

## PROSPECTS

### Hong Kong Operations

With a slight inflation rate reflected in a 0.8% increase of the Consumer Price Index in August 2004, benefits from the PRC relaxing its restrictions on individual travellers to the territory and improving unemployment rate, local market sentiment has continued to pick up and the general outlook of the retail market is optimistic.

The Group has built a solid foundation in the Hong Kong market with 7 GMS and 5 independent JUSCO \$10 Plaza in major residential areas with high customer traffic. The Group will open 2 new JUSCO \$10 Plaza in North Point and Jordan in October and December 2004 respectively. Looking ahead, the Group will continue to seek suitable locations to open new GMS and JUSCO \$10 Plaza so as to further boost its share in the retail market in Hong Kong.

### PRC Operations

The consumption power of cities in the Pearl River Delta remains strong and major cities in the region are reporting significant economic growth. With established market presence in the region, the Group sees unlimited opportunities for exploring and developing its business.

Benefiting from the Closer Economic Partnership Arrangement (CEPA), the Group has been granted the permit to establish a wholly-owned subsidiary – AEON (China) Co., Ltd. ("AEON China"), in Shenzhen, the PRC in September 2004. The establishment of AEON China will speed up our expansion plan, strengthen our backbone for merchandise sourcing, logistics support and development of information technology system for our operations, equipping us for entering the retail market laden with great potentials in the South China Region.

## **PROSPECTS (continued)**

### **PRC Operations (continued)**

In September 2004, the Group opened its new GMS in Foshan. The new store not only brings a new shopping experience to citizens of Foshan and nearby cities, but also further expands the Group's GMS network in the South China Region to 7 stores. We also target to open a second GMS in Shenzhen by the end of 2004. To effectively capitalise on the enormous growth potential of the PRC, the Group will take a prudent approach in monitoring the operations of its existing GMS and reviewing its expansion rate in the region.

## **HUMAN RESOURCES**

As at 31 August 2004, the Group employed 3,100 full-time and 2,700 part-time staff in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing industry practices. We also offer benefits such as professional tuition and training subsidies to staff to enhance their personal development while fostering a sense of loyalty. All employees of the Group will strictly follow the "AEON Code of Conduct" to provide the best of our best to our customers, hence fulfilling our motto "Everything we do, we do for our customers".