

NOTES TO THE FINANCIAL STATEMENTS

AEON CO. (M) BHD. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follow:

Registered office and Principal place of business

3rd Floor
Jusco Taman Maluri Shopping Centre
Jalan Jejaka, Taman Maluri
Cheras
55100 Kuala Lumpur

The Company is principally engaged in the operations of a chain of superstores selling a broad range of goods ranging from clothing, food, household goods, other merchandise and shopping centre operation.

On 24 April 2006, the Company became a subsidiary of AEON Co., Ltd., a company incorporated in Japan.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company has been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs) that are effective for accounting periods beginning after 1 January 2006 or available for early adoption. In this set of financial statements, the Company has chosen to early adopt FRS 117, *Leases* and FRS 124, *Related Party Disclosures* which are effective for annual periods beginning on or after 1 October 2006.

The MASB has also issued FRS 139, *Financial Instruments: Recognition and Measurement* but for which the MASB has yet to announce the effective date of this standard. The Company has not adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

There is no effect of adopting the new/revised FRSs in 2006.

The financial statements were approved by the Board of Directors on 15 February 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see note 3 and note 4).

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transaction.



2. Significant accounting policies (continued)

(a) Foreign currency (continued)

Foreign currency transactions (continued)

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment except for freehold land and construction work-in-progress are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any.

The Company has availed itself to the transitional provision when the MASB adopted International Accounting Standard No.16 (Revised), Property, Plant and Equipment. Certain leasehold land and buildings were revalued in February 1995 and no later valuation has been recorded for these property, plant and equipment. During the year, leasehold land has been reclassified to prepaid lease payments (see Note 2(c)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimate useful lives for the current and comparative period are as follows:

Buildings	2% - 5%
Structures	10%
Office equipment	10%
Machinery and equipment	10% - 33.3%
Furniture, fixtures and fittings	20%
Motor vehicles	20%
IT equipment	20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(c) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Company's balance sheet.

Accounting policy note on Leasehold land/Prepaid lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Company had previously classified lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. These leasehold land are stated at Directors' valuation and the Company has availed itself to the transitional provision when MASB adopted International Accounting Standard No. 16 (Revised), "Property, Plant and Equipment", the valuation of these assets has not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.



2. Significant accounting policies (continued)

(c) Leased assets (continued)

Accounting policy note on Leasehold land/Prepaid lease payments (continued)

On early adoption of FRS 117, *Leases*, the Company treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

(d) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities, are stated at cost less allowance for diminution in value,
- All current investments are carried at the lower of cost and market value, determined on an individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Cost comprises the weighted average cost of merchandise derived at by using the Retail Inventory Method. Weighted average cost includes related charges incurred in purchasing such merchandise.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Receivables

Trade and other receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts.

(h) Impairment of assets

The carrying amounts of assets except for inventories and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.



2. Significant accounting policies (continued)

(i) Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contribution to the Employee's Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(j) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(k) Revenue

Goods sold and services rendered

Revenue from the sale of goods represents gross trading sales, including concessionaire sales which the Company is able to exercise control, less returns and discounts. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Property management services from shopping centre operation which include rental income, service charge, sales commission and distribution centre charges earned are recognised on an accrual basis.

(l) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(m) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(n) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(o) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(p) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



3. Property, plant and equipment

	Freehold land (at cost) RM'000	Leasehold land (at valuation) RM'000	Buildings (at valuation) RM'000	Leasehold land (at cost) RM'000	Buildings (at cost) RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures & fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work in progress RM'000	Total RM'000
Cost/Valuation													
At 1 March 2005													
- As previously reported	87,666	60,761	126,003	75,607	245,198	82,878	6,551	173,346	141,308	4,386	260	18,993	1,022,957
- Effect of adopting FRS 117	-	(60,761)	-	(75,607)	-	-	-	-	-	-	-	-	(136,368)
At 1 March 2005, restated	87,666	-	126,003	-	245,198	82,878	6,551	173,346	141,308	4,386	260	18,993	886,589
Additions	-	-	-	-	121,247	14,135	1,870	84,046	32,803	1,095	48	20,131	275,375
Disposals	-	-	-	-	-	(461)	(758)	(1,809)	(517)	(550)	-	-	(4,095)
Transfer in/(out)	-	-	-	-	3,150	4,132	-	2,014	255	-	-	(9,551)	-
At 28 February 2006/													
1 March 2006	87,666	-	126,003	-	369,595	100,684	7,663	257,597	173,849	4,931	308	29,573	1,157,869
Additions	-	-	-	-	69,243	25,806	2,434	92,723	51,491	936	104	10,125	252,862
Disposals	(20,871)	-	-	-	(74,728)	(2,234)	(36)	(4,952)	(1,018)	(63)	-	-	(103,902)
Written off	-	-	-	-	-	(996)	(278)	(1,597)	(6,748)	(1)	-	-	(9,620)
Transfer in/(out)	-	-	-	-	28,337	207	-	2	-	-	-	(28,546)	-
At 31 December 2006	66,795	-	126,003	-	392,447	123,467	9,783	343,773	217,574	5,803	412	11,152	1,297,209



