 31.12.2016		
	As per audited report RM'000	Adjustments RM'000	As restated RM'000
Cash flows from operating activities			
Profit before tax	162,169	860	163,029
Adjustments for:			
Amortisation of intangible assets	5,067	-	5,067
Depreciation of property, plant and equipment	258,773	-	258,773
Dividend income	(2,022)	-	(2,022)
Impairment loss on property, plant and equipment	7,587	-	7,587
Gain on disposal of:			
- Property, plant and equipment	(402)	-	(402)
- Intangible assets	(520)	-	(520)
Interest expense	36,964	-	36,964
Interest income	(1,529)	-	(1,529)
Property, plant and equipment written off	2,700	-	2,700
Share of results of associates	-	(860)	(860)
Operating profit before changes in working capital	468,787	-	468,787
Changes in working capital:			
Inventories	(32,385)	-	(32,385)
Receivables, deposits and prepayments	(8,915)	-	(8,915)
Payables and accruals	138,106	-	138,106
Cash generated from operations	565,593	-	565,593
Tax paid	(83,025)	-	(83,025)
Net cash from operating activities	482,568	-	482,568

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