

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financing Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of the new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustments is required.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENT INFORMATION

The Group is principally engaged in the operation of general merchandise stores. No business segment analysis is presented as the management considers that the Group has one single business segment. The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"), other than Hong Kong.

An analysis of the Group's revenue and results by geographical segment is as follows:

	Six months ended 30 June 2006		
	Hong Kong	PRC	Consolidated
	HK\$'000	HK\$'000	HK\$'000
TURNOVER			
External sales	1,903,584	927,756	2,831,340
SEGMENT RESULT			
Profit before taxation	44,702	1,611	46,313
Income tax expenses			(17,092)
Profit for the period			29,221

	Six months ended 30 June 2005		
	Hong Kong	PRC	Consolidated
	HK\$'000	HK\$'000	HK\$'000
TURNOVER			
External sales	1,822,109	783,834	2,605,943
SEGMENT RESULT			
Profit (loss) before taxation	52,574	(2,315)	50,259
Income tax expenses			(14,578)
Profit for the period			35,681

4. PRE-OPERATING EXPENSES

The amounts in the prior period represent set up costs for new stores. Included in pre-operating expenses were staff costs of HK\$721,000.

5. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within five years.

6. INCOME TAX EXPENSES

	Six months ended	
	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Current tax:		
Hong Kong Profits Tax	10,730	10,095
PRC income tax	6,122	3,292
	16,852	13,387
Underprovision in prior year		
PRC income tax	3,215	–
	20,067	13,387
Deferred tax:		
(Credit) charge for the period	(2,975)	1,191
	17,092	14,578

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

The PRC income tax is calculated at 33% of the estimated assessable profits of the subsidiaries.

7. DIVIDENDS

	Six months ended	
	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Final dividend paid in respect of the year ended 31 December 2005 of 14.0 HK cents (year ended 31 December 2004: 8.5 HK cents) per ordinary share	36,400	22,100

The directors have declared that an interim dividend of 5.5 HK cents (six months ended 30.6.2005: 5.5 HK cents) per share amounting to HK\$14,300,000 (six months ended 30.6.2005: HK\$14,300,000) be paid to the shareholders of the Company whose names appear on the Register of Members on 10 October 2006. The interim dividend will be paid on or before 18 October 2006.

8. EARNINGS PER SHARE

The calculation of earnings per share attributable to the equity holders of the parent is based on the Group's profit for the period attributable to the equity holders of the parent of HK\$28,027,000 (six months ended 30.6.2005: HK\$37,273,000) and on 260,000,000 (six months ended 30.6.2005: 260,000,000) ordinary shares in issue during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$29 million (six months ended 30.6.2005: HK\$50 million) on property, plant and equipment to expand its operations.

10. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Equity securities:		
Listed shares in Hong Kong at fair value	22,921	22,921
Debt securities:		
Unlisted club debenture at fair value	1,990	1,940
	24,911	24,861

The fair value of the investments in equity securities have been determined by reference to bid prices quoted in active markets.

The listed securities detailed above include an investment in a fellow subsidiary of HK\$22,893,000 (31.12.2005: HK\$22,893,000).

11. TRADE RECEIVABLES

The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales. All trade receivables are within the due dates.

12. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Within due dates	660,864	694,151
Overdue under 30 days	55,432	57,595
Overdue over 30 days	43,335	44,370
	759,631	796,116

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At 30 June 2006 and 31 December 2005	350,000,000	70,000
Issued and fully paid:		
At 30 June 2006 and 31 December 2005	260,000,000	52,000

14. CAPITAL COMMITMENTS

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	15,833	4,559
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	8,067	57,402

15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

Nature of transaction		1.1.2006 to 30.6.2006 HK\$'000	1.1.2005 to 30.6.2005 HK\$'000
Fellow subsidiaries	Commission expenses	5,676	5,925
	Purchase of goods	29,192	22,813
	Rental income from licensees	3,313	3,141
Ultimate holding company	Royalty expenses	21,702	19,650
Minority shareholders of the subsidiaries	Rental expenses and management fees	18,873	16,100

During the six months ended 30 June 2005, the Group has donated HK\$1,012,000 to AEON Education and Environment Fund Limited ("the Fund") of which the Company is a member. The Fund is a company limited by guarantee and not having a share capital and was established in co-operation with AEON Credit Service (Asia) Company Limited ("ACS"), a fellow subsidiary of the Company, on 18 February 1998. The objective of the Fund is to promote environmental protection, cultural exchange and education in the Hong Kong Special Administrative Region and other parts of the PRC.

Outstanding balances as at the balance sheet date arising from the above transactions with related parties were as set out in the condensed consolidated balance sheet except for the following balance, which is included in other receivables, prepayments and deposits:

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Amounts due from minority shareholders of the subsidiaries	7,802	7,731