3. Property, plant and equipment (continued)

	Freehold land (at cost) RM'000	Leasehold land (at valuation) RM'000	Buildings (at valuation) RM'000	Leasehold land (at cost) RM'000	Buildings (at cost) RM'000	Structures RM'000	Office equipment RM'000	Machinery and equipment RM'000	Furniture, fixtures & fittings RM'000	Motor vehicles RM'000	IT equipment RM'000	Construction work in progress RM'000	Total RM'000
Depreciation													
At 1 March 2005													
- As previously reported	-	6,540	26,931	2,443	39,917	25,368	3,614	61,854	96,832	2,901	222	-	266,622
- Effect of adopting FRS 117	-	(6,540)	-	(2,443)	-	-	-	-	-	-	-	-	(8,983)
At 1 March 2005, restated	-	-	26,931	-	39,917	25,368	3,614	61,854	96,832	2,901	222	-	257,639
Depreciation for the year	-	-	2,520	-	5,840	8,641	536	21,718	17,943	637	15	-	57,850
Disposals	-	-	-	-	-	(198)	(696)	(1,123)	(469)	(382)	-	-	(2,868)
At 28 February 2006/ 1 March 2006	-	-	29,451	-	45,757	33,811	3,454	82,449	114,306	3,156	237	-	312,621
Depreciation for the period	-	-	618	-	7,844	8,823	533	32,724	17,952	572	20	-	69,086
Disposals	-	-	-	-	(12,803)	(1,003)	(25)	(3,697)	(927)	(62)	-	-	(18,517)
Written off	-	-	-	-	-	(452)	(234)	(1,375)	(6,171)	(1)	-	-	(8,233)
At 31 December 2006	-	-	30,069	-	40,798	41,179	3,728	110,101	125,160	3,665	257	-	354,957
Carrying amounts													
At 1 March 2005, restated													
At 28 February 2006/ 1 March 2006, restated	87,666	-	99,072	-	205,281	57,510	2,937	111,492	44,476	1,485	38	18,993	628,950
At 31 December 2006	87,666	-	96,552	-	323,838	66,873	4,209	175,148	59,543	1,775	71	29,573	845,248
	66,795	-	95,934	-	351,649	82,288	6,055	233,672	92,414	2,138	155	11,152	942,252



3. Property, plant and equipment (continued)

One of the buildings of the Company is situated on land belonging to a third party.

The buildings stated at Directors' valuation are based on professional valuation carried out by an independent firm of valuers in February 1995 using the open market value and on an existing use basis. In accordance with the transitional provisions issued by Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standard No. 16 (Revised), "Property, Plant and Equipment", the valuation of these assets has not been updated, and they continue to be stated at their existing carrying amounts less accumulated depreciation.

Had the buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the period would be as follows:

	31.12.2006 RM'000	28.2.2006 RM'000
Buildings	59,125	60,538

The leasehold land has been reclassified as prepaid lease payments during the financial year in accordance with FRS 117.

4. Prepaid lease payments

	Note	Unexpired period more than 50 years RM'000
Cost		
At 1 March 2005		-
Effect of adopting FRS 117		136,368
At 1 March 2005, restated/28 February 2006/1 March 2006		136,368
Additions		2,463
At 31 December 2006		138,831
Amortisation		
At 1 March 2005		-
Effect of adopting FRS 117		8,983
At 1 March 2005, restated		8,983
Amortisation for the year	13	1,377
At 28 February 2006/1 March 2006		10,360
Amortisation for the period	13	1,202
At 31 December 2006		11,562
Carrying amounts		
At 1 March 2005, restated	- Current	1,435
	- Non-current	125,950
		127,385
At 28 February 2006/1 March 2006	- Current	1,435
	- Non-current	124,573
		126,008
At 31 December 2006	- Current	1,461
	- Non-current	125,808
		127,269



5. Investments

	31.12.2006 RM'000	28.2.2006 RM'000
Non-current		
Unquoted shares, at cost		
Golf membership	45	45
Equity investment	1,030	1,030
	<u>1,075</u>	<u>1,075</u>

6. Inventories

	31.12.2006 RM'000	28.2.2006 RM'000
At cost:		
Retail merchandise	132,555	113,430
Food and others	81,628	45,631
	<u>214,183</u>	<u>159,061</u>

During the financial period, inventories recognised as cost of sales amounted to RM1,370,402,706 (28.2.2006 - RM1,414,049,468).

7. Receivables, deposits and prepayments

	Note	31.12.2006 RM'000	28.2.2006 RM'000
			restated
Current			
Trade			
Trade receivables	a	22,850	9,957
Less: Allowance for doubtful debts		(722)	(1,286)
		<u>22,128</u>	<u>8,671</u>
Non-trade			
Other receivables and prepayments	b	9,261	4,545
Rental and utility deposits		14,280	13,479
		<u>45,669</u>	<u>26,695</u>

Note a

Included in trade receivables is an amount of RM816,180 (28.2.2006 - RM470,006) due from companies with common Directors. During the period, trade receivables of RM563,629 were written off against allowance for doubtful debts.

Note b

Included in other receivables and prepayments is an amount of RM6,050,000 with the Company's lawyer as stakeholder which represents the balance of the purchase consideration for the disposal of Kinta City Shopping Centre.

8. Cash and cash equivalents

	31.12.2006 RM'000	28.2.2006 RM'000
Cash and bank balances	107,925	27,105
Deposits with licensed financial institutions	-	26,300
	<u>107,925</u>	<u>53,405</u>



9. Capital and reserves

	31.12.2006 RM'000	28.2.2006 RM'000
Share capital		
Ordinary shares of RM1.00 each:		
Authorised	500,000	500,000
Issued and fully paid	175,500	175,500

Share premium

Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment in prior years.

Section 108 tax credit

Subject to agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 December 2006 if paid out as dividends.

10. Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31.12.2006 RM'000	28.2.2006 RM'000	31.12.2006 RM'000	28.2.2006 RM'000	31.12.2006 RM'000	28.2.2006 RM'000
						restated
Property, plant and equipment						
- capital allowance	-	-	(17,863)	(17,863)	(17,863)	(17,863)
- revaluation	-	-	(12,916)	(13,084)	(12,916)	(13,084)
Provisions	1,666	1,666	-	-	1,666	1,666
Net tax assets/ (liabilities)	1,666	1,666	(30,779)	(30,947)	(29,113)	(29,281)

Movement in temporary differences during the year/period:

	At 1.3.2005 RM'000	Recognised in income statement RM'000	At 28.2.2006/ 1.3.2006 RM'000	Recognised in income statement RM'000	At 31.12.2006 RM'000
Deferred tax liabilities					
Property, plant and equipment					
- capital allowance	11,888	5,975	17,863	-	17,863
- revaluation	13,286	(202)	13,084	(168)	12,916
	25,174	5,773	30,947	(168)	30,779
Deferred tax assets					
Provisions	(745)	(921)	(1,666)	-	(1,666)
	24,429	4,852	29,281	(168)	29,113
		Note 16		Note 16	



11. Payables and accruals

	Note	31.12.2006 RM'000	28.2.2006 RM'000
Trade			
Trade payables		389,394	324,716
Non-trade			
Other payables and accrued expenses		167,188	133,918
Progress claim from contractors		42,220	19,766
Rental and utility deposits		78,705	67,308
Holding company	a	423	-
Affiliated company	b	-	1,444
		<u>677,930</u>	<u>547,152</u>

Note a

ÆON Co., Ltd., a company incorporated in Japan was an affiliated company of the Company in the previous year and became the holding company during the period. The amount due to holding company is unsecured, interest free and repayable on demand.

Note b

In the previous year, the amount due to affiliated company was unsecured, interest free and repayable on demand.

12. Borrowings (unsecured)

	31.12.2006 RM'000	28.2.2006 RM'000
Current		
Bank overdrafts	-	625
	<u>-</u>	<u>625</u>

In the previous year, the bank overdrafts of the Company were subject to interest at 0.5% above the lender's base lending rates.

13. Operating profit

	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Operating profit is arrived at after crediting:		
Gain on disposal of property, plant and equipment	34,073	-
Rental income on shopping centre operation	<u>150,285</u>	<u>128,574</u>
and after charging:		
Auditors' remuneration		
- Audit services		
- Auditors of the Company	130	120
- Other services by auditors of the Company	25	-
Amortisation of prepaid lease payment	1,202	1,377
Depreciation	69,086	57,850
Loss on disposal of property, plant and equipment	-	83
Personnel expenses		
- Contributions to Employee Provident Fund	11,143	11,136
- Wages, salaries and others	97,665	100,572
Property, plant and equipment written off	1,387	824
Rental expense		
- land	941	1,132
- buildings	45,236	42,995
- equipment	475	249
- fixtures and fittings	222	362
- hostel	7	203
Royalty	<u>11,181</u>	<u>10,835</u>



14. Key management personnel compensation

The key management personnel compensations are as follows:

	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Directors		
- Fees	959	1,048
- Remuneration	747	1,021
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	57	59
	<u>1,763</u>	<u>2,128</u>

15. Interest expense

	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Bank overdrafts	41	37
Other borrowings	1,921	558
	<u>1,962</u>	<u>595</u>

16. Tax expense

	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Current tax expense	37,663	34,142
Deferred tax expense (Note 10)		
- origination and reversal of temporary differences	(168)	4,852
Total tax expense	<u>37,495</u>	<u>38,994</u>

Reconciliation of effective tax expense

Profit before taxation	<u>140,741</u>	<u>112,198</u>
Tax calculated using Malaysian tax rate of 27% (28.2.2006 - 28%)	38,000	31,415
Income not subject to tax	(9,170)	-
Non-deductible expenses	8,833	7,781
Reversal of deferred tax liabilities on crystallisation of revaluation reserves of property, plant and equipment	(168)	(202)
Tax expense	<u>37,495</u>	<u>38,994</u>

In the Malaysia Budget 2007, it was announced that for the year of assessment 2007, the rate will be reduced from 28% to 27% and for the year of assessment 2008, the rate will be reduced to 26%.

Due to the change of its financial year end from 28 February to 31 December, the Company's basis period for the year of assessment 2007 is from 1 March 2006 to 31 December 2007. As a result, the statutory tax rate in this financial period is 27%.

17. Basic earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of RM103,246,050 (28.2.2006 - RM73,204,059) by the number of ordinary shares outstanding of 175,500,000 during the period.



18. Dividend

Dividend recognised in the current year by the company is:

	Sen per share	Total amount RM'000	Date of payment
1.3.2006 to 31.12.2006			
Final 28.2.2006 ordinary less 28% tax	10.8	18,954	20 July 2006
1.3.2005 to 28.2.2006			
Final 2005 ordinary less 28% tax	8.6	15,163	20 July 2005

After the balance sheet date the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share	Total amount RM'000
Final ordinary less 27% tax	11.7	20,498

19. Segmental reporting

Segment information is presented in respect of the Company's business segment. The primary format, business segments, is based on the Company's management and internal reporting structure. There is no segmental analysis by geographical location as the Company's operations are principally located in Malaysia.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue and income taxes.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Company comprises the following main business segments:

Retailing	The operations of a chain of superstores selling clothing, food, household goods and other merchandise.
Property management services	Shopping centre operation and distribution centre charges earned.

	Retailing		Property management services		Total	
	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Business segments						
Revenue from external customers	1,763,283	1,807,753	178,148	154,692	1,941,431	1,962,445
Total revenue	1,763,283	1,807,753	178,148	154,692	1,941,431	1,962,445
Operating profit before disposal of Kinta City Shopping Centre	61,832	72,629	46,366	39,819	108,198	112,448
Gain on disposal of Kinta City Shopping Centre	-	-	33,963	-	33,963	-
Operating profit after disposal of Kinta City Shopping Centre					142,161	112,448
Interest expense					(1,962)	(595)
Interest income					542	345
Profit before taxation					140,741	112,198
Tax expense					(37,495)	(38,994)
Profit for the period/year					103,246	73,204



19. Segmental reporting (continued)

	Retailing		Property management services		Total	
	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Segment assets	601,218	386,606	837,155	798,586	1,438,373	1,185,192
Unallocated assets					-	26,300
Total assets					1,438,373	1,211,492
Segment liabilities	(525,739)	(438,778)	(152,191)	(108,999)	(677,930)	(547,777)
Unallocated liabilities					(54,300)	(41,864)
Total liabilities					(732,230)	(589,641)
Capital expenditure	108,603	62,535	144,259	212,840	252,862	275,375
Depreciation	41,279	38,738	27,807	19,112	69,086	57,850
Amortisation of prepaid lease payment	-	-	1,202	1,377	1,202	1,377
Non-cash expenses other than depreciation	1,371	299	16	525	1,387	824

20. Operating leases

Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2006 RM'000	28.2.2006 RM'000
Less than one year	64,276	44,369
Between one and five years	409,324	262,459
More than five years	471,111	325,806
	944,711	632,634

The Company leases a number of land and buildings under operating leases. The leases have initial periods ranging from 3 to 25 years, with an option to renew the respective leases for another 3 to 15 years.

21. Capital commitments

	31.12.2006 RM'000	28.2.2006 RM'000
Property, plant and equipment		
Contracted but not provided for and payable:		
Within one year	30,622	64,013

22. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its Directors, its holding company and the holding company's subsidiaries.

In the previous year, the Company had a related party relationship with its affiliated company and the affiliated company's subsidiaries.

Transactions with key management personnel

(i) Key management personnel compensation

Key management personnel compensation is disclosed in note 14.

(ii) Transactions with key management personnel other than compensation

A number of key management personnel, of their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.



22. Related parties (continued)

	Note	Transaction value		Balance outstanding	
		1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Director					
With companies in which Dato' Abdullah bin Mohd Yusof and Datuk Ramli bin Ibrahim have interests:					
Laura Ashley (Malaysia) Sdn. Bhd.					
Management fee receivable	a	43	58	5	3
Rental income receivable	b	332	436	-	-
With companies in which Dato' Abdullah bin Mohd Yusof has interest:					
Abdullah & Zainudin					
Legal fees payable	c	(24)	(21)	-	-
With companies in which Dato' Abdullah bin Mohd Yusof, Toshiji Tokiwa, Masato Yokoyama and Datuk Ramli bin Ibrahim have interests:					
AEON Credit Service (M) Berhad (a related Company)					
Sales through easy payment scheme financing	d	4,211	4,467	816	470
Rental income	e	765	44	-	4
Sales through AEON credit card	f	35,466	5,908	653	(456)
Convertible J CARD point income	g	378	15	-	-
Credit card sales commission expenses	h	(515)	(83)	-	-

Note a

Management fee on administrative services rendered by the Company to Laura Ashley (Malaysia) Sdn. Bhd. Amounts were billed based on normal market rates for such services and were due and receivable under normal payment terms.

Note b

Rental of premises to Laura Ashley (Malaysia) Sdn. Bhd. for the usage as shoptlot in a shopping centre at 1, Leboh Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan. Amounts were billed based on normal market rates, and amounts were due and receivable under normal payment terms.

Note c

Professional fees payable to Abdullah & Zainudin for professional legal services rendered. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Note d

Sales through easy payment instalment scheme factored to AEON Credit Service (M) Berhad.

Note e

Rental of premises to AEON Credit Service (M) Berhad for the usage of a shoptlot in a shopping centre at Jusco Seremban 2 Shopping Centre, Seremban and AEON Tebrau City Shopping Centre, Johor Bahru. Amounts were billed based on normal market rates, and amounts were due and receivable under normal payment terms.

Note f

Sales through credit card issued by AEON Credit Service (M) Berhad.

Note g

Convertible J CARD points purchased by AEON Credit Service (M) Berhad for J CARD gift redemption given to cardholders who are also J CARD members of the Company.

Note h

Credit card commission payable to AEON Credit Service (M) Berhad for the sales through credit cards.



22. Related parties (continued)

Other related party transactions

	Transaction value		Balance outstanding	
	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000	1.3.2006 to 31.12.2006 RM'000	1.3.2005 to 28.2.2006 RM'000
Holding company				
Royalty expenses	11,181	-	11,181	-
Affiliated company				
Royalty expenses	-	10,835	-	10,835
Holding company's subsidiaries				
Purchase of merchandise	1,118	-	125	-
Consultation fees	300	-	52	-
Affiliated company's subsidiaries				
Purchase of merchandise	-	1,568	-	202
Consultation fees	-	171	-	26

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances is secured.

23. Financial instruments

Exposure to credit risk, interest rate risk, foreign currency risk and liquidity risk arises in the normal course of the Company's business. The Company's policies for managing each of these risks are summarised below.

Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on shopping centre tenants and the Company requires all tenants to place adequate security deposits as stipulated under the tenancy agreement. At balance sheet date, the Company does not have any major concentration of credit risk on its shopping centre tenants. The maximum exposure to credit risk for the Company was represented by the carrying amount of each financial asset.

Foreign currency risk

The Company does not have any significant exposure to foreign currency risk as its transactions and balances are substantially denominated in Ringgit Malaysia.

Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

The Company's exposure to interest rate risk relates only to its short term borrowings such as overdraft and trade financing facilities. Interest-earning financial assets are mainly deposits placed with financial institutions that generate interest income for the Company.

The management monitors the prevailing interest rates at regular intervals, and maintains an appropriate level of cash and cash equivalents to finance the working capital requirements and mitigate the effects of fluctuation in cash flow and liquidity positions of the Company.

In view of the competitive rates that are available from the prevailing banking facilities granted to the Company to finance its working capital requirements and the prevailing low interest rate scenario, the interest rate risk is not expected to have a material impact on the Company.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rate at the balance sheet date and the periods in which they reprice or mature, whichever is earlier:

	31.12.2006		28.2.2006		Effective interest rate per annum %	
	Effective interest rate per annum %	Total RM'000	Within 1 period RM'000	Effective interest rate per annum %	Total RM'000	Within 1 period RM'000
Financial assets						
Deposits placed with licensed financial institutions	-	-	-	2.85	26,300	26,300
Financial liabilities						
Bank overdrafts	-	-	-	7.00	625	625



23. Financial instruments(continued)

Fair values

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The aggregate fair values of other financial assets carried on the balance sheet are shown below:

	31.12.2006		28.2.2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Long-term investments for which it is:				
Practical to estimate fair value	45	42	45	36
Not practical to estimate fair value	1,030	-	1,030	-

It was not practicable to estimate the fair value of an investment in an unquoted company due to the lack of compensation quoted market prices and the inability to estimate fair value without incurring excessive costs. That investment is carried at its original cost of RM1,030,000 (28.2.2006 - RM1,030,000) in the balance sheet. At period end, the share of the net tangible assets in this unquoted company is RM2,647,302 (28.2.2006 - RM2,260,224).

24. Change of financial year end

The Company changed its financial year end from 28 February to 31 December to be in line with AEON Group's reporting. The comparatives for the Income Statement, Statement of Changes in Equity and Cash Flow Statement as well as the comparatives in the notes to the financial statements relating to the Income Statement are for the previous twelve months ended 28 February 2006 and hence, are not comparable to that for the current ten months ended 31 December 2006.

25. Comparative figures

Certain comparative figures have been reclassified.

	As restated RM'000	As previously stated RM'000
Balance sheet		
Non-current assets		
Property, plant and equipment	845,248	971,256
Prepaid lease payments	124,573	-
Current assets		
Prepaid lease payments	1,435	-
	971,256	971,256
Income statement		
Depreciation	(57,850)	(59,227)
Operating expenses	(267,457)	(266,080)
Cash flow statement		
Depreciation	57,850	59,227
Amortisation of prepaid lease payments	1,377	-
	57,850	59,227

Leasehold land amounting to RM126,008,000 as of 28 February 2006 was reclassified from property, plant and equipment to prepaid lease payments to comply with the requirements of FRS 117, *Leases*. Accordingly, the depreciation is also classified as amortisation of prepaid lease payments.

